

STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION  
OF THE CHARITABLE GIFT ANNUITY BUSINESS  
OF  
WORLD VISION, INC.  
FEDERAL WAY, WASHINGTON

September 30, 2012

Order No. 13-253  
World Vision, Inc.  
Exhibit A

**SALUTATION**

Seattle, Washington  
September 4, 2013

The Honorable Mike Kreidler, Commissioner  
Washington State Office of the Insurance Commissioner (OIC)  
Insurance Building-Capitol Campus  
302 Sid Snyder Avenue SW, Suite 200  
Olympia, WA 98504

Dear Commissioner Kreidler:

In accordance with your instructions and in compliance with the statutory requirements of Chapter 48.38 RCW, Charitable Gift Annuity Business, an examination was made of the corporate matters and financial records pertaining to the charitable gift annuity (CGA) business of

**World Vision, Inc.**  
of  
Federal Way, Washington

hereinafter referred to as "WV" at its office, 34834 Weyerhaeuser Way South, Federal Way, WA 98063. This report of examination is respectfully submitted showing the financial condition and related corporate matters of the CGA business of WV as of September 30, 2012.

**CHIEF EXAMINER'S AFFIDAVIT**

I hereby certify I have read the attached Report of the Financial Examination of the Charitable Gift Annuity Business of World Vision, Inc., of Federal Way, Washington. This report shows the financial condition of the CGA business and related corporate matters of World Vision, Inc., as of September 30, 2012.



Patrick H. McNaughton  
Chief Examiner

9-4-13

Date

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## **SCOPE OF THE EXAMINATION**

The examination covers the period October 1, 2008 through September 30, 2012. The scope of our examination focused only on the transactions and operations of the CGA business. WV's records, along with various aspects of its operating procedures and financial reports, were reviewed and tested during the course of this examination as necessary to substantiate CGA business reporting. The results of the examination are commented upon in the various sections of this report. In addition, WV's certified public accountant's (CPA's) audit of the September 30, 2012 consolidated financial statements was reviewed and utilized to facilitate efficiency in the examination.

The examination was conducted in accordance with the statutory requirements contained in the Revised Code of Washington (RCW) and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FCEH). The examination was conducted at the Federal Way office of WV by examiners from the state of Washington.

The examiners reviewed WV's CGA Annual Reports as part of the statutory examination. This review was performed to determine if WV completed the Annual Reports in accordance with the Annual Report Instructions published by the OIC and to verify that WV's accounts and records were prepared and maintained in accordance with RCW 48.38.010(a).

## **INSTRUCTIONS**

NONE

## **COMMENTS AND RECOMMENDATIONS**

NONE

## **ORGANIZATION PROFILE**

### **History**

WV was founded in 1950. Its stated mission is to help children, families, and their communities worldwide. WV provides emergency and hunger relief, long-term community development programs, agricultural development assistance, and leadership training.

### **Territory and Plan of Operation**

On September 3, 1999, the OIC granted WV a Certificate of Exemption Number 131 to conduct a CGA business in the state of Washington. There were 333 in-force contracts as of September 30, 2012.

### **Total Net Assets**

WV's total net assets as of September 30, 2012 were \$107.6 million. This amount included unrestricted net assets of \$41.7 million. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

## Growth

The growth of WV for the past five years is reflected in the following schedules:

### Schedule 1 – Statement of Financial Position (In Thousands)

Year	Assets	Liabilities	Total Net		Temporarily Restricted	Permanently Restricted
			Assets	Unrestricted		
2012	\$247,582	\$139,985	\$107,597	\$41,674	\$58,851	\$7,072
2011	288,245	139,294	148,951	49,225	92,881	6,845
2010	296,866	122,014	174,852	68,621	100,828	5,403
2009	299,092	166,949	132,143	56,432	70,381	5,330
2008	358,601	231,319	127,282	51,233	71,625	4,424

### Schedule 2 – Statement of Activities and Changes in Net Assets (In Thousands)

	2012	2011	2010	2009	2008
Total revenues	\$1,016,430	\$1,058,053	\$1,039,561	\$1,223,809	\$1,108,864
Total expenses	1,057,784	1,083,954	996,852	1,218,948	1,133,790
Increase (decrease) in net assets	(41,354)	(25,901)	42,709	4,861	(24,926)
Net assets at beginning of year	148,951	174,852	132,143	127,282	152,208
Net assets at end of year	<u>\$107,597</u>	<u>\$148,951</u>	<u>\$174,852</u>	<u>\$132,143</u>	<u>\$127,282</u>
Number of gift annuity contracts	333	320	298	285	283

### AFFILIATED ORGANIZATIONS

World Vision Foundation (Foundation) is a trust established by WV in 2002 under the laws of the state of California, as a supporting organization. The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

World Vision Properties LLC is a single-purpose entity organized by WV in 2002 under the laws of the District of Columbia for the purpose of holding legal title to the land and building in Washington, D.C. where WV has offices.

World Vision Real Properties LLC is a single-purpose entity organized by WV in 2007 under the laws of the state of Nevada for the purpose of holding legal title to donated real estate.

Tower Business Park LLC (TBP) is a single-purpose entity created under the laws of the state of Oregon for the purpose of property development. On December 1, 2003, 100 percent of the membership interest of TBP was contributed to WV.

## **MANAGEMENT AND CONTROL**

Management of the affairs of WV is vested in a Board of Directors (BOD) made up of not less than twelve or more than twenty persons elected by members of the BOD. The president is the chief executive officer of WV and, subject to the control of the BOD, has general supervision, direction, and control of the activities and officers of the corporation.

### **Board of Directors**

The following individuals were directors as of September 30, 2012:

James Bere	John Park
John Cosby	Deborah Pegues
Gary Dium	Soong Chan Rah
Lisa Trevino Cummins	Joan Singleton
Jacquelline Fuller	Horace Smith
Joyce Godwin	Rich Stearns
Katie Milway	Roland Warren
Paul Nelson	

### **Officers**

The following individuals were officers as of September 30, 2012:

James Bere, Chairman  
Horace Smith, Vice Chairman  
Richard Stearns, President  
Gary Dium, Secretary and Treasurer

### **Tax Status**

WV is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

### **Conflict of Interest**

WV has a conflict of interest policy which requires all BOD members and all WV employees to sign Conflict of Interest Disclosure Forms annually. All disclosures that apply to staff are handled by the vice president of finance, and all disclosures that apply to members of the BOD are referred to the chairperson of the BOD. The policy also has procedures for resolving any disclosed conflicts of interest. Based on our review of the submitted disclosure statements, no exceptions were noted.

## **ORGANIZATION RECORDS**

The BOD meets three times a year to discuss any pertinent business to WV. Minutes of the meetings of the BOD documented the approval of WV's transactions and events. No exceptions were noted.

### **STATEMENT OF ACTUARIAL OPINION**

A consulting actuary with Milliman, Inc., reviewed the adequacy of the annuity reserves and issued a Statement of Actuarial Opinion (SAO) which stated that he is a member of the American Academy of Actuaries. The SAO indicated that WV's annuity contract reserves as computed under RCW 48.38.020(3)(a) and (b) should be \$3.9 million for 333 in-force annuity contracts as of September 30, 2012. This amount was properly reported in WV's 2012 Annual Report.

### **ANNUITY ASSETS CUSTODIAL FUNCTION**

The separate reserve fund assets were held legally and physically segregated from the other assets of WV as required by RCW 48.38.020(2)(a). The market values of the annuity investments as of September 30, 2012 were \$5.3 million and consisted of cash, bonds, and equity funds. The annuity investments were properly reported in the financial statements at market value.

### **SUBSEQUENT EVENTS**

There were no additional material events which impacted WV between the examination date and the last day of our field work.

### **FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS**

All previous report instructions and comments have been addressed and corrected.

### **ACCOUNTING RECORDS AND PROCEDURES**

The records and source documentation supported the data and amounts presented in WV's annual reports and financial statements.

### **FINANCIAL STATEMENTS**

The following financial statements show the unconsolidated financial condition of WV as of September 30, 2012:

Statement of Financial Position  
Statement of Activities and Changes in Net Assets

**World Vision, Inc.**  
**Statement of Financial Position**  
**September 30, 2012**  
(In Thousands)

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
<b>Assets</b>			
Cash and cash equivalents	\$4,873	\$0	\$4,873
Accounts, notes and other receivables	36,436		36,436
Marketable securities and other investments	66,046		66,046
CGA investments	5,300		5,300
Fixes assets (net)	52,809		52,809
Other assets	82,118		82,118
<b>Total Assets</b>	<b><u>\$247,582</u></b>	<b><u>\$0</u></b>	<b><u>\$247,582</u></b>
<b>Liabilities and Net Assets</b>			
Accounts and notes payable	\$29,584	\$0	\$29,584
Due to World Vision International	80,851		80,851
CGA liabilities	3,934		3,934
Other charitable gift annuities - California and Wisconsin	980		980
Other liabilities	24,636		24,636
<b>Total Liabilities</b>	<b><u>139,985</u></b>	<b><u>0</u></b>	<b><u>139,985</u></b>
<b>Net Assets</b>			
Unrestricted	41,674	0	41,674
Temporarily restricted	58,851		58,851
Permanently restricted	7,072		7,072
<b>Total Net Assets</b>	<b><u>107,597</u></b>	<b><u>0</u></b>	<b><u>107,597</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$247,582</u></b>	<b><u>\$0</u></b>	<b><u>\$247,582</u></b>

**World Vision, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended September 30, 2012**  
(In Thousands)

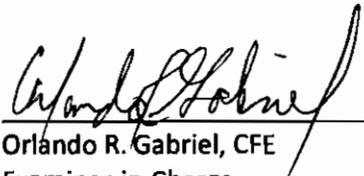
	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
Total revenues	\$1,016,430	\$0	\$1,016,430
Total expenses	<u>1,057,784</u>		<u>1,057,784</u>
Increase (decrease) in net assets	(41,354)	0	(41,354)
Net assets at beginning of year	<u>148,951</u>		<u>148,951</u>
<b>Net assets at end of year</b>	<b><u>\$107,597</u></b>	<b><u>\$0</u></b>	<b><u>\$107,597</u></b>

**ACKNOWLEDGMENT**

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of World Vision, Inc., during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner and Susan Campbell, CPA, CFE, FLMI, ARA, Life and Disability Field Supervising Examiner, both from the Washington State Office of the Insurance Commissioner, participated in the examination and in the preparation of this report.

Respectfully submitted,

  
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Orlando R. Gabriel, CFE  
Examiner-in-Charge  
State of Washington

