

Our Catholic Journey

March/April 2016 Volume 121 Issue 2



The 138th Year of Your Association

CATHOLIC UNITED FINANCIAL | ANNUAL REPORT EDITION

Contents

President's Message — *Harald E Borrmann* **5**

Fellowship

What Does Membership Mean?
Director of Member Engagement Nate Lamusga **6**

Finances

Catholic United Financial Annual Report
Senior Vice President and Secretary/Treasurer Michael M. Ahles **8**

Balance Sheet and Statement of Operations **12**

Notices **13**

Foundation

Open Wide the Door of Your Heart
Foundation Executive Director Robert Heuermann **14**

On the Cover: Roselyn Bolton enjoys a scenic view atop her daddy Joseph's shoulders, on their farm in Westby Wis.
Photo Bob Pearle



Our Catholic Journey

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We are bound by our Catholic Faith,

to each other, to our Church, to you, our member. With **everything we do**, our shared values offer guidance and inform our decisions. Building upon **the rock of our Catholic faith** has served us for 138 years; it will continue to support our future. ”

- Harald Borrmann

Annual Report



This Gather4Good event drew more than 260 volunteers, who packed and personalized 3,500 personal care kits for people experiencing homelessness.

WEST FARGO | SEPT. 27, 2015

Annual Report

PRESIDENT'S MESSAGE

Welcome to the Annual Report edition of *Our Catholic Journey*. As you will read, our Association had a good year in 2015, with numerous all-time records set in terms of assets, life insurance in force and life insurance premium. Although we recorded a nice net gain from operations, we fell a bit short of our profitability goals, principally due to the ongoing low interest rate environment. As you all know, interest rates in the United States and around the world continue to be at historic lows, and this has affected the rates at which we invest your premium dollars. Just a few years ago, our portfolio rate of return was over 5.5% — now, it is about 1% lower. Multiply that 1% by more than \$800 million of invested assets, and you can see that we earned about \$8 million less last year than we would have earned had interest rates not declined. After a number of years of low interest rates, that adds up. However, it is our job to do the best we can in these challenging times, and I think you will see that our team is being smart, yet conservative, in managing our investments.

Also, as I mentioned last month, we are in the midst of a long-needed upgrade in our technologies. We as management, and you as a member, will benefit from these updates; however, in the meantime, we must be prudent in our expenditures. The end result will be a more user-friendly, more cost-effective and more versatile business model, which will benefit our members for decades to come.

I am truly excited about the future of our business — both the insurance and the fraternal (or, rather, member engagement) aspects. We are building an organization which will be able to do more in terms of offering a variety of financial products as well as supporting members in becoming more active in their parishes, schools and communities. The “power of people” is an amazingly powerful force, and we are finding more ways to engage more members in making the world a better place. That may sound pretentious, but it is absolutely true — making the world a better place is a big part of what we do.

This year at our Delegate Convention, we will elect three Board members. Two incumbent Board members, Bob Krattenmaker and Mike Schmitz, have indicated their intention to run for another term. The third seat up for election is currently held by John Maile, who, having served honorably and with great distinction for twelve years, will retire as his fourth term concludes at the end of 2016. I have already heard from several members about running for the Board. Should you have an interest in serving as a Board member, please contact Mike Ahles or me, and we'd be happy to talk with you about it.

Thank you for your continued membership and support. The Catholic United story is 138 years young and I know that our best years are still ahead of us. You and I, our parents and our children, our neighbors and our friends, we can all work together to help keep our Association strong and vibrant. We can truly harness the “power of people” to make the world a better place. With the grace of God, we can accomplish anything.

Peace.



**Harald
Borrman**

PRESIDENT, CEO AND
CHAIR OF THE BOARD



If there's something that I can do for you, contact me at
(651) 765-4123, or write to hborrman@catholicunited.org

Annual Report

FELLOWSHIP

What Does Membership Mean?

MEMBER ENGAGEMENT ANNUAL REPORT

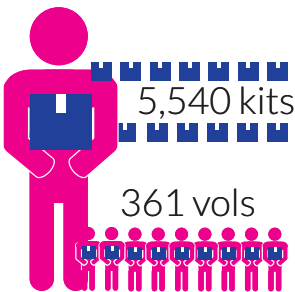
A few weeks ago I was standing in my living room bouncing our new baby girl to sleep as it poured rain outside. My other three girls were quietly watching Curious George on channel 2. It was a rare moment of relative peace. Then, there was a knock at the door. It was Nick. He works for the Public Broadcast System (PBS - Channel 2) and was going door to door asking for donations to support the station. He was dripping wet and had been at it for hours. In a moment of compassion, and to be frank, guilt (we're literally watching PBS at that moment, and it was providing the thing I dream of most every day: some blessed peace and quiet), I invited him in. Nick explained that he was looking for people to become members of PBS. So I asked him, "What do I get for my membership?"

To be honest, Nick's answer fell a little flat for me. It's nothing against him or PBS, but Catholic United has set the bar pretty high for what it means to be a member.

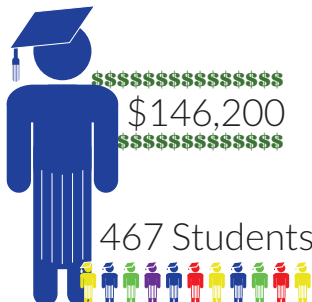
MEMBERSHIP MEANS...

Most people become members because they need life insurance or see the value in our annuities. So, at the most basic level, membership in Catholic United means you have a quality financial product. But let's keep going. As a not-for-profit fraternal benefit society, we can do so much more as a result of your membership. The Member Engagement Department exists to facilitate your involvement in supporting your local community. In 2015, more than 22,000 volunteers got involved! Those volunteers put in 74,000 hours of service to hold nearly 2,000 events. Combined with Gather4Good and our Catholic Schools Raffle, together we raised more than \$2.3 million that, in turn, was donated to causes that matter to you, our members.

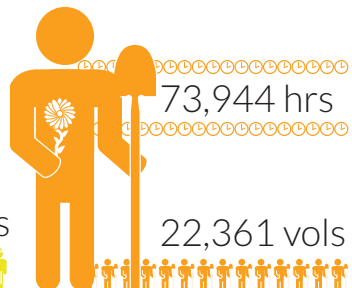
Gather4Good



Scholarships



Volunteerism



Annual Report

FELLOWSHIP

Since 2010, Catholic United's Gather4Good™ events have produced more than 20,000 personal care kits and raised \$37,000

CONTRIBUTIONS: **\$2,377,497**

Home Office Giving /Council or PVT Giving

Catholic Schools Raffle

\$1,019,625

Activity Allowance

\$165,158

Matching Grants

\$101,533 / \$385,545

MinisTREE

\$485,300

Member Assistance

\$12,000 / \$221,737

Grants4Good

\$40,930

R.E.new Fund Donations

\$34,850

Scholarships (467)

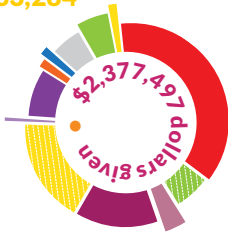
\$146,200

Donations

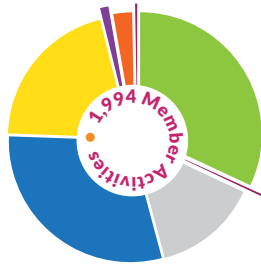
\$149,470

Other Local Fundraisers

\$33,284



Total Activities: **1,994**



Meetings: **642**

Religious: **273**

Service: **597**

Social: **406**

Patriotic: **21**

Educational: **52**

Gather4Good: **2**

Catholic Schools Raffle: **1**



Raising a million dollars (\$1,019,625, actually) through the Raffle is a great thing to say. But it's at the local level that those dollars start to make sense. In Rosemount, Minn., for example, St. Joseph's community raised enough money to buy a new playground. The project brought together dozens of volunteers over a weekend to build it. Now, the community is stronger, and generations of future students will benefit from the new equipment.

COMMUNITY IMPACT

The people here at Catholic United genuinely care about your local Catholic community, and we see tremendous value in the work of our members. I am sure some of you reading this carry that same sentiment. If you do, I'm challenging you to get involved with us in 2016.

Visit our website and check out the community engagement section. Start a MinisTREE program in your parish, apply for Grants4Good funding on a new service event, and refer your friends and family to become members of Catholic United. Even after describing the accomplishments of 2015, I know that we have only just scratched the surface of our potential as an organization. We look forward to hearing from you!

**Nate
Lamusga**

DIRECTOR OF
MEMBER ENGAGEMENT

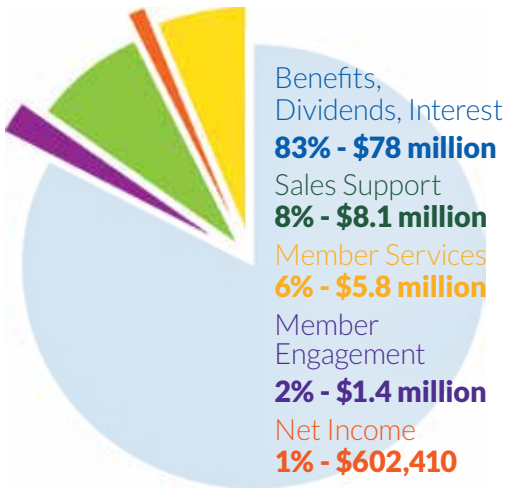


Annual Report

FINANCES

2015 Catholic United Financial ANNUAL REPORT

At Catholic United Financial, our members look to us for help and support in many aspects of their lives. First and foremost, we must be there to assist their family in a time of loss. We must also protect their investments to ensure their money is there when they need it. We must be active in supporting our Catholic community, and our members' communities, while always pushing to grow our Association's membership and financial strength. All in all, 2015 was a terrific year in that we continued our legacy of success in many of these areas. Here are some highlights of interest to our valued members.



RECORD-SETTING TOTAL INCOME, RETURNED TO OUR MEMBERS

Catholic United's 2015 total income of \$94 million is an all-time record, bolstered by record levels in life insurance premium (\$17.5 million) and investment income (\$38 million), along with very strong annuity sales (\$37 million). Our continued growth in life and annuity premium income reflects our members' confidence in our Association, and our attractiveness to new members as well. Each day Catholic United earns this confidence by fulfilling our promises to you.

- **\$78 million**, or 83% of our 2015 income, was returned to members.
- More than **\$27 million** was paid directly to members as annuity benefits.
- **\$34 million** was earmarked as policy reserves for future member benefits.
- Over **\$17 million** was paid in death benefits to the families of **1,344** members during the year.
- **97% of our income was spent to directly benefit our members!** We spent 6% on Member Services through the Home Office and 8% on Sales Support getting local agents into our member's communities. This financial commitment is one reason why our members stay with us at a rate that exceeds that of other insurance companies.
- Our members also saw the results of the Association's various **Member Engagement Activities, which comprised 2% of income** in 2015. Programs such as the Catholic Schools Raffle, Grants4Good, MinisTREE, R.E.new Fund, Matching Grants and Gather4Good are included in this total, and are critical support of our Catholic schools and parishes while expanding the reach of the Association.

Annual Report

FINANCES

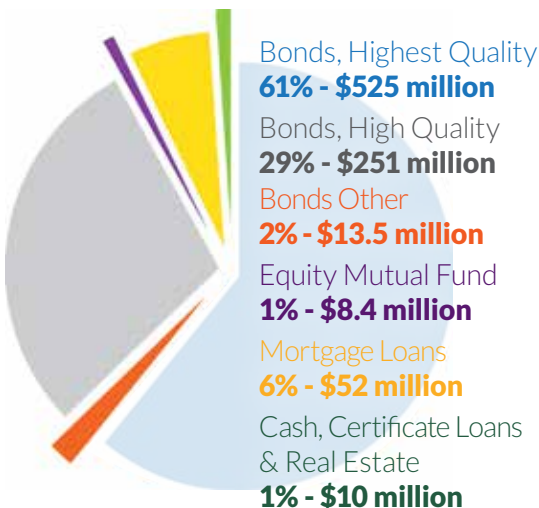
In 2015, Catholic United member families collected more than \$17 million in death benefits, and more than \$27 million in annuity benefits

INCREASED FINANCIAL STRENGTH



Catholic United's assets continued their multi-year growth pattern by increasing \$36 million to reach a record \$870 million at the end of 2015. This steady rise comes primarily from the increasing levels of life insurance and annuity business submitted by our loyal, long-time members, as well as the upswing in certificates purchased by new members.

Another important gauge of financial strength is total surplus, which remained robust and totaled \$30.7 million at the end of 2015. Total surplus is the combination of surplus (\$24.9 million) and the asset valuation reserve (\$5.8 million), both of which serve as a safety-net for our members' investments and our ability to pay future benefits and claims. In contrast to the increase in assets, total surplus declined \$1.35 million due to the unrealized "paper loss" from the market value decrease of the equity mutual funds held at year end. Despite this decrease, the Association's total surplus is almost double the threshold level set by state insurance regulators.



CONSERVATIVE, DIVERSIFIED INVESTMENTS

The majority of the Association's investments consists of bonds as part of a diverse portfolio managed by professional asset managers in accordance with the Investment Policy set and monitored by our Board of Directors. As presented in the accompanying chart, 90% of our investments are bonds of the highest quality (61%) or high quality (29%), per the ratings set by the National Association of Insurance Commissioners. This approach to conservatively manage our members' deposits in accordance with their long-term needs will

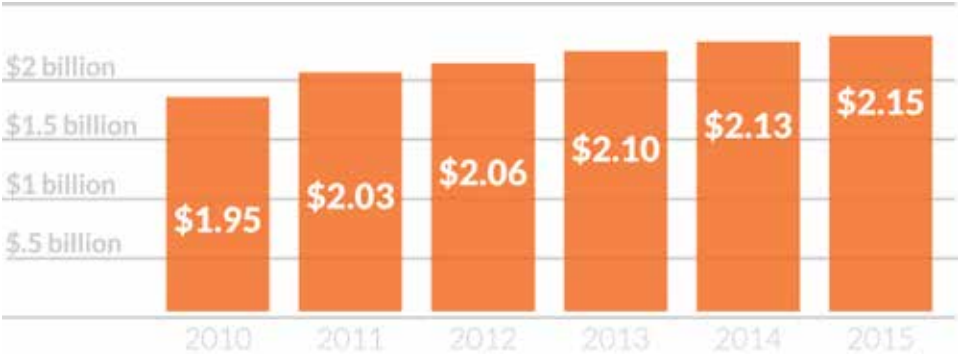
Annual Report

FINANCES

sustain our 138-year record that no member has ever lost money on their investments in our Association.

The percentage of mortgage loan holdings rose \$17 million to 6% of investments in 2015 given our multi-year strategy to increase commercial mortgage loans. This shift has improved the diversity and yield opportunities within the overall portfolio as well. Unfortunately, the low interest rate environment has continued to reduce the Association's overall portfolio yield to 4.63% such that a sustained recovery may take a few years.

GROWTH IN LIFE INSURANCE



At a time when many families seem to find it difficult to see the benefit of investing in life insurance, Catholic United has been successful over the past several years in showing new and existing members the peace of mind that our products bring to them. Our prosperity has served to push total life premium to a new record for the third consecutive year, due primarily to a large increase in sales of single premium whole life certificates. As shown in the accompanying chart, life insurance in force, which is the total amount of life insurance owned by our members, increased by \$21 million during 2015 to an all-time high of \$2.15 billion. We are certainly proud of our accomplishments in growing this critical line of business.

IN SUMMARY, 2015 was truly an excellent year for Catholic United! We became stronger financially, we worked together to improve the Catholic and broader communities in which we live, and most of all we took care of our members in their time of need. May God continue to bless our Association and our Members!



Michael M. Ahles
SENIOR VICE PRESIDENT AND
SECRETARY/TREASURER



A message that resonates, at the member-owned Sathre Holstein Farm
LA CROSSE, WISCONSIN | OCTOBER 8, 2015

Annual Report

FINANCES

Balance Sheet

LIABILITIES AND SURPLUS	2015	2014
Total admitted assets	\$869,637,094	\$833,711,435
Total Liabilities	\$844,713,191	\$807,338,248
SURPLUS	\$24,923,904	\$26,373,187
TOTAL LIABILITIES AND SURPLUS	\$869,637,094	\$833,711,435

Statement of Operations: Statutory Basis

INCOME	2015	2014
Life insurance premiums	\$17,483,448	\$16,297,500
Annuity premiums	37,063,063	31,486,626
Investment income	38,222,800	37,501,273
Amortization of interest maintenance reserve	483,353	534,981
Other income	815,060	230,590
Total Income	\$94,067,764	\$86,050,889
CLAIMS & EXPENSES		
Claims, surrenders and benefits	44,414,310	44,991,622
Increase in aggregate reserve for life	8,548,242	5,603,718
Increase in reserves for annuities	25,069,129	20,009,361
Commissions	3,264,221	3,238,423
Expenses	12,869,892	11,798,956
Total Claims and Expenses	\$94,165,794	\$85,642,080
Net Gain from Operations	\$(98,030)	\$408,809
Refunds to members	(14,613)	340,243
Net gain after refunds to members	(83,417)	68,566
Net realized capital gains (or losses)	685,827	715,489
NET INCOME	\$602,410	\$784,055

Notice Declared Candidacy FOR BOARD OF DIRECTORS

Three seats will be up for election at the 2016 Annual Convention to be held on August 6, 2016 at the University of St. Thomas, St. Paul, Minn. Director John Maile will retire as he completes his fourth term. Incumbents Robert Krattenmaker and Michael Schmitz will seek re-election. To run for an open seat on the Board of Directors, you must declare your candidacy by writing to:

**Catholic United Financial
President Harald Borrmann
3499 Lexington Ave. N.,
Arden Hills, MN 55126.**

MUST BE POSTMARKED BY JUNE 1, 2016.



Notice Change in Process for the GOOD OF THE ASSOCIATION COMMITTEE

The 2015 Convention Delegates voted to change Sections 12 and 17 of the Bylaws with regard to the Good of the Association Convention Committee. This committee will no longer be appointed on an annual basis but will be called by the President as needed to review recommendations received from Catholic United Members on ways to strengthen our Association.

Catholic United Financial is member owned and member governed; therefore, as a member, if you have some thoughts or ideas on how we can improve and grow our Association, please send an email to goodofassn@catholicunited.org or in writing to: Good of the Association, Catholic United Financial, 3499 Lexington Avenue North, Arden Hills, MN 55126. Please respond on or before July 1, 2016. All recommendations will be reviewed and may be brought before the next Annual Delegate Convention for consideration.

Thank you for your investment in the future of Catholic United, and

THANK YOU FOR YOUR MEMBERSHIP!

Annual Report

FOUNDATION

Open Wide the Door of Your Heart

2015 CATHOLIC UNITED FINANCIAL FOUNDATION ANNUAL REPORT

Pope Francis has called on Catholics around the world to use the ongoing Jubilee Year of Mercy to “open wide” the doors of their hearts. The Pontiff said that walking through any of the holy doors open in dioceses around the world for the Jubilee year should be a sign of “true conversion of our heart.”

“When we go through that door, it is good to remember that we must also open wide the doors of our heart,” said Pope Francis. “The holy year won’t be very effective if the doors of our heart do not let Christ enter, who pushes us to go towards others, to bring him and his love,” said the Pope.

The Year of Mercy is an invitation—an invitation to open our hearts to love, kindness and unbounded generosity. The “doors” that you have opened by choosing Catholic United Financial Foundation to assist you in your charitable giving is evident in the facts and figures shared in this 2015 Foundation Annual Report.

During 2015, the Foundation was able to use your contributions, along with distributions from donor-advised funds and proceeds from charitable annuities and life insurance policies, to provide significant assistance to strengthen our Catholic community.



158 Seminarians continued their journey through the doors of our Seminaries being called to serve,

- ♥ 82 Major Seminarians received grants totaling \$32,800
- ♥ 76 Minor Seminarians received grants totaling \$19,000



183 schools and parishes strengthened educational opportunities and taught the sanctity of our bodies to thousands by opening their doors wide to our Catholic School students

- ♥ 135 Catholic schools received \$65,406 in technology assistance
- ♥ 48 parishes and schools received \$36,604 in support of chastity education



Volunteers opened their hearts by providing assistance to our neighbors affected by floods and weather-related disasters

- ♥ 6 days of service were provided responding to summer flooding across Minnesota
- ♥ More than 45 volunteers provided 250 volunteer hours cleaning flood debris from more than 15 homes
- ♥ Catholic United Financial Councils and Parish Volunteer Teams raised funds to support the Gather4Good program providing thousands of personal care kits for the homeless and needy in our local communities.
- ♥ Many parish cemetery boards were able to invest their perpetual care funds in the Foundation to help them continue to maintain the cemeteries of our family for many more generations.

Your generosity made all the difference in thousands of lives last year. You truly opened your hearts wide to assist others in their journey as Catholics and our friends who are in need.

Please consider making a tax-deductible donation to support the work of the Catholic United Financial Foundation. You can designate your contribution to support the Msgr. Schuler Seminarian Fund, technology & chastity grants to strengthen Catholic schools, or to assist in the Catholic United Disaster Response.

Let us show you how to use life insurance, annuities and donor-advised funds to open the door of your heart and increase the effect of your generosity to your parish, school or the charity of your choice. Joining the Foundation to connect your faith, charity and financial planning together is truly a perfect way to answer God's call to open our hearts, show mercy and to be help others in need.

Robert Heuermann

Executive Director



The Foundation can be reached through your local Sales Rep., directly by calling 1-877-275-7145, or by emailing Bob at rheuermann@catholicunited.org.



Part of the Smith family, real members
ADAMS, MINNESOTA | NOVEMBER, 2015



JESUS TEACHES US ANOTHER WAY: GO OUT.

Go out and share your testimony, go out and interact with your brothers, **go out and share**, go out and ask. **Become the Word** in body as well as spirit.

- Pope Francis