NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

SUDAN INTERIOR MISSION, INC.

CONDITION: DECEMBER 31, 2012

DATE OF REPORT: JUNE 30, 2013
NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER: JAMES WANG
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Sir:

In accordance with instructions contained in Appointment No. 30939, dated March 18, 2013 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Sudan Interior Mission, Inc., hereinafter referred to as “the Fund.” The Fund’s home office is located at 14830 Choate Circle, Charlotte, NC 28273.

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 Fund violated Section 312 of the New York Insurance Law by failing to require each of its board members to sign a statement indicating that they have received and read the examination report. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination. (See item 4 of this report)

The examiner recommends that the board of directors or a committee thereof, document its review of the purchase and sale of investments at least annually in the board minutes. A similar recommendation was made during the prior examination. (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, 2012 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)

The examiner recommends that the Fund comply with OGC Opinion No. 96-50 by contracting 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 divest itself of its alternative investment in Silver Creek. A similar recommendation was made during the prior examination. (See item 8 of this report)

The examiner recommends that the Fund include the CUSIP identification number for all bonds and common stocks listed in its filed annual statements. A similar recommendation was made during the prior examination. (See item 9 of this report)
2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2007. This examination covers the period from January 1, 2008 through December 31, 2012. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2012 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, 2012 to determine whether the Fund’s filed 2012 annual statement fairly presents its financial condition. The examiner reviewed the Fund’s income and disbursements necessary to accomplish such verification. The examiner also reviewed the corrective actions taken by the Fund with respect to the violations and recommendations contained in the prior report on examination. The results of such review are contained in item 10 of this report.

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 Sudan Interior Mission Inc. (the “Mission”) is organized for the purpose of glorifying God by planting, strengthening, and partnering with churches around the world as they evangelize the un-reached, minister to human need, disciple believers into churches and equips churches to fulfill Christ’s Commission. Under the provisions of its by-laws, the Mission is permitted to issue gift annuity agreements and it has done so since 1948. A special permit was granted to the Mission by the New York State Insurance Department on August 13, 1957, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. All operations related to the issuance of annuity agreements are handled by the Fund. Fidelity Institutional Wealth Services (“Fidelity”) is the custodian of the Fund’s investments. All other operations are outsourced by the Fund to Fund Evaluation Group, LLC (Delaware). Fund Evaluation Group, LLC is also the Fund’s investment manager.

The management of the Mission and the Fund and all of its affairs and property are entrusted to a board of trustees. As of December 31, 2012, the board consisted of 12 trustees. The General Director and Home Director of the Mission shall be ex-officio President and Vice President of the Mission. The trustees elect a secretary and a treasurer. The nomination and election procedures of the trustees and their term of office are set by the by-laws.
4. CORPORATE GOVERNANCE

Section 312 of the New York Insurance Law states, in part:

“(a) The superintendent shall forward to every insurer or other person examined a copy of the report on examination . . . (b) A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer’s files confirming that such member has received and read such report . . .”

The examiner requested the Fund to provide the signed statements by each board member indicating that they received and read the prior report on examination. Out of the 12 board members, only 4 (33.3%) returned the signed statement to the Fund.

The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination.

The examiner reviewed the board of directors’ minutes and the investment committee minutes to determine if the board or the investment committee approved the purchases and sales of investments during the examination period. The minutes did not contain any indication that the board or the investment committee approved the purchases and sales of investments in the years 2008, 2009, 2011, and 2012.

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. SIGNIFICANT FINANCIAL INFORMATION

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

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2007</th>
<th>December 31, 2012</th>
<th>(Decrease)</th>
</tr>
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<tbody>
<tr>
<td>Admitted assets</td>
<td>$5,572,138</td>
<td>$3,877,640</td>
<td>$(1,694,498)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$3,360,739</td>
<td>$2,978,438</td>
<td>$(382,301)</td>
</tr>
<tr>
<td>Minimum required surplus</td>
<td>$336,074</td>
<td>$297,844</td>
<td>$(38,230)</td>
</tr>
<tr>
<td>Unassigned funds (surplus)</td>
<td>1,875,325</td>
<td>601,358</td>
<td>(1,273,967)</td>
</tr>
<tr>
<td>Total surplus</td>
<td>$2,211,399</td>
<td>$899,202</td>
<td>$(1,312,197)</td>
</tr>
<tr>
<td>Total liabilities and surplus</td>
<td>$5,572,138</td>
<td>$3,877,640</td>
<td>$(1,694,498)</td>
</tr>
</tbody>
</table>

The decrease in assets, liabilities and surplus reflects a decrease in the total number of annuities in force. Annuities decreased from 584 with annual payment amounts of $537,319 as of December 31, 2007 to a total of 503 with annual payment amounts of $402,834 as of December 31, 2012.

The Fund’s admitted assets, as of December 31, 2012, were mainly invested in common stocks (99.5%).
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. CUSTODIAN

Office of General Counsel (OGC) Opinion No. 96-50 states, in part:

“...It has been the long-standing position of this Department that an insurer’s securities may be held only by a licensed bank and or trust company. The Department’s rationale behind this requirement is to insure that the securities are properly safeguarded. It has been the Department’s opinion that securities brokerage houses are not regulated closely enough to permit them to serve as custodians for admitted assets, despite the convenience they would provide to an insurer....”

The Fund’s custodian is Fidelity Institutional Wealth Services (“Fidelity”). The examiner determined that Fidelity is not a licensed bank or trust company.

The examiner recommends that the Fund comply with OGC Opinion No. 96-50 by contracting with a licensed bank or trust company to serve as the Fund’s custodian for the Fund’s securities.
8. ALTERNATIVE INVESTMENT

The Fund’s Investment Policy Statement states, in part:

“The Investment Committee requires that all Fund assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on price.”

The Fund holds an alternative investment in Silver Creek - Low Volatility Fund (“Silver Creek”) with a market value of $400,822 and a cost basis of $251,960 as of December 31, 2012. The Department’s prior report on examination of the Fund as of December 31, 2007 recommended that the Fund divest itself of its alternative investment in Silver Creek. The Department’s prior report expressed that the Fund’s investment in Silver Creek violates the Fund’s investment policy statement by investing in a high risk alternate investment that cannot be transacted quickly due to an impairment that produced a severe downward pressure on marketability and price.

The examiner recommends that the Fund divest itself of its alternative investment in Silver Creek.

9. ANNUAL STATEMENT REPORTING

The Fund failed to report the CUSIP identification number for all bonds and common stocks presented in its annual statements filed during the examination period.

The examiner recommends that the Fund include the CUSIP identification number for all bonds and common stocks listed in its filed annual statements. This is a repeat recommendation.
10. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in the prior report on examination and the subsequent actions taken by the Fund in response to each citation:

<table>
<thead>
<tr>
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| A    | The Fund violated Section 1110(b) of the New York Insurance Law by failing to maintain admitted assets at least equal to 110% of its reserves as of December 31, 2008.  
The Fund maintained admitted assets at least equal to 110% of its reserves as of December 31, 2012 as required by Section 1110(b) of the New York Insurance Law. |
| B    | The examiner recommends that the Fund transfer the appropriate amount of assets into the Segregated Fund to be in compliance with Section 1110(b) of the New York Insurance Law.  
The Fund maintained admitted assets at least equal to 110% of its reserves as of December 31, 2012 as required by Section 1110(b) of the New York Insurance Law. |
| C    | The Fund violated its Investment Policy Statement’s Marketability of Assets provision by investing in an asset that cannot be transacted quickly due to an impairment that resulted in a severe downward pressure on marketability and price.  
As of December 2012, the Fund is moving towards liquating its assets in its Silver Creek Fund. As of December 31, 2012, the Fund is still participating in Silver Creek Capital’s Low Volatility Strategies Fund. This fund continues to make two or three payouts each year.  
The market value of the investment in Silver Creek as of 12/31/2009 was $805,457. Since then, the Fund received payouts totaling $516,726. The market value of the investment in Silver Creek as of 12/31/2012 was $400,822. |
| D    | The examiner recommends that the Fund divest itself of its alternative investment in Silver Creek fund as soon as reasonably practicable.  
A similar recommendation is contained in this report. |
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<tr>
<td>E</td>
<td>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. A similar recommendation is contained in this report.</td>
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<tr>
<td>F</td>
<td>The examiner recommends that the Fund include the CUSIP identification number for all bonds and common stocks listed in its filed annual statements. A similar recommendation is contained in this report.</td>
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</tbody>
</table>
11. **SUMMARY AND CONCLUSIONS**

Following are the violation and recommendations contained in this report:

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<td>B</td>
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</tr>
<tr>
<td>C</td>
<td>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. This is a repeat recommendation.</td>
<td>5</td>
</tr>
<tr>
<td>D</td>
<td>The examiner recommends that the Fund comply with OGC Opinion No. 96-50 by contracting with a licensed bank or trust company to serve as the Fund’s custodian for the Fund’s securities.</td>
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<td>8</td>
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</tbody>
</table>
Respectfully submitted,

________________________
James Wang
Insurance Examiner

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

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

________________________
James Wang

Subscribed and sworn to before me

this _______ day of _________________________
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:

JAMES WANG

as a proper person to examine the affairs of the

SEGREGATED GIFT ANNUITY FUND OF THE SUDAN INTERIOR MISSION 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 18th day of March, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT AND CHIEF OF THE LIFE BUREAU