Statutory Financial Statements and Report of Independent Certified Public Accountants

Massachusetts Catholic Self-Insurance Group, Inc.

March 31, 2015 and 2014

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Report of Independent Certified Public Accountants

Board of Directors
Massachusetts Catholic Self-Insurance Group, Inc.

We have audited the accompanying statutory financial statements of Massachusetts Catholic Self-Insurance Group, Inc., which comprise the statutory statements of admitted assets, liabilities and policyholders' surplus as of March 31, 2015 and 2014, and the related statutory statements of income, changes in policyholders' surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Management's responsibility for the statutory financial statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with accounting practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory 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 statutory 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 statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory 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 entity'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 statutory 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 statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and policyholders' surplus of Massachusetts Catholic Self-Insurance Group, Inc. as of March 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance as described in Note B.

Basis of accounting

We draw attention to Note B of the statutory financial statements, which describes the basis of accounting to meet the requirements of Commonwealth of Massachusetts Division of Insurance. The statutory financial statements are prepared by the Massachusetts Catholic Self-Insurance Group, Inc. in accordance with accounting practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on use

This report is intended solely for the information and use of the Board of Directors and management of Massachusetts Catholic Self-Insurance Group, Inc. and the Commonwealth of Massachusetts Division of Insurance and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Boston, Massachusetts
August 10, 2015

MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.
Statutory Statements of Admitted Assets, Liabilities and Policyholders' Surplus
March 31, 2015 and 2014

	2015	2014
ADMITTED ASSETS		
Cash and short-term investments	**$ 3,464,333**	$ 13,644,433
Restricted cash	**307,010**	307,010
Investment, at amortized cost (fair value of $10,942,368)	**11,001,371**	-
Note receivable (note E)	**131,872**	126,150
Total admitted assets	**$ 14,904,586**	$ 14,077,593
LIABILITIES AND POLICYHOLDERS' SURPLUS		
LIABILITIES:		
Reserves for losses and loss adjustment expenses (note F)	**$ 6,968,581**	$ 7,157,847
Accounts payable and accrued expenses	**102,801**	87,400
Prepaid assessments	**364,726**	348,269
Due to policyholders - dividend distributions	**322,045**	281,454
Due to policyholders - other	**1,847,794**	1,684,384
Other liabilities - related parties	**110,858**	61,884
Total liabilities	**9,716,805**	9,621,238
POLICYHOLDERS' SURPLUS	**5,187,781**	4,456,355
Total liabilities and policyholders' surplus	**$ 14,904,586**	$ 14,077,593

The accompanying notes are an integral part of these statutory financial statements.

MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.
Statutory Statements of Income
For the years ended March 31, 2015 and 2014

	2015	2014
Premiums earned, net (note H)	**$ 2,795,803**	$ 2,714,337
Other assessments	**140,423**	117,412
Total underwriting income	**2,936,226**	2,831,749
Losses and loss adjustment expenses (note F)	**1,557,251**	2,176,122
Other underwriting expenses (note J)	**488,996**	431,630
Massachusetts Department of Industrial Accidents assessments	**223,677**	144,256
Total underwriting expenses	**2,269,924**	2,752,008
Net underwriting income	**666,302**	79,741
Investment income	**130,961**	39,455
Realized gain on sale of investments	**-**	1,028,181
Net income before dividends to policyholders	**797,263**	1,147,377
Dividends to policyholders	**(500,000)**	(500,000)
Net income	**$** 297,263	$ 647,377

The accompanying notes are an integral part of these statutory financial statements.

MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.
Statutory Statements of Changes in Policyholders' Surplus
For the years ended March 31, 2015 and 2014

	2015	2014
Policyholders' surplus at beginning of year	**$ 4,456,355**	$ 4,443,089
Net income	**297,263**	647,377
Change in nonadmitted assets	**434,163**	(634,111)
Policyholders' surplus at end of year	**$ 5,187,781**	$ 4,456,355

The accompanying notes are an integral part of these statutory financial statements.

MASSACHUSETTS CATHOLIC SELF-INSURANCE GROUP, INC.
Statutory Statements of Cash Flows
For the years ended March 31, 2015 and 2014

	2015	2014
OPERATING ACTIVITIES:		
Premiums and assessments collected, net of reinsurance	**$ 3,229,966**	$ 2,080,225
Investment income, net of expenses	**130,961**	39,455
Other assessments collected	**140,423**	117,412
Losses and loss adjustment expenses paid, net	**(1,746,516)**	(2,038,760)
Underwriting expenses and MDIA assessments paid	**(697,272)**	(682,285)
Distributions to policyholders	**(459,409)**	(472,919)
Net cash provided by (used in) operating activities	**598,153**	(956,872)
INVESTING ACTIVITIES:		
Purchases of investments	**(11,001,371)**	-
Proceeds from sale of investment	**-**	10,854,392
Net cash (used in) provided by investing activities	**(11,001,371)**	10,854,392
FINANCING ACTIVITIES:		
Interest on note receivable	**(5,722)**	(5,722)
Prepaid assessments	**16,456**	(36,858)
Due to policyholders - other	**163,410**	171,743
Other liabilities - related parties	**48,974**	61,884
Net cash provided by financing and miscellaneous activities	**223,118**	191,047
Net change in cash and short-term investments	**(10,180,100)**	10,088,567
Cash, short-term investments and restricted cash at beginning of year	**13,951,443**	3,862,876
Cash, short-term investments and restricted cash at end of year	**$ 3,771,343**	$ 13,951,443

The accompanying notes are an integral part of these statutory financial statements.

NOTE A - ORGANIZATION

Massachusetts Catholic Self-Insurance Group, Inc. (the "Group") was organized in March 1990 as a workers' compensation self-insurance group under Massachusetts General Law Chapter 152 and writes workers' compensation insurance in Massachusetts for its members, which include schools, institutions and parishes which operate under the auspices of the Archdiocese of Boston (the "Archdiocese"), and other Catholic organizations located in Massachusetts.

NOTE B - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Commonwealth of Massachusetts Division of Insurance (the "Division of Insurance"). "Prescribed" statutory accounting practices ("SAP") are interspersed throughout the state insurance laws and regulations, the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual and a variety of other NAIC publications. "Permitted" SAP encompass all accounting practices that are not prescribed; such practices may differ from state to state and company to company within a state, and may change in the future.

In accordance with permitted practice, the Group discounts its reserves for losses and loss adjustment expenses. If the losses and loss adjustment expense reserves were recorded on an undiscounted basis in accordance with NAIC SAP, reserves for losses and loss adjustment expenses would increase and statutory surplus would decrease by $349,760 and $376,016 at March 31, 2015 and 2014, respectively. Additionally, the net income/loss would decrease by $26,256 and $60,996 for the years ended March 31, 2015 and 2014, respectively. Other permitted practices that are not prescribed by SAP but which are utilized by the Group did not have a material effect on surplus or results of operations.

Reconciliations of the Group's net loss and policyholders' surplus between NAIC SAP and practices permitted by the Commonwealth of Massachusetts for self-insurance groups for the years ended March 31 are as follows:

		2015		2014
Net income, Massachusetts statutory basis	$	297,263	$	647,377
Effect of permitted practice - discounting reserves for losses and loss adjustment expenses		(26,256)		(60,996)
Net income, NAIC SAP	$	271,007	$	586,381
Policyholders' surplus, Massachusetts statutory basis	$	5,187,781	$	4,456,355
Effect of permitted practice - discounting reserves for losses and loss adjustment expenses		(349,760)		(376,016)
Policyholders' surplus, NAIC SAP	$	4,838,021	$	4,080,339

NOTE B - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

NAIC SAP differ from accounting principles generally accepted in the United States of America (US GAAP) in several respects, which causes differences in reported assets, liabilities, stockholders' equity (policyholders' surplus), net (loss) income, and cash flows. The principal differences include the following:

- Reserves are reported net of ceded reinsurance, while under US GAAP, reserves are generally reported gross with a corresponding reinsurance receivable.

- NAIC SAP prescribe limitations to the admissibility of certain assets while, under US GAAP, such amounts are carried at cost with appropriate valuation allowances.

- Investments in bonds are carried at amortized cost for NAIC SAP, while US GAAP for not-for-profit entities generally requires that all investment securities be carried at fair value, with unrealized gains and losses included in income.

- Under statutory accounting, the statement of cash flows is presented on the direct method. Under GAAP, the statement of cash flows is presented on the indirect method or, if presented on the direct method a reconciliation to the cash flows calculated using the indirect method is required to be presented. For purposes of the statutory statement of cash flows, cash and short-term investments include investments with maturities of one year or less at the date of acquisition. Under GAAP, cash and cash equivalents include investments with original maturities three months or less.

The Group's significant accounting policies are as follows:

Cash and Short-Term Investments

Cash and short-term investments, which are accounted for at cost, consist of funds held in bank accounts and money market mutual funds. Investments with maturities of one year or less at the date of purchase are considered short-term investments. Cash and short-term investments are stated at cost, which approximates fair value.

Generally, the Group's cash and cash equivalents in interest bearing accounts exceed the Federal Deposit Insurance Corporation's current depository insurance limits of $250,000. However, the Group has not experienced any losses in such accounts and believes that its cash and cash equivalents are not exposed to significant credit risk.

Investment

The Group's investment at March 31, 2015 consists of funds invested in the Fixed Income Fund, Roman Catholic Archbishop of Boston (the "Fixed Income Fund"). The Fixed Income Fund is a related organization in which Catholic organizations may participate to maximize long term total return by investing in investment grade debt and fixed income sercurities. This investment is recorded at amortized cost.

NOTE B - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Nonadmitted Assets

Under statutory accounting, certain assets designated as "non-admitted," are excluded from the statements of admitted assets, liabilities and policyholders' surplus and directly charged or credited to undistributed policyholders' surplus. Under statutory accounting, receivables over 90 days past due are non-admitted, whereas under GAAP, such receivables would be recorded as an asset net of specific reserves. Under statutory accounting, a prepaid asset is non-admitted whereas under GAAP, a prepaid asset would be recorded as an asset and amortized over periods during which the related benefit is realized. As of March 31, 2015 and 2014, the Group holds non-admitted premiums and other receivables over 90 days totaling $676,711 and $1,110,874, respectively, and a non-admitted prepaid asset totaling $2,000 in both years. The net change in non-admitted assets credited/(charged) to undistributed policyholders' surplus totaled $434,163 and $(634,111) for the years ended March 31, 2015 and 2014, respectively.

Reinsurance

Reserves for losses and loss adjustment expenses are reported net of estimated unpaid reinsurance recoverables.

Reserves for Losses and Loss Adjustment Expenses

Reserves for losses and loss adjustment expenses represent the estimated ultimate net cost of all losses incurred, reported and unreported, but unpaid through the end of the year, net of estimated losses ceded to the Group's reinsurer. The reserves for unpaid losses and loss adjustment expenses are estimated by management using individual case basis valuations and statistical analyses as determined by an independent actuary and are recorded net of anticipated salvage and subrogation recoveries. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable uncertainty is inherent in such estimates, management believes that the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as experience develops or new information becomes known and any necessary adjustments are reflected in operations in the period in which the change in estimate occurs.

Reserves for losses and loss adjustment expenses are recorded on a discounted basis using an interest rate set by the Board of Directors. The approved rate, which under State regulations cannot exceed discount rates prescribed by the IRS, was set at 3% at March 31, 2015 and 2014.

Premium Revenue

Premiums are established annually based on rates for workers' compensation established by the Commonwealth of Massachusetts and adjusted for individual experience. Premium rates are intended to be sufficient to cover all operating costs and to maintain and continue the program in full force and effect. Premiums are recorded as earned on a pro rata basis over the terms of the policies, net of premiums ceded for reinsurance with third parties. All policies issued by the Group expire each year on March 31.

Premiums resulting from final payroll adjustments are recognized as revenue in the year in which the related payroll audits are completed and the related adjustment has been billed or credited to the customer's account.

NOTE B - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Dividend Distributions

The declaration of dividend distributions to policyholders and former policyholders is at the discretion of the Group's Board of Directors. In accordance with applicable Massachusetts regulations, dividend distributions will not begin until twenty-four months after the end of the policy year in which the related surplus was earned, at which point 25% of the distribution can be made. Thereafter, up to an accumulated 33%, 50% and 100% of the declared distribution may be made in each of the successive years.

Income Taxes

The Group is a Massachusetts not-for-profit corporation formed for the purpose of forming self-insured workers compensation groups pursuant to Massachuetts General Law Chapter 152. The Group is included in the United States Conference of Catholic Bishops Group Ruling and in the official Catholic Directory and is generally not subject to federal or state income taxes. The Group is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

Use of Estimates

The preparation of the financial statements in conformity with accounting practices prescribed or permitted by the Division of Insurance requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The determination of reserves for losses and loss adjustment expenses represents a significant estimate made by the Group's management. Actual results could vary from this estimate.

Subsequent Events

The Group has evaluated subsequent events through August 10, 2015, which is the date these statutory basis financial statements were issued.

Reclassifications

Certain reclassifications were made to prior year amounts to conform to the current year presentation.

NOTE C - STATUTORY REQUIREMENTS

The Group is in compliance with the following minimum statutory financial requirements as of March 31, 2015 and 2014:

Liquidity

The Group is required to provide security to the Commissioner of Insurance of the Commonwealth of Massachusetts to the extent the undiscounted loss reserves and unearned premiums exceed liquid assets. This condition did not exist at March 31, 2015 and 2014.

NOTE C - STATUTORY REQUIREMENTS - Continued

Member Net Worth

The combined net worth of all the members of the Group is required to exceed the greater of 400% of the Group's standard premium or $1,000,000.

Reinsurance/Excess Insurance

The Group is required to maintain excess reinsurance coverage of at least $5,000,000 per occurrence and aggregate excess insurance attaching at 105% of standard premium. The retention limit for the Group's excess reinsurance coverage shall not be more than 30% of the net premium of the Group, up to a maximum of $500,000. Reinsurers shall be licensed, admitted or otherwise authorized to transact insurance or reinsurance in the Commonwealth of Massachusetts and have acceptable ratings (noted in parentheses) from at least two of the following rating agencies: A.M. Best & Company (A), Duff & Phelps (AA), Moody's Investors Services (AA2) and Standard & Poors Corporation (A).

Security

The Group is required to provide to the Commissioner of Insurance of the Commonwealth of Massachusetts security equal to the greater of 10% of the Group's standard premium or $100,000. Such security is provided through the maintenance of a restricted bank account.

NOTE D - INVESTMENT

At March 31, 2015, the Group's investment in the Fixed Income Fund had an amortized cost of $11,001,371 and an estimated fair value of $10,942,368 resulting in culumative unrealized losses of $59,003. Such unrealized losses are not reflected in the statements of admitted assets, liabilities and policyholders' surplus or the statements of income as of and for the year ended March 31, 2015 in accordance with NAIC SAP. In May 2013, the Group's investment in the State Street Fund was liquidated resulting in proceeds of $10,854,392 and realized gains of $1,028,181.

SAP 100 establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The Group classifies assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The investment in the Fixed Income Fund is the only asset or liability measured at fair value (for disclosure purposes only). The fair value of this investment is determined using the net asset value (NAV) per share The investment, which is redeemable at year end at NAV per share, is classified within Level 2 of the fair value hierarchy.

NOTE E - NOTE RECEIVABLE

At March 31, 2015 and 2014, the Group has a $108,984 demand note receivable from the Sons of Divine Providence, Inc. Interest accrued and receivable totaled $22,888 and $17,166 at March 31, 2015 and 2014, respectively. Interest accrues at a rate of 5.25%. Upon demand for payment on the note, interest accrues at 9.25%. The note is secured by a mortgage on real property granted by the Sons of Divine Providence, Inc. to the Group. This note is in satisfaction of outstanding receivables owed by the Sons of Divine Providence, Inc. to the Group.

NOTE F - RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

The Group uses an independent actuary to assist in determining its reserves for losses and loss adjustment expenses. The Group's discounted reserves for losses and loss adjustment expenses were $6,968,581 and $7,157,847 at March 31, 2015 and 2014, respectively.

A summary of activity in the reserves for losses and loss adjustment expenses for the years ended March 31, 2015 and 2014 is as follows:

	2015	2014
Beginning discounted balance:	**$ 7,157,847**	$ 7,020,485
Incurred:		
Current year	**2,300,000**	2,426,552
Prior years	**(742,749)**	(250,430)
Total incurred	**1,557,251**	2,176,122
Paid related to:		
Current year	**559,627**	605,143
Prior years	**1,186,889**	1,433,617
Total paid	**1,746,516**	2,038,760
Ending discounted balance	**$ 6,968,582**	$ 7,157,847

As a result of changes in estimates of insured events in prior years, incurred claims and claim adjustment expenses decreased by $742,749 and $250,430 in 2015 and 2014, respectively, due to favorable loss development for prior year claims.

NOTE G - CONTINGENCIES

The Group is engaged in litigation in the ordinary course of business principally related to the defense of various liability and other claims. Liabilities are recorded to cover estimated losses and related expenses associated with these matters in setting the reserves for losses and loss adjustment expenses.

NOTE G - CONTINGENCIES - Continued

In connection with the withdrawal of Caritas Christi and its managed healthcare entities from the Group effective March 31, 2010, certain terms of the agreement to withdraw included consideration of the distribution of dividends in future years that relate to policy years during which Caritas Christi was a policyholder. Under the terms of the agreement, dividends of policyholder surplus associated with policy years that hadn't been distributed as of the withdrawal date will be held by the Group until such time that claims associated with such policy years have been settled. As of March 31, 2015 and 2014, there are $1,200,722 and $1,079,454, respectively, of undistributed dividends attributable to Caritas Christi which have been withheld and are included in due to policyholders - other in the accompanying statements of admitted assets, liabilities and policyholders' surplus. Depending on the volume and severity of Caritas Christi related claims made in the future, the actual amount distributed may vary.

NOTE H - REINSURANCE

To help manage exposure to loss and comply with regulations, the Group has entered into a specific and aggregate loss reinsurance agreement. The coverage under this agreement is subject to specific retentions and limits as defined by the contract. The Group remains primarily liable for its obligations under its insurance contracts. In the event the reinsurer becomes unable to meet its obligations under the reinsurance agreement, the Group would become liable and would then be required to recognize such obligations in its financial statements.

The following table presents information relative to the Group's reinsurance agreement:

	2015	2014
Premiums earned for the years ended March 31:		
Premiums written	**$ 3,060,656**	$ 2,944,696
Write off	**(45,088)**	-
Reinsurance premiums	**(219,765)**	(230,359)
Premiums earned	**$ 2,795,803**	$ 2,714,337

NOTE I - DUE TO POLICYHOLDERS - DIVIDEND DISTRIBUTIONS

In December 2014, the Group's Board of Directors declared a dividend distribution of $500,000 relating to previous policy years and for which payments began to be made in the fiscal year ended March 31, 2015. In December 2013, the Group's Board of Directors declared a dividend distribution of $500,000 which was paid in the fiscal year ended March 31, 2015. Such dividend payments were made in compliance with the related state regulations.

Without prior approval of the Commissioner, dividends to policyholders are limited to the greater of (i) net income excluding realized capital gains or (ii) 10% of statutory surplus as of the preceding March 31 with such amount not to exceed the Group's earned surplus. Within the limitation of the preceding and the regulation discussed in Note B, there are no restrictions placed on the portion of the Group's profits that may be paid as ordinary dividends to policyholders.

Due to policyholders - other represents dividends which have been declared but remain unpaid, which eventually will be either paid directly or used to reduce premiums due for future policy years. Refer also to Note G.

NOTE J - RELATED-PARTY TRANSACTIONS

All insurance written and claims paid originate with organizations meeting the criteria for membership. This includes any Catholic agency or educational, charitable or religious organization operating within the Commonwealth of Massachusetts. However, substantially all premium billings originate with organizations that operate under the auspices of the Archdiocese.

The Group shares the cost of facilities and employees with the Archdiocese. Included in other underwriting expenses incurred are $225,000 for service fees charged by the Archdiocese for the years ended March 31, 2015 and 2014.

Other liabilities – related parties reflects amounts owed to various related entities associated with cash receipts attributable to such related entities.