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
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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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Total Net Assets</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$61,899,511</td>
<td>$2,468,945</td>
<td>$59,431,166</td>
<td>$59,211,166</td>
<td>$220,000</td>
<td>$0</td>
</tr>
<tr>
<td>2012</td>
<td>53,610,465</td>
<td>1,363,613</td>
<td>52,246,852</td>
<td>50,566,733</td>
<td>1,680,119</td>
<td>0</td>
</tr>
<tr>
<td>2011</td>
<td>46,798,207</td>
<td>1,283,925</td>
<td>45,514,282</td>
<td>43,661,690</td>
<td>1,852,592</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>47,511,057</td>
<td>1,385,890</td>
<td>46,125,167</td>
<td>42,531,868</td>
<td>3,503,299</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>42,920,468</td>
<td>426,161</td>
<td>42,494,307</td>
<td>38,137,845</td>
<td>4,356,492</td>
<td>0</td>
</tr>
</tbody>
</table>

Schedule 2 – Statement of Activities and Changes in Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>*2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$10,571,494</td>
<td>$9,370,972</td>
<td>$1,492,078</td>
<td>$6,100,439</td>
<td>$23,145,255</td>
</tr>
<tr>
<td>Total expenses</td>
<td>2,879,184</td>
<td>2,638,402</td>
<td>2,102,963</td>
<td>2,428,684</td>
<td>1,352,752</td>
</tr>
<tr>
<td>Increase (decrease)</td>
<td>7,692,310</td>
<td>6,732,570</td>
<td>(610,885)</td>
<td>3,671,755</td>
<td>21,792,503</td>
</tr>
<tr>
<td>Net assets at</td>
<td>52,246,852</td>
<td>45,514,282</td>
<td>46,125,167</td>
<td>42,453,421</td>
<td>20,701,804</td>
</tr>
<tr>
<td>beginning of year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer of funds</td>
<td>(307,996)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net assets at end of</td>
<td>$59,431,166</td>
<td>$52,246,852</td>
<td>$45,514,282</td>
<td>$46,125,167</td>
<td>$42,494,307</td>
</tr>
</tbody>
</table>

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

Officers

Officers as of December 31, 2013:

Ann O’Brien, Treasurer  
Elizabeth McGree, Secretary

Tax Status

VVCF 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. VVCF’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 VVCF. BOD meeting minutes documented the approval of VVCF’s transactions and events. No exceptions were noted.

SEPARATE RESERVE FUND (SRF)

VVCF’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 VVCF, 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, VVCF was in compliance with RCW 48.38.020(3)(c) which requires VVCF 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. VVCF 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

#### Balance Per Annual Report | Examination Adjustments | Balance Per Examination | Note

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$350,467</td>
<td>$0</td>
<td>$350,467</td>
</tr>
<tr>
<td>CGA investments</td>
<td>41,090</td>
<td>0</td>
<td>41,090</td>
</tr>
<tr>
<td>Other Investments</td>
<td>61,418,447</td>
<td>0</td>
<td>61,418,447</td>
</tr>
<tr>
<td>Property, plant, &amp; equipment, net</td>
<td>89,507</td>
<td>0</td>
<td>89,507</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$61,899,511</strong></td>
<td><strong>$0</strong></td>
<td><strong>$61,899,511</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and other payables</td>
<td>$3,813</td>
<td>$0</td>
<td>$3,813</td>
</tr>
<tr>
<td>CGA liabilities</td>
<td>44,571</td>
<td>2,193</td>
<td>46,764</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,417,768</td>
<td>0</td>
<td>2,417,768</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>2,466,152</strong></td>
<td><strong>2,193</strong></td>
<td><strong>2,468,345</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>50,690,733</td>
<td>8,520,433</td>
<td>59,211,166</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>1,680,119</td>
<td>(1,460,119)</td>
<td>$220,000</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>$52,370,852</strong></td>
<td><strong>7,060,314</strong></td>
<td><strong>$59,431,166</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Liabilities and Net Assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>$54,837,004</strong></td>
<td><strong>$7,062,507</strong></td>
<td><strong>$61,899,511</strong></td>
</tr>
</tbody>
</table>
# Yakima Valley Community Foundation

## Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2013

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

### 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,

Charles M. Kreske, AFE
Financial Examiner
State of Washington
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, AFE
Financial Examiner
State of Washington

Subscribed and sworn to before me this 26th day of July, 2015.

Colleen Jansen
Notary Public in and for the State of Washington