Catholic Archdiocese of Seattle Health and Welfare Plan

Financial Statements
Year Ended June 30, 2019

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Catholic Archdiocese of Seattle
Health and Welfare Plan

Financial Statements
Year Ended June 30, 2019

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Independent Auditor's Report

To the Administrator
Catholic Archdiocese of Seattle Health and Welfare Plan
Seattle, Washington

Report on Financial Statements

We have audited the accompanying financial statements of the Catholic Archdiocese of Seattle Health and Welfare Plan (the "Plan"), which comprise the statements of benefit obligations and net assets available for benefits as of June 30, 2019, and the related statements of changes in benefit obligations and net assets available for benefits for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of June 30, 2019, and the changes in its financial status for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2018 Financial Statements

The financial statements of the Catholic Archdiocese of Seattle Health and Welfare Plan as of and for the year ended June 30, 2018, were audited by Peterson Sullivan LLP, whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. Peterson Sullivan LLP expressed an unmodified opinion on those statements in their report dated October 29, 2019.

BDO USA, LLP

February 17, 2021

Financial Statements

Catholic Archdiocese of Seattle
Health and Welfare Plan

Statements of Benefit Obligations and Net Assets Available for Benefits

June 30,	**2019**	2018
Benefit Obligations		
Health claims payable	$ **201,184**	$ 53,859
Health claims incurred but not reported	**693,900**	653,800
Total Benefits Obligation	**895,084**	707,659
Assets		
Cash	**4,179,185**	3,498,596
Employer contributions receivable	**130,461**	172,062
FSA forfeitures receivable	**64,470**	32,498
Deposits at FSA administrator	**72,676**	111,981
Stop-loss insurance reimbursement receivable	**3,577**	355,000
Prepaid expenses	**181,551**	5,550
Total Assets	**$ 4,631,920**	**$ 4,175,687**

Liabilities		
Accounts payable	$ **83,872**	$ 16,055
Prepaid employer and self-paid contributions	**-**	20,820
Total Liabilities	**83,872**	36,875
Net Assets Available for Benefits	**4,548,048**	4,138,812
Excess of Net Assets Available for Benefits over Benefit Obligations	$ **3,652,964**	$ 3,431,153

See accompanying notes to financial statements.

Catholic Archdiocese of Seattle
Health and Welfare Plan

Statements of Changes in Benefit Obligations and Net Assets Available for Benefits

Year Ended June 30,	2019	2018
Net Increase in Benefit Obligations		
Increase and decrease during the year attributable to		
Health claims payable	$ **147,325**	$ (12,267)
Change in health claims incurred but not reported	**40,100**	26,600
Net Increase in Benefit Obligations	**187,425**	14,333
Net Increase in Net Assets Available for Benefits		
Contributions - medical and other insurance premiums		
Employer	**17,344,131**	16,643,430
Participants	**5,732,426**	5,405,274
Contributions - FSAs		
Employer	**30,641**	30,153
Participants	**491,659**	373,027
Total contributions	**23,598,857**	22,451,884
Interest	**4,409**	3,132
Administrative revenue	**1,144,634**	1,126,250
Total Additions	**24,747,900**	23,581,266
Health claims	**6,728,126**	6,575,738
Medical, prescription, and dependent care payments from FSAs	**383,187**	295,634
Insurance premiums		
Christian Brothers Employee Benefits Trust	**11,570,673**	10,908,605
InfoArmor - Data Protection	**78,349**	75,189
Kaiser Medical Plan	**512,748**	500,184
Delta Dental of Washington	**2,027,976**	2,034,747
VSP Vision Service Plan	**246,239**	230,270
Life, AD&D, Elect Life, and LTD - Prudential and United of Omaha	**1,142,547**	1,131,271
Critical illness	**149,948**	108,430
LTC - John Hancock	**95,110**	116,473
Total claims and premiums	**22,934,903**	21,976,541
Administrative expenses		
Personnel	**587,451**	638,746
System integration	**386,217**	290,140
Office	**184,133**	152,152
FSA administration fees	**69,807**	81,760
Consulting	**81,537**	80,572
Wellness	**39,745**	58,203
Legal	**24,771**	22,030
Auditing	**30,100**	27,850
Total administrative expenses	**1,403,761**	**1,351,453**
Total Deductions	**24,338,664**	**23,327,994**
Net Increase in Net Assets Available for Benefits	**409,236**	**253,272**
Increase in Net Assets Available for Benefits Over Benefit Obligations	**221,811**	238,939
Excess of Net Assets Available for Benefits Over Benefit Obligations		
Beginning of year	**3,431,153**	3,192,214
End of year	$ **3,652,964**	$ 3,431,153

See accompanying notes to financial statements.

1. Description of Plan

The following description is a brief summary of the major coverage provisions of the Catholic Archdiocese of Seattle Health and Welfare Plan (the "Plan"). Participants should refer to the Plan document for a complete description of the Plan's provisions.

General

The Plan is a health and welfare plan that provides health insurance (medical, dental, and vision), life insurance, disability insurance, and long-term care insurance to lay employees of the Catholic Archdiocese of Seattle (the "Archdiocese") and parishes, schools, and other affiliated organizations ("employer units") operating within the Archdiocese. The Plan does not receive any subsidies under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

The Plan qualifies as a church plan and is exempt from the requirements of Title I of the Employee Retirement Income Security Act of 1974 (and it is not required to file an annual Form 5500).

Plan assets are held in separate accounts. They are not comingled with the assets of other plans for the Archdiocese.

Benefits

Eligibility requirements are as follows:

- All permanent lay employees and certain non-incardinated priests and religious order members who are expected to work a minimum of 30 hours per week (average of 130 hours per month) are considered eligible.
- Teachers on contract who are expected to teach the equivalent of at least 0.75 full time are considered eligible.
- Eligibility is measured on the annual basis.

The dependents of eligible participants who meet certain requirements are also eligible to participate in the Plan.

Current health claims of active participants and their dependents are provided under group insurance contracts (except as noted below) with one of several health care contractors. These group insurance contracts are experience rated after the anniversary dates of the policies (generally June 30). Death and disability benefits are covered by group term policies.

The Plan's contract with Delta Dental of Washington provides for actual claims not to exceed the cumulative contractual rate.

Certain health claims of eligible participants and their covered dependents are provided and processed by Kaiser Permanente. The Plan is self-insured for such claims processed by Kaiser Permanente, and the responsibility for payments to participants and health care providers is retained by the Plan. The Plan also purchased a stop loss insurance policy related to these self-insured benefits.

The Plan includes options for various Health Savings Accounts (“HSAs”) and Flexible Spending Accounts (“FSAs”) as follows:

Health Savings Account – The HSA is available to participants who enroll in a Consumer Driven Health Plan (“CDHP”), and covers qualified medical expenses. The Plan is not obligated to pay the benefits related to the HSA accounts, as the HSA accounts are considered to be owned by the participating employees; therefore, the associated activity has been excluded from the Plan’s financial statements.

General Purpose Flexible Spending Account – A General Purpose FSA is a category of Healthcare FSA and is available to participants who do not enroll in a CDHP, or those who do enroll in a CDHP but are not eligible for the HSA. The General Purpose FSA covers only eligible out of pocket expenses for medical/prescriptions, dental, and vision coverage. For the years ended June 30, 2019 and 2018, eligible participants can contribute up to $2,550 per year through salary reductions and receive a $500 contribution from the employer into their General Purpose FSA account. Up to $500 of a participant’s unspent FSA account can be rolled over into the following Plan year. Amounts greater than $500 left in the General Purpose FSA will be forfeited by the participant if not used by the end of the Plan year.

Limited Purpose Flexible Spending Account – A Limited Purpose FSA is a category of Healthcare FSA that is available to participants who enroll in a CDHP with an HSA, and covers only out of pocket expenses for dental and vision coverage. For the years ended June 30, 2019 and 2018, eligible participants can contribute up to $2,550 per year through salary reductions. There are no employer contributions for the Limited Purpose FSA. Up to $500 of a participant’s unspent Limited Purpose FSA account can be rolled over into the following Plan year. Amounts greater than $500 left in the Limited Purpose FSA will be forfeited by the participant, if not used by the end of the Plan year.

Dependent Care Flexible Spending Account – The Dependent Care FSA is available to participants and their dependents who meet specific eligibility requirements surrounding care expenses and dependents. For the years ended June 30, 2019 and 2018, eligible participants can contribute up to $5,000 per year through salary reductions. The Dependent Care FSA covers only eligible expenses for taking care of dependents, and any unspent funds by the end of each Plan year are forfeited by the participant.

Contributions

Contributions from employer units cover the following benefits:

- Standard medical, dental, and vision insurance premiums (for employees only), standard medical cost shared with employees
- CDHP medical, dental, and vision insurance premiums for employees
- Life insurance policy for employees
- Accidental death and dismemberment insurance for employees
- Long-term disability insurance for employees
- Long-term care insurance for employees enrolled in the Plan prior to January 1, 2012
- Contributions to General Purpose FSAs

Contributions from employees cover the following benefits:

- Medical, dental, and vision insurance premiums (for dependents only), standard medical cost shared with employer
- Optional life insurance for employees and their spouses and children
- Optional critical illness insurance for employees and their spouses and children
- Contributions to Dependent Care FSAs and Limited Purpose or General Purpose FSAs
- InfoArmor Identity Theft Protection for employees and family

The Plan bills the employer units for contributions prior to the month of covered benefits. At June 30, 2018, $20,820 of prepaid employer and self-paid contributions were received and reported as liabilities. There were no prepaid employer and self-paid contributions received and reported as liabilities at June 30, 219.

Plan Administration

The Plan is administered by the Benefits Services Office ("BSO") of the Archdiocese.

Administrative Revenue

The Plan charges monthly fees to cover the administrative expenses of maintaining the records and operating the Plan. Fees are charged per benefit eligible employee per month based on consultants' recommendations and budgeted amounts for the year.

Plan Administration

The Plan is administered by the Benefits Services Office ("BSO") of the Archdiocese.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared using the accrual method of accounting.

Cash

Cash consists of checking and savings accounts in a bank. At times, the Plan has amounts deposited with a financial institution in excess of federally insured limits.

FSA Forfeitures Receivable

This balance represents the amount that is receivable from the Plan's FSA administrator for FSA amounts forfeited by the participants. The Plan's policy is to keep the forfeiture amounts in the Plan to use to offset against the following year's employer contributions for the FSA participants. The FSA forfeitures receivable amount was received by the Plan subsequent to the year-end.

Deposits at FSA Administrator

This balance represents the FSA account balances that were unused by the participants as of June 30, 2019 and 2018. These unused amounts are carried over to the next Plan year and are available for the FSA participants to use.

Contributions

Contributions from participants and the employer are recorded in the period in which the related insurance premiums are due.

Health Claims Payable

Health claims payable represent the liability for specific claims identified for which the service date of the claim was prior to the Plan's year-end but was not paid prior to year-end.

Health Claims Incurred but Not Reported

Health claims incurred but not reported at year-end is estimated by the Plan's actuary in accordance with accepted actuarial principles based on claims data provided by the Plan's third-party claims administrator and represents the expected ultimate cost to the Plan of settling these claims. The actuary estimates the amount for the health claims incurred but not reported ("IBNR") based on the Developmental Method. The underlying principle of this method is that the progression of claim payment follow runs out patterns that are assumed to remain stable over time. The Plan management and a third-party administrator provide historical claim data for each plan year that is applied to the Developmental Method. The results are adjusted using the Projection Method, which is based on the change in costs per exposure unit over time. The IBNR amount is further adjusted to reflect actual assumptions related to such factors as changes in claim payment cycles, plan design, insurance carriers, large dollar shock claims, emerging claims trend, enrollment shifts, differences in the number of days in the projection period versus the base line period, and other factors.

The IBNR amount also includes estimated administrative fees on the payment of the outstanding claims by medical and pharmacy vendors, together with a five percent risk margin to account for unpredictable swings and payment patterns, claim levels, etc. This estimated IBNR amount is reported in the Plan's accompanying statements of benefit obligations and net assets for benefits totaling $693,900 and $653,800 at June 30, 2019 and 2018, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of health claims incurred but not reported.

Plan Termination

Although it has not expressed any intention to do so, the Archdiocese has the right to modify the benefits provided to employees, discontinue its contributions at any time, and terminate the Plan.

3. Related-Party Transactions

The Plan reimburses the BSO, a division of the Archdiocese, for its share of administrative expenses. These include payroll, rent, and other expenses paid by the Archdiocese, which are split between the following Plans:

- Archdiocesan Pension Plan for Lay Employees
- Archdiocesan 403(b) Savings Plan
- Archdiocesan Health and Welfare Plan for Lay Employees
- Priest Pension Plan
- Supplemental Savings Plan for Priests
- Priest Health Plan
- Corporation of the Catholic Archbishop of Seattle Workers Compensation Program

The Plan's share of expenses was $587,451 and $638,746 for 2019 and 2018, respectively. The Plan also reimbursed the BSO $386,217 and $290,140 for 2019 and 2018, respectively, for costs to establish a centralized payroll system (system integration project).

4. Stop Loss Insurance

The Plan maintains excess medical loss insurance for large claims. The Plan's risk for excess claim losses is limited to $150,000 per case. In addition, the Plan's risk for aggregated annual losses is limited to $1,000,000 per case. As of June 30, 2019 and 2018, $3,577 and $355,000 in stop loss reimbursement payments were due for claims incurred during fiscal years 2019 and 2018, respectively, and are netted against health claims included on the statements of changes in benefit obligations and net assets available for benefits.

5. Risks and Uncertainties

The actuarial present value of benefit obligations is reported based on certain assumptions pertaining to interest rates, health care inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would be material to the financial statements.

6. Subsequent Events

Management has evaluated subsequent events for the Plan through February 17, 2021, the date the financial statements were available to be issued.

Effective July 1, 2019, the plan converted into a self-insured plan. This had no effect on the financial statements as of June 30, 2019.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As a result of possible changes to the actuarial assumptions used in determining the present value of accumulated plan benefits, the Plan Sponsor may need to make greater cash contributions to fund the Plan. However, the actual impact, if any, on future required contributions, Plan liquidity, and benefit modifications cannot be determined at this time.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (“CARES”) Act.” The CARES Act, among other things, includes several relief provisions available to tax-qualified retirement plans and their participants. Plan management does not believe the CARES Act and the COVID-19 outbreak will have an impact on the Plan’s financial statements.