

OUR *catholic* JOURNEY



The **141st** Year of Your Association

CATHOLIC UNITED FINANCIAL | ANNUAL REPORT EDITION

Official Publication of Catholic United Financial



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On the Cover: Sales Rep Travis Schmitz
contemplates the universe, gravity and
lifelong financial security. *Photo Bob Pearle*



OUR catholic JOURNEY

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“We never stop trying to improve ...

We are in the midst of a **ground-breaking effort** developing technology... designed to help us **grow and thrive for years** into the future. Our past has been extraordinary but our future promises to be **even better.**”

Harald Borrmann

Annual Report



WHAT'S THE SECRET TO MAKING SUCH AN IMPACT?

Former Minnesota Viking and 2012 Super Bowl Champion Matt Birk interviews President Harald Borrmann during the Annual Catholic Schools Raffle.

ARDEN HILLS | MINNESOTA

Annual Report

PRESIDENT'S MESSAGE

By any measure, 2018 was a terrific year for Catholic United Financial. As you will see in Mike Ahles' fine summary report of our financial position, our Association remains strong and poised for profitable growth. Our dual goals of growing membership and growing financially stronger remain the key litmus tests for all that we do. We adhere to our Vision Statement with confidence and vigor. And we govern by always doing what is in the best interests of our membership.

Our theme for last year – and 2019 for that matter – might be defined as “Giving and giving back. It's what makes us different.” While such a theme might be viewed as a slogan, to us it's much more than that. It's who we are and what we do. In this day of short attention spans, social media, “elevator speeches,” tweeting in 140 characters or less and with everyone barraged by media of all types, how does Catholic United make itself stand out from the crowd? I think three factors make us special:

- **We give.** *First and foremost, from our beginnings in 1878, we have been generous to those who have needed help.*
- **We give back.** *From the profits on our insurance and annuity products, we support our members, their parishes and schools, and our communities. We support vocations. And we help people through our Credit Union and Foundation in so many ways.*
- **We are member-owned and member-directed.** *Our members have shaped us, and our cooperative form of democratic governance has led us superbly for 141 years. How many organizations can make that claim?*

Shining examples of this include our Gather4Good® events and our Annual Catholic Schools Raffle. Gather4Good® has assembled and distributed tens of thousands of personal care kits to those in greatest need. Our Raffle has raised over \$8 million for Catholic education. 2018 saw record level accomplishments for both of those programs. Neither would be possible without our members and other volunteers. That's making a difference!

Our biggest challenge remains to grow our membership. The larger our Association, the more people we can serve and the more good we can do. A great example of growth is our new Medicare Supplement program, helping seniors get the best coverage available in the market, and doing so at very competitive prices. Our newly launched and updated life insurance products are better than ever, helping folks achieve and maintain financial security in what can be a very insecure world.

We never stop trying to improve. Currently, we are collaborating with another fraternal insurer on technology, helping us deliver more to our employees and members than ever. We are in the midst of a ground-breaking effort developing technology for an Enterprise Risk Management program. Both of these strategies are designed to help us grow and thrive for years into the future.

How can you help? Consider referring friends or family to Catholic United. We share with you the goal of a growing and vibrant Association. Our past has been extraordinary but our future promises to be even better.

Peace.



**Harald
Borrmann**



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

PRESIDENT, CEO AND
CHAIR OF THE BOARD

Annual Report FELLOWSHIP



Effort where it counts

Catholic United Financial volunteer groups are the heart and soul of the Association, our success as an organization is directly related to their success as local hubs of community outreach and service. Get involved with your local council or team today!

The primary way that Catholic United Financial supports Catholic communities is through our networks of members that have banded together to form Volunteer Teams and Councils. These “super volunteers” organize events to fundraise

for Catholic education, help members suffering from a medical need or natural disaster, and build community through social, community service and faith-based events. All of this is made possible by funding thanks to YOUR membership.

Because of you:

- **More than \$2 million*** was raised for Catholic parishes and Catholic schools.
- **More than 100,000 people attended 1,200 events** sponsored by Catholic United Financial Volunteer Teams.
- **Almost 3,000 volunteers put in more than 10,000 hours** to make it all happen.

As I look at activities coordinated by Catholic United volunteers in 2018, one event in particular stands out. In October, the Saints Anthony and Monica Catholic United Parish Volunteer Team (PVT) in Rosen, MN held a Member Assistance Grant event in support of Bella Radermach-

er. Bella was diagnosed with stage IV liver cancer in April of 2017 at just 4 years old.

I called one of the event organizers, Laurie Wellnitz, to get some more information about the event. “At first we were thinking of having a meal to raise money for the family, and then we

**\$834,661 raised by councils/volunteer teams, \$115,833 in grants, \$1.16 million from the Catholic Schools Raffle.*

In 2018, Catholic United and its members provided for our Catholic communities:

\$2,499,650

\$6,690 R.E.new Fund Grants

\$25,757 MinisTREE

\$12,922 Grants4Good

Assistance Grants: **\$9,000** Matched

\$78,845 Convention

\$100,984 Gifts & Donations

\$144,120 Activity Allowance

\$152,100
Scholarships

\$193,442
Assistance Grants Raised

\$502,629
Matching Grants Raised

\$104,576 matched

\$1,168,585
Annual Catholic Schools Raffle

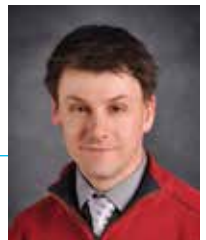
thought a raffle might be a good way to supplement,” Laurie shared, “so we went around asking local businesses to make donations.” The donations poured in: \$1,000 cash, weekend getaways to resorts and many more prizes all became available for the price of a \$5 raffle ticket. The Catholic United leadership team got to work selling tickets and sold out of their first print run within a week. The second run also sold out. After three rounds of ticket sales and a free-will offering meal, the PVT had raised more than \$40,000 after the matched amount from Catholic United Financial.

The generosity of this team and the support of their community is not only astounding, it inspires hope, it increases faith, and moves others to make similar sacrifices out of love for one another. Isn't that what we're here for? Isn't this the reason for our existence? If, like me, stories like this inspire you to act, contact the Member Engagement Department to get involved. We can't wait to hear from you! Email engage@catholicunited.org or call 1.800.568.6670.



**Nate
Lamusga**

DIRECTOR OF
MEMBER ENGAGEMENT



2018 Catholic United Financial ANNUAL REPORT

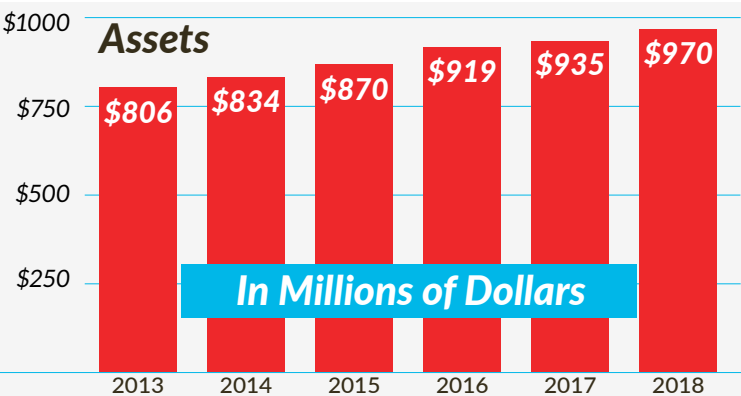
My theme for last year’s Annual Report highlighted that at Catholic United, we’re “Feelin’ Stronger Every Day” given the impact of completing our annuity reinsurance transaction in 2017. This propelled our total surplus to an all-time high and certainly made us feel this way. Continuing with this theme around legendary songs, I’m inspired to tell our members that feelin’ stronger about our financial strength has continued through 2018, because we’re committed for “The Long Run”. This 1979 hit song from The Eagles is about longevity and posterity – words that perfectly describe an Association that’s created financial security for generations of members over 141 years!

CONTINUED FINANCIAL STRENGTH

Financial strength comes from the total surplus of our Association. It cushions the market fluctuations of our investment portfolio, enables us to pay future benefits and claims to members, and supports the expenditures we make to serve existing and new members.

Total surplus grew by \$12 million to reach \$47 million during 2017 and has remained at this strong level throughout 2018. Net income from operations of \$0.6 million coupled with a \$0.5 million reduction in the employee pension liability served to increase total surplus. Unfortunately, these positive 2018 trends were offset by \$1.9 million in unrealized “paper” losses on the Association’s \$6.9 million equity investment portfolio at year end, since December 2018 was a dreadful month for the U.S. stock market – the worst since 1931. Good news came early in 2019 in that these unrealized losses were reversed as the stock market rebounded.

Our financial strength remains intact, and with this strength, we will invest for the long run in member growth initiatives such as new products and improved technology solutions. We do this prudently with a watchful eye on our expenses, as evidenced by our \$0.2 million reduction in operating costs year over year.



Annual Report

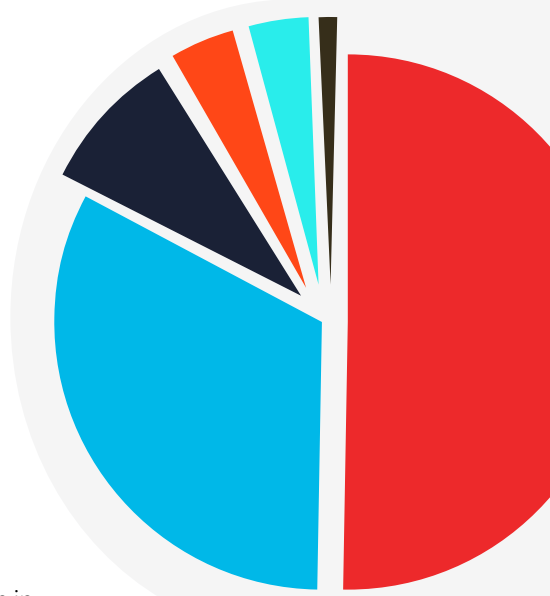
FINANCES

CONTINUED ASSET GROWTH & INVESTMENT STRENGTH

Our assets continued their climb to new record levels, surpassing \$970 million in 2018. Our members' trust and confidence in our Association remain the foundation of our success and drove more than \$34 million in new annuity premium and almost \$14 million in life insurance premium during the year. It took us 126 years to grow our assets to \$500 million but will only take another 15 years to bring in our next \$500 million. We're well on our way to being a \$1 billion company and will likely achieve this milestone in 2019. Another truly impressive achievement! (See graph, previous page.)

Our Association has remained strong over the years due to the quality of the investments we purchase to support the commitments we make to our members. This is by far the best example of our focus on the long run. (Graph at right.)

As shown in the accompanying chart, and has been the case for decades, our asset strength comes from our high-quality bond portfolio. The largest component of our investments are bonds of the highest quality (48%) and high quality (35%), per the ratings from the National Association of Insurance Commissioners. Over the past five years, additional diversification and improved yield has been added via increased investments in commercial mortgage loans, which now comprise 9% of the investment portfolio. All investments continue to be managed by professional asset managers in accordance with the Investment Policy established and monitored by our Board of Directors. While the era of low interest rates has reduced the Association's investment portfolio return steadily over the past decade, the overall return increased by four basis points during 2018 to end the year at 4.56%. While this slight recovery is certainly welcomed, we will continue to stay our course and direct our investments with a perspective towards success in the long run.



INVESTMENTS \$969,966,667

Bonds,
Highest Quality
48.4% - \$469.5 million

Bonds, High Quality
35% - \$339.4 million

Mortgage Loans
9.2% - \$89.7 million

Bonds Other
4.0% - \$39.2 million

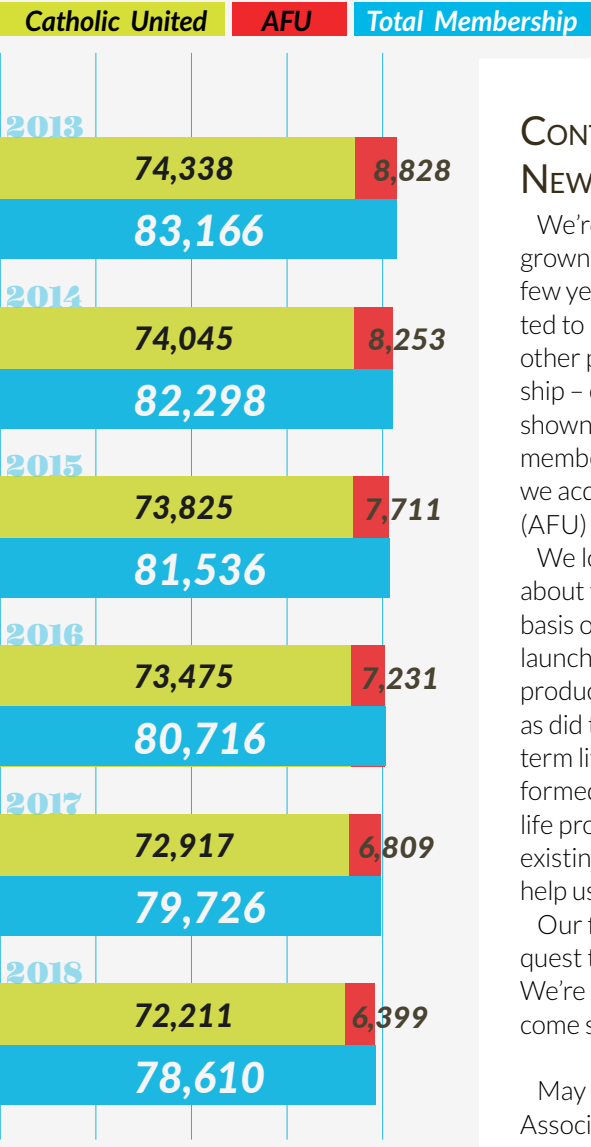
Cash, Certificate Loans
& Real Estate
2.6% - \$25.3 million

Equity Mutual Fund
0.7% - \$6.9 million

Annual Report

FINANCES

MEMBERSHIP 2013 – 2018



CONTINUED PUSH FOR NEW MEMBERS

We're proud of the fact that we've grown strong financially over the past few years, and we're certainly committed to preserving this strength. Our other primary goal – Grow Membership – continues to be our challenge. As shown in the accompanying chart, our membership has slowly declined since we acquired American Fraternal Union (AFU) in 2011 to end 2018 at 78,610.

We love challenges. We are passionate about this challenge as we know it's the basis of our success in the long run. The launch of our new Medicare Supplement product in 2018 brought us new members as did the reintroduction of newly priced term life insurance products. A transformed lineup of whole life and universal life products and expanded workshops for existing and new members in 2019 will also help us achieve our membership goals.

Our financial strength continues. Our quest to grow membership continues. We're strong in one area, and will become strong in both, in the long run.

May God continue to bless our Association and our Members.



Michael M. Ahles

Michael M. Ahles
SENIOR VICE PRESIDENT AND
SECRETARY/TREASURER



Go! Go! Go!
The Smith children round the bases with encouragement from coaching staff.
Catholic United pursues a station-to-station strategy,
putting runners on and building for the long term.

PERHAM | MINNESOTA

Annual Report

FINANCES

Statement of Operations

	12/31/2018	12/31/2017
Total Income	\$76,425,909	\$70,253,953
Total Claims & Expenses	\$75,786,215	\$57,517,421
Net Gain from Operations	\$639,694	\$12,736,532
Refunds to Members	\$113,497	\$116,480
Net Gain (Loss) After Refunds to Members	\$526,197	\$12,620,052
Net Realized Capital Gains	\$76,443	\$158,386
Net Income	\$602,640	\$12,778,438

Balance Sheet

	12/31/2018	12/31/2017
Assets	\$969,966,667	\$934,825,914
Liabilities	\$923,236,162	\$887,523,090
Asset Valuation Reserve	\$6,059,046	\$6,681,062
Surplus	\$40,671,459	\$40,621,762
Total Liabilities and Surplus	\$969,966,667	\$934,825,914

Change In Surplus

	12/31/2018	12/31/2017
Surplus, Beginning of Year	\$40,621,762	\$29,124,888
Net Income from Operations	\$602,640	\$12,778,438
Change in Net Unrealized Capital Gains (Loss)	(\$1,943,161)	\$510,938
Change in Non-admitted Assets	\$441,074	\$405,744
Change in Asset Valuation Reserve	\$622,016	(\$946,693)
Change as a Result of Reinsurance	(\$194,831)	(\$1,259,927)
Change in Pension Liability	\$521,959	\$8,374
Surplus, End of Year	\$40,671,459	\$40,621,762

Notice: Call for Candidates FOR BOARD OF DIRECTORS

Three seats on the Board will be up for election in 2019. Look for information on the election process to come. It will be carried out electronically and by mail. To run for the Board, a member must declare their candidacy in writing to Harald Borrmann by June 1, 2019. Incumbents Robert Krattenmaker, Jean Hart and Marty Seifert have declared they will seek re-election. To run for a 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, 2019.



SOMEONE TO CATCH YOU
Catholic United structures its investments its products and its own investments
so that no matter what, we'll be here to provide a soft landing for you.
Like the Kratzkes with their son on the slide, pictured here, from

DENT | MINNESOTA

Annual Report

FOUNDATION



Eunice Schmieg

BIG STONE CITY | SOUTH DAKOTA

Thank You for Your Support

2018 FOUNDATION ANNUAL REPORT

“Thank you” can be an incredibly powerful pair of words, especially if the person you’re thanking really needs to hear them or isn’t expecting them. As the Executive Director of the Catholic United Financial Foundation, I am blessed with getting to say “Thank You” very often to our donors and supporters. I am also often thanked by those we help such as Catholic school teachers, seminarians, and the many charitable organizations we support. Nothing in my work makes me feel better than giving and receiving thanks. A difficult day is always brightened by praise.

The Catholic United Financial Foundation has a lot for which to be thankful. Through charitable life insurance policies, donors and members like you have provided more than \$12 million in future support to the charities of their choice including their home parishes, Catholic schools,

cemeteries, and other organizations like Catholic Relief Services, Sharing and Caring Hands, and many religious orders and missions.

An additional \$20.8 million has been entrusted to the Foundation to support scholarships, cemeteries, parishes, building projects and hundreds of other charitable organizations. These donations are invested in Donor Advised Funds, Organizational Advised Funds and a Catholic Focused Mutual Fund portfolio managed by the Foundation. These Funds grow each year in a strong Catholic focused manner to provide annual and long-term support for the organizations chosen by donors like you.

The appropriateness of expressing our gratitude is most evident in how much our donors have entrusted to our Foundation to give in support of others. Our primary

THANK YOU FOR YOUR CONTRIBUTIONS TO VOCATIONS

Since 1998 you have supported more than 1,000 awards to seminarians who have received almost \$720,000 to continue their training to lead our Church.



- This year, 95 Major Seminarians received grants totaling \$38,000
- 78 Minor Seminarians received grants totaling \$19,500
- 127 Catholic schools received \$59,300 in technology assistance

THANK YOU FOR YOUR CONTRIBUTIONS TO THE CHURCH

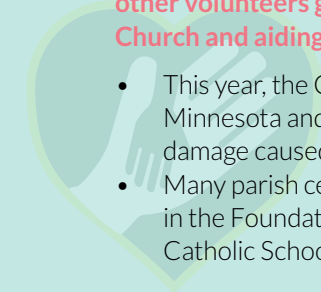
Since 2001, you helped provide 1,736 grants totaling more than \$900,000 to schools and parishes teaching the sanctity of our bodies to thousands of our Catholic students.



- This year, 61 parishes and schools received \$45,200 in support of chastity education
- 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.

THANK YOU FOR YOUR CONTRIBUTIONS TO OUR COMMUNITY

You and other volunteers gratefully gave their time and talents in strengthening our Church and aiding those affected by natural disasters.



- This year, the Catholic United Disaster Response program provided support in Minnesota and Wisconsin to help communities recover from wind and water damage caused by natural disasters.
- Many parish cemetery boards, parishes and building funds invested their funds in the Foundation to help maintain our cemeteries and build our parishes and Catholic Schools for our families and for many more generations.

mission through Catholic United Financial Foundation is to be a partner with you in your Christian generosity. Your selfless generosity to God and our Church is evident in the information shared above.

During 2018, the Foundation provided through your contributions, along with distributions from Donor Advised Funds and proceeds from charitable annuities and life insurance policies, significant assistance to strengthen our Catholic community and our Faith.

A simple thank you is far too little to recognize all you do in support of our Church every day in your home parish. Your acts of generosity both large and small identify you as Catholic, and your generosity as evidenced above, encourages those around you to also be generous. These gifts from God you selflessly share with others, especially your children, have a significant impact when you share with

them the joy of giving.

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 Award, technology & chastity education grants to strengthen Catholic parishes & 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 increase the effect of your generosity to your parish, school or the charity of your choice. The Foundation is here to help you support our community, vocations, and of course, our Church. Joining the Foundation to connect your faith, charity and financial planning together is truly a perfect way to answer God's call to share His gifts with others.

**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.

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new or used!

The wind is blowing through your hair in your new automobile. Spray is tickling your face off the bow of your new boat. Winter weather is wailing against your window, but you smile and sip your cocoa as you deposit a check with a snapshot. We tend not to think about

banking except when something goes wrong.

But Catholic United Financial Credit Union members get to think about all the good things made possible by their credit union, every day. Join today, and start putting your money where it works to bring lower rates and better service to you and your fellow Catholics.



Yes.

You can finance a miracle.

Adoption Loans at  **Catholic United Financial
CREDIT UNION**