REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
COVENANT HOUSE
AS OF DECEMBER 31, 2023

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: September 10, 2025

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February 25, 2026

Honorable Kaitlin Asrow
Acting Superintendent of Financial Services
New York, New York 10004

Dear Kaitlin Asrow:

In accordance with instructions contained in Appointment No. 32622, dated May 16, 2024 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Covenant House. The Fund's home office is located at 5 Penn Plaza, 3rd Floor, New York, New York 10001.

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

1. EXECUTIVE SUMMARY

The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination. The examiner directs the Fund to 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 3E of this report)

The Fund should adopt an Investment Policy 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. (See item 4A of this report)

The Investment Policy Statement should be approved by the Board of Directors. (See item 4A of this report)

The Fund should 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 board of directors, or a committee thereof, should be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes. (See item 4B of this report)

The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent. The examiner directs that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent. (See item 6 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 Segregated Gift Annuity Fund (the "Fund") of the Covenant House through which the Covenant House (the "Corporation") provides annuity benefits.

The prior examination was conducted as of December 31, 2018. This examination covers the period from January 1, 2019 through December 31, 2023. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2023 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 Corporation 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, 2023 to determine whether the Fund's filed 2023 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 7 of this report.

3. DESCRIPTION OF FUND

A. History

Covenant House was chartered in 1972 and is organized for the purpose of providing shelter and services to young people. In addition to shelter, food, clothing and crisis care, the Corporation provides health care, education, vocational preparation, recreation, legal services, drug abuse treatment, prevention programs, mother and child programs, transitional living programs, street outreach and aftercare. The Corporation established the Fund to issue gift annuity agreements in return for gifts from donors in 1992. The Superintendent of Insurance granted to the Corporation a Charitable Annuity Society special permit on October 24, 1994.

B. Structure

The Fund is overseen by the Corporation'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 June 30, 2023 Internal Revenue Service Form 990, the Corporation's Board of Directors oversaw an endowment consisting of $9,843,374 in total assets. In addition, the Corporation held $45,235,341 in investments as of June 30, 2023. The Fund, as of December 31, 2023, held total admitted assets of $3,161,684.

D. Third-party Service Providers

Morgan Stanley is the Fund's investment manager and Comerica Bank is the custodian of the Fund's assets. PG Calc issues quarterly distributions to the annuitants and prepares monthly reconciliations.

E. Corporate Governance

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

> "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 Fund failed to obtain statements signed by each board member indicating that they received and read the prior report on examination.

The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination.

The examiner directs the Fund to 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.

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."

The examiner's review of the Fund's Investment Policy Statement ("IPS") showed that it failed to contain reference to the prudent investor standard, as specified in Section 1110(b) of the New York Insurance Law.

The Fund should adopt an Investment Policy 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 IPS's risk, return, and time horizon objectives.

The examiner's review of the Fund's Investment Policy Statement ("IPS") revealed that the board did not approve the IPS.

The Investment Policy Statement should be approved by the Board of Directors.

The Fund should 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.

B. Monitoring

New York Estate Powers and Trust Law § 11-2.3(c)(1) requires trustees to exercise care, skill and caution in periodically reviewing the delegee's exercise of the delegated function and compliance with the scope and terms of the delegation.

New York Not-for-Profit Corporation Law § 554(a)(3) provides that, when delegating investment functions, an institution must monitor its agents' performance and compliance with the scope and terms of each's respective delegation. In so doing, the institution must use the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

The examiner reviewed the board of directors minutes to determine if the board had been provided with a report concerning the Fund's investment of required admitted assets. The minutes did not contain any indication that the board was provided with a report concerning the Fund's investment of required admitted assets.

The board of directors, or a committee thereof, should be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes.

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, 2018	December 31, 2023	Increase (Decrease)
Admitted assets	$3,065,146	$3,161,684	$ 96,538
Liabilities	$2,376,912	$2,206,380	$(170,532)
Minimum required fund balance	$ 237,691	$ 214,658*	$ (23,033)
Excess fund balance (surplus)	450,543	740,646*	290,103
Total annuity fund balance	$ 688,234	$ 955,304	$ 267,070
Total liabilities and annuity fund balance	$3,065,146	$3,161,684	$ 96,538

*Amounts calculated by the examiner.

Assets increased due to the excess of new gift annuity amounts over terminated annuity amounts. The decrease in liabilities and minimum required fund balance reflects a decrease in total annuities in force. Annuities decreased from 338 with annual payment amounts of $329,652 as of December 31, 2018 to a total of 259 with annual payment amounts of $275,757 as of December 31, 2023. Excess fund balance and total fund balance increased due to a combination of gains and losses in the market and distributions made from the Fund for terminated contracts.

The Fund's admitted assets, as of December 31, 2023, were invested mainly in equity securities (76.50%) and bonds (16.29%).

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.

Section 1110(a) of the New York Insurance Law states, in part:

> ". . . Every such corporation or association shall, before making such agreement, file with the superintendent copies of its forms of agreements with annuitants . . ."

The examiner reviewed the files of a sample of 7 gift annuities issued during the examination period. During the comparison of the forms used by the Fund to issue the gift annuities to the forms on file with the Superintendent, the examiner noted the following:

1. 1 out of 7 annuities (14.29%) was written on Form 1da-CQD-I-NY, which was not filed with and accepted by the Superintendent.
2. 2 out of 7 annuities (28.57%) were written on Form Ga1-15, which was withdrawn by the Fund and accepted by the Superintendent according to correspondence dated February 10, 2020.

The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent.

The examiner directs that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent.

7. PRIOR REPORT VIOLATIONS & RECOMMENDATIONS

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:

Item	Description
A	The Fund violated New York Insurance Law § 312(b) by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination. The Fund failed to take corrective action in response to this prior report violation. A similar violation appears in this report on examination.
B	The examiner recommends that the Fund comply with New York Insurance Law § 312(b) by obtaining the signature of each board member indicating that they have received and read any current or future filed report on examination. The Fund failed to take corrective action in response to this prior report recommendation. A similar violation appears in this report on examination.
C	The examiner recommends that the Fund obtain broker's advices or other supporting documentation for its investment transactions and that this documentation be reviewed on a timely basis and reconciled to the applicable custodial statements for that period. While broker's advices or other supporting documentation for the Fund's investment transactions were not provided, the examiner obtained the custodian's SOC 1 Report from the custodian, which contained an unqualified opinion.
D	The examiner recommends that the Fund adopt an Investment Policy Statement. Such a Statement should refer to the prudent investor standard as defined in Estates, Powers and Trusts Law § 11-2.3, which standard, as specified in New York Insurance Law § 1110(b), 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 IPS's risk, return, and time horizon objectives. The Fund adopted an Investment Policy Statement. However, the Investment Policy Statement failed to refer to the prudent investor standard.

Item	Description
E	The Fund violated New York Insurance Law § 1110(a) by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent. The Fund failed to take corrective action in response to this prior report violation. A similar violation appears in this report on examination
F	The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent. The Fund failed to take corrective action in response to this prior report recommendation. A similar violation appears in this report on examination.
G	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. During the examination period, the Fund obtained and maintained death certificates or other reliable evidence that supports terminating an annuity contract.
H	The examiner recommends that the Fund prepare its annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement. During the examination period, the examiner noted no new discrepancies in the Fund's filed annual statements.
I	The Fund violated New York State Insurance Law 1110(b) by failing to segregate the stock donation from the date of donation as separate and distinct funds, independent of all other funds of such corporation or association. During the examination period, all annuities were purchased with cash.
J	The examiner recommends that the organization establish a segregated stock account solely for the purpose of the Gift Annuity Fund. During this examination period, all annuites were purchased with cash. Also, in response to this prior report recommendation, the Fund stated that it maintains one stock account and since there was only one annuity gift in the four years under examination, it did not feel that a second stock account is necessary.

Item	Description
K	The examiner further recommends that the Fund establish procedures to ensure that funds and securities are deposited in the investment account in a timely manner. During the examination period, funds and securities were deposited in the investment account in a timely manner.
L	The examiner recommends that the Fund perform bank reconcilitions at the end of each bank statement period and maintain such as part of its books and records. During the examination period, bank reconciliations were performed monthly. Bank reconciliations were maintained as part of the Fund's books and records provided to the examiner.
M	The examiner recommends that the Fund review outstanding checks on a timely basis, especially those that are outstanding for a lengthly amount of time. This should include contacting the annuitant to ensure that the annuitant is still alive and that the address on file is still accurate, or that the check was not lost or misplaced. During the examination period, the examiner did not note any checks outstanding for a lengthy amount of time.

8. VIOLATIONS & RECOMMENDATIONS

Following are the violations and recommendations contained in this report:

Item	Description	Page No(s).
A	The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination.	5
B	The examiner directs the Fund to 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.	5
C	The Fund should adopt an Investment Policy 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.	6
D	The Investment Policy Statement should be approved by the Board of Directors.	6
E	The Fund should 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.	6
F	The board of directors, or a committee thereof, should be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes.	7

Item	Description	Page No(s).
G	The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent.	9
H	The examiner directs that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent.	9

Respectfully submitted,

/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. 32622

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 COVENANT HOUSE

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 16th day of May, 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU