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## Annual Reporting Process in States that Regulate Gift Annuities



Date: December 15, 2016  
 Time: 1:00 – 2:30 Eastern Time  
 Presenter: Edie Matulka  
 Senior Consultant  
 PG Calc Incorporated




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## Agenda

- Overview of compliance issues
- Annual submissions
- Practical considerations
  - Prior to end of reporting period
  - Information gathering
  - Form preparation
- Continuity of knowledge

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## Compliance Issues

- Years of operation
  - Activity in Maryland and Hawaii
  - Separate foundation
- Minimum assets (24 states)
  - At time of issuance
  - Annual reporting (HI, WA)
  - Self-suspension

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## Compliance Issues

- Agreement forms
  - Filed: AL, AR, CA, MD, NJ, NY, ND, TN, WA
  - New forms need approval
  - Disclosure language (in 23 states where forms not submitted)
- Rates
  - Filed: AL, AR, CA, MD, NJ, NY, WA
  - Notify when change
  - Presumption with ACGA rates; modification?

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## Compliance Issues

- In-state agent
  - Individual or firm (CA)
  - State agency (AL, TN, WA)
- Information from individuals
  - AL "restricted agents"
  - CA only at application, not ongoing

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## Compliance Issues

Monitoring reserve fund

- Fund balance
- Investment allocation
- Not just at FYE or CYE



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## Compliance Issues

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## Annual Submissions

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## Annual Submissions

Annual filings

- What:
  - Re-notification
  - Audited financials
  - Detailed reporting
- When:
  - FYE vs. CYE; tickler system
- Who:
  - PGO, business/finance, outsourced

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### Annual Submissions – Timeline (12/31 FYE)

- January 30
  - > CA
    - ✓ 4<sup>th</sup> quarter reporting of new CGAs
    - ✓ Agreement attestation
    - ✓ Quarter end + 30 days

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### Annual Submissions – Timeline (12/31 FYE)

- March 1
  - > AL: audited financials (FY + 60)
  - > CA: renewal fee
  - > FL: on-line attestation (FY + 60)
  - > MT: re-notification
  - > NY: annual report
  - > TN: renewal letter and fee
  - > WA: annual report (FY + 60) and fee

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### Annual Submissions – Timeline (12/31 FYE)

- March 15
  - > HI: annual report
- March 31
  - > MD: audited financials/reserve info (FY + 90)
  - > TN: annual report/verified financials (FY + 90)

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### Annual Submissions – Timeline (12/31 FYE)

- April 1
  - Audited financials (FY)
    - ✓ GA – when available
    - ✓ ND – available + 15
    - ✓ OK – available + 90
- April 30
  - CA: annual report (CY/FY + 120);  
1<sup>st</sup> quarter reporting of new CGAs (qtr. end + 30)
  - NJ: annual report; audited financials (CY/FY + 120)

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### Annual Submissions – Timeline (12/31 FYE)

- May 15
  - NH: re-notification (part of charitable organization renewal) (FY + 4 months, 15 days)
- May 30
  - TN: annual report/audited financials (FY + 150)
- June 29
  - AR: annual report (FY + 180)

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### Annual Submissions – Timeline (12/31 FYE)

- July 15
  - WA: Form 990 (filing with IRS + 15)
- July 30
  - CA: 2<sup>nd</sup> quarter reporting of new CGAs (quarter end + 30)
- September 30
  - WA: audited financials (FY + 9 months)  
(typically file earlier, with other AFS filings)

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### Annual Submissions – Timeline (12/31 FYE)

- October 30
  - CA: 3<sup>rd</sup> quarter reporting of new CGAs (quarter end + 30)
- December 15
  - AL: renew "restricted agents" (fee of \$60 per agent)

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### Prior to End of Reporting Period

- Catch up on data entry
- Run reserve calculation
- Check investment allocation (CA, FL)
- Make adjustments to reserve fund
- Review tickler sheet/checklist



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### Information Gathering

- Reserve account
  - Account statements
  - Reserve calculations (actuary?)
  - Overall asset figures
  - FASB liability
  - Financial reports (e.g., holdings and transactions)
  - Gift reports
  - Reinsurance

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## Information Gathering

Certificate Holder's Summary of Net Assets as of 12/31/2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Net Assets	\$0	\$0	\$0	\$0

Did your organization have and maintain minimum unrestricted net assets of \$500,000 as required by RCW 45.38.012(4) at all times during the period covered by the Annual Report?

Yes  
 No

Certificate Holder's Statement of Income and Expenses for the year ending 12/31/2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Income	\$0	\$0	\$0	\$0
Expenses	\$0	\$0	\$0	\$0
Net Income (Loss)	\$0	\$0	\$0	\$0

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## Information Gathering

- General interrogatories
  - > Legal structure/name change
  - > Amended articles
  - > Annuity rates
  - > Agreement forms
  - > Miscellaneous



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## Excerpt - Washington

General Interrogatories

1. Since the previous Annual Report, has there been any:

A. Change to your legal status?

Yes  
 No

B. Change in capital structure or ownership?

Yes  
 No

C. Change in management control?

Yes  
 No

D. Infraction or regulatory activity relating to gift annuities?

Yes  
 No

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## Excerpt – New Jersey

14	Has there been any change in name or organizational status since the date of the last statement filed with the Department?	Yes	No
15	Has any change been made during the year of this statement in the charter, articles of incorporation, or articles of association of the special permit holder? If Yes, provide a copy of the amended document with the Annual Statement.	Yes	No
16	Has the special permit holder filed a copy of its currently effective annuity payout rate table with this Department? If Yes, identify the rate table and its effective date. If No, include a copy of the table with the Annual Statement if it differs from the rates of the American Council on Gift Annuities.	Yes	No
17	Was there a change in the assumptions used to calculate the present value of payments due to annuitants? If Yes, explain.	Yes	No

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## Excerpt - California

GENERAL INTERROGATORIES			
1.	Purpose of the Society:		
	Charitable      Benevolent      Educational		
	Religious      Hospital      Home for Aged		
2.	Total assets of the entire Society as of the statement date.	\$	
	Total NET ASSETS of the entire Society as of the statement date.	\$	
3.	Has there been any change in name or organizational status since the date of the last statement filed with this Department?	Yes	No
	If so, has there been filed with this Department a copy, certified by the Society's secretary, of the amended by-laws, constitution, or other document, by virtue of which this change was made?	Yes	No
4.	State as of what date the latest examination of the Society was made or is being made and by which Insurance Commissioner. In what States does Society hold a license or certificate to operate?		

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## Excerpt – New York

Total amount loaned by the segregated gift annuity fund during the year to directors, members of the governing board or other officers. ....	
Total amount of loans outstanding at end of year to directors, members of the governing board or other officers.	
Did any person while an officer, director, member of the governing board or trustee of the reporting entity receive directly or indirectly, during the period covered by this statement, any commission on the business transactions of the segregated gift annuity fund? If yes, explain.....	
Were any of the stocks, bonds or other assets of the segregated gift annuity fund loaned, placed under option agreement, or otherwise made available for use by another person during the year covered by this statement? If yes, give full and complete information relating thereto.....	

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## Form Completion

- Concurrent preparation between financial and organizational questions
- Signatories
- Check request timeframe
- Varying ways of submission (email, mail, on-line)

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## Form Completion - Frustrations

- Construction of document
  - Incomplete/inaccurate formulas, cell links
  - Insufficient pages
  - Not always Excel friendly
- “Busy work”

Schedule G Showing all BONDS, STOCKS and Other Assets ACQUIRED during the current year							
1	2	3	4	5	6	7	8
Line #	CUSIP #	Description	Number of Shares of stocks	Actual Cost	Par Value	Accrued Interest and Dividends Paid	Date of Acquired
Bonds							
9101							
9102							
9103							

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## Form Completion - Investments

- Least complicated – mutual funds
- More complicated – assets with a lot of activity (i.e., paydowns, accrued interest)
- Pose challenges – investment pools, partnerships (frequent cost adjustments not easily captured on form)

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### Form Completion - Tips

- Have your reports at hand
  - Reserve report
  - New and closed gift reports
  - Holdings and transactions
- Macro to sort data from internal reports to match form layout

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### Continuity of Knowledge

- Staff transition
  - Maintain files
  - Tickler system
  - Other resources
    - ✓ ACGA
    - ✓ State web pages
    - ✓ CGA manual



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### Questions and Answers



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### Still Have a Question?

**Contact:** Edie Matulka, Senior Consultant  
PG Calc

**E-mail:** [ematulka@pgcalc.com](mailto:ematulka@pgcalc.com)

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