

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON 401(K) RETIREMENT SAVINGS PLAN

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON

401(K) RETIREMENT SAVINGS PLAN

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Independent Auditors' Report

To the Retirement Plan Committee
Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan
Braintree, Massachusetts

We have audited the accompanying financial statements of the Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan, which comprise the statements of net assets available for benefits as of December 31, 2019 and 2018, and the related statement of changes in net assets available for benefits for the year ended December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Plan's 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 auditors consider internal control relevant to the Plan'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan as of December 31, 2019 and 2018, and changes in its net assets available for benefits for the year ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of assets held at end of year as of December 31, 2019 and 2018 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Blum, Shapiro & Company, P.C.

Worcester, Massachusetts
June 24, 2020

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON **401(K) RETIREMENT SAVINGS PLAN**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS **DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Investments, at Fair Value		
Money market and mutual funds	\$ 127,377,018	\$ 98,457,186
Receivables		
Employee contributions	434,177	426,989
Employer contributions	188,617	180,675
Notes receivable from participants	764,806	768,180
Total receivables	<u>1,387,600</u>	<u>1,375,844</u>
Total assets	128,764,618	99,833,030
LIABILITIES		
Accounts Payable and Accrued Expenses	<u>-</u>	<u>-</u>
Net Assets Available for Benefits	<u>\$ 128,764,618</u>	<u>\$ 99,833,030</u>

The accompanying notes are an integral part of the financial statements

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON **401(K) RETIREMENT SAVINGS PLAN**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS **FOR THE YEAR ENDED DECEMBER 31, 2019**

Additions to Net Assets Attributed to

Investment income:

Net appreciation in fair value of investments	\$ 5,952,456
Interest and dividend income	13,416,863
Net investment income	<u>19,369,319</u>

Interest income on notes receivable from participants	<u>41,231</u>
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Contributions:

Employee - pre-tax deferrals	9,804,699
Employee - Roth deferrals	1,398,746
Employee - rollovers	1,354,849
Employer	4,740,861
Total contributions	<u>17,299,155</u>

Total additions	<u>36,709,705</u>
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Deductions from Net Assets Attributed to

Benefits paid to participants	7,776,545
Administrative expenses	1,572
Total deductions	<u>7,778,117</u>

Net Increase in Net Assets	28,931,588
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Net Assets Available for Benefits - Beginning of Year	<u>99,833,030</u>
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Net Assets Available for Benefits - End of Year	<u>\$ 128,764,618</u>
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The accompanying notes are an integral part of the financial statements

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON 401(K) RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

Effective Date

The Plan became effective and employees began making contributions on January 1, 2012, when a signed service contract was established between the Roman Catholic Archdiocese of Boston and the service provider, Teachers Insurance and Annuity Association (TIAA).

General

The Plan is a defined contribution plan established to provide retirement benefits for employees of parishes, schools, cemeteries or other locations that are part of the Roman Catholic Archdiocese of Boston (the Sponsor) or any separately incorporated Catholic entity listed in the Catholic Directory that has signed a participation agreement with the Sponsor. Lay employees and incardinated priests of the aforementioned entities are eligible to participate in the Plan, except for any individual who is a member of a religious order or who is an intern, fellow, student teacher, seminarian, substitute teacher or a student on a temporary work assignment as part of a cooperative education program.

Contributions

Participants may contribute up to 100% of compensation, as defined in the Plan, up to the maximum allowed by the Internal Revenue Code (the Code). Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified retirement plans (rollovers). The Plan includes an auto-enrollment provision whereby all newly eligible employees hired subsequent to September 1, 2015 are automatically enrolled in the Plan unless they affirmatively elect otherwise. Automatically enrolled participants have their deferral rate set at 3% of eligible compensation, and their contributions are invested in the default investment fund until changed by the participant. If the participant has already set up custom investment allocations, those allocations are applied to the automatic deferrals.

Participating organizations make matching contributions equal to 100% of the first 3% of eligible compensation deferred, plus 50% of the next 2% of eligible compensation deferred for eligible lay employees and priests. The maximum employer contribution for the years ended December 31, 2019 and 2018 was 4% of eligible compensation. Eligibility for employer contributions requires that lay employees must complete one year of service (defined as one continuous 12-month period during which the employee worked 1,000 hours).

All contributions are subject to certain limitations imposed by the Plan and the Code.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON

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NOTES TO FINANCIAL STATEMENTS

Participant Accounts

Each participant's account is maintained separately within the Plan and is credited with his or her elective deferrals, employer contributions and earnings. Participants may elect to have contributions invested in any or all of the funds of the Plan, subject to certain limitations. Investment income and related management expenses are allocated to the participants' accounts regularly. Allocations of employer contributions, investment income and administrative expenses are based on a participant's compensation or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested accounts.

Investment Option

Participants may direct their contributions to a variety of money market and mutual funds held at TIAA. These funds include a variety of investment options with various objectives and degrees of financial risk.

Vesting

Participants are immediately vested in all deferral, rollover and employer contributions, including the earnings on these amounts, regardless of when these contributions were made.

Notes Receivable from Participants

At the discretion of the Plan, participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or one-half of their vested account balance. Loan terms range from one to five years, except for loans to purchase a primary residence, which may be offered over a term up to 15 years. The loans are secured by the balance in the participant's account and bear interest at a rate that professional lenders would charge, as determined by the plan administrator. The notes currently bear interest at rates ranging from 4.25% to 6.50%. Participants may only have one loan outstanding at any given time. Generally, principal and interest are paid ratably through payroll deductions.

Payment of Benefits

Upon retirement, disability, death or termination of employment, the participant shall become entitled to the total value of his or her vested account, determined as of the valuation date. The Plan also provides for in-service withdrawals by qualified participants. Distributions will be paid by lump sum or in installments over a number of years, based upon election of the participant or the Plan, as defined in the Plan or the Code.

Upon financial hardship, a participant is entitled to the value of his or her contribution deferral accounts, but not the earnings thereon, determined as of the valuation date, which is payable immediately in a lump-sum distribution.

Forfeitures

At December 31, 2019 and 2018, forfeited nonvested accounts totaled \$12,085 and \$12,390, respectively. The Plan utilized forfeitures of \$1,157 during the year ended December 31, 2019 to fund contributions to correct administrative errors as permitted under the IRS self-correction program. There were no new forfeited employer contributions during the year ended December 31, 2019.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON

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NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan uses the accrual basis of accounting for transactions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investment Valuation and Income Recognition

Investments are reported at fair value. 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. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balances plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded on the accrual basis. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Payment of Benefits

Benefits to participants are recorded when paid.

Plan Expenses

The Sponsor charges each participating organization an administrative fee based on eligible employee compensation and uses these funds to pay the majority of the costs of administering the Plan. The Plan may charge certain costs for recordkeeping and participant loan administration.

Risks and Uncertainties

The Plan provides for various investment options in money market and mutual funds. These investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect participant account balances and the amounts reported on the statements of net assets available for benefits.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON

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NOTES TO FINANCIAL STATEMENTS

NOTE 3 - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets valued using the net asset value practical expedient are not required to be reported within the hierarchy.

The following is a description of the valuation methodology used for assets measured at fair value:

Money Market and Mutual Funds

Money market and mutual funds are valued primarily using Level 1 inputs which consist of the quoted price of shares held by the Plan at year end.

The fair value for one mutual fund is determined using Level 2 inputs which consist of those that are derived from or corroborated by observable market data.

There have been no changes in the methodologies used at December 31, 2019 and 2018.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2019 and 2018:

	2019			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,608,304	\$ -	\$ -	\$ 2,608,304
Mutual funds	123,329,812	1,438,902	-	124,768,714
Total Assets at Fair Value	\$ 125,938,116	\$ 1,438,902	\$ -	\$ 127,377,018

	2018			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,430,638	\$ -	\$ -	\$ 2,430,638
Mutual funds	95,108,794	917,754	-	96,026,548
Total Assets at Fair Value	\$ 97,539,432	\$ 917,754	\$ -	\$ 98,457,186

There were no transfers between levels of investments during the years ended December 31, 2019 and 2018.

NOTE 4 - PARTY-IN-INTEREST TRANSACTIONS

Certain plan investments are shares of mutual funds managed by affiliates of TIAA. TIAA is a trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Administrative expenses are paid by the Sponsor out of an account maintained for such fees. Notes receivable from participants are also party-in-interest transactions.

NOTE 5 - INCOME TAX STATUS

The plan document is intended to be qualified under Section 401(a) of the Internal Revenue Code, and meets the requirements of Code Section 401(k) as a qualified cash or deferred arrangement. It is also intended that the Plan be exempt from taxation as provided under Code Section 501(a). The Plan received a favorable determination letter on June 20, 2016.

The plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, the plan administrator believes the Plan was qualified and the related trust was tax exempt as of the financial statement date.

NOTE 6 - PLAN TERMINATION

Although it has not expressed any intent to do so, the Sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. In the event of plan termination or discontinuance of matching contributions, participants will become fully vested in their accounts.

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NOTE 7 - SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization classified the outbreak of coronavirus as a pandemic, triggering volatility in financial markets which had a significant negative impact on the global economy. As a result of the outbreak, the current fair value of the Plan's investments may be materially different from the amounts presented on the statement of net assets available for benefits as of December 31, 2019.

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which includes provisions that impact retirement plan rules for 2020. The CARES Act allows qualified individuals to withdraw up to \$100,000 from their retirement account without penalty regardless of age. The provisions increase the amount eligible for participant loans from \$50,000 or 50% of a participant's account balance to \$100,000 or 100%. The provisions also provide qualified participants with loans the option to defer payment or extend the term of their loan by one year. As of the report date, plan management has elected to provide these CARES Act provisions in the Plan.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON **401(K) RETIREMENT SAVINGS PLAN**

SCHEDULE OF ASSETS HELD AT END OF YEAR **DECEMBER 31, 2019 AND 2018**

Identity of Issuer, Borrower, Lessor or Similar Party	Description of Investment	2019 Current Value	2018 Current Value
Vanguard Treasury Money Market Inv	Money market fund	\$ 2,608,304	\$ 2,430,638
American Century Mid Cap Val A	Mutual fund	1,121,475	822,068
American EuroPac Growth R6	Mutual fund	635,405	-
Ave Maria Rising Dividend Fund	Mutual fund	861,047	595,450
BlackRock Global Allocation A	Mutual fund	859,790	665,706
BlackRock Inflat Prot Bnd Inst	Mutual fund	1,294,424	1,242,508
DFA Emerging Markets I	Mutual fund	1,018,302	790,230
Franklin Growth Fund Advisor	Mutual fund	1,609,377	1,100,474
Invesco International Growth A	Mutual fund	-	440,198
JPMorgan Smart Ret 2020 Select	Mutual fund	20,941,941	17,006,485
JPMorgan Smart Ret 2025 Select	Mutual fund	21,986,172	16,650,256
JPMorgan Smart Ret 2030 Select	Mutual fund	11,640,140	8,282,915
JPMorgan Smart Ret 2035 Select	Mutual fund	6,728,739	5,075,742
JPMorgan Smart Ret 2040 Select	Mutual fund	5,828,375	3,861,565
JPMorgan Smart Ret 2045 Select	Mutual fund	4,240,663	2,844,559
JPMorgan Smart Ret 2050 Select	Mutual fund	7,425,700	5,280,340
JPMorgan Smart Ret 2055 Select	Mutual fund	272,068	39,154
JPMorgan Smart Ret 2060 Select	Mutual fund	117,270	35,098
JPMorgan Smart Ret Inc Select	Mutual fund	22,311,828	19,540,938
Metropolitan West TotRet Bnd I	Mutual fund	1,965,112	1,741,476
MFS International Value R3	Mutual fund	1,335,091	1,085,426
MFS Value R3	Mutual fund	563,659	458,957
Prudential Jennison MC Grw A	Mutual fund	616,664	394,590
T Rowe Price High Yield	Mutual fund	1,082,669	904,148
Templeton Global Bond AdvClass	Mutual fund	475,110	420,338
TIAA-CREF Sm-Cap BI Idx-Rtmt	Mutual fund	721,367	518,972
Vanguard 500 Idx Adm	Mutual fund	7,677,424	5,311,201
CREF Equity Index R1	Mutual fund	1,438,902	917,754
		<u>127,377,018</u>	<u>98,457,186</u>
Notes receivable from participants	Interest rates ranging from 4.25% to 6.50% maturing through 2029	<u>764,806</u>	<u>768,180</u>
		<u><u>\$ 128,141,824</u></u>	<u><u>\$ 99,225,366</u></u>