

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
MEDICAL BENEFIT PLAN**

FINANCIAL STATEMENT

DECEMBER 31, 2018

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS MEDICAL BENEFIT PLAN
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DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Archdiocese of Saint Paul and Minneapolis Medical Benefit Plan
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statement of The Archdiocese of Saint Paul and Minneapolis Medical Benefit Plan (the Plan) which comprise the statements of net assets available for benefits and benefit obligations, as of December 31, 2018, and the related notes to the financial statement.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Board of Trustees
The Archdiocese of Saint Paul and Minneapolis Medical Benefit Plan

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 30, 2020

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
 MEDICAL BENEFIT PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 AND BENEFIT OBLIGATIONS
 DECEMBER 31, 2018**

ASSETS

| | |
|--|--------------|
| Cash | \$ 7,234,261 |
| Contribution Receivable, Net of Allowance for Doubtful Accounts of \$2,569,528 for 2018 | 1,681,499 |
| Pharmacy Rebate Receivable | 672,804 |
| Prepaid Expense | 8,108 |
| Total Assets | 9,596,672 |

LIABILITIES

| | |
|--------------------------|---------|
| Accounts Payable | 43,974 |
| Accrued Accounts Payable | 287,691 |
| HSA Clearing Account | 45,482 |
| Total Liabilities | 377,147 |

| | |
|--|-----------|
| NET ASSETS AVAILABLE FOR BENEFITS | 9,219,525 |
|--|-----------|

BENEFIT OBLIGATIONS

| | |
|--|-----------|
| Insurance Premiums Payable | 260,673 |
| Medical Claims Payable | 378,537 |
| Daycare and Flexible Spending Benefit Obligations | 280,286 |
| Reserve for Medical Claims Incurred But Not Reported | 1,007,610 |
| Reserve for Dental Claims Incurred But Not Reported | 21,317 |
| Total Benefit Obligations | 1,948,423 |

| | |
|---|---------------------|
| EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS | \$ 7,271,102 |
|---|---------------------|

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS MEDICAL BENEFIT PLAN
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

NOTE 1 DESCRIPTION OF PLAN

The following description of The Archdiocese of Saint Paul and Minneapolis Medical Benefit Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan provides medical and dental insurance, certain life and disability insurance, and various other benefits to participating employees of the Archdiocese of Saint Paul and Minneapolis (Archdiocese) and non-profit corporations affiliated with the Archdiocese who have adopted the Plan, referred to as the "participating employers." The Plan is funded through the Archdiocese of Saint Paul and Minneapolis Medical Benefit Plan Trust (Trust) that was established by the Archdiocese as a grantor trust effective March 1, 1991.

The medical, dental and flex benefits portion of the Trust are self-insured. Long-term disability, group life, supplemental life, and accidental death and dismemberment benefits are fully insured by Mutual of Omaha and Unum National.

Delta Dental makes payments of dental claims on behalf of the Plan and serves as the record keeper for these payments. Blue Cross Blue Shield of Minnesota makes payments of medical claims on behalf of the Plan and serves as the record keeper for these payments. The Archdiocese has been appointed as the administrator for the following purposes: determines eligibility of participants for daycare and flex benefits, collects funds from participating employers and disburses funds for HSA, daycare and flex benefit payments, insurance premiums, and administrative expenses of the Plan.

Eligibility

Employees of participating employers that are actively employed and working 30 or more hours per week.

Currently retired or terminated employees and their eligible dependents may be eligible to continue coverage under the Plan until the first of the month during which they attain age 65 if they are at least 60 years of age, are entitled to benefits under the Pension Plan, and were continuously covered under the Plan as an active employee on the day prior to the date they terminated employment.

Contributions

Contributions to the Plan and the related contributions receivable are primarily from the participating employers. Each employer selects its employee cost sharing rate from a pre-determined structure for medical coverage, which must be at least 50% of the single premium. The contributions to the Plan are set according to a three tiered structure for employee only coverage, employee plus one or children, and family coverage. The contributions are established to cover the costs of actual claims submitted, specific and aggregate stop loss premium costs, contribution to reserves, administrative and variable costs paid to insurance companies. The daycare and flex benefit payments are fully funded by employee contributions. Employee contributions are based on elected plan coverage and employer contribution percentage.

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS MEDICAL BENEFIT PLAN
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

NOTE 1 DESCRIPTION OF PLAN (CONTINUED)

Contributions (Continued)

Self-pay contributions are amounts received from participants electing retiree or COBRA coverage. The premiums are set at 102% for retiree and COBRA participants of expected claims costs.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

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 the reported amounts of assets, liabilities, benefit obligations, and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Contribution Receivables

Contributions receivables are recorded at their estimated net realizable value. The Plan follows a policy of providing an allowance for doubtful accounts and bases its estimate on a variety of factors including the current status of receivables, collection experience, and the financial condition of the related entities. Accounts considered uncollectible are written off. The Plan's allowance for doubtful accounts was \$2,569,528 as of December 31, 2018.

Effective July 1, 2018, the Plan implemented a policy that requires all participating employers to remit monthly payment in full by the end of the coverage month. Failure to comply may result in a notice to all enrolled employees of the participating employer that coverage will be terminated at the end of the month following non-payment.

Accounts and Accrued Accounts Payable

Accounts and Accrued Accounts payable at December 31, 2018, are amounts due to service providers for services provided that have not been paid by the Plan at year-end.

Cash

The Plan maintains its accounts primarily at one financial institution. During the year, the Plan's cash balance exceeded amounts insured by the Federal Deposit Insurance Corporation. At December 31, 2018, \$7,234,261 of the cash, consisted of the Premier Bank Checking and Savings Account, which is an interest bearing account.

Stop-Loss Insurance Coverage

The Archdiocese owns the Plan's stop-loss insurance coverage from a third party to provide for major medical benefit claims. The Plan is self-insured for the first \$200,000 of an individual claim and \$21,547,300 in the aggregate.

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS MEDICAL BENEFIT PLAN
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance Premiums Payable

The Plan accrues amounts payable to insurance carriers for premiums for coverage periods prior to year-end that are unpaid at year-end.

Reserves for Medical Claims

The Plan has established reserves for medical claims payable to participants for claims reported but not paid and estimated claims incurred but not yet reported (IBNR) at the end of the fiscal year. Plan obligations at December 31 for IBNR are estimated primarily based on evaluations of current and historical claims experience and subsequent claims payments through the first three months of the following Plan year. The estimate of claims IBNR is a significant estimate that could reasonably change in the near term.

Reserves for Dental Claims

The Plan has established reserves for dental claims reported but not paid and estimated claims IBNR at the end of the fiscal year. The reserves are estimates based on several factors including an analysis of claims and subsequent claims payments through the first three months of the following Plan year.

Day Care and Flex Benefit Obligations

The Plan has established reserves for day care and flex benefits reported but not paid and estimated claims IBNR at the end of the fiscal year. The reserves are estimated based on amounts contributed by participants but not claimed by participants during the Plan year.

Subsequent Events

In preparing this financial statement, the Plan has evaluated events and transactions for potential recognition or disclosure through January 30, 2020, the date the financial statement was available to be issued.

NOTE 3 CONCENTRATION OF CREDIT RISK

At December 31, 2018, approximately 64%, of the Plan's gross contributions receivable was due from three participating employers.

NOTE 4 TAX STATUS

The Trust is a grantor trust, established by the Archdiocese, a religious organization. The Archdiocese is exempt from federal income taxes under the provisions of the Internal Revenue Code, grantor trust provisions of Sections 671 through 679. Due to the tax exempt status of the Plan, the Plan does not have any significant tax uncertainties that would require recognition or disclosure. Plan management also believes the Plan is exempt from the Employee Retirement Income Security Act of 1974, as amended.

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS MEDICAL BENEFIT PLAN
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

NOTE 4 TAX STATUS (CONTINUED)

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan administrator believes it is not subject to income tax examinations due to the exempt status.

NOTE 5 PLAN TERMINATION

The Archdiocese has the right to amend, in whole or in part, any or all of the provisions of the Plan at any time. No modification or amendment shall divest an employee of a right to which he or she is entitled under the Plan. Additionally, the Archdiocese also retains the right to terminate the Plan at any time, although it has no intention to do so. Upon such termination of the Plan, the assets will be used to pay claims and expenses until exhausted. Upon termination of the Plan and satisfaction of all obligations, any remaining trust funds shall be distributed to the Archdiocese.