Unitarian Universalist Organizations Health Plan

Report to the Board of Trustees

January 26, 2017

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January 26, 2017

Board of Trustees
Unitarian Universalist Organizations Health Plan
24 Farnsworth Street
Boston, Massachusetts 02210

Attention: Board of Trustees

We are pleased to present this report related to our audit of the financial statements of Unitarian Universalist Organizations Health Plan (the Plan) as of and for the year ended June 30, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Unitarian Universalist Organizations Health Plan's financial reporting process.

This report is intended solely for the information and use of the Board of Trustees and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Unitarian Universalist Organizations Health Plan.

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated July 25, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. **Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Plan. The Plan did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Management's Judgments and Accounting Estimates** Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.
Audit Adjustments	Audit adjustments proposed by us and recorded by the Plan are shown on the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.

Area	Comments
Other Information in Documents Containing Audited Financial Statements	Our responsibility for other information in documents containing the Plan's audited financial statements is to read the information and consider whether its content or manner of its presentation is materially inconsistent with the financial information covered by our auditor's report or whether it contains a material misstatement of fact. We read the Plan's Form 5500 filing for consistency with information in the financial statements. We have provided our comments to management. We are not aware of other documents that contain the audited financial statements. With respect to the supplemental schedule accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the method of preparing it had not changed from the prior period, and the information is appropriate and complete in relation to the financial statements as a whole. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements, or to the financial statements themselves.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Letter Communicating Significant Deficiency in Internal Control Over Financial Reporting	We have separately communicated the significant deficiency in internal control over financial reporting identified during our audit of the financial statements, and this communication is attached as Exhibit A.
Significant Written Communications Between Management and Our Firm	Copies of significant written communications between our firm and the management of the Plan provided to us by management, are attached as Exhibit B.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Plan's June 30, 2016 financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
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.	Money market funds, equity securities and exchange traded funds are valued at quoted market prices. Certificates of deposit are priced using pricing models which consist of a compilation of inputs from observable market information, including broker quotes, recent trades, supply information, benchmark yields (treasury curves), and security specific historical information, returns and yields. Governmental obligations and corporate bonds are valued using bond pricing models consisting of observable market inputs including broker quotes, recent trades, and specific historical information on returns and yields.	We believe that management's policy and estimation process for the valuation of investments is reasonable.
Administrative Expenses	The Plan fully reimburses the Plan Sponsor for allocated costs and overhead incurred by the Plan during the year.	Estimated overhead is allocated to the Plan based on allocated salary and benefit amounts for specific management personnel involved with the Plan and for a percentage of the sponsor budgeted	Based on our audit procedures, the method used to estimate overhead appears reasonable.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
		expenses based on square footage usage.	
Incurred but not Reported Claims (IBNR)	The Plan records a liability for claims which have been incurred during the Plan year but not reported prior to the Plan year end.	The Plan uses the services of an actuary to calculate the IBNR liability. The actuary incorporates management lag reports and other historical information to estimate the amount of claims which were incurred but not reported.	Based on our audit procedures, the method used to estimate the IBNR liability appears reasonable at June 30, 2016.

Summary of Recorded Audit Adjustments

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Assets	Additions	Deductions
Entry to properly record cash transfer (improperly captured as investment income and reinsurance proceeds)	$ -	$ -	$ -	$ 900,000	$ 900,000
To allocate expenses related to the Plan's Health Coach Program from Admin Expenses to Health Promotions	-	-	-	32,815 (32,815)	-
Total effect				$ 900,000	$ 900,000
Effect on net assets	$ -	$ -	$ -		

Summary of Uncorrected Misstatements

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the statements of net assets available for benefits and changes in net assets available for benefits, and the related financial statement disclosures. Following is a summary of those differences.

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Assets	Additions	Deductions
To reverse effect of prior year unrecorded adjustment for 2015 ACA fees.	$ -	$ -	$ 29,612	$ -	$ (29,612)
To reverse effect of prior year unrecorded adjustment for A/R true-up, and credit balance reclassification.	-	-	(18,485)	(18,485)	-
Entry to reclassify GIP premiums from prepaid contributions to due to group insurance plan.	-	27,756 (27,756)	-	-	-
To record ACA reinsurance fee for the period of 1/1/2016 through 6/30/2016	-	17,055	-	-	17,055
Entry to reclassify prepaid medical premiums from accrued expenses to prepaid contributions.	-	218,496 (218,496)	-	-	-
Total effect				$ (18,485)	$ (12,557)
Effect on net assets	$ -	$ 17,055	$ 11,127		

Exhibit A—Letter Communicating Significant Deficiency in Internal Control Over Financial Reporting

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RSM US LLP

January 26, 2017

To the Plan Administrator and Board of Trustees
Unitarian Universalist Organizations Health Plan
24 Farnsworth Street
Boston, Massachusetts 02210

Our audit was performed in accordance with auditing standards generally accepted in the United States of America. In planning and performing our audit of the financial statements of Unitarian Universalist Organizations Health Plan (the Plan) as of and for the year ended June 30, 2016, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

> During the course of our audit, we identified a correcting entry due to the understatement of investment income and claims paid by a material amount. The internal controls surrounding the review of ending balances were not performed in a timely manner in order to identify this correcting entry in advance of receipt of the final trial balance due to several ongoing projects and reduced resources within the finance group at year end.

This communication is intended solely for the information and use of the Plan Administrator, the Board of Trustees, management and others within the Plan, and is not intended to be, and should not be, used by anyone other than these specified parties.

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Exhibit B—Significant Written Communications Between Management and Our Firm

January 26, 2017

RSM US LLP

80 City Square

Boston, MA 02129

UNITARIAN UNIVERSALIST ASSOCIATION

This representation letter is provided in connection with your audits of the financial statements of the Unitarian Universalist Organizations Health Plan (the Plan), which comprise the statements of net assets available for plan benefits and plan benefit obligations as of June 30, 2016 and 2015; the related statements of changes in net assets available for benefits and changes in plan benefit obligations for the years then ended; and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements present fairly, in all material respects, the net assets and changes in net assets in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated July 25, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for 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.

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3. We acknowledge our responsibility for the design, implementation and maintenance of internal controls and programs to provide reasonable assurance that fraud is prevented and detected.

4. We are responsible for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. In that regard, we are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. The methods and significant assumptions used to determine fair values of the financial instruments are as follows:

   Money market funds, equity securities and exchange traded funds are valued at quoted market prices. Certificates of deposit are priced using pricing models which consist of a compilation of inputs from observable market information, including broker quotes, recent trades, supply information, benchmark yields (treasury curves), and security specific historical information, returns and yields. Governmental obligations and corporate bonds are valued using bond pricing models consisting of observable market inputs including broker quotes, recent trades, and specific historical information on returns and yields.

   Our valuation methodologies have been consistently applied from period to period. The methods and assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

6. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) have been properly recorded and/or disclosed in the financial statements. Significant estimates are estimates at the statement of net assets available for benefits date that could change materially within the next year. Concentrations refer to the nature and type of investments held by the Plan, or markets in which events could occur that would significantly disrupt normal finances within the next year.

7. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

8. Transactions with parties in interest, as defined in Employee Retirement Income Security Act of 1974 (ERISA) Section 3(14) and regulations thereunder, including sales, purchases, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed.

9. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

11. We have no intention to terminate the Plan.

12. We have properly reported and disclosed amendments to the Plan instrument, if any.

13. We believe that the actuarial assumptions and methods used by the actuary are appropriate in the circumstances. We did not give or cause any instructions to be given to the specialist with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plan's actuary.

14. With the advice of the Plan's actuary, we have determined that postretirement benefit obligations related to the Plan are the responsibility of subscribing employers and not of the Plan and therefore no postretirement benefit obligation exists at June 30, 2016.

15. As of and for the year ended June 30, 2016, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

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	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Assets	Additions	Deductior
To reverse effect of prior year unrecorded adjustment for 2015 ACA fees.	$ -	$ -	$ 29,612	$ -	$ (29,61
To reverse effect of prior year unrecorded adjustment for A/R true-up, and credit balance reclassification.	-	-	(18,485)	(18,485)	
Entry to reclassify GIP premiums from prepaid contributions to due to group	-	27,756 (27,756)	-	-	

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insurance plan.

To record ACA reinsurance fee for the period of 1/1/2016 through 6/30/2016	-	17,055	-	-	17,05
Entry to reclassify prepaid medical premiums from accrued expenses to prepaid contributions.	-	218,496 (218,496)	-	-	
Total effect				$ (18,485)	$ (12,55
Effect on net assets	$ -	$ 17,055	$ 11,127		

Supplementary Information

16. With respect to supplementary information presented in relation to the financial statements as a whole:

    a. We acknowledge our responsibility for the presentation of such information.

    b. We believe such information, including its form and content, is fairly presented in accordance with the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under ERISA.

c. We believe that the supplementary information, including its form and content, is fairly stated in all material respects.

d. The methods of measurement or presentation have not changed from those used in the prior period.

e. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.

f. We will only present the supplemental schedule together with the audited financial statements and auditor's report thereon and will not separate the supplementary information from the audited financial statements and auditor's report thereon in any document that contains such information.

Information Provided

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17. We have provided you with:

a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

b. Additional information that you have requested from us for the purpose of the audit;

c. Unrestricted access to persons within the Plan from whom you determined it necessary to obtain audit evidence;

d. The currently effective version of the Plan document, the trust agreement or insurance contracts, and all related amendments. The Plan was most recently amended effective July 1, 2010;

e. All correspondence, filings, reports and determinations with the Internal Revenue Service (IRS) and the DOL relating to the Plan's compliance with ERISA and the maintenance of its tax-exempt status;

f. All Plan financial records and related data. In that regard, the payroll information we provided you covered all employees that were eligible to participate in the Plan; and

g. All minutes of the meetings of the Plan's Board of Trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

18. All transactions have been recorded in the accounting records and are reflected in the financial statements.

19. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

20. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

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21. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators or others.

22. We are not aware of any pending or threatened litigation and claims, violations or possible violations of laws and regulations, or other matters, including gain or loss contingencies, whose effects should be considered when preparing the financial statements, and neither we nor the Plan Sponsor, or others acting on behalf of the Plan, have consulted a lawyer concerning litigation and claims or other matters affecting the Plan.

23. We have disclosed to you the identity of the Plan's related parties and parties in interest and all the related-party and party-in-interest relationships and transactions of which we are aware.

24. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Plan's ability to record, process, summarize and report financial data.

25. We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities.

26. The Plan has satisfactory title to all owned assets that are recorded at fair value, and all liens, encumbrances or security interests have been properly disclosed.

27. With respect to the actuarial liabilities reflected in the financial statements:

    a. The information provided to the Plan's actuary to perform the valuation is accurate and there have been no omissions from the participants' data provided the Plan's actuary for the purpose of determining the liability for claims incurred but not reported and other actuarially determined amounts in the financial statements.

    b. There have been no changes in the actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements other than those disclosed in the actuary's report and financial statements.

    c. There have been no changes in Plan provisions between the actuarial valuation date and the date of this letter.

28. We have answered your questions about the Plan's tax compliance to the best of our knowledge and belief.

29. There have been no communications, whether written or oral, from regulatory agencies concerning noncompliance or deficiencies in the operation of the Plan.

30. We have complied with (a) all aspects of contractual agreements, including provisions of the Plan, that would have a material effect on the financial statements in the event of noncompliance, (b) the fidelity bonding requirements of ERISA, (c) all participant eligibility and coverage requirements of the Plan, ERISA and the Internal Revenue Code (IRC), and (d) the filing requirements of appropriate agencies.

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31. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

32. The IRS has determined and informed the Plan Sponsor, by a letter dated March 12, 2009, that the Plan is qualified and the trust established under the Plan is tax-exempt under the appropriate sections of the IRC. The Plan has been amended since receiving the determination letter. We have operated the Plan and trust in a manner that did not jeopardize this tax status.

33. We have reviewed the complementary user entity control considerations of the Service Organization Controls (SOC 1) Report for the following:

    a. CDS Administrators, Inc. dated February 16, 2016 for the period ended December 31, 2015, with a gap letter extending coverage through November 2, 2016.

    b. Highmark, Inc. dated November 23, 2015 and November 11, 2016 for the periods ended September 30, 2015 and September 30, 2016, respectively.

    c. Express Scripts Holding Co. dated June 27, 2016 for the period ended April 30, 2016, with a gap letter extending coverage through November 8, 2016.

    d. Eastern Bank dated October 14, 2016 for the year ended June 30, 2016.

34. There are no:

    a. Material period-end adjusting entries affecting prior annual periods.

    b. Non-exempt (prohibited) party-in-interest transactions that were not disclosed in the financial statements or supplemental schedules.

    c. Notes receivable from participants or other receivables or investments in default or considered to be uncollectible that were not disclosed in the financial statements or supplemental schedules.

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d. Reportable transactions that were not disclosed in the supplemental schedules.

e. Financial instruments with off-balance-sheet risk have been properly disclosed.

f. Concentrations of credit risk have been properly disclosed.

35. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

UNITARIAN UNIVERSALIST ASSOCIATION

Unitarian Universalist Organizations Health Plan

Timothy Brennan, Plan Administrator

Jim Sargent, Insurance Plan Director