

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF THE CHARITABLE GIFT ANNUITY BUSINESS
OF
YAKIMA VALLEY COMMUNITY FOUNDATION
YAKIMA, WASHINGTON

DECEMBER 31, 2013

Order No. 15-185
Yakima Valley Community Foundation
Exhibit A

SALUTATION

Seattle, Washington
March 9, 2015

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

Yakima Valley Community Foundation
of
Yakima, Washington

hereinafter referred to as "YVCF". The examination was performed from our OIC office located at Central Building, 810 Third Avenue, Suite 650, Seattle, WA 98104. All of the information and supporting documentation required to perform this examination were requested via email and sent electronically to our office. This report of examination is respectfully submitted showing the financial condition and related corporate matters of the CGA business of YVCF as of December 31, 2013.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of the Charitable Gift Annuity Business of Yakima Valley Community Foundation of Yakima, Washington. This report shows the financial condition of the CGA business and related corporate matters of Yakima Valley Community Foundation as of December 31, 2013.



Patrick H. McNaughton
Chief Examiner

7-24-15

Date

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SCOPE OF THE EXAMINATION

The examination covers the period January 1, 2009 through December 31, 2013. The scope of our examination focused only on the transactions and operations of the CGA business. YVCF'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, YVCF's December 31, 2013 audited financial statements were 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 financial examiners reviewed YVCF's CGA OIC Annual Reports as part of the statutory examination. This review was performed to determine if YVCF completed the OIC Annual Reports in accordance with the OIC Annual Report Instructions and to verify that YVCF's accounts and records were prepared and maintained in accordance with RCW 48.38.010(10)(a).

INSTRUCTIONS

None

COMMENTS AND RECOMMENDATIONS

None

ORGANIZATION PROFILE

History

YVCF was incorporated in November, 2003, utilizing some of the proceeds received from the 2003 sale of Providence Yakima Valley Medical Center and Providence Toppenish Hospital to Health Management Associates (HMA) by Providence Health System – WA (Providence). YVCF's mission is to improve the cultural, economic, social, health and educational quality of life for residents of Yakima County, Washington, with special attention to unmet needs, and to help donors achieve their philanthropic goals.

YVCF received its CGA certificate of exemption from the OIC in 2008. In October, 2008, at the request of Providence, the OIC granted approval for the transfer of five Charitable Gift Annuity contracts from Providence to YVCF, subject to the active consent of each annuitant. This was accomplished during 2009. As of our examination date, December 13, 2013, YVCF had six annuities issued to three annuitants. Subsequently, all three annuitants were deceased. YVCF has no future plans to issue new CGA's.

Territory and Plan of Operation

On January 2, 2008, the OIC granted YVCF a Certificate of Exemption No. 500290 to conduct a CGA business in the state of Washington. There were six in-force annuity contracts as of December 31, 2013, and all six were issued to residents of the state of Washington.

Total Net Assets

YVCF's total net assets as of December 31, 2013 were \$59,431,166. This amount included unrestricted net assets of \$59,211,166. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

The growth of YVCF for the past five years, as of December 31, is reflected in the following schedules based on the organization's audited financial statements:

Schedule 1 – Statement of Financial Positions

Fiscal Year	Assets	Liabilities	Total Net Assets	Unrestricted	Temporarily Restricted	Permanently Restricted
2013	\$61,899,511	\$2,468,345	\$59,431,166	\$59,211,166	\$220,000	\$0
2012	53,610,465	1,363,613	52,246,852	50,566,733	1,680,119	0
2011	46,798,207	1,283,925	45,514,282	43,661,690	1,852,592	0
2010	47,511,057	1,385,890	46,125,167	42,531,868	3,593,299	0
2009	42,920,468	426,161	42,494,307	38,137,845	4,356,492	0

Schedule 2 – Statement of Activities and Changes in Net Assets

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>*2010</u>	<u>2009</u>
Total revenues	\$10,571,494	\$9,370,972	\$1,492,078	\$6,100,439	\$23,145,255
Total expenses	2,879,184	2,638,402	2,102,963	2,428,684	1,352,752
Increase (decrease) in net assets	7,692,310	6,732,570	(610,885)	3,671,755	21,792,503
Net assets at beginning of year	52,246,852	45,514,282	46,125,167	42,453,412	20,701,804
Transfer of funds	(507,996)	0	0	0	0
Net assets at end of year	\$59,431,166	\$52,246,852	\$45,514,282	\$46,125,167	\$42,494,307
Number of gift annuity contracts in force	6	6	7	7	7

* The 2010 net assets at the beginning of the year do not match the 2009 net assets at the end of the year due to CPA restated amounts in 2010 for deferred compensation due to the retirement of a key employee.

AFFILIATED ORGANIZATIONS

None

MANAGEMENT AND CONTROL

Management

Members of the Board of Directors (BOD) serve as advisors to the Governing Directors and the Executive Director of YVCF. The BOD is made up of 16 members as of December 31, 2013. Members of the BOD are elected for a term of three years and may be re-elected upon approval. Individual BOD members vote on matters that come before committees on which they serve. Any director may be removed at any time by the BOD of YVCF for any reasonable cause.

Board of Directors (BOD)

Directors as of December 31, 2013:

Bill Douglas, Chair	Hank Heffernan
Dave Edler, Vice Chair	Paul Larson
John Adkison	Jesse Licht
Michele Besso	Elizabeth Miller
Bill Dezellem	Minerva Morales
Gina Gamboa	Mary Rohde
Ricardo Garcia	Elizabeth Runde

Officers

Officers as of December 31, 2013:

Ann O'Brien, Treasurer
Elizabeth McGree, Secretary

Tax Status

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

Conflict of Interest

Members of the BOD are required to submit a conflict of interest questionnaire annually. YVCF's policy statement indicates that should an actual or potential conflict of interest arise, it will be reviewed and voted upon by the BOD. No exceptions were noted.

ORGANIZATION RECORDS

The BOD meets at least four times a year to discuss any business which is pertinent of YVCF. BOD meeting minutes documented the approval of YVCF's transactions and events. No exceptions were noted.

SEPARATE RESERVE FUND (SRF)

YVCF's separate reserve fund was reviewed and found to be in compliance with RCW 48.38.020(2)(a) which requires the SRF assets to be held legally and physically segregated from the other assets of YVCF, and RCW 48.38.010(10)(b) which requires an actuarial opinion to be issued by a qualified actuary relating to annuity reserves. In addition, YVCF was in compliance with RCW 48.38.020(3)(c) which requires YVCF to maintain a SRF balance equal to the actuarial calculation for annuity reserves plus a 10 percent surplus. No exceptions were noted.

SUBSEQUENT EVENTS

Subsequent to December 31, 2013, all annuitants were deceased and there are no annuities outstanding at this time. YVCF indicated it has no future plans to issue new CGAs; however, it will maintain its Certificate of Exemption.

ACCOUNTING RECORDS AND PROCEDURES

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

FINANCIAL STATEMENTS

The following financial statements show the financial condition of YVCF as of December 31, 2013:

Statement of Financial Position

Statement of Activities and Changes in Net Assets

**Yakima Valley Community Foundation
Statement of Financial Position
December 31, 2013**

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Note</u>
Assets				
Cash and cash equivalents	\$350,467	\$0	\$350,467	
CGA investments	41,090	0	41,090	
Other Investments	61,418,447	0	61,418,447	
Property, plant, & equipment, net	<u>89,507</u>	<u>0</u>	<u>89,507</u>	
Total Assets	<u>\$61,899,511</u>	<u>\$0</u>	<u>\$61,899,511</u>	
Liabilities and Net Assets				
Accounts and other payables	\$3,813	\$0	\$3,813	
CGA liabilities	44,571	2,193	46,764	1
Other liabilities	<u>2,417,768</u>	<u>0</u>	<u>2,417,768</u>	
Total Liabilities	<u>2,466,152</u>	<u>2,193</u>	<u>2,468,345</u>	
Net Assets				
Unrestricted	50,690,733	8,520,433	59,211,166	1
Temporarily restricted	1,680,119	(1,460,119)	\$220,000	1
Permanently restricted	<u>0</u>	<u>0</u>	<u>0</u>	
Total Net Assets	<u>52,370,852</u>	<u>7,060,314</u>	<u>59,431,166</u>	
Total Liabilities and Net Assets	<u>\$54,837,004</u>	<u>\$7,062,507</u>	<u>\$61,899,511</u>	

**Yakima Valley Community Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013**

	Balance Per Annual Report	Examination Adjustments	Balance Per Examination	Note
Total revenues	\$8,526,002	\$2,045,492	\$10,571,494	1
Total expenses	825,973	2,053,211	2,879,184	1
Increase (decrease) in net assets	7,700,029	(7,719)	7,692,310	
Transfer of funds	0	(507,996)	(507,996)	1
Net assets at beginning of year	52,246,852	0	52,246,852	
Net assets at end of year	\$59,946,881	(\$515,715)	\$59,431,166	

NOTES TO THE FINANCIAL STATEMENTS

1. To reflect the certified public accountant's (CPA) audit adjustments made after the OIC Annual Report filing.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Yakima Valley Community Foundation during the course of this examination.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Charles M. Kreske". The signature is written in black ink and is positioned above a solid horizontal line.

Charles M. Kreske, AFE
Financial Examiner
State of Washington

AFFIDAVIT

STATE OF WASHINGTON }
 } ss
COUNTY OF KING }

Charles M. Kreske, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of the Charitable Gift Annuity business of Yakima Valley Community Foundation was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners.

Charles M. Kreske

Charles M. Kreske, AFE
Financial Examiner
State of Washington

Subscribed and sworn to before me this 24th day of July, 2015.

Colleen Jansen

Notary Public in and for the
State of Washington

