



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
SUDAN INTERIOR MISSION, INC.**

**AS OF DECEMBER 31, 2022**

**EXAMINER: Adelia Gbadamosi**

**DATE OF REPORT: May 30, 2024**

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KATHY HOCHUL  
Governor

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ADRIENNE A. HARRIS  
Superintendent

July 1, 2024

Honorable Adrienne A. Harris  
Superintendent of Financial Services  
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32524, dated October 6, 2023 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. The Fund's home office is located at 18430 Choate Circle, Charlotte, North Carolina 28273.

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

## 1. EXECUTIVE SUMMARY

The examiner recommends that the Fund consistently use the name that appears on the board resolution issued in accordance with Section 1110 of the New York Insurance Law in all its operations. (See item 3E of this report)

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials. (See item 4A of this report)

The examiner recommends that the Fund prepare its filed annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement. (See item 7 of this report)

## 2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' ("Department" or "DFS") examination and assessment of the Sudan Interior Mission, Inc. Segregated Annuity Fund (the "Fund") through which the Sudan Interior Mission, Inc. (the "Organization") provides annuity benefits.

The prior examination was conducted as of December 31, 2017. This examination covers the period from January 1, 2018 through December 31, 2022. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2022 but prior to the date of this report (i.e., the completion date of the examination).

This report outlines DFS's supervisory expectations or priorities and articulates DFS's general views regarding the exceptional circumstances where the Organization or Fund, in relation to their annuity activities, could have better adhered to statutory standards and guidance or practices or methods of dealing that are regularly observed among similar circumstances.

The Fund is subject to the solvency and examination requirements of New York Insurance Law § 1110 and of New York Insurance Law articles 1, 2, 3, 25, and 74.

The investment of the Fund's required admitted assets is subject to N.Y. Estates, Powers and Trust Law § 11-2.3. The investment of the remainder of the Fund's admitted assets is subject to N.Y. Not-for-Profit Corporation Law Article 5-a. Both establish that the trustees are to invest the assets consistent with prudent person standards.

The examination comprised a verification of assets and liabilities as of December 31, 2022 to determine whether the Fund's filed 2022 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 recommendations contained in the prior report on examination. The results of such review are contained in item 8 of this report.

### 3. DESCRIPTION OF FUND

#### A. History

Sudan Interior Mission, Inc. was chartered in 1926 and 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 equip churches to fulfill Christ's Commission. The Organization established the Fund to issue gift annuity agreements in return for gifts from donors in 1948. The Superintendent of Insurance granted to the Organization a Charitable Annuity Society special permit on August 13, 1957.

#### B. Structure

The Fund is overseen by the Organization's board of directors. All operations related to the issuance, maintenance, and settlement of annuity agreements are handled by the Fund itself.

#### C. Assets under the Board of Directors

As of the Organization's September 30, 2022 audited financial statement, the Organization held \$39,060,711 in investments. The Fund, as of December 31, 2022, held total admitted assets of \$2,321,369.

#### D. Third-party Service Providers

First Citizens Bank and Trust Company is the custodian of the Fund's assets and investment manager. Charitable Trust Administration Corporation (CTAC) handles the Fund's operational functions, such as check issuance, 1099 forms, state filings, and the calculation of reserves.

#### E. Oversight Structure

The examiner reviewed the Fund's investment statements and noted that the Fund used the name of the Organization instead of the name of the Fund that appears on the board resolution.

The examiner recommends that the Fund consistently use the name that appears on the board resolution issued in accordance with Section 1110 of the New York Insurance Law in all its operations.

#### 4. INVESTMENT REVIEW

##### A. Investment Policy Statement

New York Estate Powers and Trust Law § 11-2.3(b)(3)(A) requires trustees to “pursue an overall investment strategy to enable the trustee[s] to make appropriate present and future distributions to or for the benefit of the beneficiaries under the governing instrument, in accordance with risk and return objectives reasonably suited to the entire portfolio.”

New York Not-for-Profit Corporation Law § 552(e)(2) requires institutions to adopt “an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.” New York Not-for-Profit Corporation Law § 552(f) provides that each “institution shall adopt a written investment policy setting forth guidelines on investments ... and delegation of management and investment functions in accord with the standards of this article.”

First Citizens Bank and Trust Company is the Fund’s investment adviser and custodian.

First Citizens Bank and Trust Company prepared and provided a form investment policy statement (“IPS”) to the Fund. The Fund adopted that form as its IPS.

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.

## 5. ASSETS AND LIABILITIES SUMMARY

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:

	December 31, <u>2017</u>	December 31, <u>2022</u>	Increase (Decrease)
Admitted assets	\$ <u>3,119,216</u>	\$ <u>2,321,369</u>	\$( <u>797,847</u> )
Liabilities	\$ <u>2,057,232</u>	\$ <u>1,277,865</u>	\$( <u>779,367</u> )
Minimum required fund balance	\$ 205,723	\$ 127,787	\$ (77,936)
Excess fund balance (surplus)	<u>856,261</u>	<u>915,717</u>	<u>59,456</u>
Total annuity fund balance	\$ <u>1,061,984</u>	\$ <u>1,043,504</u>	\$ <u>(18,480)</u>
Total liabilities and annuity fund balance	\$ <u>3,119,216</u>	\$ <u>2,321,369</u>	\$( <u>797,847</u> )

The decrease in assets, liabilities, and annuity fund balance was due to annuity payouts to annuitants and losses on investments that were mainly incurred in 2022. Annuities decreased from 384 with annual payment amounts of \$269,845 as of December 31, 2017 to a total of 269 with annual payment amounts of \$156,717 as of December 31, 2022.

The Fund's admitted assets, as of December 31, 2022, were invested mainly in equity securities (98.0%).



## 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 Department's Instructions for Completing the New York State Segregated Gift Annuity Fund Annual Statement for the year ended December 31, 2022, namely the Disbursements section, states, in part:

“Line 8 Report total annuity payments made during the current year and prior year. If no amounts are reported for the current year, provide an explanation at Note 2 of the Notes to Financial Statement.”

The Department's Instructions for Completing the New York State Segregated Gift Annuity Fund Annual Statement for the year ended December 31, 2022, namely the Exhibit of Annuities In Force section, states, in part:

“Column No. 9

“At End of Year – Amount”: Report the annualized amount of annuity payments payable under contracts outstanding at year-end. Do not report the annuity considerations or reserve amounts in this column.

Equals the sum of Columns 3 plus 5 minus 7.

The total amount of annuity payments made during the year reported on Page 3, Line 8 should be approximately, an average of the amounts reported on Line 1, Column 3 and Column 9. If the amount reported on Page 3, Line 8 is not close to that amount, provide an explanation at Note 2 of the Notes to Financial Statement.”

The Fund reported \$299,653 in the disbursements section, on page 3, line 8, as Annuity payments to donors and others. However, the amount reported on line 1, column 9 of the Exhibit of Annuities In Force for 2022 was \$156,717. Also, the annuity payable amount reported on the reserve report was \$156,717. Furthermore, the Organization failed to provide an explanation in Note 2 of the Notes to Financial Statement for the differences in the paid and payable amount.

The Department's Instructions for Completing the New York State Segregated Gift Annuity Fund Annual Statement for the year ended December 31, 2022, states, in part:

Income Section:

“Line 2            “Current Year” Column: Should agree with Exhibit 1, Column 3, Line 7.”

Exhibit 1 – Verification of Investment Income:

“Line 1... Column 6 should equal the sum of:

- (1) the amount reported for Totals in Schedule A, Part 2, Column 9, and
- (2) the amount reported for Totals in Schedule A, Part 3, Column 9.”

Schedule A – Part 3 – Common Stocks:

“...Column 9... Report the amount of income received during the current year. (e.g., dividends, distribution of gains)

Total should agree with the amount reported in Exhibit 1, Line 1, Column 6.”

A review of the Fund’s filed 2021 annual statement revealed that \$59,913 in income was received during the year in Exhibit 1, line 1, column 6. In Schedule A, Part 3, Column 9, it reported \$0 in income received during the year. The examiner’s review of the Fund’s 2021 supporting workpapers indicated that the Fund should have reported \$59,913 in income in Schedule A, Part 3, Column 9.

In the Fund’s filed 2022 annual statement, it reported \$40,433 in investment income in Exhibit 1, line 1, column 3 and on page 3, line 2. However, it reported \$0 in Schedule A, Part 3, Column 9. The examiner’s review of the Fund’s 2022 supporting workpapers indicated that the Fund should have reported \$39,967 in income in Exhibit 1, line 1, column 6 and Schedule A, Part 3, Column 9. Further, the Fund should have reported \$466 in income from cash in Exhibit 1, line 1, column 4.

The examiner recommends that the Fund prepare its filed annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement.

## 8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the Fund strengthen the diversification of its investment holdings. If the trustee has determined that it is in the interests of the beneficiaries not to diversify, then it should memorialize the reasons for that determination in terms of the ISS's risk, return, and time horizon parameters.</p> <p>The Department no longer provides specific guidance for investment diversification.</p>
B	<p>The examiner recommends that the Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives.</p> <p>The Fund adopted an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested.</p>
C	<p>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. This is a repeat recommendation.</p> <p>The Fund contracted with a licensed bank or trust company to serve as the Fund's custodian for the Fund's securities.</p>

## 9. 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 consistently use the name that appears on the board resolution issued in accordance with Section 1110 of the New York Insurance Law in all its operations.	4
B	The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.	5
C	The examiner recommends that the Fund prepare its filed annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement.	9

Respectfully submitted,

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/s/  
Adelia Gbadamosi  
Senior Insurance Examiner

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

ADELIA GBADAMOSI, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

\_\_\_\_\_  
/s/  
Adelia Gbadamosi

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_

*APPOINTMENT NO. 32524*

*NEW YORK STATE*

***DEPARTMENT OF FINANCIAL SERVICES***

*I, ADRIENNE A. HARRIS, 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:*

***ADELIA GBADAMOSI***

*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 she 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 6th day of October, 2023*

*ADRIENNE A. HARRIS  
Superintendent of Financial Services*

*By:*



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***MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU***

