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
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


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

<table>
<thead>
<tr>
<th>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>$35,606,158</td>
<td>$16,818,093</td>
<td>$18,788,065</td>
<td>$18,619,775</td>
<td>$43,365</td>
<td>$124,925</td>
</tr>
<tr>
<td>2012</td>
<td>36,333,242</td>
<td>17,563,330</td>
<td>18,769,912</td>
<td>18,602,903</td>
<td>61,375</td>
<td>105,634</td>
</tr>
<tr>
<td>2011</td>
<td>36,554,084</td>
<td>18,343,835</td>
<td>18,210,249</td>
<td>18,099,897</td>
<td>110,352</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>37,263,054</td>
<td>18,425,010</td>
<td>18,838,044</td>
<td>18,715,605</td>
<td>122,439</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>37,266,367</td>
<td>18,786,487</td>
<td>18,479,880</td>
<td>7,635,477</td>
<td>10,708,261</td>
<td>136,142</td>
</tr>
</tbody>
</table>

Schedule 2 – Statement of Activities and Changes in Net Assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Total revenues</th>
<th>Total expenses</th>
<th>Increase (decrease) in net assets</th>
<th>Net assets at beginning of year</th>
<th>Net assets at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013*</td>
<td>$17,250,144</td>
<td>$16,473,882</td>
<td>776,262</td>
<td>18,011,803</td>
<td>$18,788,065</td>
</tr>
<tr>
<td>2012</td>
<td>$17,298,265</td>
<td>$16,738,602</td>
<td>559,663</td>
<td>$18,769,912</td>
<td>$18,838,044</td>
</tr>
<tr>
<td>2011</td>
<td>$15,859,537</td>
<td>$16,487,332</td>
<td>(627,795)</td>
<td>$18,210,249</td>
<td>$18,838,044</td>
</tr>
<tr>
<td>2010</td>
<td>$16,185,935</td>
<td>$15,827,771</td>
<td>358,164</td>
<td>$18,479,880</td>
<td>$18,479,880</td>
</tr>
<tr>
<td>2009</td>
<td>$18,478,839</td>
<td>$14,293,359</td>
<td>4,185,480</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of gift annuity contracts in force: 5

*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 Tammaro, 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

<table>
<thead>
<tr>
<th>Assets</th>
<th>Balance Per Annual Report</th>
<th>Examination Adjustments</th>
<th>Balance Per Examination</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 4,822,992</td>
<td>($2,503)</td>
<td>$ 4,820,489</td>
<td>2</td>
</tr>
<tr>
<td>Receivable</td>
<td>225,307</td>
<td></td>
<td>225,307</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>280,293</td>
<td></td>
<td>280,293</td>
<td></td>
</tr>
<tr>
<td>Land, buildings, and equipment</td>
<td>21,491,435</td>
<td>4,047</td>
<td>21,495,482</td>
<td>3</td>
</tr>
<tr>
<td>Investments-Endowment Fund</td>
<td>1,038,665</td>
<td>(1,038,665)</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>CGA investments</td>
<td>72,714</td>
<td></td>
<td>72,714</td>
<td>1</td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>430,000</td>
<td></td>
<td>430,000</td>
<td></td>
</tr>
<tr>
<td>Investments in LLCs</td>
<td>8,281,873</td>
<td></td>
<td>8,281,873</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$36,570,565</strong></td>
<td><strong>($964,407)</strong></td>
<td><strong>$35,606,158</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>Accounts payable and other</th>
<th>($147,348)</th>
<th>$16,774,322</th>
<th>1, 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGA liability</td>
<td>43,771</td>
<td>43,771</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>16,921,670</strong></td>
<td><strong>(103,577)</strong></td>
<td><strong>16,818,093</strong></td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets</th>
<th>Unrestricted</th>
<th>(34,211)</th>
<th>18,619,775</th>
<th>1, 2, 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporarily restricted</td>
<td>853,363</td>
<td>(813,998)</td>
<td>43,365</td>
<td>1, 2, 3</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>137,546</td>
<td>(12,621)</td>
<td>124,925</td>
<td>1, 2, 3</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>19,648,895</strong></td>
<td><strong>(860,830)</strong></td>
<td><strong>18,788,065</strong></td>
<td></td>
</tr>
</tbody>
</table>

| Total Liabilities and Net Assets | $36,570,565 | ($964,407) | $35,606,158 |
YMCA of the Inland Northwest  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2013

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

**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,

Susan Campbell, CPA, CFF, FLMI, ARA
Life and Disability Field Supervising Examiner
State of Washington
Susan Campbell, being duly sworn, deposes and says that the foregoing report subscribed by her is true to the best of her knowledge and belief.

She attests that the examination of the Charitable Gift Annuity business of YMCA of the Inland Northwest 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.

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

Subscribed and sworn to before me this 6th day of May, 2015.

Notary Public in and for the State of Washington