Pension Plan and Trust for the Priests of the Archdiocese of Seattle

Financial Statements
As of and for the Years Ended
June 30, 2020 and 2019

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Pension Plan and Trust for the Priests of the Archdiocese of Seattle

Financial Statements
As of and for the Years Ended June 30, 2020 and 2019

Contents

Tel: 206-382-7777
Fax: 206-382-7700
www.bdo.com

Two Union Square, 601 Union Street
Suite 2300
Seattle, WA 98101

Independent Auditor's Report

To the Most Reverend Paul D. Etienne
Roman Catholic Archbishop of Seattle and Trustees
Pension Plan and Trust for the Priests
of the Archdiocese of Seattle
Seattle, Washington

We have audited the accompanying financial statements of the Pension Plan and Trust for the Priests of the Archdiocese of Seattle (the Plan), which comprise the statements of net assets available for benefits and of accumulated plan benefits as of June 30, 2020, and the related statements of changes in net assets available for benefits and of changes in accumulated plan benefits for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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.

Auditor's 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. 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 auditor's 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 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 Plan'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.

BDO

Tel: 206-382-7777
Fax: 206-382-7700
www.bdo.com

Two Union Square, 601 Union Street
Suite 2300
Seattle, WA 98101

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Pension Plan and Trust for the Priests of the Archdiocese of Seattle as of June 30, 2020, and the changes in its financial status for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matter - Prior Period Financial Statements

The financial statements of the Pension Plan and Trust for the Priests of the Archdiocese of Seattle as of and for the year ended June 30, 2019 were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated November 12, 2019.

BDO USA, LLP

January 13, 2022

Financial Statements

Pension Plan and Trust for the Priests of the Archdiocese of Seattle

Statements of Net Assets Available for Benefits

June 30,	**2020**	2019
Assets		
Cash and Cash Equivalents	**$ 654,472**	$ 1,819,284
Investments, at fair Value		
Money market accounts	**134,939**	108,523
Common stocks	**2,132,663**	2,138,517
Investment funds	**13,872,449**	6,723,647
Total Investments, at fair value	**16,140,051**	8,970,687
Receivables and Other Assets		
Cash surrender value of life insurance policies	**1,248,313**	1,219,620
Employer contribution receivable	**108,281**	39,153
Accrued interest and dividends receivable	**268**	1,134
Total Receivables	**1,356,862**	1,259,907
Total Assets	**18,151,385**	12,049,878
Liabilities		
Accounts payable	**169,818**	20,007
Net Assets Available for Benefits	**$ 17,981,567**	$ 12,029,871

See accompanying notes to financial statements.

Pension Plan and Trust for the Priests of the Archdiocese of Seattle

Statements of Changes in Net Assets Available for Benefits

Year Ended June 30,	2020	2019
Additions		
Investment income		
Net appreciation in fair value of investments	$ 1,008,667	$ 542,790
Dividends	80,850	41,877
Interest	20,279	19,083
	1,109,796	603,750
Investment expense		
Custodian's fee	14,742	15,263
Total investment income	1,095,054	588,487
Contributions		
Called to Serve as Christ contributions	5,154,112	3,567,759
Employer contributions	1,089,664	958,800
Additional Archdiocesan contributions	800,000	800,000
Memorial contributions and other	144,205	152,409
Total contributions	7,187,981	5,478,968
Total Additions	8,283,035	6,067,455
Deductions		
Benefits paid directly to participants	2,054,017	2,145,595
Administrative expenses and other	277,322	244,769
Total Deductions	2,331,339	2,390,364
Net Change Before Plan Transfer	5,951,696	3,677,091
Transfer from Plan to Another Plan	-	(432,000)
Net Increase	5,951,696	3,245,091
Net Assets Available for Benefits, beginning of year	12,029,871	8,784,780
Net Assets Available for Benefits, end of year	$ 17,981,567	$ 12,029,871

See accompanying notes to financial statements.

Pension Plan and Trust for the Priests of the Archdiocese of Seattle

Statements of Accumulated Plan Benefits

June 30,	**2020**	2019
Actuarial Present Value of Accumulated Plan Benefits		
Vested benefits		
Participants currently receiving payments	**$ 18,921,211**	$ 18,944,839
Other vested benefits	**8,598,901**	7,259,824
Total vested benefits	**27,520,112**	26,204,663
Non-vested benefits	**2,720,451**	1,994,446
Total Actuarial Present Value of Accumulated Plan Benefits	**$ 30,240,563**	$ 28,199,109

See accompanying notes to financial statements.

Pension Plan and Trust for the Priests of the Archdiocese of Seattle

Statements of Changes in Accumulated Plan Benefits

Year Ended June 30,	**2020**	2019
Actuarial Present Value of Accumulated Plan Benefits,		
beginning of year	**$ 28,199,109**	$ 28,411,258
Benefits accumulated	**555,889**	307,037
Increase due to passage of time - assumed interest	**870,074**	1,074,825
Plan separation transfer	**-**	(1,590,524)
Benefits paid during the year	**(2,054,017)**	(2,145,595)
Actuarial losses	**2,864,508**	2,142,108
Expected Administrative Expenses	**(195,000)**	-
Net Increase (Decrease)	**2,041,454**	(212,149)
Actuarial Present Value of Accumulated Plan Benefits,		
end of year	**$ 30,240,563**	$ 28,199,109

See accompanying notes to financial statements.

1. Description of Plan

The following brief description of the Pension Plan and Trust for the Priests of the Archdiocese of Seattle (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General

The Plan is a noncontributory defined benefit pension plan established on June 1, 1978, covering any priest ordained or incardinated into the Catholic Archdiocese of Seattle (the Archdiocese), whose work assignment is subject to the authority of the Archbishop of the Archdiocese of Seattle (the Archbishop). The Plan is a Church Plan and is not subject to the requirements of Title I of the Employee Retirement Income Security Act of 1974. The Plan is not required to file a Form 5500.

Plan assets are not comingled with the assets of other plans or the Archdiocese.

On January 1, 2018, a new plan, the Frozen Pension Benefit Plan for Priests, was created for priests who are not in good standing. On July 11, 2018, priests who were not in good standing were removed from the Priests' Pension Plan, and all related assets were transferred into the new plan. A total of nine retired priests were transferred out of the Plan and into the newly formed plan. The transfer consisted of $432,000 in total assets and $1,600,000 of benefit obligations.

Pension Benefits

A participant is eligible for benefits on the first day of the month coincident with or next following the date on which he attains the benefit eligible age. For priests born before 1949, the benefit eligible age is 65. The benefit eligible age rises four months per year with a maximum benefit eligible age of 70 for those born in 1963 and later.

The normal pension benefit is the amount recommended by the Trustees and established by the Archbishop as the current monthly benefit for life to fully vested priests who reach their benefit eligible age while in service with the Archdiocese as described in the Plan document. If a priest has at least 30 years of service with the Archdiocese, he is eligible to receive a full normal pension benefit. The amount of the normal pension benefit is reduced to a partial normal pension benefit for a vested participant who starts receiving pension payments after attaining his benefit eligible age but who has fewer than 30 years of service required for a normal pension benefit as described in the Plan document. Participants who are not in service to the Archdiocese when reaching their benefit eligible age must have at least 15 years of service to receive a partial benefit at their benefit eligible age.

Disability and Death Benefits

There are no death benefits under the Plan.

If, after at least 15 years of service, a participant's service ends by reason of disability, the participant is entitled to receive a normal pension benefit upon reaching the benefit eligible age. This benefit is substantially equivalent to the partial normal pension benefits (described above).

Contributions

Parishes, schools, and agencies where priests are assigned within the Archdiocese (employer units) make annual employer contributions to the Plan. Additional contributions have historically been made by the Archdiocese, individuals, and estates. There are also contributions from Called to Serve as Christ that are allocated to the Plan from the campaign.

Administrative Expenses

Administrative expenses of the Plan are paid by the Plan, including Plan administrative fees, investment management and audit fees.

Plan Administration

The Plan is administered by the Benefits Services Office of the Archdiocese.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Contributions

Employer contributions are recognized as revenue in the period the related service by active priests is earned. Other contributions and donations are recognized as revenue when the pledge is made. Contribution revenue received from the Archdiocese was 11% of total contributions for the year ended June 30, 2020. Contribution revenue received from the Archdiocese was 9% of total contributions for the year ended June 30, 2019. Contribution revenue received from Called to Serve as Christ was 72% of total contributions for the year ended June 30, 2020. Contribution revenue received from Called to Serve as Christ was 65% of total contributions for the year ended June 30, 2019. The contribution revenue from the Archdiocese includes employer contributions from parishes and the Central Office of the Archdiocese for employed priests and additional Archdiocesan contributions from the Annual Catholic Appeal revenue. The contribution revenue from Called to Serve as Christ includes donations from the campaign that were distributed to the Plan, and are recognized as they are received by the Plan.

Investment Valuation and Investment Income Recognition

The Plan's investments consist of money market accounts, common stocks, investment funds, and cash surrender value of life insurance policies. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

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.

A financial instrument's 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Money Market Accounts - Money market accounts are reported at cost plus accrued interest, which approximates fair value determined using Level 1 inputs.

Common Stocks - Common stocks are listed on securities exchanges and are valued at their closing price on the valuation date. Quoted market prices are used to value investments, which are Level 1 observable inputs.

Investment Funds - These investments are valued at fair value using the net asset value (NAV), which is determined by the administrators of the funds and is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying assets held by the investment funds, less any liabilities, and then divided by the number of units outstanding. This practical expedient would not be used if it is determined to be probable that the fund would sell the investment for an amount different from the reported NAV.

The following tables represent information about the Plan's assets that have been measured at fair value on a recurring basis and indicate the classification by level of input within the fair value hierarchy described above:

	Fair Value Measurements			
June 30, 2020	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Fair Value Total
Money market accounts	$ 134,939	$ -	$ -	$ 134,939
Common stocks	2,132,663	-	-	2,132,663
Total Assets, in the fair value hierarchy	$ 2,267,602	$ -	$ -	2,267,602
Investment Funds, at net asset value*				13,872,449
Total Investments, at fair value				$ 16,140,051

	Fair Value Measurements			
June 30, 2019	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Fair Value Total
Money market accounts	$ 108,523	$ -	$ -	$ 108,523
Common stocks	2,138,517	-	-	2,138,517
Total Assets, in the fair value hierarchy	$ 2,247,040	$ -	$ -	2,247,040
Investment Funds, at net asset value*				6,723,647
Total Investments, at fair value				$ 8,970,687

* In accordance with FASB Subtopic 820-10, certain investments that were measured at NAV per unit (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statements of Net Assets Available for Benefits.

The table below summarizes the changes in the fair value of the Plan's Level 3 assets for the years ended June 30:

	Cash Surrender Value of Life Insurance Policies	
	2020	2019
Balance, beginning of year	**$ 1,219,620**	$ 1,191,024
Increase in cash surrender value	**28,693**	28,596
Balance, end of year	**$ 1,248,313**	$ 1,219,620

The investments measured at NAV as a practical expedient and their investment objectives are summarized as follows:

Investment Type	Name of Fund	**Net Asset Value as of June 30, 2020**	Net Asset Value as of June 30, 2019	Investment Objective	Unfunded Commitment	Redemption Policy	Redemption Notice Period
Fixed Income	Washington Capital Joint Master Trust - Fixed Income Fund	**$ 1,665,840**	$ 672,809	To seek long-term capital appreciation and current income.	$ -	Daily	None
Mortgage	Washington Capital Joint Master Trust - Mortgage Income Fund	**1,427,045**	955,833	To seek stable and competitive income from construction and/or permanent commercial mortgages.	-	On the last business day of each calendar month	None
Real Estate	Washington Capital Joint Master Trust - Real Estate Equity Fund	**2,394,255**	975,205	To seek current income and long-term capital growth by investing in a diversified portfolio of properties located primarily in the western U.S.	-	On the last business day of each calendar month	None
Equity	CUIT Small Cap Equity Mutual Fund	**505,598**	406,589	To seek long-term capital appreciation.	-	Seven days' notice	None
	CUIT Value Equity Mutual Fund	**1,950,318**	1,956,915	To seek long-term capital appreciation.	-	Seven days' notice	None
	CUIT Core Equity Index B	**2,158,403**	-	To seek long-term capital appreciation.	-	Seven days' notice	None
International	Aberdeen EAFE Plus Mutual Ethical Fund	**3,770,990**	1,756,296	To seek long-term capital appreciation.	-	Seven days' notice	None
		$ 13,872,449	$ 6,723,647		$ -		

Cash Surrender Value of Life Insurance Policies

For priests that were under age 60 on July 1, 2008, the Plan invested in whole life insurance policies of $100,000 each covering their lives. Since that time through June 30, 2013, the Plan continued to purchase whole life insurance policies for priests who were newly ordained or incardinated into the Archdiocese for those who were under age 60 and could pass individual underwriting. The Plan did not purchase policies for new priests over age 60. As of July 1, 2013, the Plan no longer purchases new policies. The policies require annual premium payments until the priest is age 65. Policy payments are not required after that time because the policy is considered fully paid up. Effective May 2014, all policies within the Plan were fully paid up and premium payments are no longer required. The cash value is recognized as an investment. Life insurance policies are valued at cash surrender value as supplied by the insurance company sponsoring the policy.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are future periodic payments attributable under the Plan's provisions to the service priests have rendered. Accumulated plan benefits include benefits expected to be paid to retired or terminated priests and to present priests who will retire in the future. The Plan benefits are not compensation dependent. Benefits under the Plan are based on the monthly amount recommended by the trustees of the Plan and are approved by the Archbishop.

Accumulated plan benefits for active priests is based on actual service period through which the benefit information is presented (the valuation date). Benefits payable under all circumstances – retirement, disability, and termination of employment – are included to the extent they are deemed attributable to employee service rendered to the valuation date. The actuarial present value of accumulated plan benefits is determined by an actuary and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions used in the valuations as of June 30, 2020 and 2019, were (a) life expectancy of participants calculated using the MP 2019 Mortality Tables in 2020 and MP 2018 Mortality Tables in 2019, (b) benefit commencement age, (c) expected return on assets, (d) withdrawals, death, and disability (none), and (e) extended service benefit. The expected return on plan assets was 5.5% for the years ended June 30, 2020 and 2019. The expected return takes into account payment of Plan expenses. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The discount rates for 2020 and 2019 were 2.3% and 3.21%, respectively.

The decrease in the discount rate produced an actuarial loss for fiscal year 2020, and updates on the mortality table produced an actuarial gain for fiscal year 2019.

Cash and Cash Equivalents

Cash and cash equivalents consist of a checking account in a bank. At times, the Plan has amounts deposited with a financial institution in excess of federally insured limits.

The Plan considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Plan Termination

Although it has not expressed any intention to do so, the Archbishop has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. In the event of termination or discontinuation of the Plan by the Archbishop, the benefits of all participants shall be vested and non-forfeitable to the extent that such benefits shall be funded by amounts contributed by the Archdiocese.

Reclassifications

Certain items from the prior-year financial statements have been reclassified to conform to the current-year presentation. These reclassifications had no impact on net assets or changes in net assets as previously reported.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect amounts reported in the Statements of Net Assets Available for Benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

COVID-19 and CARES Act

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to instability and volatility in financial markets. However, the actual impact, if any, on future required contributions, Plan liquidity, and benefit modification cannot be determined at this time.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes several relief provisions available to tax-qualified retirement plans and their participants. The Plan did not adopt the provisions included in the CARES Act and continues to monitor the impact COVID-19 has on the Plan.

Subsequent Events

The Plan has evaluated subsequent events through the date these financial statements were available to be issued, which was January 13, 2022.

3. Related-Party Transactions

The Plan reimburses the Benefits Services Office, a division of the Archdiocese, for its share of administrative expenses. These include payroll, rent, and other expenses paid by the Archdiocese that are split between the following plans:

- Archdiocesan Pension Plan for Lay Employees
- Archdiocesan 403(b) Savings Plan
- Pre 2009 Accounts 403(b) Plan
- Archdiocesan Health and Welfare Plan for Lay Employees
- Pension Plan and Trust for the Priests of the Archdiocese of Seattle
- Priest Health Plan of the Archdiocese of Seattle

The Plan’s share of expenses was $165,375 and $144,811 for 2020 and 2019, respectively. These amounts are included in administrative expenses in the statements of changes in net assets available for benefits.

4. Funding Policy

The employer units make annual contributions to the Plan in amounts that are estimated to keep the present benefit levels constant. Each employer unit made annual contributions per priest of $9,400 in both 2020 and 2019.

The Plan’s deficiency of net assets available for benefits over accumulated Plan benefits at both June 30, 2020 and 2019, relates primarily to the accumulated benefit obligation and the contribution rate paid by the employer units of the Archdiocese. The Called to Serve as Christ campaign and related pledge redemptions, will significantly reduce or eliminate the designated deficit.