



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
PROLITERACY WORLDWIDE  
AS OF DECEMBER 31, 2021**

**EXAMINER: Adelia Gbadamosi**

**DATE OF REPORT: May 17, 2023**

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

PROLITERACY WORLDWIDE

AS OF

DECEMBER 31, 2021

DATE OF REPORT:

MAY 17, 2023

EXAMINER:

ADELIA GBADAMOSI

## TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of fund	4
	A. History	4
	B. Structure	4
	C. Assets under the board of directors	4
	D. Third party payment service provider	4
4.	Investment review	5
	A. Investment policy statement	5
	B. Monitoring	5
5.	Assets and liabilities summary	6
6.	Treatment of annuitants	7
7.	Annual statement reporting	8
8.	Subsequent event	11
9.	Prior report summary and conclusions	12
10.	Summary and conclusions	13



---

KATHY HOCHUL  
Governor

---

ADRIENNE A. HARRIS  
Superintendent

October 26, 2023

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

Madam:

In accordance with instructions contained in Appointment No. 32386, dated November 9, 2022 and annexed hereto, an examination has been made into the condition and affairs of the Gift Annuity Fund of the ProLiteracy Worldwide. The Fund's home office is located at 104 Marcellus Street, Syracuse, NY 13204.

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

## 1. EXECUTIVE SUMMARY

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's board of directors, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes. (See item 4B 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 6 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)

On November 15, 2022, the Fund notified the Department that it wished to surrender its permit to sell gift annuities. The surrender of the special permit became effective on December 6, 2022. (See item 8 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 Proliteracy Worldwide Annuity Fund (the "Fund") through which the Proliteracy Worldwide (the "Corporation") provides annuity benefits.

The prior examination was conducted as of December 31, 2016. This examination covers the period from January 1, 2017 through December 31, 2021. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2021 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 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, 2021 to determine whether the Fund's filed 2021 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 7 of this report.

### 3. DESCRIPTION OF FUND

#### A. History

ProLiteracy Worldwide was chartered in 1967 and is organized for the purpose of championing the life-changing benefits of literacy for adults and their families, by sponsoring educational programs that help adults and their families acquire the literacy practices and skills they need to function more effectively in their daily lives. The Corporation was formed by the 2002 merger of Laubach Literacy International and Literacy Volunteers of America, Inc. The Corporation established the Fund to issue gift annuity agreements since 2003. The Superintendent of Insurance granted to the Corporation a Charitable Annuity Society special permit on November 20, 2003.

#### B. Structure

The management of ProLiteracy Worldwide and the Fund and all its affairs and property are entrusted to a board of directors.

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

As of the June 30, 2021 IRS Form 990, the Corporation's Board of Directors oversaw an endowment comprising \$9,866,784 in total assets. The Fund, as of December 31, 2021, held total admitted assets of \$347,584.

#### D. Third Party Payment Service Provider

NBT Bank provides custodial and investment services, prepares the annual statement, provides actuarial services, and issues annuity payments on behalf of the Fund.

#### 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 Corporation 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 delegates to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.

##### B. Monitoring

The examiner requested the minutes of the board of directors and all committees thereof for the examination period. The Fund provided the examiner with a copy of the board minutes for board and committee meetings conducted in 2017 and 2018 only.

The examiner recommends that the Fund’s board of directors, or a committee thereof, review the activities of the Fund at least annually and note the same 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:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2021</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$306,782</u>	<u>\$347,583</u>	<u>\$ 40,801</u>
Liabilities	<u>\$223,103</u>	<u>\$176,096</u>	<u>\$ (47,007)</u>
Minimum required fund balance	\$ 22,310	\$ 17,610	\$ (4,700)
Excess fund balance (surplus)	<u>61,368</u>	<u>153,877</u>	<u>92,509</u>
Total annuity fund balance	<u>\$ 83,679</u>	<u>\$171,487</u>	<u>\$ 87,808</u>
Total liabilities and annuity fund balance	<u>\$306,782</u>	<u>\$347,583</u>	<u>\$ 40,801</u>

According to the Fund, the fluctuations in the various categories during the examination period is due to the termination of annuities. Annuities decreased from 33 with annual payment amounts of \$33,357 as of December 31, 2016 to 20 with annual payment amounts of \$24,507 as of December 31, 2021.

The Fund's admitted assets, as of December 31, 2021, were invested mainly in other invested assets (70.71%) and bonds (28.35%).

## 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, 2020 and 2021, namely the Income section, states, in part:

“Line 3: Current Year” Column: Should agree with the sum of Schedule A, Part 5, Column 8, Totals - Bonds and Stocks plus Schedule D – Part 3, Column 8, Totals – Other Invested Assets.

“Prior Year” Column: Report prior year’s realized capital gains/(losses).”

The following table shows the differences noted between page 3, line 3 of the income section and the sum of Schedule A, Part 5, Column 8, Totals - Bonds and Stocks plus Schedule D – Part 3, Column 8, Totals – Other Invested Assets regarding realized gains earned during the year:

	<b>2020</b>	<b>2021</b>
<b>Realized Gains per Page 3, Line 3 of the Income Section</b>	\$337	\$19,776
<b>Realized Gains per Schedule A, Part 5, Column 8, Totals - Bonds and Stocks</b>	\$0	\$1,332
<b>Realized Gains per Schedule D – Part 3, Column 8, Totals – Other Invested Assets</b>	(\$2,689)	\$12,441
<b>Total Realized Gains Per Schedules</b>	(\$2,689)	\$13,773

The Department’s Instructions for Completing the New York State Segregated Gift Annuity Fund Annual Statement for the year ended December 31, 2017 through 2021, namely the General Interrogatories, states, in part:

“Interrogatory 12: If the Segregated Gift Annuity Fund has issued annuities in the current or any previous year conditioned upon receipt of gifts **other than** cash, cash equivalents, mutual funds, bonds or stocks, AND the Segregated Gift Annuity Fund continues to hold the donated gift as of December 31 of the current year, indicate “**Yes**” at this Interrogatory and complete Schedule D. Schedule D must be completed even if such gifts were subsequently disposed of during the current year. Refer to the instructions herein for completion of Schedule D.

If the response is “**No**”, you do not have to complete Schedule D; however, you must write “**None**” or “**NA**” somewhere in Schedule D.”

In the Fund's filed annual statements, for all years under examination, the Fund checked "No" to Interrogatory 12. A review of Fund's completed Schedule D revealed that the investments listed as other invested assets were mutual funds normally entered in Schedule A, Parts 3, 4 and 5 of the annual statement. No hedge funds, real estate or gifts other than cash, cash equivalents, mutual funds, bonds and stocks were listed in Schedule D, Parts 1 through 3.

The Fund erroneously reported the following common stock in Schedule D, Part 1:

- 2017: Cost: \$193,421, Market Value \$248,304
- 2018: Cost: \$233,125, Market Value \$227,222
- 2019: Cost: \$239,989, Market Value \$262,016
- 2020: Cost: \$210,693, Market Value \$260,756
- 2021: Cost: \$182,250, Market Value \$245,772

These totals should have been reported in Schedule A, Part 3.

The following common stock purchases were erroneously reported in Schedule D, Part 2:

- 2017: \$108,421 (both cost and market value)
- 2018: \$146,817 (both cost and market value)
- 2019: \$128,876 (both cost and market value)
- 2020: \$175,856 (both cost and market value)
- 2021: \$67,890 (both cost and market value)

These totals should have been reported in Schedule A, Part 4.

The following are the realized capital gains/(losses) that were erroneously reported in Schedule D, Part 3:

- 2017: \$6,610
- 2018: \$31,070
- 2019: \$13,177
- 2020: \$(2,689)
- 2021: \$12,441

These totals should have been reported in Schedule A, Part 5.

The Department’s Instructions for Completing the New York State Segregated Gift Annuity Fund Annual Statement for the year ended December 31, 2017 through 2021, namely Exhibit 1 – verification of Investment Income, states, in part:

“Line 1...

...Column 5 should equal the amount reported for Totals in Schedule A, Part 1, Column 9....

...Column 8 should equal the amount reported in Totals in Schedule D, Part 1, Column 7”

The following table shows the differences noted between Schedule A, Part 1 and Schedule D, part 1 regarding income earned during the year:

	2017	2018	2019	2020	2021
<b>Interest and Dividends Received During the Year, per Exhibit 1, Line 1, Column 5</b>	\$2,267	\$2,484	\$1,552	\$1,859	\$2,328
<b>Gross Amount Received During the Year, per Schedule A, Part 1, Column 9</b>	\$0	\$0	\$0	\$0	\$0
<b>Interest and Dividends Received During the Year, per Exhibit 1, Line 1, Column 8</b>	\$4,601	\$4,868	\$6,364	\$4,174	\$4,542
<b>Gross Income Earned, per Schedule D, Part 1, Column 7</b>	\$0	\$0	\$0	\$0	\$0

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. SUBSEQUENT EVENT

On November 15, 2022, the Fund notified the Department that it wished to surrender its permit to sell gift annuities. The surrender of the special permit became effective on December 6, 2022.

## 9. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the recommendations and comment 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 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.</p> <p>The Fund obtained and maintained death certificates that support such information terminating an annuity contract.</p>
B	<p>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.</p> <p>The examiner noted additional discrepancies during her review. A similar recommendation appears in this report on examination.</p>
C	<p>The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements.</p> <p>The examiner noted additional discrepancies during her review. A similar recommendation appears in this report on examination.</p>
D	<p>The examiner recommends that the Fund prepare its annual statements and gift annuity reserves in accordance with the Department's instructions for completing the New York State segregated gift annuity fund annual statement.</p> <p>The examiner noted no new discrepancies during her review.</p>
E	<p>The Fund is hereby advised to cease writing charitable gift annuities in New York forthwith. Failure to do so may cause the Department to initiate a formal public hearing to suspend or revoke the Organization's permit to enter into charitable annuity agreements.</p> <p>The Fund ceased writing charitable gift annuities in New York in January 2019. Furthermore, on November 15, 2022, the Fund notified the Department that it wished to surrender its charitable annuity permit and no longer issue New York annuities.</p>

## 10. 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 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
B	The examiner recommends that the Fund's board of directors, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes.	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.	10
D	On November 15, 2022, the Fund notified the Department that it wished to surrender its permit to sell gift annuities. The surrender of the special permit became effective on December 6, 2022.	11



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. 32386***

***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  
PROLITERACY WORLDWIDE***

*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 9th day of November, 2022*

***ADRIENNE A. HARRIS***  
*Superintendent of Financial Services*

*By:*



---

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

