



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
CENTER FOR INQUIRY, INC.

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

SEPTEMBER 15, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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OF THE

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EXAMINER:

PETER AGUH

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Shirin Emami
Acting Superintendent

February 5, 2016

Honorable Shirin Emami
Acting Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31139, dated June 4, 2014, and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Center for Inquiry, Inc., hereinafter referred to as “the Fund.” The Fund’s home office is located at 3965 Rensch Road, Amherst, NY 14228.

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 board of directors, or a committee thereof, approve the purchases and sales of all investments and note such approvals 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 examiner's review of the Fund's treatment of annuitants did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Fund. (See item 6 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 October 27, 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 Center for Inquiry, Inc. is an educational nonprofit corporation, incorporated in New York, recognized as a 501(c)(3) corporation, under the United States tax code. Its purposes are to critically examine the claims of religion and pseudoscience, advocate for the separation of church and state, work to eliminate the influence of religion and pseudoscience on public policy, and educate the public regarding the benefits of evidence-based reasoning and critical thinking. The Center for Inquiry is a supporting organization within the meaning of Section 509(a)(3) of the United States tax code, and therefore carries out its charitable purposes in substantial part through the work of its two supported affiliates, the Committee for Skeptical Inquiry, Inc. and the Council for Secular Humanism, Inc. All three corporations have the same directors and officers.

Under the provisions of its by-laws, the Center for Inquiry is permitted to issue gift annuity agreements and it has done so since December 21, 2000 through the present. A special permit was granted to the fund by the Department on October 27, 2009, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

U.S. Trust, Bank of America Corporation, (“U.S. Trust”) provides management of the investment funds and makes all benefit payments due to the annuitants. U.S. Trust provides Center for Inquiry, Inc. with quarterly investment statements, payment summaries, and reserve statements and tax filings, along with other requested reports. U.S. Trust also serves as the Fund’s custodian.

The Center for Inquiry, Inc. records the financial activity of the Fund in its accounting software and prepares the Fund’s annual statement based on internal records and statements and summaries issued by U.S. Trust.

The management of the Center for Inquiry and the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors is limited to nine regular voting directors. As of December 31, 2013, the board consisted of eight directors. The directors elect a Chair, who shall preside at the meetings of the Board, and a Vice Chair, who shall preside at the meetings of the Board in the absence of the Chair. The nomination and election procedures of the directors and their terms of office are set by the by-laws.

4. CORPORATE GOVERNANCE

The examiner reviewed the board of directors' minutes to determine whether the board approved the purchases and sales of investments during the examination period. The minutes did not contain any indication of such board approval.

The examiner recommends that the board of directors, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.

5. SIGNIFICANT FINANCIAL INFORMATION

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

	December 31, <u>2009</u>	December 31, <u>2013</u>	<u>(Decrease)</u>
Admitted assets	\$ <u>1,037,652</u>	\$ <u>678,586</u>	\$(<u>359,066</u>)
Liabilities	\$ <u>806,363</u>	\$ <u>503,794</u>	\$(<u>302,569</u>)
Minimum required surplus	\$ 80,636	\$ 50,379	\$ (30,257)
Unassigned funds (surplus)	<u>150,653</u>	<u>124,412</u>	<u>(26,241)</u>
Total surplus	\$ <u>231,289</u>	\$ <u>174,792</u>	\$ <u>(56,497)</u>
Total liabilities and surplus	\$ <u>1,037,652</u>	\$ <u>678,586</u>	\$(<u>359,066</u>)

The decrease in assets, liabilities and surplus reflects a decrease in the total number of annuities in force. Annuities decreased from 19 with annual payment amounts of \$109,467 as of December 31, 2009 to a total of 11 with annual payment amounts of \$53,197 as of December 31, 2013.

The Fund's admitted assets, as of December 31, 2009, were invested mainly in common stocks (93.02 %).

6. TREATMENT OF ANNUITANTS

The examiner reviewed a sample of annuity files to determine whether the annuitants were treated fairly and in accordance with the provisions of the annuity agreements. The examination also consisted of a review of the various controls involved, a check of the accuracy of the computations and the tracing of accounting data to the books of account. Based upon the sample reviewed, no significant findings were noted.

7. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the board of directors, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.	5

Respectfully submitted,

_____/s/
Peter Aguh
Senior Insurance Examiner

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

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

_____/s/
Peter Aguh

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31139

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:

PETER AGUH

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
CENTER FOR INQUIRY, 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 4th day of June, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

