



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE

OF BUFFALO, INC.

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

SEPTEMBER 22, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

CHACKO THOMAS

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Acting Superintendent

March 9, 2016

Honorable Maria T. Vullo
Acting Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31150, dated April 9, 2014 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of The Foundation of the Roman Catholic Diocese of Buffalo, Inc., hereinafter referred to as “the Fund.” The Fund’s home office is located at 795 Main Street, Buffalo, NY 14203.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The examiner recommends that the Fund's board of trustees review the activities of the Fund at least annually and note the same in the minutes. (See item 4 of this report)

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Fund's financial condition as presented in its financial statements contained in the December 31, 2013 filed annual statement. (See item 5 of this report)

The Fund has not issued any gift annuities since receiving its permit. (See item 6 of this report)

The examiner recommends that the Fund contract with a licensed bank or trust company to serve as the Fund's custodian for the Fund's securities. (See item 7 of this report)

The examiner recommends that the Fund prepare its annual statements according to the Department's instructions. (See item 8 of this report)

2. SCOPE OF EXAMINATION

This is the first examination of the Fund since it received its special permit to issue gift annuity agreements in 2009. This examination covers the period from February 9, 2009 through December 31, 2013. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2013 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2013 to determine whether the Fund's filed 2013 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations, or rules or which require explanation or description.

3. DESCRIPTION OF FUND

The Foundation of the Roman Catholic Diocese of Buffalo, Inc. (the “Foundation”) is organized for the purpose of establishing, maintaining, and operating funds for the charitable purpose of the Roman Catholic Diocese of Buffalo, Inc. Under the provisions of its by-laws, the Foundation is permitted to issue gift annuity agreements. A special permit was granted to the Foundation by the Department on February 9, 2009, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. All operations are handled by the Foundation. As of the examination date the Fund did not issue any gift annuity agreements.

The Fund’s investments are deposited in a private money market fund under the management of St. Joseph Investment Fund, Inc.

The management of the Foundation and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is limited to not less than 3 and not more than 25 ex-officio and elected members. As of December 31, 2013, the board consisted of 25 trustees. The trustees elect an Executive Director, Treasurer, Secretary, and such other officers as the board may authorize. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

4. CORPORATE GOVERNANCE

The examiner requested the board of trustees' minutes for the examination period. The Fund provided the examiner with a copy of the board minutes for the board meeting conducted in 2008 only.

The examiner recommends that the Fund's board of trustees review the activities of the Fund at least annually and note the same in the minutes.

5. SIGNIFICANT FINANCIAL INFORMATION

The following table indicates the Fund's financial growth during the period under review:

	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2013</u>	<u>Increase</u>
Admitted assets	<u>\$100,000</u>	<u>\$105,041</u>	<u>\$5,041</u>
Liabilities	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Minimum required surplus	\$ 0*	\$ 0*	\$ 0
Unassigned funds (surplus)	<u>100,000*</u>	<u>105,041*</u>	<u>5,041</u>
Total surplus	<u>\$100,000</u>	<u>\$105,041</u>	<u>\$5,041</u>
Total liabilities and surplus	<u>\$100,000</u>	<u>\$105,041</u>	<u>\$5,041</u>

Note: Items denoted with an asterisk were determined during the examination. (See item 8 of this report)

The increase in assets and surplus is due to the investment income received during the examination period. The Fund has not issued any gift annuities from its inception to December 31, 2013.

The Fund's admitted assets, as of December 31, 2013, were invested in a private money market account, under the management of St. Joseph Investment Fund, Inc., an investment company organized and operated by the Roman Catholic Diocese of Buffalo.

6. TREATMENT OF ANNUITANTS

The Fund has not issued any gift annuities since receiving its permit.

7. CUSTODIAN

The Fund's assets are invested in a private money market account, under the management of St. Joseph Investment Fund, Inc. ("St. Joseph"), an investment company organized and operated by the Roman Catholic Diocese of Buffalo. The examiner determined that St. Joseph is not a licensed bank or trust company.

The examiner recommends that the Fund contract with a licensed bank or trust company to serve as the Fund's custodian for the Fund's securities.

8. ANNUAL STATEMENT REPORTING

The Instructions for Completing Line 20.1 (Minimum required fund balance) in the Liabilities and Annuity Fund Balance section of the New York State Segregated Gift Annuity Fund Annual Statement for each of the years during the examination period (January 1, 2009 through December 31, 2013), state:

Instructions for Completing Line 20.1 for the 2009, 2010, 2011, 2012, and 2013 annual statements state, in part, that:

“‘Current Year’ Column: A minimum required fund balance equal to 10% of the net reserve reported at Line 12 must be reported at this Line. Refer to Section 1110(b) of the New York Insurance Law. ‘Prior Year’ Column: Report prior year’s minimum required fund balance.”

The Fund reported \$100,000 for line 20.1, Minimum required fund balance, in the Assets and Liabilities page in each of its annual statements filed during the examination period. The Fund should have reported line 20.1, "Minimum required fund balance," as 10% of the amount reported in line 12, "Net reserve," of \$0, or \$0 for each of its annual statements filed during the examination period. The Fund therefore overstated minimum required fund balance by \$100,000, and understated excess fund balance by the same amount in each of its annual statements filed during the examination period. The errors above did not have an impact on "Total Annuity Fund Balance" in each of its annual statements filed during the examination period.

The examiner recommends that the Fund prepare its annual statements according to the Department’s instructions.

9. SUMMARY AND CONCLUSIONS

Following are the recommendations and comment contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Fund's board of trustees review the activities of the Fund at least annually and note the same in the minutes.	5
B	The Fund has not issued any gift annuities since receiving its permit.	7
C	The examiner recommends that the Fund contract with a licensed bank or trust company to serve as the Fund's custodian for the Fund's securities.	7
D	The examiner recommends that the Fund prepare its annual statements according to the Department's instructions.	8

Respectfully submitted,

_____/s/
Chacko Thomas
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

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

_____/s/
Chacko Thomas

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31150

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

CHACKO THOMAS

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF
THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF BUFFALO, INC.**

and to make a report to me in writing of the condition of said

FUND

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 9th day of April, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:


MICHAEL MAFFEI

ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

