



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

FRIENDS OF YAD SARAH, INC.

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

JUNE 4, 2015

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EXAMINER:

JULIUS ASUBONTENG

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Acting Superintendent

April 7, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31151, 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 Friends of Yad Sarah, Inc., hereinafter referred to as “the Fund.” The Fund’s home office is located at 450 Park Avenue, New York, NY 10022.

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 directors review the activities of the Fund at least annually and note the same in the minutes. (See item 4 of this report)

The examiner recommends that the board of directors or a committee thereof review the purchases and sales of investments of the Fund at least annually and record 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 examiner's review of the Fund's treatment of annuitants did not reveal any 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 prepare its annual statements according to the Department's instructions. (See item 7 of this report)

2. SCOPE OF EXAMINATION

This is the first examination of the Fund since receiving its special permit to issue gift annuity agreements in 2009. This examination covers the period from October 23, 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 Friends of Yad Sarah, Inc. (the “Corporation”) was organized for religious and educational purposes for the furnishing of medical equipment, supplies, appliances, instruments and facilities to hospitals, clinics, and research institutions in the United States and elsewhere. Under the provisions of its by-laws, the Fund is permitted to issue gift annuity agreements and it has done so since June 1981. A special permit was granted to the Fund by the Department on October 23, 2009, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

PNC Institutional Investments (“PNC”), an asset management company, provides fundraising strategy, including planned giving support management to the Fund.

PNC Bank is the custodian of the Fund’s investments. PNC also prepares the annual statements, calculates the reserves, and processes the annuity benefits on behalf of the Fund. The Fund also maintains a licensing agreement with PG Calc, Inc. (gift annuity software) to manage the Fund’s gift annuity program. All other operations related to the issuance, maintenance and settlement of annuity agreements are performed by the Fund.

The management of the Corporation and the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors shall not be less than three. As of December 31, 2013, the board consisted of five directors. The directors elect a Chairman and Secretary. The nomination and election procedures of the directors and their terms of office are set by the by-laws.

4. CORPORATE GOVERNANCE

The examiner requested the minutes of meetings of the board of directors for the examination period. The Fund failed to provide the examiner with the minutes of the board of directors in which the activities of the Fund are reviewed.

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

The examiner recommends that the board of directors or a committee thereof review the purchases and sales of investments of the Fund at least annually and record 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>167,941</u>	\$ <u>857,680</u>	\$ <u>689,739</u>
Liabilities	\$ <u>0</u>	\$ <u>375,662</u>	\$ <u>375,662</u>
Minimum required fund balance	\$ 0*	\$ 37,566*	\$ 37,566
Excess fund balance (surplus)	<u>167,941</u> *	<u>444,452</u> *	<u>276,511</u>
Total annuity fund balance	\$ <u>167,941</u>	\$ <u>482,018</u>	\$ <u>314,077</u>
Total liabilities and annuity fund balance	\$ <u>167,941</u>	\$ <u>857,680</u>	\$ <u>689,739</u>

Note: Items with an asterisk were determined upon examination. See item 7 of this report.

The increase in assets, liabilities and annuity fund balance reflects an increase in the total number of annuities in force. The Fund issued 32 annuities during the period under examination. As of December 31, 2013, the Fund reported 30 annuities with annual payment amounts of \$43,480.

The Fund's admitted assets, as of December 31, 2013, were invested mainly in common stocks (97.05%). The Fund did not own any bonds.

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. 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 exam 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 failed to report the correct amount for line 20.1 Minimum required fund balance in the Assets and Liabilities page in its annual statements for all years during the examination period.

The Fund reported \$100,000 for minimum required fund balance as of December 31, 2013. In accordance with the annual statement instructions cited above, the Fund should have reported 10% of the net reserve of \$375,662 or \$37,566 for the minimum required fund balance. The Fund therefore overstated minimum required fund balance by \$62,434 and understated excess fund balance by the same amount in its 2013 annual statement.

The Fund reported \$100,000 for minimum required fund balance as of December 31, 2012. In accordance with the annual statement instructions cited above, the Fund should have reported 10% of the net reserve of \$239,371 or \$23,937 for the minimum required fund balance. The Fund therefore overstated minimum required fund balance by \$76,063 and understated excess fund balance by the same amount in its 2012 annual statement.

The Fund reported \$100,000 for minimum required fund balance as of December 31, 2011. In accordance with the annual statement instructions cited above, the Fund should have reported 10% of the net reserve of \$108,212 or \$10,821 for the minimum required fund balance. The Fund therefore overstated minimum required fund balance by \$89,179 and understated excess fund balance by the same amount in its 2011 annual statement.

The Fund reported \$100,000 for minimum required fund balance as of December 31, 2010. In accordance with the annual statement instructions cited above, the Fund should have reported 10% of the net reserve of \$97,718 or \$9,772 for the minimum required fund balance. The Fund therefore overstated minimum required fund balance by \$90,228 and understated excess fund balance by the same amount in its 2010 annual statement.

The Fund reported \$100,000 for minimum required fund balance as of December 31, 2009. In accordance with the annual statement instructions cited above, the Fund should have reported 10% of the net reserve of \$0 or \$0 for the minimum required fund balance. The Fund therefore overstated minimum required fund balance by \$100,000 and understated excess fund balance by the same amount in its 2009 annual statement.

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

8. 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 Fund records and maintains minutes of meetings of the board of directors.	5
B	The examiner recommends that the board of directors or a committee thereof review the purchases and sales of investments of the Fund at least annually and record the same in the minutes.	5
C	The examiner recommends that the Fund prepare its annual statements according to the Department's instructions.	9

Respectfully submitted,

_____/s/
Julius Asubonteng
Senior Insurance Examiner

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

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

_____/s/
Julius Asubonteng

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31151

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:

JULIUS ASUBONTENG

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
FRIENDS OF YAD SARAH, 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

