

# OUR *catholic* JOURNEY

2020 Volume 125, Issue 2 | Annual Report Edition



The 142nd Year of Your Association

Catholic United Financial | Annual Report Edition

OFFICIAL PUBLICATION OF CATHOLIC UNITED FINANCIAL

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### On the Cover:

Sam Clyde, 13, of St. Paul, Minn., keeps the ball away from his younger brothers Michael and Kyle.

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“ ..we are a resilient people, and our common  
**FAITH GIVES US MUCH COMFORT  
THAT WE WILL TOGETHER  
PERSEVERE.** Of that, I have  
**absolutely no doubt.**

*No matter how this year of 2020 has started out,  
we will continue to go forward and*

**BE THERE  
FOR OUR MEMBERS**  
*in every possible way.* ”

*-Harald Boermann*



Morgan Smith takes a cut with her dad, mom  
and two brothers playing the field.

Perham | Minnesota

Annual Report

# FAMILY



**Avery and Katarina  
Malone**  
Thief River Falls, | Minnesota

# PRESIDENT'S MESSAGE

**W**elcome to our 2019 Annual Report. As I write this note, we are in the midst of dealing with the COVID-19 pandemic and its associated financial turmoil. Frankly, it is difficult looking back at what was, in most every aspect, a very successful and rewarding year when right in front of us is a situation very few could foresee and a situation that will change our country, our economy, our members and our entire Association in a myriad of ways.

But let's start with 2019. As Senior Vice President and Secretary/Treasurer Mike Ahles explains in his very fine report, **2019 was successful in many ways, notably our attainment of \$1 Billion in assets.** We must be doing a lot of things right for us to continue to grow our asset base year after year and in so many wildly different and sometimes challenging economic environments. Certainly, our Association's future has been profoundly impacted — in a totally positive way — by our launch of Conventus Now, LLC. This is the joint venture with our friends at Catholic Financial Life in Milwaukee, Wis.; Conventus is developing a state-of-the-art technology platform which will form the bedrock for all our products and interactions between our members, Sales Representatives and Home Office staff. This is the first such collaboration in the life insurance industry, and it has already been recognized by industry expert A. M. Best Company as a breakthrough to what is possible in our future. Bravo to the teams involved from both Societies in making this dream a reality.

Last June, I announced my retirement, effective this coming June. As that date approaches, I am delighted to be working on the transition with Mike Ahles, as he was named last month to become just our tenth President. Mike is uniquely qualified to be our next leader with a strong background in both insurance and fraternalism. His hire is a home run for Catholic United because he is also a man of strong faith. That's a combination that just can't be beat. Handing the gavel over to Mike will be an honor and a pleasure.

Also last month, I had the pleasure of attending the unveiling of the results of this year's Annual Catholic Schools Raffle. Once again, we set a new record by helping raise over \$1.3 million. All I can say is "Wow"! That makes just under \$10 million raised for Catholic education since we began the raffle only eleven years ago!

As I mentioned earlier, the COVID-19 pandemic is a life-changer for every American. But we are a resilient people, and our common faith gives us much comfort that we will together persevere. Of that, I have absolutely no doubt. No matter how 2020 has started out, we will continue to go forward and be there for our members in every possible way. We have a 142-year history of overcoming difficulties and emerging a stronger Association. That will be the case here as well.

In closing, I want to thank you — our member — for allowing me to serve Catholic United these past twelve years as one of your Officers. It has been the opportunity of a lifetime for me, my wife, Mary, and our family. I go forth with gratitude in my heart and the knowledge that I have been given the chance to be a part of something that only God could have provided. My sincerest thanks.

Peace.



**Harald Borrmann**

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 [hbormann@catholicunited.org](mailto:hbormann@catholicunited.org)





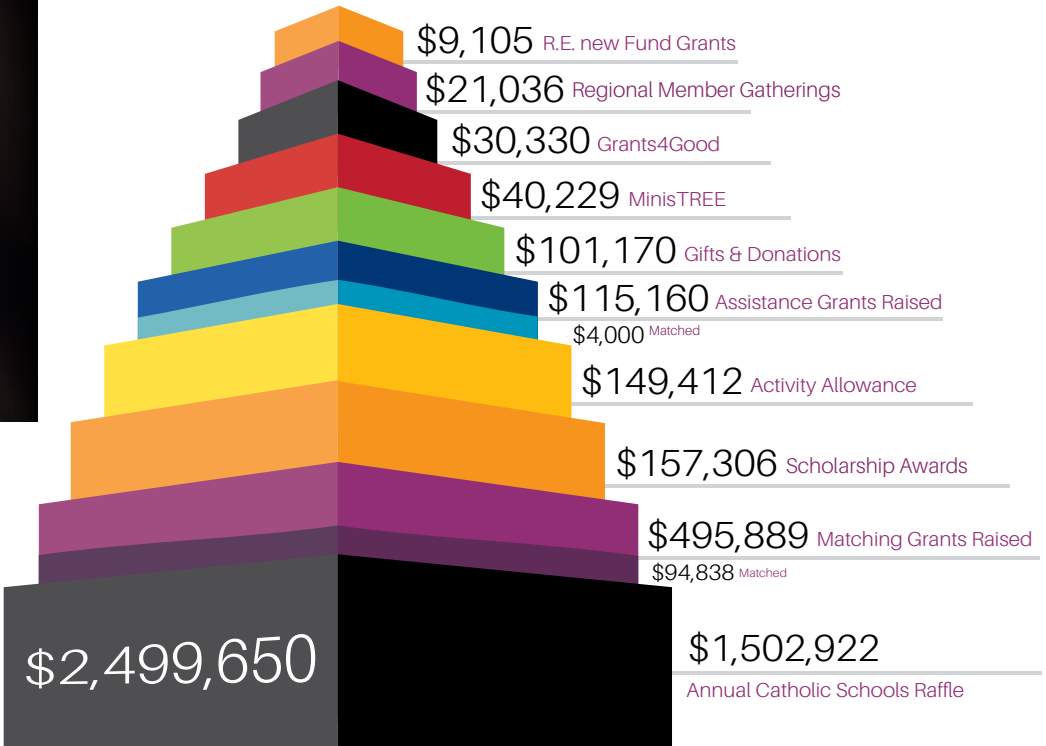
# Volunteers *move* MOUNTAINS

**A**s a single guy, I worked as a youth minister at a suburban parish and lived in Minneapolis with a police officer and a law student. That's right, a youth minister, a lawyer and a police officer; it's like the start of a bad joke. We always had great conversations, each bringing our own unique perspective in life. My buddies often had a pessimistic view of society. And who could blame them? They often spent their days studying or directly dealing with the worst of what humanity had to offer: people intentionally taking advantage of others, making poor decisions, or being victims of unfortunate circumstances. I, on the other hand, had a very different viewpoint. The people I was surrounded by were actively working to become better versions of themselves, sacrificing their own comfort for the comfort of others. I count myself lucky to still be a witness to this same perspective. ***Catholic United members and what we stand for continues to be counter-cultural, offering what is good and necessary in the world, rather than being focused on what we are owed, or what we can take.***

As I begin my tenth year working for Catholic United, I've never been prouder of what we've accomplished, and I've never been more hopeful for what the future holds.

On these pages, there are some gorgeous charts and impressive numbers about how much Catholic United has been able to raise and contribute to your local community over the past year. From the enormously successful Annual Catholic Schools Raffle that continually raises more than \$1 million each year, to our MinisTREE program which contributes to countless hours of service in each participating parish or school, Catholic United has made a real difference for Catholic churches. However, these numbers don't tell the whole story, and if I'm being honest, the numbers don't impress me as much as the people who help make it happen.

In 2019, Catholic United and its members provided for our Catholic communities: **\$2,499,650**



It's always heartening to speak with our volunteer leaders. These are the brave few who step up to hold a leadership position in one of our councils or volunteer teams. It takes a special kind of person to volunteer in this way. It's a big responsibility and those who are up to the task are motivated by their faith and compelled to address the challenges they see in the Church. We at Catholic United have the easy part: we provide the platform and the programs, then sit back and watch this amazing group of people move mountains.

Hearing about the good work of our members, I've been inspired to do more in my own Catholic parish. Maybe you can relate to that? If you want to get involved with Catholic United to take advantage of the platforms and programs available to your community, contact us at [engage@catholicunited.org](mailto:engage@catholicunited.org).

God bless,

**Nate Lamusga**  
Director of Member Engagement



## 2019 Catholic United Financial ANNUAL REPORT

*The Times They Are A-Changin'.* In past years I've used song references as themes for my Annual Report financial update, and as you read in his President's Message, Harald Borrmann announced during 2019 that he will retire mid-2020. In honor of his tremendous leadership of our Association, and given his unparalleled love of Bob Dylan, I felt that this 1964 ballad, from the album with the same title, was not only an appropriate tribute to Harald but a perfect way to describe our Association in 2019. As well, it continues to be true thus far in 2020 given the impact of the COVID-19 virus pandemic.

So, what's been *changin'* at Catholic United? Our Assets!

### Assets at All-Time Highs – Investments Remain Strong

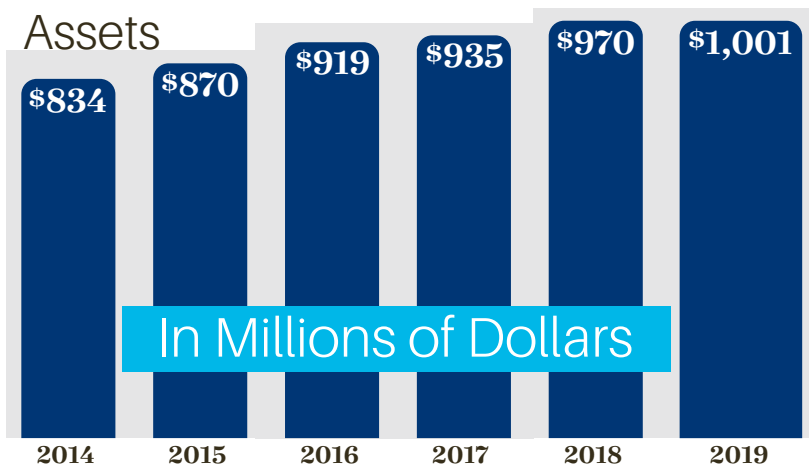
Total assets surpassed \$1 billion on November 11, 2019. It took our Association 126 years to grow our assets to \$500 million yet only 15 years to double that milestone. Plus, it's intriguing that this new record occurred on Harald's

birthday! Inquiring minds want to know if these two noteworthy events are connected? I'll leave that to each of you.

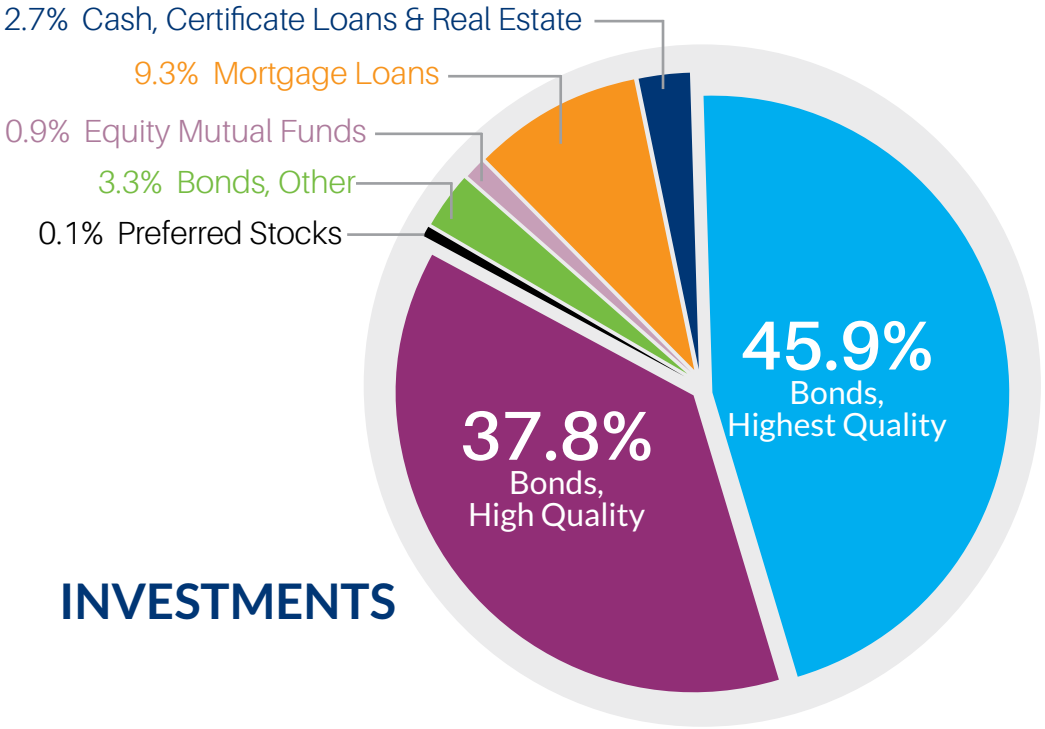
What is certain is that our members' faith and confidence in our Association created this success by bringing almost \$16 million in life insurance premium and over \$33 million in new annuity premium to us during the year. Positive *changin'* also came via our Medicare Supplement product which, in its second full year of sales, brought us 370 new members and \$0.86 million of issued premium in 2019.

Earning our members' confidence is critically important to us and is one thing that has not changed, nor ever will. Our Association remained strong throughout 2019 due to the exceptional quality of the investments we purchase to support the commitments we make to our members and their families.

As shown in the accompanying chart, the strength of our assets lies in our conservative, high-quality bond portfolio. The largest components of our investments continue to be bonds of the







## INVESTMENTS

highest quality (45.9%) and high quality (37.8%) per the ratings from the National Association of Insurance Commissioners. As well, an increasing pool of commercial mortgage loans now comprise 9.3% of the investment portfolio, providing broadened diversification, stable cash flow and solid yields. Another aspect of our Association’s investment discipline that will not change is our use of Securian Asset Management and Wellington Management Company as professional asset managers, in accordance with the Investment Policy established and monitored by our Board of Directors. We will continue to draw strength from these top-notch firms that partner with us in so many ways.

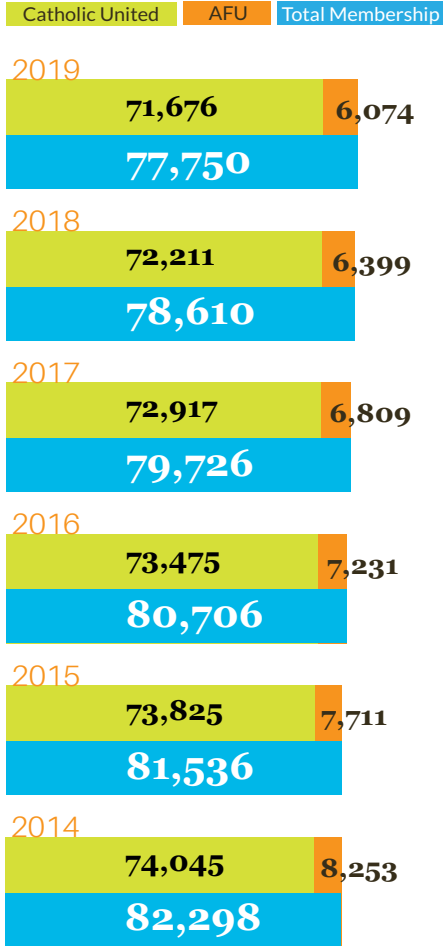


The formation of Conventus Now is another example of how we kept *changin’* for the future during 2019. Last year, the Association invested \$0.66

million in the formation of Conventus Now and the initial phase of its multi-year effort entitled Project Genesis. United through our faith and fraternal bonds, our Association and Catholic Financial Life (CFL) of Milwaukee forged this joint venture to build technology that will more efficiently support both Societies in providing exceptional service to members, and enable us to compete for new members, in an increasingly digital world.

We’re thrilled with Conventus Now’s progress in 2019 and believe that our shared vision with CFL in building this technology will be transformational in our pursuit of our other primary goal – Growing Membership. This remains our shared challenge. As shown in the chart on the following page, Association membership has continued to slowly decline for many years to end 2019 at 77,750. Although small, annual losses in American Fraternal Union membership were expected since acquiring this society in 2011, we are *changin’* the way we work

## Membership 2014 - 2019



*In 2011, Catholic United Financial absorbed then 114-year-old American Fraternal Union of Ely, Minn. Catholic United continues to administer the remaining AFU policies.*

to grow our membership as it is a terrific way to use our financial strength.

### Financial Strength

Financial strength is derived from our Association's total surplus as it supports paying future benefits to our members and their families, cushions the impact of market fluctuations on our investment portfolio and supports our efforts to build new services for existing and new members. Total surplus, which includes the asset valuation reserve, changed positively by \$1.7 million to reach a record \$48.4 million during 2019. Unfortunately, this growth was mitigated somewhat by \$0.65 million in net realized capital losses on the Association's equity mutual fund portfolio during the year. One last facet of the **changin'** year that was 2019 is our freeze of the Association's defined benefit employee pension plan. This change will, over time, positively impact employees given the enhanced contributions to the Association's defined contribution 401(k) plan beginning in 2020 while lessening the impact of the employee pension liability on total surplus in our continued era of low interest rates.

The many positive changes of 2019 enabled our Association's financial strength to remain intact. That said and as I prepared this summary, our world is changing dramatically as a result of the COVID-19 pandemic.



**Ral and Judy DuBois**  
Brainerd | Minnesota



**Sam & Sarah Clyde**  
St. Paul | Minnesota

We've enacted our business continuity plans and deployed our employees to work remotely. We've changed our processes to serve and recruit members. We've enhanced our investment monitoring practices. We've collaborated with our vendors and our regulators to keep them informed and confirm their support. Each of these actions comes with a cost and this cost will negatively impact our financial results in 2020. It's just too early to accurately predict the impact given many unknowns. However, whatever those impacts, our Association will remain financially strong due to the robust surplus position with which we entered 2020.

Yes, *The Times They Are A-Changin'* and these recent changes are challenging. I look forward to tackling each of them with you.

May God continue to bless our Association and our Members.

**Michael M. Ahles**  
Senior Vice President and Secretary/Treasurer



## FINANCES

Statement of Operations	2019	2018
Total Income	\$73,823,985	\$76,425,909
Total Claims & Expenses	73,643,766	75,786,215
Net Gain from Operations	180,219	639,694
Refunds to Members	111,515	113,497
Net Gain after Refunds to Members	68,704	526,197
Net Realized Capital Gain (Loss)	(654,799)	76,443
Net Income (Loss)	(\$586,095)	\$602,640

Change in Surplus	2019	2018
Surplus, Beginning of Year	\$40,671,459	\$40,621,762
Net Income (Loss) from Operations	(586,095)	602,640
Change in Net Unrealized Capital Gain (Loss)	2,337,399	(1,943,161)
Change in Non-admitted Assets	(272,716)	441,074
Change in Asset Valuation Reserve	(2,552,847)	622,016
Change as a Result of Reinsurance	(131,746)	(194,831)
Change in Pension Liability	321,014	521,959
Surplus, End of Year	\$39,786,468	\$40,671,459

Balance Sheet	2019	2018
Assets	\$1,001,195,407	\$969,966,667
Liabilities	952,797,046	923,236,162
Asset Valuation Reserve	8,611,893	6,059,046
Surplus	39,786,468	40,671,459
Total Liabilities and Surplus	\$1,001,195,407	\$969,966,667

Notice

# CALL FOR CANDIDATES

For Board of Directors

Two seats on the Board will be up for election in 2020. Consistent with the 2019 Board election, voting 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, 2020. **Incumbents Bill Lucas and Jim Wensel 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, 2020.



Sarah Clyde and her  
younger brother Noah  
St. Paul | Minnesota

Catholic United structures its investments, its products  
and its benefits so that no matter what,  
*we'll be here to provide a soft landing for you.*



# At this time more than ever: **HOPE**

*“All the great things are simple, and many can be expressed in a single word: freedom, justice, honor, duty, mercy, hope.” - Sir Winston Churchill*

The first three months of 2020 have presented us with a very different outlook from what we experienced in 2019. Your charitable contributions through the Foundation provided well over \$500,000 in distributions, grants and awards to build and strengthen our Catholic Faith. The funds were provided to parishes, cemeteries, seminarians, Catholic schools and hundreds of other Catholic charitable organizations. As we look forward to the rest of 2020 and beyond, we need all of the great things listed above in the quote by Winston Churchill. But most of all we need hope.

The Catholic United Financial Foundation remains strong and will continue to provide for the charitable needs of our members and donors. Donors and members like you have provided donations that support more than \$12.5 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 such as Catholic Relief Services, Sharing and Caring Hands, and many religious orders and missions.

An additional \$31 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 are invested in a strong Catholic focused manner to provide annual and long-term support for the organizations chosen by donors like you.

Our own feeling of hope comes strongest from the generosity you as donors have entrusted to our Foundation to give in support of others. Our primary 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 on the next page.

During 2019, 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.

**Thank You for Your Contributions to Vocations** Since 1998, you have supported more than 2,000 awards to seminarians who have received almost \$770,000 to continue their training to lead our Church.

- 94 Major Seminarians received grants totaling \$37,600
- 72 Minor Seminarians received grants totaling \$18,000

**Thank You for Your Contributions to the Church** Since 2001, 1,945 grants totaling more than \$1 million have gone to Catholic schools and parishes for technology assistance and teaching the sanctity of our bodies to thousands of our Catholic students

- 151 grants were made to Catholic schools receiving \$73,950 in technology assistance
- 58 grants were made to parishes and schools receiving \$30,460 in support of chastity education

**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.

- 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.
- The Catholic United 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 them maintain our cemeteries and build our parishes and Catholic Schools for our families for many more generations.

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. You are providing hope and mercy to the members of our Catholic and greater communities who need it now more than ever.

Even in these challenging times, 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 parishes & schools, or to assist with the Catholic United Response disaster response program.

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 of our community, vocations, and 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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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.

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