

**ST. LUKE BENEFIT & INSURANCE
SERVICES CORP.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

**ST. LUKE BENEFIT & INSURANCE SERVICES CORP.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION.....	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS.....	6

INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Luke Benefit & Insurance Services Corp.
Green Bay, Wisconsin

We have audited the accompanying financial statements of St. Luke Benefit & Insurance Services Corp. (a Wisconsin corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
St. Luke Benefit & Insurance Services Corp.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Luke Benefit & Insurance Services Corp. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oshkosh, Wisconsin
September 27, 2018

ST. LUKE BENEFIT & INSURANCE SERVICES CORP.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Interest in Cash	\$ 376,392	\$ 204,100
Funds Held by Self-Funded Health Insurance Administrator	-	1,513,282
Property and Equipment	2,680	3,023
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$953	72,497	7,776
Prepaid Expenses	659	-
Investments	9,107,617	8,311,730
Total Assets	\$ 9,559,845	\$ 10,039,911
LIABILITIES AND NET ASSETS		
LIABILITIES		
Medical and Dental Claims Payable	\$ 1,582,000	\$ 1,310,000
Accounts Payable and Accrued Expenses	94,575	40,430
Unemployment Compensation Claims Payable	2,916	16,452
Total Liabilities	1,679,491	1,366,882
NET ASSETS		
Unrestricted	7,880,354	8,673,029
Total Liabilities and Net Assets	\$ 9,559,845	\$ 10,039,911

See accompanying Notes to Financial Statements.

ST. LUKE BENEFIT & INSURANCE SERVICES CORP.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
REVENUES AND SUPPORT		
Premium Revenue - Medical and Dental Insurance	\$ 11,930,092	\$ 11,445,596
Cost of Sales - Medical and Dental Insurance	(12,538,460)	(9,964,348)
Premium Revenue - Unemployment Compensation	141,177	86,322
Cost of Sales - Unemployment Compensation	(57,435)	(39,041)
Service Revenue	154,680	159,709
Other	255,075	133,709
Total Revenues and Support	(114,871)	1,821,947
EXPENSES		
Salaries and Wages	387,259	359,210
Personnel Benefits	148,482	135,078
Purchased Services	313,420	270,683
Occupancy	27,300	27,168
Office	14,780	18,033
Grants and Direct Assistance	30,086	18,769
Total Expenses	921,327	828,941
Revenues and Support in Excess (Deficit) of Expenses	(1,036,198)	993,006
OTHER CHANGE IN NET ASSETS		
Investment Return	243,523	294,630
CHANGE IN NET ASSETS	(792,675)	1,287,636
Net Assets - Beginning of Year	8,673,029	7,385,393
NET ASSETS - END OF YEAR	\$ 7,880,354	\$ 8,673,029

See accompanying Notes to Financial Statements.

ST. LUKE BENEFIT & INSURANCE SERVICES CORP.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Customers	\$ 12,416,303	\$ 454,910
Cash Paid to and on Behalf of Employees	(532,397)	(487,572)
Cash Paid to Suppliers	(11,129,164)	(440,325)
Cash Paid for Grants and Assistance	(30,086)	(18,769)
Net Cash Flows from Operating Activities	<u>724,656</u>	<u>(491,756)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(2,001)
Purchase of Investments	(900,000)	-
Sale of Investments	347,636	397,609
Net Cash Flows from Investing Activities	<u>(552,364)</u>	<u>395,608</u>
NET CHANGE IN CASH AND INTEREST IN CASH	172,292	(96,148)
Cash and Interest in Cash - Beginning of Year	<u>204,100</u>	<u>300,248</u>
CASH AND INTEREST IN CASH - END OF YEAR	<u>\$ 376,392</u>	<u>\$ 204,100</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (792,675)	\$ 1,287,636
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	343	309
Investment Return	(243,523)	(294,630)
Medical and Dental Insurance Premium Revenue Received by Administrator	-	(11,367,851)
Medical and Dental Insurance Expenses Paid by Administrator	647,685	9,887,332
Changes in Certain Assets and Liabilities:		
Funds Held by Self-Funded Health Insurance Administrator	865,597	-
Accounts Receivable	(64,721)	(2,575)
Prepaid Expenses	(659)	-
Accounts Payable and Accrued Expenses	54,145	4,059
Medical and Dental Claims Payable	272,000	-
Unemployment Compensation Claims Payable	(13,536)	(6,036)
Net Cash Flows from Operating Activities	<u>\$ 724,656</u>	<u>\$ (491,756)</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Funds Held by Self-funded Health Insurance Administrator Used to Purchase Investments	<u>\$ -</u>	<u>\$ 1,000,000</u>

ST. LUKE BENEFIT & INSURANCE SERVICES CORP.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 NATURE OF OPERATIONS

St. Luke Benefit & Insurance Services Corp. (St. Luke Corp.) is a nonprofit corporation organized under the laws of the state of Wisconsin for the purpose of organizing, directing, and administering programs to provide employee benefits, insurance, and human resources services for various Catholic entities within the Catholic Diocese of Green Bay.

St. Luke Corp. offers the following benefits to these entities:

Dental Insurance

Dental insurance is offered to eligible employees as determined separately by each diocesan entity. The insurance is a self-funded plan in which the premiums are received from the entities and their employees.

Health Insurance

Medical and prescription drug insurance is offered to eligible employees as determined separately by each diocesan entity. The insurance is a self-funded plan in which the premiums are received by the self-funded health insurance administrator from the entities.

Unemployment Compensation

Unemployment compensation is offered to eligible lay employees who work at least twenty hours per week. The unemployment compensation is a self-funded plan in which premiums and dividend payments are set and reviewed by management.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of St. Luke Corp. are classified and reported as follows:

Unrestricted

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted

Net assets that result from contributions whose use by St. Luke Corp. is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of St. Luke Corp. pursuant to those stipulations.

Permanently Restricted

Net assets resulting from contributions with donor-imposed stipulations that require St. Luke Corp. to hold the gift in perpetuity.

St. Luke Corp. had only unrestricted net assets as of June 30, 2018 and 2017.

ST. LUKE BENEFIT & INSURANCE SERVICES CORP.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest in Cash

St. Luke Corp. participates in a pooled cash account with an interdiocesan entity. This account sweeps daily to a zero balance. The total of the pooled cash account, at times, may exceed federally insured limits. St. Luke Corp. has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Funds Held by Self-Funded Health Insurance Administrator

The administrator of St. Luke Corp.'s self-funded health insurance plan holds cash on the entity's behalf. This cash is used by the administrator to pay medical claims that are incurred by enrollees in St. Luke Corp.'s self-funded health insurance plan and can be transferred back to St. Luke Corp. at its discretion.

Accounts Receivable

The majority of St. Luke Corp.'s accounts receivable are due from private parties within the Diocese region. Accounts receivable are due within 30 days or according to separately stated terms and are stated as amounts due, net of allowance for doubtful accounts. St. Luke Corp. provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The estimate is based on historical collection experience and a review of the current status of accounts receivable.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Investment income or loss and unrealized gains or losses are included in the accompanying statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Claims Payable

Unemployment compensation claims payable has been prepared based on past experience and management's estimates of future amounts due to current eligible participants. The medical claims payable is an estimate of unpaid claims as determined by the administrators for medical insurance based on claim reporting experience. The dental claims payable is a reserve for claims incurred but not reported and is determined by St. Luke Corp. based on claim reporting experience.

Revenue Recognition

Revenue from insurance premiums is recorded on an accrual basis. Premiums are billed monthly.

ST. LUKE BENEFIT & INSURANCE SERVICES CORP.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

St. Luke Corp. has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) covered by the U.S. Internal Revenue Service group exemption letter of the United States Conference of Catholic Bishops and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, St. Luke Benefit & Insurance Services Corp. has evaluated events and transactions for potential recognition or disclosure through September 27, 2018, the date the financial statements were available to be issued.

NOTE 3 NEW ACCOUNTING STANDARDS UPDATE

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is expected to impact the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by St. Luke Corp. for the year ending June 30, 2019; however, early application is permitted. St. Luke Corp. is currently evaluating the impact this guidance will have on its financial statements.

NOTE 4 INVESTMENTS

Investments are held by St. Francis Xavier Investment Corp. (St. Francis Xavier Corp.), an interdiocesan entity. St. Francis Xavier Corp. has grouped their investments and created a unitized fixed income fund, equity fund, and money market fund. St. Luke Corp. owns units in the money market, fixed income, and equity funds.

ST. LUKE BENEFIT & INSURANCE SERVICES CORP.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 INVESTMENTS (CONTINUED)

Investments are carried at market and consisted of the following at June 30:

	Fair Value		Redemption Frequency	Termination Notice Period
	2018	2017		
St. Francis Xavier Corp. Fixed Income Fund	\$ 699,440	\$ 676,132	Daily	30 days
St. Francis Xavier Corp. Equity Fund	1,588,034	1,584,212	Daily	30 days
St. Francis Xavier Corp. Money Market Fund	6,820,143	6,051,386	Daily	30 days
Total	<u>\$ 9,107,617</u>	<u>\$ 8,311,730</u>		

The money market fund is intended to be utilized by intermediate and short-term money. The fixed income fund is intended to be utilized by intermediate and long-term money. The target allocation of the fixed income fund is:

Intermediate Fixed Income	95 %
Cash	5
Total	<u>100 %</u>

The equity fund is intended to be utilized by long-term money. The participant is not allowed to invest more than 70% of their funds in the equity fund. The target allocation of the equity fund is:

Small-Cap Domestic Stocks	20 %
Mid-Cap Domestic Stocks	20
Large-Cap Domestic Stocks	40
International Stocks	17
Cash and Cash Equivalents	3
Total	<u>100 %</u>

As defined by current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, St. Luke Corp. uses various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible, St. Luke Corp. attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs.

ST. LUKE BENEFIT & INSURANCE SERVICES CORP.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 INVESTMENTS (CONTINUED)

The fair value hierarchy ranks the quality and reliability of the information used to determine the fair values. Assets and liabilities measured, reported, and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

The table presents the balances of assets measured at fair value on a recurring basis:

	June 30, 2018			
	Total	Level 1	Level 2	Level 3
St. Francis Xavier Corp. Fixed Income Fund	\$ 699,440	\$ -	\$ 699,440	\$ -
St. Francis Xavier Corp. Equity Fund	1,588,034	-	1,588,034	-
St. Francis Xavier Corp. Money Market Fund	6,820,143	-	6,820,143	-
Total Investments	<u>\$ 9,107,617</u>	<u>\$ -</u>	<u>\$ 9,107,617</u>	<u>\$ -</u>

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
St. Francis Xavier Corp. Fixed Income Fund	\$ 676,132	\$ -	\$ 676,132	\$ -
St. Francis Xavier Corp. Equity Fund	1,584,212	-	1,584,212	-
St. Francis Xavier Corp. Money Market Fund	6,051,386	-	6,051,386	-
Total Investments	<u>\$ 8,311,730</u>	<u>\$ -</u>	<u>\$ 8,311,730</u>	<u>\$ -</u>

The fair value of the investment in the fixed income fund, the equity fund, and the money market fund has been estimated using the net asset value per share of the fund as determined by the fund administrator. The funds are valued on a daily basis.

Investment return in the accompanying statements of activities for the years ended June 30 consisted of the following:

	2018	2017
Interest and Dividends	\$ 106,608	\$ 51,810
Realized and Unrealized Gains on Investments	136,915	242,820
Total	<u>\$ 243,523</u>	<u>\$ 294,630</u>

Fees charged on investments have been netted against the investment return. Total fees for the years ended June 30, 2018 and 2017 were \$15,793 and \$15,263, respectively.

ST. LUKE BENEFIT & INSURANCE SERVICES CORP.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 UNEMPLOYMENT COMPENSATION CLAIMS PAYABLE

St. Luke Corp. accrues for unemployment compensation claims that may be payable to those currently receiving benefits. St. Luke Corp. assumes that all benefit recipients will receive the full 26 weeks of payments as allowed under the plan. The amount of the payable at June 30, 2018 and 2017 was \$2,916 and \$16,452, respectively.

NOTE 6 CLAIM PROCESSING

Dental and medical claims are processed by various third-party administrators, but the ultimate responsibility for payments to participants is retained by St. Luke Corp. Administrative fees for processing by the service organizations are included in administrative expenses.

NOTE 7 SIGNIFICANT ESTIMATES

Medical Insurance

St. Luke Corp. has a self-funded health care plan that provides medical benefits to employees and their dependents. Funds for the self-funded health care plan are held and maintained by an administrator. Health care costs are expensed as incurred. The health care expense is based upon actual claims paid, reinsurance premiums, administration fees, and estimated unpaid claims at year-end. For the years ended June 30, 2018 and 2017, St. Luke Corp. purchased reinsurance to cover claims over \$225,000 per covered participant per year with no aggregate benefit.

Health care expense for the years ended June 30, 2018 and 2017 were \$11,995,305 and \$9,529,335, respectively. An estimated liability of \$1,547,000 and \$1,275,000, respectively, for claims outstanding at June 30, 2018 and 2017 has been recorded. Management believes this liability is sufficient to cover estimated claims incurred but not yet reported. Claim payments based on actual claims ultimately could differ materially from these estimates.

Dental Insurance

St. Luke Corp. provides dental benefits to employees and their dependents on a self-funded plan. Dental care cost is expensed as incurred. The dental care expense is based upon actual claims paid, administration fees, and unpaid claims at year-end.

Dental care expense was \$543,155 and \$435,013 for the years ended June 30, 2018 and 2017, respectively. An estimated liability of \$35,000 for claims outstanding at June 30, 2018 and 2017 has been recorded. Management believes this liability is sufficient to cover claims incurred but not yet reported. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

ST. LUKE BENEFIT & INSURANCE SERVICES CORP.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 8 FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Expenses by function for the years ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>
Program Services	\$ 837,527	\$ 738,515
Management and General	83,800	90,426
Total	<u>\$ 921,327</u>	<u>\$ 828,941</u>

NOTE 9 LEASES

St. Luke Corp. leases certain office space and equipment under operating lease agreements with other diocesan entities on a month-to-month basis. Total rent expense was \$27,300 and \$27,168 for the years ended June 30, 2018 and 2017, respectively.

NOTE 10 INTERDIOCESAN TRANSACTIONS

St. Luke Corp. was a party to various transactions with other diocesan corporations during the years ended June 30, 2018 and 2017. Total revenues and support from other diocesan corporations were \$1,680,389 and \$1,783,770 for the years ended June 30, 2018 and 2017, respectively, and related to earned revenue for support services provided. Total revenues from other diocesan corporations constitute a substantial portion of St. Luke Corp.'s total revenues for the years ended June 30, 2018 and 2017. Total expenses paid to other diocesan corporations were \$167,371 and \$136,072 for the years ended June 30, 2018 and 2017, respectively, and related to occupancy and administrative and support services.

NOTE 11 RETIREMENT PLAN

St. Luke Corp. participates in the Catholic Diocese of Green Bay Employees' Retirement Plan. The defined contribution retirement plan covers most lay employees. The vesting period of the plan is six months. Contributions are 9% of an employee's wages and are made each pay period. Retirement plan expense for the years ended June 30, 2018 and 2017 was \$34,518 and \$32,009, respectively.