

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



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

OCTOBER 31, 2013

Order No. 15-74
Yakima Valley Memorial Hospital
Charitable Foundation
Exhibit A

SALUTATION

Seattle, Washington
February 11, 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 Memorial Hospital Charitable Foundation
of
Yakima, Washington

hereinafter referred to as "YVMHCF". The examination was performed from our OIC office located 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 YVMHCF as of October 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 Memorial Hospital Charitable Foundation of Yakima, Washington. This report shows the financial condition of the CGA business and related corporate matters of Yakima Valley Memorial Hospital Charitable Foundation as of October 31, 2013.



Patrick H. McNaughton
Chief Examiner



Date

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SCOPE OF THE EXAMINATION

The examination covers the period November 1, 2008 through October 31, 2013. The scope of our examination focused only on the transactions and operations of the CGA business. YVMHCF'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, YVMHCF's October 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 YVMHCF's CGA OIC Annual Reports as part of the statutory examination. This review was performed to determine if YVMHCF completed the OIC Annual Reports in accordance with the OIC Annual Report Instructions and to verify that YVMHCF'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

YVMHCF is a nonprofit, charitable foundation which promotes and supports health care services in Central Washington. It was founded in 1989 by the Yakima Valley Memorial Hospital Association (the Hospital).

Territory and Plan of Operation

On April 4, 2003, the OIC granted YVMHCF a Certificate of Exemption No. 203 to conduct a CGA business in the state of Washington. There were three in-force annuity contracts as of October 31, 2013, and all three were issued to residents of the state of Washington.

Total Net Assets

YVMHCF's total net assets as of October 31, 2013 were \$5,958,461. This amount included unrestricted net assets of \$1,112,447. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

Growth

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

Schedule 1 – Statement of Financial Position

Fiscal Year	Assets	Liabilities	Total Net Assets	Unrestricted	Temporarily Restricted	Permanently Restricted
2013	\$6,345,203	\$386,742	\$5,958,461	\$1,112,447	\$4,533,329	\$312,685
2012	5,217,588	377,859	4,839,729	1,213,561	3,313,483	312,685
2011	8,347,851	438,542	7,909,309	1,670,446	5,926,178	312,685
2010	6,963,558	571,082	6,392,476	1,878,022	4,201,769	312,685
2009	7,079,055	499,223	6,579,832	2,216,463	4,050,684	312,685

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	\$3,744,135	\$2,621,096	\$4,315,717	\$4,395,857	\$3,568,967
Total expenses	2,625,403	5,690,676	2,798,884	4,583,213	3,710,530
Increase (decrease) in net assets	1,118,732	(3,069,580)	1,516,833	(187,356)	(141,563)
Net assets at beginning of year	4,839,729	7,909,309	6,392,476	6,579,832	6,721,395
Net assets at end of year	<u>\$5,958,461</u>	<u>\$4,839,729</u>	<u>\$7,909,309</u>	<u>\$6,392,476</u>	<u>\$6,579,832</u>

Number of gift annuity contracts
in force

3	3	3	5	5
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AFFILIATED ORGANIZATIONS

YVMHCF is affiliated with the Hospital.

MANAGEMENT AND CONTROL

Management

YVMHCF is governed by a Board of Trustees (BOT) of no less than five members. The trustees are elected by the BOT for a term of three years and may be appointed to more than one term. All trustees have full voting rights.

Board of Trustees

Trustees as of October 31, 2013:

William Wheeler, Chair	Rick Linneweh
Marie Halverson, Vice Chair	Timothy Melhorn, MD
Darrell Blue	Michael Moen
Anne Caffery	Margaret Nutley
Lee Callarman	Scott Olander
West Campbell	Mary Jo Perez

Dolores Desserault
Bill Dolsen
Daniel Doormink, MD
Chris Falk
Judi Gilmore
James Haven, MD
Bruce Heiser
Royal Keith

Robert Price
B. Jean Pryor
Cindi Steward
Marvin Sundquist
Patricia Temple
Robert Williams, MD
Ann Willis

Officers

Officers as of October 31, 2013:

Anne Caffery, President

Tax Status

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

Conflict of Interest

BOT members are required to submit a conflict of interest questionnaire annually. YVMHCF's policy statement indicates that should an actual or potential conflict of interest arise, it will be reviewed and voted upon by the BOT. Based on our review, no exceptions were noted.

ORGANIZATION RECORDS

The BOT meets five times a year to discuss business pertinent to YVMHCF. BOT meeting minutes documented the approval of YVMHCF's transactions and events. No exceptions were noted.

SEPARATE RESERVE FUND (SRF)

YVMHCF's SRF 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 YVMHCF, 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, YVMHCF was in compliance with RCW 48.38.020(3)(c) which requires YVMHCF to maintain a SRF balance equal to the actuarial calculation for annuity reserves plus a 10 percent surplus. No exceptions were noted.

SUBSEQUENT EVENTS

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

ACCOUNTING RECORDS AND PROCEDURES

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

FINANCIAL STATEMENTS

The following financial statements show the financial condition of YVMHCF as of October 31, 2013:

Statement of Financial Position

Statement of Activities and Changes in Net Assets

Yakima Valley Memorial Hospital Charitable Foundation
Statement of Financial Position
October 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	\$1,079,646	\$0	\$1,079,646	
Separate reserve fund	243,990		243,990	
Investments	4,300,403		4,300,403	
Other assets	721,164		721,164	
Total Assets	<u>\$6,345,203</u>	<u>\$0</u>	<u>\$6,345,203</u>	
Liabilities and Net Assets				
Accounts and other payables	\$44,807	\$0	\$44,807	
CGA liabilities	201,981		201,981	
Due to Enterprise for Progress in the Community	33,812		33,812	
Due to Living Care	33,812		33,812	
Other liabilities	72,330		72,330	
Total Liabilities	<u>386,742</u>	<u>0</u>	<u>386,742</u>	
Net Assets				
Unrestricted	1,034,111	78,336	1,112,447	1
Temporarily restricted	4,611,665	(78,336)	4,533,329	1
Permanently restricted	312,685		312,685	
Total Net Assets	<u>5,958,461</u>	<u>0</u>	<u>5,958,461</u>	
Total Liabilities and Net Assets	<u>\$6,345,203</u>	<u>\$0</u>	<u>\$6,345,203</u>	

Yakima Valley Memorial Hospital Charitable Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended October 31, 2013

	Balance Per Annual Report	Examination Adjustments	Balance Per Examination
Total revenues	\$3,744,135	\$0	\$3,744,135
Total expenses	<u>2,625,403</u>		<u>2,625,403</u>
Increase (decrease) in net assets	1,118,732	0	1,118,732
Net assets at beginning of year	<u>4,839,729</u>		<u>4,839,729</u>
Net assets at end of year	<u>\$5,958,461</u>	<u>\$0</u>	<u>\$5,958,461</u>

NOTES TO THE FINANCIAL STATEMENTS

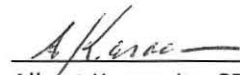
1. To reflect CPA audit adjustments made after the OIC Annual Report filing.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Yakima Valley Memorial Hospital Charitable Foundation 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, from the Washington State Office of the Insurance Commissioner, participated in the examination and in the preparation of this report.

Respectfully submitted,



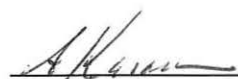
Albert Karau, Jr., CPA, CFE, FLMI
Financial Examiner
State of Washington

AFFIDAVIT

STATE OF WASHINGTON }
} ss
COUNTY OF KING }

Albert Karau, Jr., 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 Memorial Hospital Charitable 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.



Albert Karau, Jr., CPA, CFE, FLMI
Financial Examiner
State of Washington

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



Notary Public in and for the
State of Washington





RECEIVED

March 20, 2015

MAR 23 2015

Insurance Commissioner
Company Supervision

Mr. William Michels, Deputy Insurance Commissioner
Company Supervision
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

Dear Mr. Michels,

Financial Examination of the Charitable Gift Annuity Business of Yakima Valley Memorial Hospital Charitable Foundation, Yakima, Washington for the 5 year period ending October 31, 2013, submitted by your office, has been reviewed.

There are no comments or exceptions to be made on the report. It is understood that the report will be certified and become a public document on March 27, 2015.

We appreciate the time, attention, and courtesy of your staff during this review.

Sincerely,

Anne Caffery, CFRE
President
The Memorial Foundation

Cc: Bruce Heiser, Board Chairman
Robert G. Price, Board Vice Chairman
B. Jean Pryor, Board Treasurer

Order No. 15-74
Yakima Valley Memorial Hospital
Charitable Foundation
Exhibit B

