



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
NEW YORK CITY BALLET, INC.

CONDITION:

DECEMBER 31, 2018

DATE OF REPORT:

MAY 31, 2019

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

ADELIA GBADAMOSI

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

January 17, 2020

Honorable Linda A. Lacewell
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31917, dated May 16, 2019 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the New York City Ballet, Inc., hereinafter referred to as “the Fund,” at its home office located at 20 Lincoln Center, New York, New York 10023.

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'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, 2018 filed annual statement. (See item 4 of this report)

The examiner's review of the Fund's treatment of annuitants did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Fund. (See item 5 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2013. This examination covers the period from January 1, 2014 through December 31, 2018. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2018 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, 2018 to determine whether the Fund's filed 2018 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, recommendations and/or comments contained in the prior report on examination. The results of such review are contained in item 6 of this report.

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

A. History

The New York City Ballet, Inc. (the “Ballet”) is organized for the purpose of presenting, developing, and encouraging the highest excellence in the performing arts, specifically the ballet. The Ballet established a program to issue gift annuity agreements in return for gifts from donors, and it has done so since 1997. A special permit was granted to the Ballet by the Department on June 15, 2009 for the purpose of issuing gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

B. Services

Wells Fargo Bank, N.A. (“Wells Fargo”) is the custodian of the Fund’s assets and issues annuity benefit payments to annuitants on behalf of the Fund. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

C. Corporate Governance

The management of the Ballet, and the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors shall be no less than 10 and shall be such number as is elected or otherwise determined from time to time by a majority of the entire board. The directors elect a president, vice president, secretary and a treasurer. The nomination and election procedures of the directors and their term of office are set by the by-laws. As of December 31, 2018, the board consisted of 66 directors, with three members in memoriam.

4. SIGNIFICANT FINANCIAL INFORMATION

The following summary table indicates the decline in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2018</u>	<u>Decrease</u>
Admitted assets	\$ <u>1,281,694</u>	\$ <u>1,113,859</u>	\$(<u>167,835</u>)
Liabilities	\$ <u>810,197</u>	\$ <u>658,766</u>	\$(<u>151,431</u>)
Minimum required fund balance	\$ 81,020	\$ 65,877	\$ (15,143)
Excess fund balance (surplus)	<u>390,477</u>	<u>389,216</u>	<u>(1,261)</u>
Total annuity fund balance	\$ <u>471,497</u>	\$ <u>455,093</u>	\$ <u>(16,404)</u>
Total liabilities and annuity fund balance	\$ <u>1,281,694</u>	\$ <u>1,113,859</u>	\$(<u>167,835</u>)

The decrease in assets, liabilities, and annuity fund balance reflects a decrease in the total number of annuities in force. Annuities decreased from 45 with annual payment amounts of \$97,444 as of December 31, 2013 to a total of 40 with annual payment amounts of \$89,452 as of December 31, 2018.

The Fund's admitted assets, as of December 31, 2018, were invested mainly in common stock (98.5%).

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. Based upon the sample reviewed, no significant findings were noted.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation and 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 board of directors, or a committee thereof, approve all investment transactions and note such approvals in the minutes.</p> <p>The board of directors approved all investment transactions and noted such approval in the minutes.</p>
B	<p>The Fund violated Section 1110(a) of the New York Insurance Law by using annuity agreement forms that were not filed with the Superintendent.</p> <p>The annuity agreement form used by the Fund are on file with the Superintendent.</p>
C	<p>The examiner recommends that the Fund submit to the Superintendent any gift annuity agreement forms used during the examination period that have not been previously filed with the superintendent.</p> <p>The Fund submitted to the Superintendent gift annuity agreement forms which were approved on 10/5/16.</p>
D	<p>The examiner recommends that the Fund obtain copies of the death certificates of annuitants for annuity contracts terminated.</p> <p>The Fund obtained copies of death certificates of annuitants for annuity contracts terminated.</p>

APPOINTMENT NO. 31917

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **LINDA A. LACEWELL**, Acting 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
NEW YORK CITY BALLET, 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 16th day of May, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services

By:



MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

