

**ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
HEALTH BENEFIT PLAN**

**FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

Contents
June 30, 2015 and 2014

	<u>Pages</u>
Independent Auditor's Report	1 - 1A
Financial Statements:	
Statements of Benefit Obligations and Net Assets Available for Benefits	2
Statements of Changes in Benefit Obligations and Net Assets Available for Benefits	3
Notes to Financial Statements	4 - 9
Supplemental Information:	
Supplemental Schedules of Cash Receipts and Disbursements and Changes in Cash and Cash Equivalents	10



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Independent Auditor's Report

To the Board of Trustees of the
Roman Catholic Archdiocese of Boston Health Benefit Plan:

Report on the Financial Statements

We have audited the accompanying financial statements of the Roman Catholic Archdiocese of Boston Health Benefit Plan (the Plan), which comprise the statements of benefit obligations and net assets available for benefits as of June 30, 2015 and 2014, and the related statements of changes in benefit obligations and net assets available for 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.

Auditor's 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 audits 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 entity'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 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 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 on page one present fairly, in all material respects, the financial status of the Roman Catholic Archdiocese of Boston Health Benefit Plan as of June 30, 2015 and 2014, 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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of cash receipts and disbursements and changes in cash and cash equivalents as of June 30, 2015 and 2014, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Alexander, Brown, Pinney & Co., P.C.

Boston, Massachusetts
December 16, 2015

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLANStatements of Benefit Obligations and Net Assets Available for Benefits
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Benefit Obligations:		
Claims payable and estimated claims incurred but not yet reported	\$ 2,148,000	\$ 2,536,000
Net Assets Available for Benefits:		
Assets:		
Cash and cash equivalents	5,079,072	4,343,831
Investments, at fair value	13,984,690	13,847,439
Participating employers' contributions receivable, net of allowance for uncollectible assessments of \$142,228 and \$86,896 as of June 30, 2015 and 2014, respectively	208,757	398,784
Notes receivable	916,462	916,462
Interest and dividend receivable	277,090	243,608
Other receivable	97,500	203,725
Prepaid expense	-	30,000
Total assets	<u>20,563,571</u>	<u>19,983,849</u>
Accounts payable and accrued expenses	<u>56,731</u>	<u>79,725</u>
Net assets available for benefits	<u>20,506,840</u>	<u>19,904,124</u>
Excess of Net Assets Available for Benefits over Benefit Obligations:		
Board-designated	2,990,277	2,957,834
Excess of board-designated	<u>15,368,563</u>	<u>14,410,290</u>
Total excess of net assets available for benefits over benefit obligations	<u>\$ 18,358,840</u>	<u>\$ 17,368,124</u>

The accompanying notes are an integral part of these statements.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

Statements of Changes in Benefit Obligations and Net Assets Available for Benefits
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Net Decrease in Benefit Obligations:		
Claims payable and estimated claims incurred but not reported	\$ (388,000)	\$ (300,000)
Net Increase (Decrease) in Net Assets Available for Benefits:		
Additions to net assets:		
Employer contributions:		
Health plan	30,051,712	29,731,496
Dental plan	1,990,536	1,859,443
Net appreciation (depreciation) in fair value of investments	(177,821)	800,530
Interest and dividend income	352,139	394,467
Insurance recoveries	197,451	125,725
Other income	-	2,928
Total additions	<u>32,414,017</u>	<u>32,914,589</u>
Deductions from net assets:		
Claims paid:		
Health claims	27,534,259	27,376,860
Dental claims	1,690,132	1,687,776
Total claims paid	<u>29,224,391</u>	<u>29,064,636</u>
Administrative expenses:		
Medical and dental claim processing	1,271,042	1,283,862
Stop loss insurance	393,379	355,983
Administration - Roman Catholic Archbishop of Boston, A Corporation Sole	339,104	298,809
Actuarial and consulting	192,828	117,885
Professional fees	47,257	41,413
Office and other administrative expenses	62,788	31,749
Wellness program	30,367	22,005
ACA transitional reinsurance fee	194,806	-
Total administrative expenses	<u>2,531,571</u>	<u>2,151,706</u>
Provision for uncollectible assessments	<u>55,339</u>	<u>23,898</u>
Total deductions	<u>31,811,301</u>	<u>31,240,240</u>
Net increase in net assets available for benefits	<u>602,716</u>	<u>1,674,349</u>
Increase in excess of net assets available for benefits over benefit obligations	990,716	1,974,349
Net Assets Available for Benefits:		
Beginning of year	<u>17,368,124</u>	<u>15,393,775</u>
End of year	<u>\$ 18,358,840</u>	<u>\$ 17,368,124</u>

The accompanying notes are an integral part of these statements.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - DESCRIPTION OF PLAN

The following description of the Roman Catholic Archdiocese of Boston Health Benefit Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan provides health and dental benefits for eligible employees who work for a participating employer. All participating employers are Catholic organizations within the Archdiocese of Boston.

Eligibility

Eligible participants are employees who work a minimum of 20 hours per week and at least 1,000 hours. School employees must work 24 hours per week. For all employees desiring coverage, participation begins the first day of the next month following employment, or such other time frame as established by the employer, but no more than 90 days from date of hire.

Benefits

The Plan covers eligible employees, their spouses, and all unmarried, dependent children up to age 26, provided they were not eligible for coverage under another employer-sponsored plan. Effective October 1, 2014, all unmarried, dependent children of up to age 26 whose parent was enrolled were eligible for coverage. Dependent eligibility ends at age 23 for the dental plan. Dental benefits are self-funded. The maximum dental benefit is \$1,500 per person, per year, for the years ended June 30, 2015 and 2014.

Contributions

The Plan document provides that the participating employers make monthly contributions to the Plan of a specified amount for each class of employee. The employer's contribution rates are determined annually by the Plan's Trustees.

Stop Loss Coverage

The Plan has entered into a stop loss insurance arrangement in an effort to limit its exposure for self-insured benefits (individual participant claims over a specific dollar amount, as well as its aggregate exposure for all claims).

Self-insured Benefits

All plan benefits are self-insured. The claims for self-insured benefits are processed by the Plan's third-party claims processors. The claims processors pay claims directly to or on behalf of participants and are then reimbursed by the Plan. Despite the Plan's utilization of third-party claim's processors, ultimate responsibility for payments to providers and participants is retained by the Plan.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

Notes to Financial Statements
June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Plan prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, benefit obligations and changes therein and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of presentation of the statements of benefit obligations and net assets available for benefits, cash and cash equivalents includes all checking and savings accounts and overnight investments from the accounts. The Plan deposits its cash in major financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain amounts. Cash balances will generally exceed the insured amounts. The Plan has not experienced any losses in such accounts. The Plan believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investment Valuation and Income Recognition

The Plan's investments are carried at fair value. Changes in fair value are reflected in the statements of changes in benefit obligations and net assets available for benefits as net appreciation (depreciation) in fair value of investments. The Plan's financial statements are presented on the accrual basis.

Investments represent the Plan's unit holdings in the Common Investment Fund, Roman Catholic Archbishop of Boston (the "Common Investment Fund") and the Fixed Income Investment Fund, Roman Catholic Archbishop of Boston (the "Fixed Income Fund") (collectively, the Funds). Both are related funds established to provide common investment pools in which the Plan and other Catholic related organizations may participate. The participants own units based upon a per-unit value at the time of purchase.

The Common Investment Fund invests all of its funds in the RCAB Collective Investment Partnership (the "Investment Partnership"). The underlying investments of the Investment Partnership and Fixed Income Fund are primarily equity and fixed income securities owned either directly or indirectly through mutual funds and private investment entities.

The fair value of the Investment Partnership and Fixed Income Fund's investments in domestic and foreign securities listed on security exchanges are valued at the last reported sales price, or if there is no such reported sale or official closing price, at the most recent quoted bid price. For those securities whose prices are not available through independent pricing services, bid price quotations are obtained by State Street Bank and Trust Company from the principle market makers in those securities or at fair value as determined in good faith by management. Investment holdings of private investment entities that are not actively traded are valued based on the net asset value per share on the valuation date as reported by the individual investment managers.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

Notes to Financial Statements
June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Participating Employers' Contributions Receivable

Amounts receivable from participating employers are stated net of an allowance for uncollectible assessments, which are reported on the Plan's statements of benefit obligations and net assets available for benefits. The allowance is established via a provision for uncollectible assessments. On a periodic basis, management evaluates its receivables and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible based on evaluations of the collectability of individual accounts.

Benefit Obligations

Benefit obligations consist of medical and dental claims payable, as well as claims incurred but not yet reported as of the fiscal year-end, and are estimated by the Plan's actuaries in accordance with generally accepted actuarial principles. There are no post-retirement benefit obligations associated with this Plan.

Payment of Benefits

Claim payments are recorded when paid by the third-party claims processor. Amounts due to claims processors that have yet to be reimbursed by the Plan are recorded as claims payable in the accompanying statements of benefit obligations and net assets available for benefits.

Administrative Expenses

The Plan pays office and other administrative expenses that consist primarily of fees paid to third-party claims administrators and accounting fees. The Plan also pays a service fee for administrative, technology, and clerical services, which is charged to the Plan by the Roman Catholic Archbishop of Boston, A Corporation Sole (see Note E). These expenses are reported on the statements of changes in benefit obligations and changes in net assets available for benefits as general and administrative expenses.

Provision for Income Taxes

The Plan is included in the United States Catholic Conference Group Ruling and in the Official Catholic Directory and is therefore exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Plan adopted guidance recognizing the financial statement benefit of a tax position only after determining that the relevant tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Plan's management has reviewed the tax positions for open periods and determined that no provision for income tax is required in the Plan's financial statements.

Stop Loss

Premiums for stop loss insurance premium payments were \$393,379 and \$355,983 for 2015 and 2014, respectively. Stop loss refunds were \$197,451 and \$125,725 for 2015 and 2014, respectively.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

Notes to Financial Statements
June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through December 16, 2015, which is the date the financial statements were available to be issued.

NOTE C - NOTES RECEIVABLE

At June 30, 2015 and 2014, the Plan has a \$916,462 demand note receivable from the Sons of Divine Providence, Inc. Interest accrued and receivable totaled \$205,243 and \$156,865 at June 30, 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 Plan. This note is in satisfaction of outstanding receivables owed by the Sons of Divine Providence, Inc. to the Plan.

NOTE D - FAIR VALUE MEASUREMENTS

The Plan has adopted the criteria for the *Fair Value Measurements* standard. This standard defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and mandates disclosures about fair value measurements. The criterion establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework are described 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 to the valuation methodology include 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; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset 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.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The methods used for valuing the assets and liabilities are not necessarily an indication of the risks associated with those assets. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Following is a description of the valuation methodologies used for assets measured at fair value:

Common Investment Fund and Fixed Income Fund (the Funds): The Plan's unit holdings in the Funds do not have quoted prices in active markets or significant other observable inputs that have quoted market prices, although the Plan can redeem its investment at the net asset value (NAV) per share at June 30, 2015 and 2014. These assets are valued using Level 2 inputs under the fair value hierarchy. The Plan evaluates the Funds' estimate of the fair value of the Plan's unit holdings in the Funds based on the Plan's share of the underlying investment portfolio that consists of actively traded equities, bonds and money market funds.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

Notes to Financial Statements
June 30, 2015 and 2014

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

The following table presents by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2015:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
RCAB Common Investment Fund	\$ -	\$ 7,126,535	\$ -	\$ 7,126,535
RCAB Fixed Income Fund	-	6,858,155	-	6,858,155
Total investments	<u>\$ -</u>	<u>\$ 13,984,690</u>	<u>\$ -</u>	<u>\$ 13,984,690</u>

The following table presents by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2014:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
RCAB Common Investment Fund	\$ -	\$ 8,827,637	\$ -	\$ 8,827,637
RCAB Fixed Income Fund	-	5,019,802	-	5,019,802
Total investments	<u>\$ -</u>	<u>\$ 13,847,439</u>	<u>\$ -</u>	<u>\$ 13,847,439</u>

The following table summarizes investments measured at fair value based on NAV per share as of June 30:

	<u>Fair Value</u>		<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
	<u>2015</u>	<u>2014</u>			
Roman Catholic Archbishop of Boston Common Investment Fund (a)	\$ 7,126,535	\$ 8,827,637	N/A	Monthly	15 days
Fixed Income Fund (b)	\$ 6,858,155	\$ 5,019,802	N/A	Monthly	15 days

- (a) The Common Investment Fund, Roman Catholic Archbishop of Boston (the "Fund") seeks to achieve its investment objective of maximizing long term return by investing substantially all of its net investable assets through a master-feeder structure, in the Roman Catholic Archbishop of Boston Collective Investment Partnership (the "Partnership"), which has the same objective and policies as the Fund.
- (b) The investment objective of the Fixed Income Fund is to maximize long term total return by investment in investment grade debt and fixed income securities, owned either directly or indirectly through a private investment entity.

Appreciation and depreciation including gains and losses on investments bought and sold, as well as held during the year from the Funds consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Total unrealized gain (loss)	\$ (274,442)	\$ 1,134,185
Total realized (loss)	<u>96,621</u>	<u>(333,655)</u>
Net appreciation (depreciation)	<u>\$ (177,821)</u>	<u>\$ 800,530</u>

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

Notes to Financial Statements
June 30, 2015 and 2014

NOTE E - RELATED PARTY TRANSACTIONS

A service fee for administrative, technology, and clerical services is charged to the Plan by the Roman Catholic Archbishop of Boston, A Corporation Sole. The fees charged for the years ended June 30, 2015 and 2014, were \$339,104 and \$298,809, respectively.

NOTE F - BOARD-DESIGNATED NET ASSETS

The Trustees has established a targeted reserve for net assets. The methodology to calculate the reserve is 10% of the annualized subsequent July premium. At June 30, 2015 and 2014, the net assets available are sufficient to satisfy this reserve and are presented in the accompanying statements of benefit obligations and net assets available for benefits as Board-designated net assets.

NOTE G - RISKS AND UNCERTAINTIES

The Plan invests in various cash-related instruments and investment securities that are potentially subject to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of benefit obligations and net assets available for benefits.

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.

NOTE H - TAX STATUS

The Trust established under the Plan to hold the Plan's assets is intended to qualify pursuant to Section 501(c)(9) of the IRC and, accordingly, the Plan's net investment income is exempt from income taxes. The Plan has obtained a favorable tax determination from the Internal Revenue Service, and the Plan Sponsor believes that the Plan continues to qualify and to operate in accordance with applicable provisions of the IRC. Therefore, no provisions for income taxes have been included in the accompanying financial statements.

Included in the statement of changes in benefit obligations and net assets available for benefits for the year ended June 30, 2015, is \$194,806, which consists of federal excise tax and ACA transitional reinsurance fee.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLANSupplemental Schedules of Cash Receipts and Disbursements and Changes in Cash and Cash Equivalents
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Receipts:		
Employer contributions	\$ 32,287,172	\$ 31,342,676
Interest and other income	516,109	195,427
	<u>32,803,281</u>	<u>31,538,103</u>
Cash Disbursements:		
Claims	30,495,433	30,426,498
General and administrative expenses	1,257,535	858,275
Investments in Common Investment Fund and Fixed Income Fund	315,072	12,800,000
	<u>32,068,040</u>	<u>44,084,773</u>
Net increase (decrease) in cash and cash equivalents	735,241	(12,546,670)
Cash and Cash Equivalents:		
Beginning of year	<u>4,343,831</u>	<u>16,890,501</u>
End of year	<u>\$ 5,079,072</u>	<u>\$ 4,343,831</u>