REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
CHILDREN'S AID SOCIETY

AS OF December 31, 2023

EXAMINER: Hasan Ahmed

DATE OF REPORT: May 08, 2026

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July 6, 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. 32619, dated May 24th, 2024, and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Children's Aid Society. The Fund's home office is located at 117 West 124th Street, 5th Floor, New York, NY 10027.

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 of trustees indicating that they received and read the prior report on examination. The examiner directs that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining the signature of each board member indicating that they have received and read any current or future filed report on examination. (See item 3E of this report)

Upon the death of an annuitant, the Fund should 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)

2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' (the "Department") examination and assessment of the Children's Aid Society Segregated Annuity Fund (the "Fund") through which Children's Aid Society (the "Society") 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 College or Fund, in relation to their annuity activities, could have better satisfied statutory standards or to adhered to 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 violation and recommendations contained in the prior report on examination. The results of such review are contained in item 6 of this report.

3. DESCRIPTION OF FUND

A. History

The Children's Aid Society was chartered in 1855 and is organized for the purpose of improving the condition of disadvantaged children and those with mental or developmental impairments. The Society established the Fund to issue gift annuity agreements in return for gifts from donors in 1996. The Superintendent of Insurance granted to the Society a Charitable Annuity Society special permit on April 2, 1999.

B. Structure

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

C. Assets under the Board of Trustees

As of the June 30, 2023 audited financial statement, the Organization's Board of Trustees oversaw an endowment comprising $8.90 million in total assets. The Fund, as of December 31, 2023, held total admitted assets of $231,292.

D. Third Party Service Providers

BNY Mellon is the custodian of the Fund's assets. BNY Mellon manages the Fund's assets and is responsible for preparation of annual tax returns and benefit payments to annuitants.

E. Oversight Structure

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

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

The examiner directs that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining the signature of each board member indicating that they have received and read any current or future filed report on examination.

4. 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	$1,545,407	$231,292	$(1,314,115)
Liabilities	$1,765,855	$170,517	$(1,595,338)
Minimum required fund balance	$ 176,586	$ 17,052	$ (159,534)
Excess fund balance (surplus)	(397,034)	43,723	440,757
Total annuity fund balance	$ (220,449)	$ 60,775	$ 281,224
Total liabilities and annuity fund balance	$1,545,407	$231,292	$(1,314,115)

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 20 with annual payment amounts of $504,412 as of December 31, 2018, to a total of 10 with annual payment amounts of $21,217 as of December 31, 2023. In addition, the Fund stopped issuing new annuities in 2018. The annuity fund balance increased due to a cash infusion from the Society in 2019 after the Fund was underfunded in 2018.

The Fund's admitted assets, as of December 31, 2023, were invested in equity securities (98.79%).

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's review of a sample of 4 annuity contracts terminated revealed that in 2 of the 4 cases (50.0%) reviewed, the Fund failed to obtain a copy of the death certificate to confirm termination of the annuity contract.

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

6. PRIOR REPORT VIOLATION, RECOMMENDATION & COMMENT

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

Item	Description
A	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. The Fund reviewed its investment transactions at least annually and noted them in the minutes.
B	The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms which were not approved by the Superintendent. The Society deactivated the gift annuity program. Consequently, the Fund did not issue any new gift annuity contracts during the examination period.
C	The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued. The Society deactivated the gift annuity program. Consequently, the Fund did not issue any new gift annuity contracts during the examination period.
D	The Fund was underfunded by $397,034, as of December 31, 2018. The Society wired $600,000 to the Fund to cover its underfunding on February 12, 2019.

7. VIOLATION & RECOMMENDATION

Following are the violation and recommendation 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 of trustees indicating that they received and read the prior report on examination.	5
B	The examiner directs that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining the signature of each board member indicating that they have received and read any current or future filed report on examination.	5
C	Upon the death of an annuitant, the Fund should obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract.	7

Respectfully submitted,

/s/
Hasan Ahmed
Senior Insurance Examiner

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

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

/s/
Hasan Ahmed

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32619

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:*

HASAN AHMED

as a proper person to examine the affairs of the

SEGREGATED GIFT ANNUITY FUND OF THE CHILDREN'S AID SOCIETY

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 24th day of May, 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU