



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
CENTER FOR CONSTITUTIONAL RIGHTS

CONDITION:

DECEMBER 31, 2017

DATE OF REPORT:

OCTOBER 22, 2018

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

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Fund	4
	A. History	4
	B. Services	4
	C. Corporate governance	4
4.	Significant financial information	6
5.	Treatment of annuitants	7
6.	Custodian	8
7.	Summary and conclusions	9



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

November 26, 2018

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

Madam:

In accordance with instructions contained in Appointment No. 31725, dated April 13, 2018, and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Center for Constitutional Rights, hereinafter referred to as the “Fund.” The Fund’s home office is located at 666 Broadway, 7th Floor, New York, NY 10012.

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 trustees, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes. (See item 3C of this report)

The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes. (See item 3C of this report)

The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract. (See item 5 of this report)

The examiner recommends that the Fund use the name, as agreed upon by resolution of the board of trustees, for its custodian account. (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 2013. This examination covers the period from November 11, 2013 through December 31, 2017. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2017 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, 2017 to determine whether the Fund's filed 2017 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

A. History

The Center for Constitutional Rights, (the “Center”) is organized for the purpose of advancing and protecting the rights guaranteed by the United States Constitution and the Universal Declaration of Human Rights. Founded in 1966 by attorneys who represented civil rights movements in the South, the Center is a non-profit legal and educational organization committed to the creative use of law as a positive force for social change. The Center established a program to issue gift annuity agreements in return for gifts from donors, and it has done so since 2002. A permit was granted to the Fund by the Department on November 11, 2013, for issuing gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

B. Services

First State Trust Company is the custodian of the Fund's assets. Trillium Asset Management, LLC provides investment advisory services. Winnie Tam and Company P.C, provides accounting services including reconciliation of investment accounts and bank accounts. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

C. Corporate Governance

The management of the Center and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is limited to 20 regular voting trustees. As of December 31, 2017, the board consisted of 11 regular voting trustees. The trustees elect a President, one or more Vice Presidents, a Secretary, a Treasurer and such other Officers as they may determine. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

The Fund provided the minutes for the board of trustees and finance committee meetings held during the examination period. A review of the minutes revealed no indication that the board addressed the Fund’s activities during the examination period.

The examiner recommends that the board of trustees or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes.

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

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

4. SIGNIFICANT FINANCIAL INFORMATION

The following summary table indicates the growth (decline) in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2017</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	\$ <u>1,323,031</u>	\$ <u>1,478,839</u>	\$ <u>155,808</u>
Liabilities	\$ <u>749,054</u>	\$ <u>567,870</u>	\$ <u>(181,184)</u>
Minimum required fund balance	\$ 72,635	\$ 56,711	\$ (15,924)
Excess fund balance (surplus)	<u>501,342</u>	<u>854,258</u>	<u>352,916</u>
Total annuity fund balance	\$ <u>573,977</u>	\$ <u>910,969</u>	\$ <u>336,992</u>
Total liabilities and annuity fund balance	\$ <u>1,323,031</u>	\$ <u>1,478,839</u>	\$ <u>155,808</u>

The increase in assets is due to gains in the investment income and the decrease in liabilities reflects a decrease in the total number of annuities in force. The increase in total annuity fund balance is due to the release of reserves based on the termination of annuities. Annuities decreased from 45 with annual payment amounts of \$91,884 as of December 31, 2013 to a total of 39 with annual payment amounts of \$64,851 as of December 31, 2017.

The Fund's admitted assets, as of December 31, 2017, were invested mainly in bonds (22.75%) and common stocks (66.28%). All bonds held were of investment grade.

5. 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.

The examiner reviewed a sample of ten (10) terminated annuity files in New York to determine whether adequate documentation was maintained for the terminated annuity files. The examiner's review revealed that in three out of the ten cases (30%) reviewed, the Fund did not obtain a copy of the death certificate to confirm termination of the annuity contract.

The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract.

6. CUSTODIAN

The examiner's review of the Fund's custodian account noted that the account is in the name of 'Center for Constitutional Rights-TA' not in the name of the Fund as agreed to by resolution of the board of trustees filed with the Department.

The examiner recommends that the Fund use the name, as agreed upon by resolution of the board of trustees, for its custodian account.

7. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the board of trustees, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes.	5
B	The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.	5
C	The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity	7
D	The examiner recommends that the Fund use the name, as agreed upon by resolution of the board of trustees, for its custodian account.	8

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. 31725

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, 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 CONSTITUTIONAL RIGHTS**

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 13th day of April, 2018

MARIA T. VULLO
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

