PENSION PLAN FOR LAY EMPLOYEES OF
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017
INDEPENDENT AUDITORS’ REPORT

Archdiocese of Saint Paul and Minneapolis
Pension Board of Trustees (Board of Trustees)
Pension Plan for Lay Employees of the Archdiocese of Saint Paul and Minneapolis
St. Paul, Minnesota

We have audited the accompanying financial statements of Pension Plan for Lay Employees of the Archdiocese of Saint Paul and Minneapolis (the Plan), which comprise the statements of net assets available for benefits and of accumulated plan benefits as of December 31, 2018 and 2017, and the related statements of changes in net assets available for benefits and changes in accumulated plan benefits for the years 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.

Auditors’ Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors’ 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.
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 and 2017, and the changes in financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 2, 2020
## PENSION PLAN FOR LAY EMPLOYEES OF THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS

### STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2018 and 2017

See accompanying Notes to Financial Statements.

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTMENTS (at Fair Value)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>$134,953,011</td>
<td>$151,311,230</td>
</tr>
<tr>
<td><strong>CASH</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan Interest in Pooled Cash and Cash Equivalents</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>RECEIVABLES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer Contribution Receivable, Net of Allowance for Doubtful Accounts of $1,730,747 and $1,487,501 for 2018 and 2017, Respectively</td>
<td>609,521</td>
<td>684,842</td>
</tr>
<tr>
<td>Total Assets</td>
<td>135,563,532</td>
<td>151,997,072</td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACCOUNTS PAYABLE</strong></td>
<td>199,305</td>
<td>115,663</td>
</tr>
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</table>

### NET ASSETS AVAILABLE FOR BENEFITS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS AVAILABLE FOR BENEFITS</strong></td>
<td>$135,364,227</td>
<td>$151,881,409</td>
</tr>
</tbody>
</table>
PENSION PLAN FOR LAY EMPLOYEES OF
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 31, 2018 AND 2017

ADDITIONS TO (DEDUCTIONS FROM) NET ASSETS AVAILABLE FOR BENEFITS ATTRIBUTED TO:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTMENT INCOME (LOSS)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Appreciation (Depreciation) in Fair Value of Investments</td>
<td>$ (13,273,784)</td>
<td>$ 19,259,174</td>
</tr>
<tr>
<td>Interest and Dividends</td>
<td>3,568,223</td>
<td>3,050,221</td>
</tr>
<tr>
<td>Total Investment Income (Loss)</td>
<td>(9,705,561)</td>
<td>22,309,395</td>
</tr>
<tr>
<td>Less: Investment Expenses</td>
<td>18,750</td>
<td>18,750</td>
</tr>
<tr>
<td>Net Investment Income (Loss)</td>
<td>(9,724,311)</td>
<td>22,290,645</td>
</tr>
<tr>
<td><strong>EMPLOYER CONTRIBUTIONS</strong></td>
<td>6,628,131</td>
<td>6,628,131</td>
</tr>
<tr>
<td><strong>OTHER INCOME</strong></td>
<td>3,456</td>
<td>17,181</td>
</tr>
<tr>
<td><strong>BENEFITS PAID</strong></td>
<td>(12,619,469)</td>
<td>(11,634,641)</td>
</tr>
<tr>
<td><strong>ARCHDIOCESE ADMINISTRATIVE EXPENSES</strong></td>
<td>(161,077)</td>
<td>(175,813)</td>
</tr>
<tr>
<td><strong>PROFESSIONAL AND CONTRACT SERVICES</strong></td>
<td>(400,665)</td>
<td>(385,649)</td>
</tr>
<tr>
<td><strong>BAD DEBT EXPENSE</strong></td>
<td>(243,247)</td>
<td>(193,955)</td>
</tr>
<tr>
<td><strong>NET (DECREASE) INCREASE</strong></td>
<td>(16,517,182)</td>
<td>16,545,899</td>
</tr>
</tbody>
</table>

NET ASSETS AVAILABLE FOR BENEFITS:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of Year</td>
<td>151,881,409</td>
<td>135,335,510</td>
</tr>
<tr>
<td>End of Year</td>
<td>$ 135,364,227</td>
<td>$ 151,881,409</td>
</tr>
</tbody>
</table>

See accompanying Notes to Financial Statements.

(4)
## ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vested Benefits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participants Currently Receiving Payments</td>
<td>$112,066,452</td>
<td>$104,585,550</td>
</tr>
<tr>
<td>Other Participants</td>
<td>71,882,821</td>
<td>81,840,393</td>
</tr>
<tr>
<td>Total</td>
<td>$183,949,273</td>
<td>$186,425,943</td>
</tr>
</tbody>
</table>

See accompanying Notes to Financial Statements.
PENSION PLAN FOR LAY EMPLOYEES OF
THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
STATEMENTS OF CHANGES IN ACCUMULATED PLAN BENEFITS
YEARS ENDED DECEMBER 31, 2018 AND 2017

See accompanying Notes to Financial Statements.
NOTE 1  DESCRIPTION OF THE PLAN

The following brief description of the Pension Plan for Lay Employees of the Archdiocese of Saint Paul and Minneapolis (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for complete information.

General
The Plan is a defined benefit pension plan covering substantially all lay employees of parishes, institutions, organizations, corporations, and entities associated with the Archdiocese of Saint Paul and Minneapolis (Archdiocese). The Plan was restated effective January 1, 2014 and most recently amended effective January 1, 2017. The Plan is a qualified plan and is exempt from income taxes under the provisions of the Internal Revenue Code (IRC). The Plan is a Church Plan, as defined in Section 414(e) of the IRC and is exempt from Title I of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Eligibility and Vesting
The Plan covers full-time employees, defined in the Plan document as those who customarily work 25 hours or more per week for at least five months during the Plan year, who were employed by a participating employer on or before January 31, 2011. All covered employees are eligible to participate in the Plan on the first day of the month coinciding with or next following the later of the employees’ full-time anniversary or attaining age 25.

Effective January 31, 2011, the Plan was frozen. Due to the frozen status of the Plan, active Plan participants are no longer earning benefits, are no longer accruing additional credited years of service, and pension benefits upon participant retirement will be based upon the participant’s credited years of service and salary history as of January 31, 2011. Participants in the Plan who were not yet vested as of January 31, 2011 will continue to earn vesting service after January 31, 2011 for each year in which they work in a full-time capacity. Employees that had not met the one year service requirement as of January 31, 2011 are also eligible to accrue a year of service to become an eligible participant in the Plan.

Employees who were under the age of 25 as of January 31, 2011, are also eligible to accrue years of service to become an eligible participant in the Plan.

Participants are generally 100% vested upon completion of five years of service.

Pension Benefits
The Plan provides for normal, early, and late retirement benefits, disability, and death benefits in an amount dependent on the years of service and average salary, as defined in the Plan document. If the present value of a terminated participant’s vested accrued benefit is less than $1,000, the account balance will be paid to the participant in a lump sum. Pension benefits shall be payable to a pensioner in the form of a straight life annuity payable monthly unless an alternate option is elected. Married participants shall receive the benefit payable in a joint and survivor annuity unless an alternate option is elected. Effective with the Plan freeze on January 31, 2011, benefits are determined based upon a participant’s credited years of service and history as of January 31, 2011.
NOTE 1  DESCRIPTION OF THE PLAN (CONTINUED)

Pension Benefits (Continued)
Active employees, who become totally and permanently disabled, as recognized by a Social Security Disability Award, receive disability benefits computed by using their final average earnings as of January 31, 2011, reduced by any workers’ compensation benefits received.

NOTE 2  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The accompanying financial statements 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 management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Plan Interest in Pooled Cash and Cash Equivalents
The Plan considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At times throughout the year, the Plan’s cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The Plan’s cash and cash equivalents are maintained in segregated accounts held by the Archdiocese.

Contributions Receivable
Receivables from employers 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 are considered past due if payment is not made on a timely basis in accordance with the Plan’s credit terms. Accounts considered uncollectible are written off.

Payment of Benefits
Benefits are recorded when paid.

Administrative Expenses
Administrative and other eligible expenses of the Plan are paid from Plan assets.
NOTE 2  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Actuarial Present Value of Accumulated Plan Benefits**

Accumulated plan benefits are those future periodic payments, including lump sum distributions, which are attributable under the Plan’s provisions to the service that participants have rendered. Accumulated plan benefits include benefits expected to be paid to retired, disabled, or terminated participants and their beneficiaries to the extent they are deemed attributable to service rendered prior to the valuation date. Benefits under the Plan are based on employees’ compensation during their five highest years of credited service through January 31, 2011, the effective date of the Plan freeze.

The actuarial present value of accumulated plan benefits is determined by the Plan’s actuary and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. It is at least reasonably possible that estimates inherent in the actuarial valuation process may change in the near future.

The significant actuarial assumptions used in the valuation and roll forward as of December 31, 2018 and 2017 were:

- Life expectancy of participants – RP-2014 Employee and Healthy Annuitant Tables adjusted back to 2006 and then projected forward with Scale MP-2018 (2018) and RP-2014 Employee and Healthy Annuitant Tables adjusted back to 2006 and then projected forward with Scale MP-2017 (2017).
- Retirement age – 20% at age 62, 5% from age 63 through normal retirement age, 60% at normal retirement age, 15% each year following normal retirement age until 100% at age 70. Terminated vested participants are assumed to commence at normal retirement age.
- Investment return – 7.00%.
- Actuarial cost method – Traditional unit credit actuarial cost method. The aggregate actuarial cost method is used to determine contributions.
- Assumed expenses – $550,000 (2018) and $500,000 (2017)
- Actuarial value of assets – Market value of assets as of the date of the valuation.

The $414,286 and $1,166,078 of assumption changes reflected on the statements of changes in accumulated plan benefits for the years ended December 31, 2018 and 2017 are related to the change in the mortality table.

The computations of the actuarial present value of accumulated plan benefits were made as of January 1, 2019 and 2018. Had the valuations been performed as of December 31, 2018 and 2017, there would be no material differences.
NOTE 2  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Actuarial Present Value of Accumulated Plan Benefits (Continued)**

The forgoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

**Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

The three levels of the fair value hierarchy are as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at December 31, 2018 and 2017.

**Investment Valuation and Income Recognition**

The Plan’s investments are valued at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.
NOTE 2  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation and Income Recognition (Continued)
The Plan is invested in mutual funds that are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Purchases and sales of investments are recorded on a trade date basis. Interest income is accrued based on the terms of the underlying investments and dividend income is recorded on the ex-dividend date. Net investment income includes the Plan’s gains and losses on investments purchased and sold as well as held during the year.

NOTE 3  FUNDING POLICY

The Plan’s funding policy has been for the participating employers to make contributions to the Plan so that all participating employees' benefits under the Plan would be fully provided for by the time they retire. For the years ended December 31, 2018 and 2017, participating employers’ contributions were calculated as 5.0% of covered compensation based on 2011 compensation. Although it has not expressed any intention to do so, the Board of Trustees has the right under the Plan to change contribution levels, discontinue contributions, and/or terminate the Plan at any time.

NOTE 4  PLAN TERMINATION

In the event the Plan terminates, the net assets of the Plan will be allocated in the order indicated as follows:

- To provide for continuance of pensions to retirees and beneficiaries.
- Whether all participants receive their benefits should the Plan terminate at some future time Plan members will be allocated their accrued rights on an equitable and nondiscriminatory basis according to accepted actuarial principles.
- Remaining assets, if any, would be returned to the participating employers.

Upon termination of the Plan, participants become fully vested in their accrued benefits. Will depend on the sufficiency, at that time, of the Plan’s net assets to provide those benefits.
NOTE 5  RISKS AND UNCERTAINTIES

The Plan invests in a variety of instruments through the shared portion of the investment pool. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Contributions to the Plan and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and Plan participant demographics, all of which are subject to change. Due to uncertainties inherent in these estimates and assumptions, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE 6  PLAN TAX STATUS

The Plan is established by the Archdiocese, a religious organization. The Plan is a “Church Plan” as defined in section 414(e) of the IRC and is exempt from federal income taxes.

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 the Plan is not subject to income tax examinations due to the exempt status.

NOTE 7  CONCENTRATIONS OF CREDIT RISK

At December 31, 2018 and 2017, approximately 44% and 37%, respectively, of the Plan’s gross contributions receivable was due from three and two participating employers, respectively.

The Plan has recorded an allowance for doubtful accounts for certain contributions.

NOTE 8  AMOUNTS DUE FROM AND TO THE ARCHDIOCESE

The Archdiocese maintains a segregated account for the Plan totaling $1,000 as of December 31, 2018 and 2017. There was no interest earned on this account in 2018 and 2017 credited to the Plan.

There were no amounts due to or due from the Archdiocese as of December 31, 2018 and 2017. The Archdiocese charged an administration fee to the Plan totaling approximately $161,000 and $176,000 in 2018 and 2017, respectively.
NOTE 9  FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Plan’s assets at fair value as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Funds 2018</td>
<td>$ 134,953,011</td>
<td></td>
<td></td>
<td>$ 134,953,011</td>
</tr>
<tr>
<td>Total Investments at Fair Value 2018</td>
<td>$ 134,953,011</td>
<td></td>
<td></td>
<td>$ 134,953,011</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Funds 2017</td>
<td>$ 151,311,230</td>
<td></td>
<td></td>
<td>$ 151,311,230</td>
</tr>
<tr>
<td>Total Investments at Fair Value 2017</td>
<td>$ 151,311,230</td>
<td></td>
<td></td>
<td>$ 151,311,230</td>
</tr>
</tbody>
</table>

NOTE 10  SUBSEQUENT EVENTS

In preparing these financial statements, the Plan has evaluated events and transactions for potential recognition or disclosure through March 2, 2020, the date the financial statements were available to be issued.