

OUR *catholic* JOURNEY

2022 Volume 127, Issue 2 | Annual Report Edition

A Year to Reconnect and Reimagine
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The Dawning of a New Spring
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Call for Candidates
For Board of Directors *pg. 10*



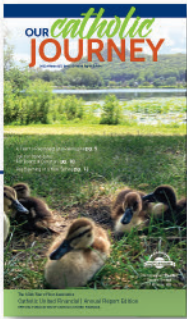
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The 144th Year of Your Association

Catholic United Financial | Annual Report Edition

OFFICIAL PUBLICATION OF CATHOLIC UNITED FINANCIAL

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A MESSAGE FROM MIKE

ON THE **MOVE**

As you will read in the next number of pages, 2021 was quite a year for Catholic United! We pushed hard and emerged from the impact of the pandemic by building many foundational elements which propel our aspirations to aggressively grow our key metrics of membership, assets, and missional impact. We truly got things moving last year!

- During 2021, our Credit Union completed a merger which raised their membership and asset levels to an all-time high, and they keep moving on up in 2022 by setting new monthly loan growth records to begin the year.
- Our Foundation continued its impressive growth as well, achieving new highs in total Members served and managed assets, all driven by our commitment to serve Members' needs from life to legacy.
- Plus, last fall your Association delivered a significant system installation with our Conventus Now technology joint venture which supports our plans to enhance efficiency, grow our field force, and expand our life insurance protection opportunities with Members.

These three highlights are just a few of the many successful accomplishments of the tactics of our strategic plan, all of which move us closer to our goals to double the size and missional impact of our organization by the time we turn age 150, in 2028.

We crave connections with our Members! The year of 2021 was incredibly rewarding for us as we were able to once again meet our Members face to face and reconnect with the leaders of the parishes, schools, and

organizations in our Catholic community. The highlight was last summer's highly successful Triennial Business Meeting and Leadership Conference in which we were able to share our vision and plans for growth with our passionate Member Delegates. They loved it! At the Business Meeting they overwhelmingly approved a new class of Associate Members which will bring Catholics directly to our affiliated Credit Union and Foundation. It certainly looks like 2022 could be another record year for these affiliates with your support as our Member-advocates.

Another significant move for Catholic United last year, and to begin 2022, is our plan to increase the scope and capabilities of our Representatives to reach all parts of our five-state area. In this new year, we have launched our teams-based model, which will effectively transition our one-to-one Representative-Member relationships to teams of skilled professionals ready to serve you. This approach will support our efficient recruitment and on-boarding of new associates alongside our highly skilled, tenured Representatives. Members have heard me say and write with much passion that their recommendations to friends and family about the opportunities of Catholic United are imperative to our growth. This is so true in 2022! We are poised and ready to move with a new generation of talented, passionate people – employees and new Members. Help us tell our story to bring them our way!

Thank you for allowing me to serve you this past year and in the years to come.
God bless.



Michael M. Ahles

President, CEO and Chair of the Board

If there is anything I can do to help you, please give me a call at (651) 765-4124 or email me at mahles@catholicunited.org



MEMBER ENGAGEMENT

A YEAR TO RECONNECT AND REIMAGINE



2021 was a year like no other in the history of Catholic United. Notably, we held our first of its kind Triennial Business Meeting and Leadership Conference. This event was a reimagining of our previous annual delegate conventions with expanded social time and enhanced leadership development segments.

At the business meeting, a recommendation was overwhelmingly passed to create new avenues for growth for the Association: a new Associate Class of Membership. This new class of membership allows Catholic adults to purchase products and services from affiliates of Catholic United Financial without first becoming benefit members of the Association. These affiliates include Catholic United Financial Credit Union and Catholic United Financial Foundation. Now, an adult Catholic can get a loan for a new car without first owning an insurance policy. That same person can now also serve in any leadership role within our council and volunteer team system and is eligible for benefits such as our Member Assistance Grant.

I will say, planning a large conference as society emerges from a pandemic is no easy task. Our team at Catholic United did a phenomenal job navigating the back and forth between virtual and in-person, masking requirements, and shifting capacity caps. It was a rollercoaster ride to say the least! While we've seen declining participation from delegates in recent years, this event saw an increase in attendance from members and non-members alike. Those who attended rated the event very highly and are excited for the next opportunity to reconnect.

Speaking of reconnecting, we are currently planning the 2022 Regional Member Gatherings for later this fall. The tentative schedule is October 15 in Rogers, MN; October 22 in Mitchell, SD; and October 23 in Springfield, MN. Check our website and follow our social media channels for more details. We can't wait to see you there.

The pandemic provided an opportunity for many of us to slow down and reflect on our priorities. Many people, myself



MEMBER ENGAGEMENT



included, enjoyed the reduced commutes and increased time with family. Now, as we get back to normal life, I'm finding that "normal" doesn't mean what it did two years ago. We are not going back to the way things were, we are moving forward.

How we do what we do in Member Engagement is forever changed. We've gained efficiencies that were not possible before, like meeting council and volunteer team leaders virtually rather than spending two days on the road and a night in a hotel. Councils and Volunteer Teams are holding virtual fundraisers and reaching more people. For these reasons, we are looking at ways we can continue to modernize our department and the council and volunteer team system to make it as easy as possible to impact your parish community.

I'm excited to announce that we increased our missional impact since 2020, but I'm even more excited about the years to come. We've got a goal of \$17 million to hit by 2028 and we need your help to get there.

Catholic United is a member-owned, not-for-profit, financial service company, connecting people of faith, protecting their future, and generously impacting parishes, schools and communities. Why wouldn't you want to be a part of that? Tell your friends and let us know how we can help.

Contact us at engage@catholicunited.org.
God bless.



Nate Lamusga
Director of Member Engagement



2021 Catholic United Financial
FINANCIAL REPORT

Senior Vice President and Secretary/Treasurer, Paul Zastrow

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CHANGE

During my remarks at the Business Meeting and Leadership Conference last August, I spoke about change. For many things, I embrace change. I get new smart phones on a regular basis and take advantage of the new functionality available. I try new restaurants to experience different types of food and always enjoy trying something new.

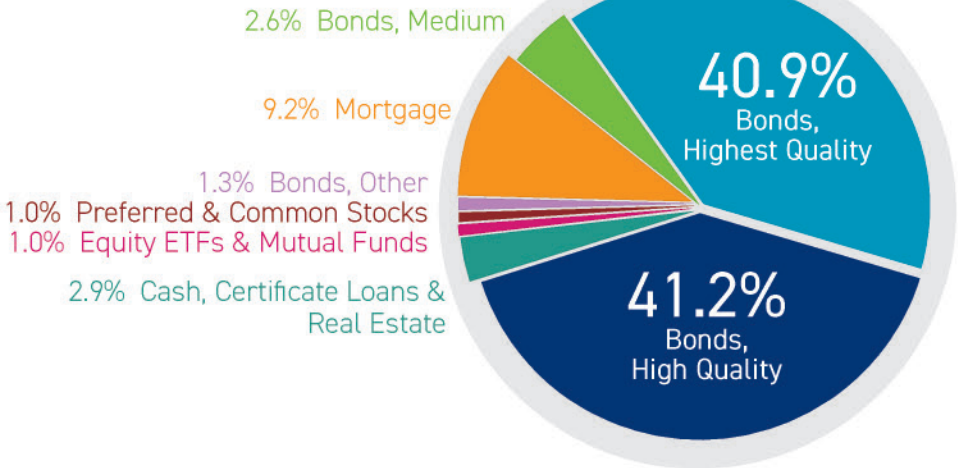
At the same time, there are many parts of my life where I am resistant to change. I used the same set of golf clubs for over 30 years even though I knew the advances in technology had made golf clubs so much better and would improve my golf game. My old clubs still worked, why change? The many great memories of all the rounds I had played with them at so many different courses and having the best rounds of my life with those clubs convinced me to not invest in a new set. I did finally buy a new set in 2021 and as I got used to the clubs, I began to see improvements in my game. I still get to enjoy all the memories of my old set but can finally take advantage of better technology and make some new memories and maybe also some new great rounds of golf. I am sure each of us has had similar experiences with change.

Change is upon us as well at Catholic United. The needs of our Members and future Members have changed and evolved over time, and we need to change and evolve as well to meet new, higher expectations of business in the 2020s. Our strategic plan does not change who we are or why we exist, but it does contemplate making changes necessary to fulfill our mission – to financially protect and connect our members in faith and joyful service at every stage of life's journey. Fulfilling this pledge while remaining financially strong will require us to be open to change.

INVESTMENTS

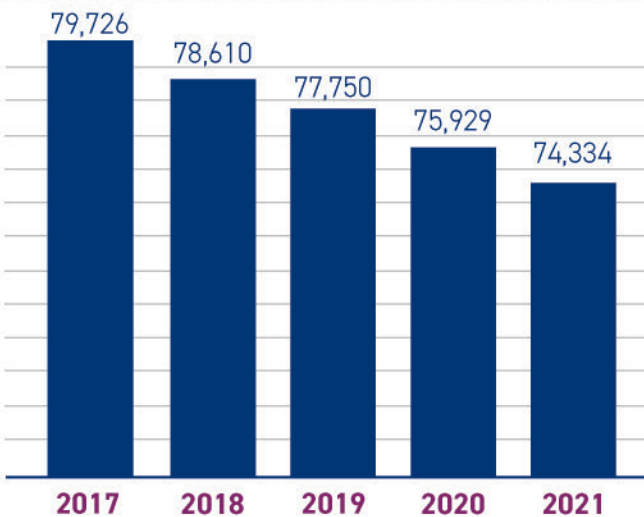
The importance of an intentional investment strategy to support the promises made within our life, annuity and health contracts cannot be overstated. Selecting the right investments with characteristics to provide a return is a foundation of financial strength. The importance of this is never more visible than over the past many years as interest rates have declined to historic lows. This economic reality, which all financial service organizations like ours face, has made it necessary to sharpen our focus even more and look for value to maintain our portfolio.

Assets (in Thousands)



Working with our investment partners Wellington Management Company and Securian Asset Management over the past five years, our portfolio has become more diversified as we seek to earn additional yield without taking imprudent risks. We have expanded our bond portfolio to include more privately placed bonds as well as higher levels of commercial mortgages to achieve a higher return without taking on additional credit risk. Continuing to identify and implement investment strategies to generate additional yield will continue to be imperative while we remain in the current low interest rate environment. We believe the portfolio we have constructed serves our Members well, and we will continue to explore what else we can do to remain financially strong and deliver on the commitment within every contract we issue.

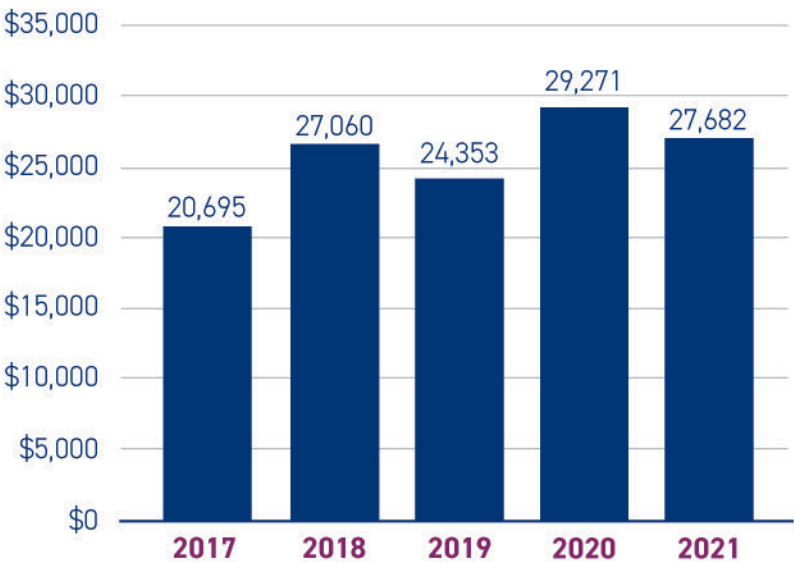
Membership



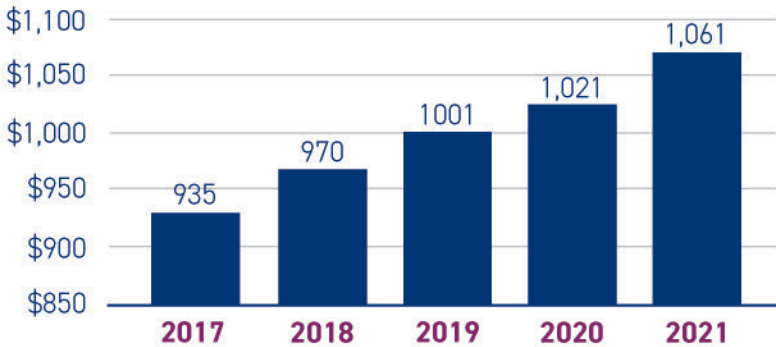
FINANCIAL STRENGTH

- Our total capital grew in 2021 from \$44.5 million to \$46.6 million, a 4.7% increase. A strong capital base provides the necessary foundation for profitable growth as we continue to execute on our growth strategies to bring our incredible value proposition to even more Catholics. Continued growth in our capital base will be dependent on our ability to expand the number of our sales advisors serving our Members, provide even more product offerings to assist our Members with financial solutions, but also a critical assessment of our expense structure to ensure we are getting the most value out of all our actions to serve our Membership.
- During 2021 we saw our premiums grow 20% as we rebounded from lower levels of activity in 2020 due to the Covid-19 pandemic.
- Death claims paid to our members as we kept the promises built into every one of our contracts declined 6% in 2021 as compared to 2020.
- Our operating expenses in 2021 were consistent with the levels incurred during 2020 at \$12.3 million.
- We did experience an operating loss for 2021 that was \$1.8 million, slightly higher than in 2020. Ongoing spread compression on our annuity product lines from the low interest rate environment is an economic reality for us and we will need to develop strategies to address this for the long-term benefit of our Membership.
- During 2021, we were able to realize investment gains from our equity investment portfolio due to the strong run-up in the equity market over the past several years. The investment gains did offset the operating loss and we were able to end 2021 with Net Income of \$0.4 million.

Death Benefits Paid (in Thousands)



Assets (in Thousands)



BALANCE

Looking forward, we will continue to make necessary investments to accomplish our strategic goals.

- The ongoing build-out of our new technology platform through our Conventus partnership for our policy recordkeeping system achieved a milestone in 2021 with the launch of issuing all new life business on the new platform. It is a great first step in updating our tools and processes needed to serve our Members in a more complete way.
- The ongoing low interest environment will continue to put pressure on our ability to grow surplus and we will continue to challenge ourselves to develop strategies to adapt to this economic reality.
- Updates to investment strategies and getting maximum value out of all our business processes and programs as we serve you, our Members, will be critical to navigate the global economic environment we are in.

We must always remember we are a member-based organization. Each of us as members enjoy the many benefits of being part of this great faith-based organization, but we also need to balance our rights as individual members knowing that we also share the responsibility of making sure the collective Membership remains strong. Over the next several years, we will be making many important decisions to fuel the growth of our great organization and we will need to make these decisions while keeping the needs of our individual Members and the needs of our Membership in balance.

I am excited about our shared future, working hard to bring about change so we can continue to deliver on our promises to the entirety of our Membership. I look forward to meeting with you at upcoming Member events throughout 2022 as we share our common Catholic United story.

Yours in faith,

Paul Zastrow

Senior Vice President and Secretary/Treasurer



FINANCES

Statement of Operations	2021	2020
Total Income	\$85,415,015	\$77,727,618
Total Claims & Expenses	87,070,072	79,260,498
Net Gain from Operations	(1,655,057)	(1,532,880)
Refunds to Members	127,666	112,509
Net Gain after Refunds to Members	(1,782,723)	(1,645,389)
Net Realized Capital Gain (Loss)	2,234,832	(66,828)
Net Income (Loss)	452,109	(1,712,217)

Change in Surplus	2021	2020
Surplus, Beginning of Year	\$35,005,458	\$39,786,468
Net Income (Loss) from Operations	452,109	(1,712,217)
Change in Net Unrealized Capital Gain (Loss)	(1,676,770)	786,672
Change in Non-admitted Assets	(831,837)	(353,191)
Change in Asset Valuation Reserve	(581,805)	(866,087)
Change as a Result of Reinsurance	(247,591)	(294,438)
Change in Pension Liability	4,379,160	(2,341,749)
Surplus, End of Year	\$36,498,724	\$35,005,458

Balance Sheet	2021	2020
Assets	\$1,060,652,305	\$1,021,400,851
Liabilities	1,014,093,796	976,917,413
Asset Valuation Reserve	10,059,785	9,477,980
Surplus	36,498,724	35,005,458
Total Liabilities and Surplus	\$1,060,652,305	\$1,021,400,851

CALL FOR CANDIDATES FOR BOARD OF DIRECTORS

Two seats on the Board will be up for election in 2022. Board election voting will be carried out electronically. To run for the Board, a Member must declare their candidacy to Mike Ahles by June 1, 2022*. Incumbents Renee Brod and James Gibbons have declared they will seek re-election. To run for a seat on the Board of Directors, declare your candidacy by writing to:

Catholic United Financial
President Mike Ahles
3499 Lexington Ave. N., Arden Hills, MN 55126

*Must be postmarked by June 1, 2022.

The Dawning of **A NEW SPRING**



As we begin to breathe deeply again and shake off the winter cold, we start to see the new growth of spring around us. The buds are growing on the trees and the world is again becoming a deep and healthy green. The past year has seen the Foundation being able to once again visit our donors personally and provide education on Estate Planning and Charitable giving during in-person workshops. The Foundation has continued to connect with you to support your charitable needs through education and advice on how to best leave your legacy. We have been able to show you how to best protect your wealth and transfer that wealth to your family and the charities you support.

The Foundation has been able to protect more than \$37,554,000 of your charitable funds while connecting them to provide significant support for charitable organizations like our Church that mean so much to us.

Your charitable contributions through the Foundation provided hundreds of thousands of dollars in distributions, grants and awards to help our neighbors while strengthening our Catholic Faith. The donations you made were provided to parishes, cemeteries, seminarians, Catholic schools and hundreds of other Catholic

charitable organizations we value so much. Examples of the impact include funding for hundreds of scholarships, maintenance of our cemeteries and even church and school building projects. As we look forward to the rest of 2022 and beyond, we have faith in God, our Catholic Community and our family and friends to fill us with joy during the renewed spring.

The Foundation remains strong and will continue to provide for the charitable needs of our members and donors. \$5,563,000 were raised and donated/spent through the Foundation in 2021. Donors and Members like you have provided donations which support more than \$15 million in future support from Charitable Life Insurance policies to provide for 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.

\$23.6 million has been entrusted to the Foundation to support scholarships, cemeteries, parishes, building projects and hundreds of other charitable organizations.

Continued on pg 12

Continued from pg 11

These donations are invested in Donor Advised Funds, Organizational Advised Funds and a Catholic Focused Mutual Fund portfolio managed by the Foundation. These Funds invested in a strong Catholic-focused manner to provide annual and long-term support for the organizations chosen by donors like you.

Our impact continues to grow from the generosity you, as donors, have entrusted to our Foundation to give in support of others. Our primary mission through the 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 below.

During 2021, 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.

- You have connected our young men called to the priesthood through your contributions to Vocations. Since 1998, you have provided scholarship support through more than 2,200 awards to Seminarians who received over \$1 million to continue their training to lead our Church and serve God. Thanks to your donations, we have increased the amount provided to each seminarian to support their education and living expenses.

In 2021 alone...

- o 93 Major Seminarians received grants totaling \$46,500.
- o 83 Minor Seminarians received grants totaling \$24,900.

- You have protected our Church and religious education during a time of greater need. Since 2001, you supported 2,331 grants totaling more than \$1.2 million to schools and parishes in strengthening educational opportunities and teaching the sanctity of our bodies to thousands of our Catholic School students, making faith a keystone of their education.

In 2021 alone...

- o 133 grants were made to Catholic schools **(including Holy Rosary Catholic Church in Graceville, MN to purchase a special machine that enlarges the print in the books so a partially blind student can complete the readings for her First Communion and participate in all other religious education programs.)** receiving \$63,500 in technology assistance.
- o 35 grants were made to parishes and schools **(including the St. Eloi Catholic Church in Ghent, MN to have the speaker for "Called for More" Ministries present to the students of the Cluster Parishes)** receiving \$25,000 in support of chastity education.



- Your contributions to our community inspire others to give freely of their time, treasures and talents. You and other volunteers gratefully have given by aiding our neighbors affected by natural disasters and strengthening our Church.

In 2021 alone...

- o 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.
- o Many cemetery boards, parishes and building funds invested their funds in the Foundation to help them maintain our cemeteries and build our parishes and Catholic Schools for our families for many more generations.

Given the tremendous impact your generous legacy has on our community, 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 and chastity grants to strengthen Catholic parishes and 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 your community, Vocation and 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

Contact your Catholic United sales representative or the Foundation
at 1-877-275-7145, rheuermann@catholicunited.org
www.catholicunitedfinancial.org



2021 was a year of notable change for the Credit Union. We had new employees join our team, saw employees retire, worked on several technology projects, merged a smaller Credit Union into ours, and grew our loan portfolio! Your Credit Union has been busy!

Staffing Changes:

Andrea Ferkingstad began working for us in January as our Director of Innovation and Member Engagement. Andrea has extensive marketing, operations, and technological experience. She updated our website to make it easier to navigate, provided more focus on Credit Union marketing efforts, managed our back-office operations, and spearheaded several technology projects.

Emily Ripplinger started working for us as a Senior Financial Services Representative and, in April, was recently promoted to Branch Manager at our St. Cloud, Minn. location! Emily has established strong relationships with many of our members as she helps them with questions on their accounts and their lending needs.

Chia Her began working with us at the end of December as a Senior Financial Services Representative in St. Paul, Minn. Chia has also developed strong relationships with many of our members as she helps them with questions on their accounts and their lending needs.

Linda Kampa, Stephany Gisler and Brenda Schuhwerck retired after many years of providing personalized service to our members.

Chantelle McClure was our Branch Manager in St. Cloud and has recently left to pursue another opportunity.

Merger:

On July 1, 2021, we welcomed the members of the St. Thomas Employee Federal Credit Union into the Catholic United Financial family. Overnight, we added more than 900 new members and increased our assets by \$3.8 million.

Projects:

In June of 2021 we did a major upgrade to our eDoc system to make the e-signature

Pitch Perfect Every Time

The New and Improved Catholic United Compelling Story

In the Spring of 2021, Catholic United embarked on getting its story straight. Not that it was wrong or didn't make sense, it just wasn't being shared or repeated the same way—everyone in the organization had their own spin. This is natural and to be expected. In the marketing world, this "story" has many names: an elevator pitch, elevator speech, defining statement, legacy statement, first pitch. The Catholic United marketing team decided to tell the story of our organization by surveying everyone in it. They gathered more than 90 responses, and each story was different.

"There were themes, but every respondent had their own unique story," said Steve

Wendorf, Marketing Director. "There was some passion behind their stories—and, believe me, everyone thought theirs was the best. We had a huge challenge on our hands."

How Do You Combine 90 Stories into One Repeatable Message?

Just like a choir at church, Catholic United wants everyone singing off the same sheet of music so they can be pitch perfect.

"We have an exceptional story to tell, we just need everyone telling the exact same story over and over again," stated Mike Ahles, President and CEO. "We kid around that we should buy a national ad for the big game and reach millions with one message, one time. Unfortunately, it is just a tad out





Catholic United Financial
CREDIT UNION

FINANCIAL HIGHLIGHTS

	2021	2020	YOY Growth
Total Assets	26,437,089	21,289,014	5,148,075
Total Loans	13,577,163	11,379,022	2,198,141
Total Deposits	23,533,292	18,604,510	4,928,782
Total Net Income	51,860	3,800	48,060

process more efficient as well as to provide a more efficient way for storing all our electronic documents.

ACH processing was migrated to a new platform to better manage all our automatic loan payments and deposits.

Our check processing system was converted to a more efficient way to process checks and make copies available to our members.

Computer equipment was upgraded to strengthen our technology security.

A new phone system was implemented to connect our St. Cloud and St. Paul branches to make it easier for our members to contact us.

Your Credit Union team worked hard to make the Credit Union stronger in 2021. Call us to learn how our great products and services can help you achieve your financial goals!

Blessings to you!

Maureen Daehn

Maureen Daehn
Credit Union President



of our price range. Instead, we think we can get it done by enlisting our members, vendors, employees, family and friends to spread the word and show their advocacy. It can be done one-on-one or on social media to accomplish the same thing with better, more personalized results, and it won't cost us \$5 million dollars."

Perfecting the Pitch

The marketing department at Catholic United teamed up with Bonsai, our sales and marketing consultant firm, and started the winnowing process by combining themes, key words and messages. They then added insights from research conducted by the American Fraternal Alliance, our industry trade organization. The Alliance had done some consumer research on what words resonated with our

key audiences. Words and themes like "not-for-profit, giving back, and member-owned" are more valued and create a meaningful connection with people. We're happy with the result but we need your help. See below.

OUR COMPELLING STORY

Catholic United is a member-owned, not-for-profit financial services company, connecting people of faith, protecting their future and generously impacting parishes, schools and communities.

How Can You Help?

Memorize the story. Repeat the story and help us live the story—every day. Give an MVP type effort not once but over and over to your friends, family, even pets! Share on social media and more. It's advocacy from our Members that fuels our growth.



Finance your summer fun with us!

Whether you're looking for a boat, motorcycle, jet ski or RV, **Catholic United Financial Credit Union** is here with **low rates and flexible terms** to help **finance all your summer fun!** Rates on recreational vehicle loans start as low as 3.99% APR.* **Apply today online at [catholicunitedCU.org](https://catholicunitedcu.org) or call us toll-free at 1-877-871-8313.**



*Annual Percentage Rate (APR) is effective 5/1/2022 and subject to change. APR is fixed for the term of the loan. A credit score of 700 or above is required to qualify for this rate. Actual rate is based on applicant's credit history and loan term. Loan is subject to credit approval. Loan Payment Example: The monthly payment on a \$30,000 loan at 3.99% APR for 72-months is \$469.22. A \$35 loan application fee will be assessed on all approved loans.