

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary**

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019



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**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
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June 30, 2020 and 2019**

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REPORT



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INDEPENDENT AUDITORS' REPORT

His Excellency
The Most Reverend
Archbishop of Atlanta
Atlanta, Georgia

We have audited the accompanying consolidated financial statements of The Roman Catholic Archdiocese of Atlanta Group Health Care Plan Trust and its wholly owned subsidiary, AoA Group Health Care Plan, LLC (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia
December 22, 2020



FINANCIAL STATEMENTS

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
Consolidated Statements of Financial Position**

<i>June 30,</i>	2020	2019
Assets		
Funds on deposit with AoA Deposit and Loan Fund Trust	\$ 12,686,293	\$ 8,527,049
Accounts receivable, net	1,475,030	662,128
Investments at fair value	3,771,514	3,607,941
Other assets	77,974	73,298
Due from related parties	1,087,595	700,914
Total assets	\$ 19,098,406	\$ 13,571,330
Liabilities and Net Assets		
Liabilities		
Claims incurred but not reported	\$ 2,875,986	\$ 2,886,808
Net assets		
Without donor restrictions	16,222,420	10,684,522
Total liabilities and net assets	\$ 19,098,406	\$ 13,571,330

The accompanying notes are an integral part of these financial statements.

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
Consolidated Statements of Activities**

<i>For the years ended June 30,</i>	2020	2019
Revenues, gains, and other income		
Premium billings	\$ 26,083,297	\$ 25,433,821
Interest income	159,243	27,049
Investment income	59,390	53,769
Realized and unrealized gain on investments	104,184	54,171
Total revenues, gains and other income	26,406,114	25,568,810
Expenses		
<i>Program services</i>		
Lay employees	18,508,610	20,010,247
Clergy	2,032,333	2,075,199
Seminarians	60,483	66,000
Total program services	20,601,426	22,151,446
<i>Supporting services</i>		
General and administrative	266,790	226,158
Total expenses	20,868,216	22,377,604
Change in net assets	5,537,898	3,191,206
Net assets without donor restrictions at beginning of year	10,684,522	7,493,316
Net assets without donor restrictions at end of year	\$ 16,222,420	\$ 10,684,522

The accompanying notes are an integral part of these financial statements.

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
Consolidated Statement of Functional Expenses**

For the year ended June 30, 2020

	<u>Program Services</u>				<u>Supporting Services</u>		Total
	Lay employees	Clergy	Seminarians	Programs subtotal	General and administrative		
Claims	\$ 17,138,614	\$ 1,957,983	\$ 47,402	\$ 19,143,999	\$ -	\$ -	\$ 19,143,999
Premiums	567,263	26,838	5,612	599,713	-	-	599,713
Professional Fees	671,194	38,623	6,233	716,050	-	-	716,050
Management Fees	131,539	7,160	1,236	139,935	220,065	-	360,000
Miscellaneous	-	1,729	-	1,729	46,725	-	48,454
Total expenses	\$ 18,508,610	\$ 2,032,333	\$ 60,483	\$ 20,601,426	\$ 266,790	\$ -	\$ 20,868,216

The accompanying notes are an integral part of this financial statement.

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
Consolidated Statement of Functional Expenses (Continued)**

For the year ended June 30, 2019

	<u>Program Services</u>			<u>Supporting Services</u>		Total
	Lay employees	Clergy	Seminarians	Programs subtotal	General and administrative	
Claims	\$ 18,555,629	\$ 1,886,818	\$ 41,940	\$ 20,484,387	\$ -	\$ 20,484,387
Premiums	508,412	52,265	9,503	570,180	-	570,180
Professional Fees	721,440	112,376	12,203	846,019	-	846,019
Management Fees	119,548	14,382	2,354	136,284	213,720	350,004
Miscellaneous	105,218	9,358	-	114,576	12,438	127,014
Total expenses	\$ 20,010,247	\$ 2,075,199	\$ 66,000	\$ 22,151,446	\$ 226,158	\$ 22,377,604

The accompanying notes are an integral part of this financial statement.

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
Consolidated Statements of Cash Flows**

<i>For the years ended June 30,</i>	2020	2019
Operating activities		
Changes in net assets	\$ 5,537,898	\$ 3,191,206
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized gain on investments	(104,184)	(54,171)
Changes in operating assets and liabilities		
Accounts receivable	(812,902)	(662,128)
Other assets	(4,676)	(73,298)
Claims incurred but not reported	(10,822)	375,090
Net cash provided by (used in) operating activities	4,605,314	2,776,699
Investing activities		
Increase in funds on deposit with AoA Deposit and Loan Fund Trust	(4,159,244)	(8,527,049)
Purchase of investments	(59,389)	(53,770)
Repayments (to) from related party	(386,681)	5,804,120
Net cash provided by (used in) investing activities	(4,605,314)	(2,776,699)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

The Roman Catholic Archdiocese of Atlanta Group Health Care Plan Trust and Subsidiary Notes to Consolidated Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

The accompanying consolidated financial statements include the accounts and transactions of The Roman Catholic Archdiocese of Atlanta Group Health Care Plan Trust and its wholly owned subsidiary, AoA Group Health Care Plan, LLC (collectively, the Organization), which is affiliated with the Roman Catholic Archdiocese of Atlanta, Inc. (Archdiocese).

Prior to being established, the Organization operated as part of an unincorporated association. The Roman Catholic Archdiocese of Atlanta Group Health Care Plan Trust (the Trust) and AoA Group Health Care Plan, LLC (the LLC) were each established on October 1, 2018. The Trust is an irrevocable charitable trust organized to provide health benefits for priests and lay employees of the Archdiocese and their dependents who are eligible to participate in The Roman Catholic Archdiocese of Atlanta Group Health Care Plan (the Plan). The LLC was organized to assist in administering the Plan with the sole member being the Trust. On the date of formation, all of the related assets, liabilities and operations were transferred to the LLC.

Description of the Plan

The Plan was originally established and adopted by the Archdiocese of Atlanta for the exclusive benefit of its employees and their eligible dependents. Effective February 1, 2019, the Archdiocese transferred sponsorship of the Plan to RCAA Administrative Services, Inc. (Services) which in turn entered into a Management Agreement (Note 9) dated March 1, 2019, with the Organization whereby services provided to plan participants are provided by the Organization. The Plan is self-insured and establishes contribution rates and claims liabilities for claims incurred but not reported through the use of an independent actuary. The Plan also seeks to protect itself from unusually large losses by securing reinsurance and is a non-electing church plan in accordance with section 4(b)(2) of the Employee Retirement Income Security Act. Reference should be made to the Plan agreement for a more complete description of the Plan's provisions.

Eligibility

Priests, clergy and seminarians who provide services to an employer are eligible to enroll for coverage under the Plan as of the first day of service upon approval of the Archbishop. Full time lay employees, including deacons, who work a minimum of 1,500 hours of service annually are also eligible to enroll for coverage under the Plan once he/she completes a waiting period of 60 days of full-time employment. Eligibility ends upon termination of employment.

Benefits Paid

The Plan provides coverage of any medically necessary, usual and customary item of expense incurred by a covered person which is covered at least in part by the Plan.

Contributions

The Plan is funded principally by contributions from the participating employers. Contributions are held by the Organization for payments of benefits.

Plan Termination

Although it has not expressed any intent to do so, the Organization has the right, under the Plan, to terminate the Plan at any time. Any funds remaining in the Organization would be restricted to paying benefit expenses, plan benefits, or other permitted expenses for the benefit of employees.

The Roman Catholic Archdiocese of Atlanta Group Health Care Plan Trust and Subsidiary Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the parent, The Roman Catholic Archdiocese of Atlanta Group Health Care Plan Trust and its wholly-owned subsidiary, AoA Group Health Care Plan, LLC. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to claims incurred but not reported.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Funds on Deposit with AoA Deposit and Loan Fund Trust

The Organization invests funds with the AoA Deposit and Loan Fund Trust. AoA Deposit and Loan Fund Trust receives funds from various Archdiocese entities and in turn loans funds to other Archdiocesan entities. The Organization's funds invested in the AoA Deposit and Loan Fund Trust totaled \$12,686,293 and \$8,527,049 at June 30, 2020 and 2019, respectively. The Organization's funds invested in the AoA Deposit and Loan Fund Trust earn interest at the rate of 1.25% (1.75% prior to April 2020).

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of participants to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
Notes to Consolidated Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Consolidated Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Consolidated Statements of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. There were no investment income or gains restricted by donors during the years ended June 30, 2020 and 2019.

At June 30, 2020 and 2019, the Organization's investments are in a pooled investment fund known as the AoA Common Fund Trust. The investment allocation within the pooled investment fund includes equities and fixed income investments.

Claims Incurred but not Reported

The claims incurred but not reported accrual represents the amount owed by the Organization to valid claimants who have had a covered loss but have not yet reported it prior to year-end. The Organization estimates this accrual based on a reserve analysis provided by a third party actuarial service company, however, the ultimate liability may be in excess of or less than the amounts provided. The methods used for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

There were no net assets with donor restrictions at June 30, 2020 and 2019.

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
Notes to Consolidated Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Insurance premium billings are accounted for under the guidance of FASB ASC 944 *Financial Services – Insurance*, recognizing revenue monthly in proportion to the amount of insurance protection provided.

Excess Insurance

In the normal course of business, the Organization seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk with other insurance enterprises. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured policy. The Organization records claims expense net of reinsurance recognized during the period in the consolidated statement of activities. Total reinsurance recognized during the year ended June 30, 2020, was \$226,645. There was no reinsurance recognized during the year ended June 30, 2019.

Benefit Payments

Health claims and premiums are reported when paid. Any refunds due to overpayments, subrogation, or adjustments are recorded in the period received and are shown netted with payments.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Other expenses that are common to several functions, such as management service fees, are allocated based on actual percentages of time spent in each functional area and estimates of asset usage.

Income Taxes

The Organization is a religious organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the consolidated financial statements. Income from certain activities not directly related to the tax-exempt purpose of nonprofit entities is subject to taxation as unrelated business income. The Organization considers all of its activities to be directly related to its exempt purpose in 2020 and 2019.

Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued December 22, 2020, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
Notes to Consolidated Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. Effective July 1, 2019, the Organization adopted ASC 606 using the modified retrospective method. No cumulative adjustment was necessary in order to conform with ASC 606, therefore, the 2019 consolidated financial statements have not been restated and continue to be reported under the accounting standards for that year. The Organization does not expect the adoption of the new revenue standard to have a material impact to the change in net assets. Also, this new standard requires additional disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. The Organization adopted this ASU during the year ended June 30, 2020, and there were no adjustments resulting from the adoption of this accounting policy.

Accounting Guidance not yet Adopted

In August 2018, the FASB issued ASU 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. The guidance is effective for non-public entities for fiscal years beginning after December 15, 2023. Early adoption is permitted. The guidance (i) prescribes the discount rate to be used in measuring the liability for future policy benefits for traditional and limited payment long-duration contracts, and requires assumptions for those liability valuations to be updated after contract inception, (ii) requires more market-based product guarantees on certain separate account and other account balance long-duration contracts to be accounted for at fair value, (iii) simplifies the amortization of deferred policy acquisition costs (DAC) for virtually all long-duration contracts, and (iv) introduces certain financial statement presentation requirements, as well as significant additional quantitative and qualitative disclosures. The Organization is currently evaluating the impact of the guidance on its consolidated financial statements.

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
Notes to Consolidated Financial Statements**

Note 3: FINANCIAL ASSET AVAILABILITY

The Organization maintains its financial assets primarily in Funds on Deposit with AoA Deposit and Loan Fund Trust to provide liquidity to ensure funds are available as the Organization's expenditures come due.

The following reflects the Organization's financial assets as of the consolidated statement of financial position date:

<u>June 30,</u>	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Funds on deposit with AoA Deposit and Loan Fund Trust	\$ 12,686,293	\$ 8,527,049
Accounts receivable, net	1,475,030	662,128
Investments at fair value	3,771,514	3,607,941
Total financial assets	\$ 17,932,837	\$ 12,797,118

Financial assets at year-end as noted in the above schedule exclude other assets and amounts due from related party.

Funds on deposit and investments each are without contractual or donor restrictions and are available to meet cash needs for general expenditure, however, the Organization typically reserves these funds to cover upcoming claims. Claims incurred but not reported for the years ended June 30, 2020 and 2019 totaled \$2,875,986 and \$2,886,808, respectively.

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

<u>June 30,</u>	<u>2020</u>	<u>2019</u>
Participant accounts receivable	\$ 605,829	\$ 762,128
Stop loss reimbursement receivable	163,377	-
Other receivables	805,824	-
Total accounts receivable	1,575,030	762,128
Less allowance for doubtful accounts	(100,000)	(100,000)
Accounts receivable, net	\$ 1,475,030	\$ 662,128

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
Notes to Consolidated Financial Statements**

Note 5: INVESTMENTS

Investments consist of the following:

June 30,	2020		2019	
	Fair Value	Cost	Fair Value	Cost
AoA Common Fund Trust	\$ 3,771,514	\$ 3,456,668	\$ 3,607,941	\$ 3,257,184

Note 6: REVENUE

Insurance premium billings are earned and recognized in the period in which the coverage has been provided to the participants.

Disaggregated Premium Billings

Insurance premium billings consist of the following:

<i>For the years ended June 30,</i>	2020	2019
Lay employees	\$ 23,039,967	\$ 22,240,625
Clergy	2,929,662	3,074,560
Seminarians	113,668	118,636
Total premium billings	\$ 26,083,297	\$ 25,433,821

The Organization's participants are primarily parishes and missions within the Roman Catholic Archdiocese of Atlanta, which covers approximately fifty percent of the state of Georgia.

Note 7: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- 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; or
 - can be corroborated by observable market data.

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.

The Roman Catholic Archdiocese of Atlanta Group Health Care Plan Trust and Subsidiary Notes to Consolidated Financial Statements

Note 7: FAIR VALUE MEASUREMENTS (Continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

All of the Organization's investments as of June 30, 2020 and 2019 consisted of investments in the AoA Common Fund Trust which were measured using the net asset value practical expedient based on the fair value of the underlying investments.

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

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2020 and 2019, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 8: CONCENTRATIONS OF CREDIT RISK

Credit risk consists of funds on deposit with the AoA Deposit and Loan Fund Trust (Note 2). The Federal Deposit Insurance Company (FDIC) coverage is limited to \$250,000 for all funds in non-interest bearing bank accounts. Funds on deposit with the AoA Deposit and Loan Fund Trust are not FDIC insured.

**The Roman Catholic Archdiocese of Atlanta
Group Health Care Plan Trust and Subsidiary
Notes to Consolidated Financial Statements**

Note 9: RELATED PARTY TRANSACTIONS

Management Services

During the year ended June 30, 2019, the Organization entered into a management service agreement with Services whereby the Organization is billed monthly for accounting services, client services, investment management and banking services, internal audit services and record retention services. The agreement covered a one year period ending February 29, 2020, with automatic annual renewals on March 1 of each succeeding year unless Services or the Organization wishes to cancel the agreement by giving 30 days advance notice to the other party. The initial cost of the Agreement was \$350,000 with annual increases based on the Social Security Cost of Living Adjustment. The total expense related to the management agreement was approximately \$360,000 and \$350,000 for the years ended June 30, 2020 and 2019, respectively.

Funds on Deposit and Investments with Related Parties

Investment funds are invested with AoA Commonfund Trust and other funds are on deposit are with the AoA Deposit and Loan Fund Trust (Note 2).

Note 10: RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.