

STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION  
OF THE CHARITABLE GIFT ANNUITY BUSINESS  
OF  
YMCA OF THE INLAND NORTHWEST  
SPOKANE, WASHINGTON  
DECEMBER 31, 2013

Order No. 15-134  
YMCA of the Inland Northwest  
Exhibit A

**SALUTATION**

Seattle, Washington  
March 19, 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

**YMCA of the Inland Northwest**  
of  
Spokane, Washington

hereinafter referred to as "YMCA". 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 YMCA 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 YMCA of the Inland Northwest of Spokane, Washington. This report shows the financial condition of the CGA business and related corporate matters of YMCA of the Inland Northwest as of December 31, 2013.



Patrick H. McNaughton  
Chief Examiner

5-6-15

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. YMCA'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, YMCA'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 YMCA's CGA OIC Annual Reports as part of the statutory examination. This review was performed to determine if YMCA completed the OIC Annual Reports in accordance with the OIC Annual Report Instructions and to verify that YMCA's accounts and records were prepared and maintained in accordance with RCW 48.38.010(10)(a).

## **INSTRUCTIONS**

### **1. Separate Reserve Fund (SRF)**

The assets of the separate reserve fund are not legally held by YMCA as required by RCW 48.38.020(2)(a). Also, the separate reserve fund and related CGA liability is reported on the books of its affiliate, YMCA of the Inland Northwest Endowment Fund (Endowment Fund.)

**YMCA is instructed to comply with RCW 48.38.020(2)(a) by legally and physically segregating the separate reserve fund from the assets of its affiliates.**

## **COMMENTS AND RECOMMENDATIONS**

NONE

## **ORGANIZATION PROFILE**

### **History**

YMCA was founded in 1884 and is comprised of the Central Spokane YMCA, North Spokane YMCA, and Spokane Valley YMCA. The purpose of YMCA is to provide youth and family programs services in eastern Washington and northern Idaho.

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

On November 7, 2005, the OIC granted YMCA a Certificate of Exemption No. 287 to conduct a CGA business in the state of Washington. There were five in-force contracts as of December 31, 2013, and all five were issued to residents of the state of Washington.

**Total Net Assets**

YMCA's total net assets as of December 31, 2013 were approximately \$18.8 million. This amount included unrestricted net assets of approximately \$18.6 million. The minimum unrestricted net assets requirement was satisfied pursuant to RCW 48.38.010(6).

**Growth**

The growth of YMCA for the past five years is reflected in the following schedules balances based on the organization's audited financial statements:

**Schedule 1 – Statement of Financial Position**

Year	Assets	Liabilities	Total Net		Temporarily Restricted	Permanently Restricted
			Assets	Unrestricted		
2013*	\$35,606,158	\$16,818,093	\$18,788,065	\$18,619,775	\$ 43,365	\$124,925
2012	36,333,242	17,563,330	18,769,912	18,602,903	61,375	105,634
2011	36,554,084	18,343,835	18,210,249	18,099,897		110,352
2010	37,263,054	18,425,010	18,838,044	18,715,605		122,439
2009	37,266,367	18,786,487	18,479,880	7,635,477	10,708,261	136,142

**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	\$17,250,144	\$17,298,265	\$15,859,537	\$16,185,935	\$18,478,839
Total expenses	<u>16,473,882</u>	<u>16,738,602</u>	<u>16,487,332</u>	<u>15,827,771</u>	<u>14,293,359</u>
Increase (decrease) in net assets	776,262	559,663	(627,795)	358,164	4,185,480
Net assets at beginning of year	18,011,803	18,210,249	18,838,044	18,479,880	14,294,400
<b>Net assets at end of year</b>	<b><u>\$18,788,065</u></b>	<b><u>\$18,769,912</u></b>	<b><u>\$18,210,249</u></b>	<b><u>\$18,838,044</u></b>	<b><u>\$18,479,880</u></b>

Number of gift annuity contracts  
in force

5	5	5	5	5
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\*Due to the revised OIC annual report instructions, consolidated balances have been removed for year end 2013.

**AFFILIATED ORGANIZATIONS**

YMCA's affiliates include Central Y Owner, LLC, Central Y SLL, LLC (LLCs), and Endowment Fund. The purpose of the LLCs is to hold buildings and real property. The purpose of the Endowment Fund is to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the YMCA.

## MANAGEMENT AND CONTROL

### **Management**

According to the restated Bylaws, YMCA is governed by a Board of Directors (BOD) consisting of not less than thirty, nor more than forty eight members.

### **Board of Directors**

Directors as of December 31, 2013:

Holly Montgomery, Chair	Sara Johnston
Jon Andrus	Kimberly Kamel
David Barbieri	Terry Kelly
Libby Barnes	Greg Marcinkowski
Dallas Becker	Joel McCullough
Elaine Couture	Shelley McDowell
Bryan Cox	Ed. Miller
John Craig	Cajer Neely
Brady Crook	Bill Richards
Paul Davis	Jeanne Ryan
Fred DePell	Michael Scarpelli
Bill Dinneen	Molly Schemmel
Deloris Duquette	Steve Smith
Kelley Ferguson	Larry Soehren
Loran Graham	Conni Stamper
Nalini Gupta, MD	Cathie Winegar

### **Officers**

Officers as of December 31, 2013:

Steve Tamaro, President and CEO  
Paul Davis, Secretary  
John Craig, Treasurer

### **Tax Status**

YMCA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income.

### **Conflict of Interest**

All BOD members and officers are required to sign a conflict of interest disclosure annually. Also, all employees are required to act according to the YMCA Standard of Conduct. Based on our review, no exceptions were noted.

### **ORGANIZATION RECORDS**

The BOD meets monthly to discuss any business which is pertinent to YMCA. BOD meeting minutes documented the approval of YMCA's transactions and events. No exceptions were noted.

### **SEPARATE RESERVE FUND**

YMCA's SRF was reviewed and found to not 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 YMCA. (See Instruction No. 1.)

YMCA was in compliance with RCW 48.38.010(10)(b) which requires an actuarial opinion to be issued by a qualified actuary relating to annuity reserves. In addition, YMCA was in compliance with RCW 48.38.020(3)(c) which requires YMCA to maintain a SRF balance equal to the actuarial calculation for annuity reserves plus a 10 percent surplus.

### **SUBSEQUENT EVENTS**

There were no additional material events which impacted YMCA 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 YMCA's annual reports.

### **FINANCIAL STATEMENTS**

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

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

**YMCA of the Inland Northwest**  
**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>
<b>Assets</b>				
Cash and cash equivalents	\$ 4,822,992	(\$2,503)	\$ 4,820,489	2
Receivable	225,307		225,307	
Other assets	280,293		280,293	
Land, buildings, and equipment	21,491,435	4,047	21,495,482	3
Investments-Endowment Fund	1,038,665	(1,038,665)		2
CGA investments		72,714	72,714	1
Certificate of deposit	430,000		430,000	
Investments in LLCs	8,281,873		8,281,873	
<b>Total Assets</b>	<b><u>\$36,570,565</u></b>	<b><u>(\$964,407)</u></b>	<b><u>\$35,606,158</u></b>	
<b>Liabilities and Net Assets</b>				
Accounts payable and other	\$16,921,670	(\$147,348)	\$16,774,322	1, 3
CGA liability		43,771	43,771	1
<b>Total Liabilities</b>	<b><u>16,921,670</u></b>	<b><u>(103,577)</u></b>	<b><u>16,818,093</u></b>	
<b>Net Assets</b>				
Unrestricted	18,653,986	(34,211)	18,619,775	1, 2, 3
Temporarily restricted	857,363	(813,998)	43,365	1, 2, 3
Permanently restricted	137,546	(12,621)	124,925	1, 2, 3
<b>Total Net Assets</b>	<b><u>19,648,895</u></b>	<b><u>(860,830)</u></b>	<b><u>18,788,065</u></b>	
<b>Total Liabilities and Net Assets</b>	<b><u>\$36,570,565</u></b>	<b><u>(\$964,407)</u></b>	<b><u>\$35,606,158</u></b>	

**YMCA of the Inland Northwest**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2013**

	<u>Balance Per Annual Report</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Note</u>
Total revenues	\$17,375,956	(\$125,812)	\$17,250,144	1, 2, 3
Total expenses	16,496,973	(23,091)	16,473,882	1, 2, 3
Increase (decrease) in net assets	878,983	(102,721)	776,262	
Net assets at beginning of year	18,769,912	(758,109)	18,011,803	1, 2, 3
<b>Net assets at end of year</b>	<b><u>\$19,648,895</u></b>	<b><u>(\$860,830)</u></b>	<b><u>\$18,788,065</u></b>	

**NOTES TO THE FINANCIAL STATEMENTS**

Examination adjustments to the YMCA's financial statements are as follows:

1. To adjust the charitable gift annuity investments and liabilities that were maintained in the books of Endowment Funds. (See Instruction No. 1.)
2. To eliminate the Endowment Fund related accounts in order to present YMCA's statutory financial statements in accordance with the OIC Annual Report Instructions. (See Instruction No. 1.)
3. To reflect the certified public accountant's 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 YMCA of the Inland Northwest during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner and Zairina Othman, Financial Examiner, 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 "Susan Campbell". The signature is written in black ink and is positioned above the printed name and title.

Susan Campbell, CPA, CFE, FLMI, ARA  
Life and Disability Field Supervising Examiner  
State of Washington

