

**ST. AMBROSE  
FINANCIAL SERVICES, INC.**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS'  
REPORT**

**JUNE 30, 2014 AND 2013**

# ST. AMBROSE FINANCIAL SERVICES, INC.

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JUNE 30, 2014 AND 2013

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## **INDEPENDENT AUDITORS' REPORT**

To the Most Reverend Bishop William Patrick Callahan  
and the Board of Directors  
St. Ambrose Financial Services, Inc.

We have audited the accompanying financial statements of St. Ambrose Financial Services, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Organization'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 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 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 financial position of St. Ambrose Financial Services, Inc. as of June 30, 2014 and 2013, 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.

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
October 30, 2014

**ST. AMBROSE FINANCIAL SERVICES, INC.**

**FINANCIAL STATEMENTS**

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

<u>ASSETS</u>	JUNE 30,	
	2014	2013
Cash and cash equivalents	\$ 411,595	\$ 283,203
Available for sale investments	38,946,186	31,298,850
Notes receivable, net of allowance for note losses	7,028,086	8,295,946
Revolving loan receivable with Diocese of La Crosse	3,709,060	3,590,322
Revolving loans receivable with Unified Catholic School Systems	1,540,259	-
Accounts receivable, net of allowance for doubtful accounts	1,900,794	4,285,223
Accounts receivable - We Belong to Christ Campaign, Inc.	-	225,869
CUP II dividend receivable	45,254	49,340
Accrued interest receivable	1,004,467	960,827
Prepaid expenses	61,544	4,069
CUP II insurance investment	536,985	453,159
<b>TOTAL ASSETS</b>	<b>\$ 55,184,230</b>	<b>\$ 49,446,808</b>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Deposits payable	\$ 32,840,137	\$ 31,839,738
Accounts payable	539,514	545,263
Accrued payroll and related benefits	6,905	6,200
Collections for transmittal	689,947	655,483
Reserve for self-insurance	660,000	831,000
TOTAL LIABILITIES	34,736,503	33,877,684
NET ASSETS		
Unrestricted	3,180,038	2,921,855
Board designated - specific purpose	17,267,689	12,647,269
TOTAL UNRESTRICTED NET ASSETS	20,447,727	15,569,124
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 55,184,230</b>	<b>\$ 49,446,808</b>

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

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
STATEMENTS OF ACTIVITIES

	YEAR ENDED JUNE 30,	
	2014	2013
<b>SUPPORT AND REVENUE</b>		
Investment income, net of investment fees	\$ 611,431	\$ 524,003
Interest from borrowings	111,800	126,635
Services income	625,450	636,522
All risk insurance income	2,303,866	1,854,342
Lay group insurance income	6,487,336	6,255,219
Priest group insurance income	1,861,123	1,860,468
Lay retirement income	<u>760,500</u>	<u>817,700</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>12,761,506</u>	<u>12,074,889</u>
 <b>EXPENSES</b>		
Program Services		
Interest on deposits	78,758	77,558
All risk insurance expenses	2,004,364	1,904,878
Lay group insurance expenses	6,765,288	7,314,214
Priest group insurance expenses	1,989,137	1,997,016
Lay retirement expenses	<u>707,801</u>	<u>700,756</u>
<b>TOTAL PROGRAM SERVICES</b>	11,545,348	11,994,422
Supporting Services		
Administration	<u>367,267</u>	<u>364,180</u>
<b>TOTAL EXPENSES</b>	<u>11,912,615</u>	<u>12,358,602</u>
<b>NET SUPPORT OVER (UNDER) EXPENSES</b>	848,891	(283,713)
 <b>OTHER GAINS</b>		
Net realized and unrealized gain on investments	<u>4,029,712</u>	<u>1,901,673</u>
<b>CHANGE IN NET ASSETS</b>	4,878,603	1,617,960
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>15,569,124</u>	<u>13,951,164</u>
 <b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 20,447,727</u></u>	<u><u>\$ 15,569,124</u></u>

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

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**

	YEAR ENDED JUNE 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,878,603	\$ 1,617,960
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gain) on investments	(4,029,712)	(1,901,673)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	844,170	742,361
Accounts receivable - We Belong to Christ Campaign, Inc.	225,869	(49,238)
CUP II dividend receivable	4,086	4,438
Accrued interest receivable	(43,640)	(2,156)
Prepaid expenses	(57,475)	2,276
Increase (decrease) in liabilities		
Accounts payable	(5,749)	(44,438)
Accrued payroll and related benefits	705	(2,068)
Collections for transmittal	34,464	(12,852)
Reserve for self-insurance	(171,000)	181,000
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,680,321</b>	<b>535,610</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investment securities	(31,077,017)	(29,957,611)
Proceeds on sales of investment securities	27,375,567	26,659,176
Notes receivable, net of principal collections	1,267,860	1,546,066
Net (disbursements) repayments (to) from Diocese of La Crosse on revolving loan	(118,738)	1,221,441
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(2,552,328)</b>	<b>(530,928)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in deposits payable	1,000,399	(361,352)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	128,392	(356,670)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>283,203</b>	<b>639,873</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 411,595</b>	<b>\$ 283,203</b>
<b><u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u></b>		
<b>Cash payments for interest paid on deposit funds</b>	<b>\$ 78,758</b>	<b>\$ 77,558</b>
<b>Noncash investing transactions:</b>		
<b>Accounts receivable converted to revolving loans to the Unified Catholic School Systems</b>	<b>\$ 1,540,259</b>	<b>\$ -</b>

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



**ST. AMBROSE FINANCIAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

**NOTE 1 - Nature of Organization and Significant Accounting Policies**

**Nature of Organization:**

St. Ambrose Financial Services, Inc. (the "Organization") is an independent service organization, which contracts to provide services including deposit and loan activities, accounting support and services, and administration of insurance programs to Diocesan parishes, schools, and organizations. Services provided include, but are not limited to, receiving, managing, investing, and distributing funds and other assets.

Predominantly all assets, liabilities, and revenue are transactions associated with contracted services parties.

**Summary of Significant Accounting Policies:**

**Basis of Accounting** - The financial statements of St. Ambrose Financial Services, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation and Net Assets** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations. Board designated net assets are unrestricted net assets that have been designated by the Board of Directors as opportunity and permanent reserves for future unexpected expenditures.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

There were no temporarily or permanently restricted net assets at June 30, 2014 and 2013.

**Cash and Cash Equivalents** - For financial statement purposes, the Organization considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable and Allowance for Doubtful Accounts** - Accounts receivable consist of the balance due to the Organization from insurance, quota, retirement, and miscellaneous service billings billed to the various Diocesan organizations. Management has determined an allowance for uncollectible balances based upon the analysis of prior collections and experience with individual parishes and schools.

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2014 AND 2013

**NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued**

**Investment Securities** - The Organization's investments in securities are classified and accounted for as follows:

Available-for-Sale - Government and government agency bonds, notes, certificates, and other mutual funds and stocks are classified available-for-sale when the Organization anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

Held-to-Maturity - Government and government agency bonds, notes, and certificates which the Organization has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period to maturity.

Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in the statement of activities. Purchase premium and discounts are recognized in interest using the straight-line method over the term of the security. Declines in the fair value of held-to-maturity and available-for-sale securities below their costs that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Cost of securities sold is recognized using the specific identification method.

The Organization does not maintain a trading portfolio.

**Notes Receivable and Allowance for Note Losses** - The Organization grants demand notes to Parishes and Unified Catholic School Systems and others with approval from the Bishop.

Notes receivable are stated at unpaid principal balances, less an allowance for note losses. Interest on notes is recognized over the term of the notes and is calculated at the set rate of 1.00 percent on principal amounts outstanding. This rate will remain effective until the 90-day Treasury Bill rate rises above .25 percent. At that time, the Organization will use the Treasury Bill rate plus .75 percent rate each quarter. As of June 30, 2014 and 2013, the interest rate was 1.00 percent.

The allowance for note losses is established as losses are estimated to have occurred through a provision for note losses charged to earnings. Note losses are charged against the allowance when management believes that uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to allowance.

The allowance for note losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the notes in light of historical experience, the nature and volume of the note portfolio, adverse situations that may affect the borrower's ability to repay, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A note is considered impaired when, based on current information and events, it is probable that the Organization will be unable to collect the payments of principal or interest. Factors considered by management in determining impairment include payment status and the probability of collecting principal and interest payments. Management determines the significance of payment delays on a case-by-case basis, taking into consideration all of the circumstances surrounding the note and the borrower.

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2014 AND 2013

**NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued**

**Fair Value Measurements** - The Organization has determined the fair value of certain assets in accordance with U.S. GAAP.

U.S. GAAP defines fair value as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting organization has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

**Collections for Transmittal** - The Organization bills insurance premiums for Parishes, Schools, and others one month in advance. These amounts are reflected in the financial statements as collections for transmittal.

**Revenue Recognition** - Revenue is recognized when it is earned.

**Income Tax Status** - St. Ambrose Financial Services, Inc. is organized as a 501(c)(3) corporation and is exempt from federal and state income taxes.

**Accounting for Uncertainty in Income Taxes** - U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognizes a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense, if incurred. The Organization is no longer subject to Federal tax examinations by tax authorities for years before 2011 and state examinations for years before 2010.

**Credit Risk** - During the year ended June 30, 2014, the Organization had cash deposits in excess of federally insured limits.

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

**Reclassifications** - Certain items with the prior year statements have been reclassified to conform to current year classifications. Such classifications had no effect on previously reported net income.

**Subsequent Events** - The Organization has evaluated subsequent events through October 30, 2014, the date which the financial statements were available to be issued.

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2014 AND 2013**

**NOTE 2 - Notes Receivable**

Notes receivable consist of demand notes due primarily from Parishes and Unified Catholic School Systems. The composition of notes receivable consists of the following:

	<u>JUNE 30,</u>	
	<u>2014</u>	<u>2013</u>
Parishes	\$ 6,150,868	\$ 7,535,668
Unified Catholic School Systems	843,305	1,093,304
Others	<u>438,913</u>	<u>71,974</u>
TOTAL NOTES RECEIVABLE	7,433,086	8,700,946
Less allowance for uncollectible notes receivable	(405,000)	(405,000)
<b>NET NOTES RECEIVABLE</b>	<b><u>\$ 7,028,086</u></b>	<b><u>\$ 8,295,946</u></b>

A summary of the activity in the allowance for note losses is as follows:

	<u>JUNE 30,</u>	
	<u>2014</u>	<u>2013</u>
BALANCE, BEGINNING OF YEAR	\$ 405,000	\$ 405,000
Provision charged to operations	-	-
Notes charged off	-	-
Recoveries	-	-
<b>BALANCE, END OF YEAR</b>	<b><u>\$ 405,000</u></b>	<b><u>\$ 405,000</u></b>

At June 30, 2014 and 2013, the Organization had no loans that were specifically classified as impaired.

Notes to the five largest borrowers were approximately \$4,414,120 and \$5,409,800 at June 30, 2014 and 2013, respectively, which represents 59.0 and 62.0 percent of the notes receivable balance at June 30, 2014 and 2013, respectively.

**NOTE 3 - Accounts Receivable**

The composition of accounts receivable consists of the following:

	<u>JUNE 30,</u>	
	<u>2014</u>	<u>2013</u>
Parishes	\$ 1,273,282	\$ 1,424,286
Unified Catholic School Systems	497,051	2,817,083
Others	<u>388,461</u>	<u>301,854</u>
TOTAL ACCOUNTS RECEIVABLE	2,158,794	4,543,223
Less allowance for doubtful accounts	(258,000)	(258,000)
<b>NET ACCOUNTS RECEIVABLE</b>	<b><u>\$ 1,900,794</u></b>	<b><u>\$ 4,285,223</u></b>

A summary of the activity in the allowance for doubtful accounts is as follows:

	<u>JUNE 30,</u>	
	<u>2014</u>	<u>2013</u>
BALANCE, BEGINNING OF YEAR	\$ 258,000	\$ 258,000
Provision charged to operations	-	-
Accounts charged off	-	-
Recoveries	-	-
<b>BALANCE, END OF YEAR</b>	<b><u>\$ 258,000</u></b>	<b><u>\$ 258,000</u></b>

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2014 AND 2013**

**NOTE 4 - Revolving Loan Receivable With Diocese of La Crosse Administrative Offices**

On April 8, 2011, the Organization entered into a revolving loan with the Diocese of La Crosse Administrative Offices.

The loan is collateralized by a mortgage covering substantially all assets of the Diocese of La Crosse, with an interest rate of 1.00 percent until the 90-day Treasury bill rate as published in the Wall Street Journal rises above this rate. The maximum amount available is \$12,000,000. The outstanding balance as of June 30, 2014 and 2013, was \$3,709,060 and \$3,590,322, respectively. In addition to the principal balance, there is also \$122,992 and \$87,995 of interest receivable as of June 30, 2014 and 2013, respectively.

**NOTE 5 - Revolving Loans Receivable With Unified Catholic School Systems**

During the year ended June 30, 2014, the Organization converted accounts receivable into unsecured revolving loans with the Unified Catholic School Systems. Interest accrues at the rate of 0.5 percent per month and is payable to the Organization on June 30<sup>th</sup> of each year and principal is due upon demand. As of June 30, 2014, three schools had amounts outstanding for a combined total of \$1,540,259. The maximum amount available for two of the Schools was \$500,000 and the other School had a maximum available of \$1,500,000.

**NOTE 6 - Investments**

Investments consist of marketable securities and are presented in the financial statements in the aggregate at fair market value.

Investments are composed of the following:

	JUNE 30, 2014			FAIR VALUE
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	
Money market funds	\$ 1,148,071	\$ -	\$ -	\$ 1,148,071
Bonds				
U.S. government issues	651,873	-	(19,671)	632,202
Corporate issues	10,310,409	177,369	(53,850)	10,433,928
Foreign issues	4,401,844	105,310	(12,900)	4,494,254
Fixed income	1,089,799	69,673	-	1,159,472
Stocks				
Common stocks	9,734,335	2,532,004	(35,030)	12,231,309
Foreign stocks	171,361	60,179	-	231,540
Equity funds	7,642,019	973,391	-	8,615,410
CUP II insurance investment	536,985	-	-	536,985
SUBTOTAL	35,686,696	3,917,926	(121,451)	39,483,171
Less CUP II insurance investment	(536,985)	-	-	(536,985)
<b>TOTAL</b>	<b><u>\$ 35,149,711</u></b>	<b><u>\$ 3,917,926</u></b>	<b><u>\$ (121,451)</u></b>	<b><u>\$ 38,946,186</u></b>

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2014 AND 2013

**NOTE 6 - Investments - Continued**

	JUNE 30, 2013			
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
Money market funds	\$ 1,657,124	\$ -	\$ -	\$ 1,657,124
Bonds				
U.S. government issues	936,952	-	(32,794)	904,158
Corporate issues	9,600,922	152,941	(139,997)	9,613,866
Foreign issues	2,560,956	77,531	(25,858)	2,612,629
Fixed income	1,970,444	-	(16,541)	1,953,903
Stocks				
Common stocks	6,435,683	1,211,209	(105,320)	7,541,572
Foreign stocks	490,748	75,200	(11,694)	554,254
Equity funds	5,449,713	1,011,631	-	6,461,344
CUP II insurance investment	493,401	-	(40,242)	453,159
SUBTOTAL	29,595,943	2,528,512	(372,446)	31,752,009
Less CUP II insurance investment	(493,401)	-	40,242	(453,159)
<b>TOTAL</b>	<b>\$ 29,102,542</b>	<b>\$ 2,528,512</b>	<b>\$ (332,204)</b>	<b>\$ 31,298,850</b>

The following schedule summarizes investment returns:

	YEAR ENDED	
	JUNE 30,	
	2014	2013
Investment income	\$ 784,013	\$ 665,437
Investment fees	(172,582)	(141,434)
Realized gain	2,345,720	839,289
Unrealized gain	1,683,992	1,062,384
<b>TOTAL INVESTMENT RETURN</b>	<b>\$ 4,641,143</b>	<b>\$ 2,425,676</b>

The following summarizes the investment and endowment income:

	YEAR ENDED	
	JUNE 30,	
	2014	2013
Investment interest income	\$ 784,013	\$ 665,437
Investment fees	(172,582)	(141,434)
<b>TOTAL INVESTMENT INCOME, NET OF INVESTMENT FEES</b>	<b>\$ 611,431</b>	<b>\$ 524,003</b>

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2014 AND 2013**

**NOTE 6 - Investments - Continued**

The following tables present investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized/realized loss position.

		JUNE 30, 2014					
		INVESTMENTS IN A CONTINUOUS UNREALIZED LOSS POSITION					
		LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
		UNREALIZED	FAIR	UNREALIZED	FAIR	UNREALIZED	FAIR
		LOSSES	VALUE	LOSSES	VALUE	LOSSES	VALUE
Bonds							
U.S. Government issues	\$	-	-	\$ 19,671	\$ 632,202	\$ 19,671	\$ 632,202
Corporate issues		10,659	1,430,096	43,192	2,648,820	53,851	4,078,916
Foreign issues		9,545	789,739	3,355	511,653	12,900	1,301,392
Stocks							
Common stocks		9,797	651,322	25,233	520,810	35,030	1,172,132
		<b><u>\$ 30,001</u></b>	<b><u>\$ 2,871,157</u></b>	<b><u>\$ 91,451</u></b>	<b><u>\$ 4,313,485</u></b>	<b><u>\$ 121,452</u></b>	<b><u>\$ 7,184,642</u></b>

		JUNE 30, 2013					
		INVESTMENTS IN A CONTINUOUS UNREALIZED LOSS POSITION					
		LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
		UNREALIZED	FAIR	UNREALIZED	FAIR	UNREALIZED	FAIR
		LOSSES	VALUE	LOSSES	VALUE	LOSSES	VALUE
Bonds							
U.S. Government issues	\$	32,794	\$ 904,158	-	-	\$ 32,794	\$ 904,158
Corporate issues		113,511	4,620,394	26,486	1,733,325	139,997	6,353,719
Foreign issues		22,648	493,050	3,210	250,305	25,858	743,355
Fixed income		16,541	1,953,903	-	-	16,541	1,953,903
Stocks							
Common stocks		97,459	1,311,531	7,861	70,700	105,320	1,382,231
Foreign stocks		11,694	86,952	-	-	11,694	86,952
		<b><u>\$ 294,647</u></b>	<b><u>\$ 9,369,988</u></b>	<b><u>\$ 37,557</u></b>	<b><u>\$ 2,054,330</u></b>	<b><u>\$ 332,204</u></b>	<b><u>\$ 11,424,318</u></b>

There were two U.S. Government issued bonds, eleven corporate issued bonds, two foreign issued bonds, and two common stocks in an unrealized loss position at June 30, 2014 for twelve months or more and there were five corporate issue bonds, one foreign issue bond, and one common stock in an unrealized loss position at June 30, 2013 for twelve months or more. Management has considered industry analyst reports, and volatility in the bond and stock markets in concluding that unrealized losses as of June 30, 2014 and 2013, were primarily the result of fluctuations in the bond and stock markets and that no declines were deemed to be other than temporary.

As of June 30, 2014 and 2013, the only assets or liabilities that are measured at fair value on a recurring basis are investment securities.

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2014 AND 2013**

**NOTE 7 - Fair Value of Assets**

Assets measured at fair value on a recurring basis are as follows:

	JUNE 30, 2014	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments				
Money market	\$ 1,148,071	\$ 1,148,071	\$ -	\$ -
Bonds				
U.S. Government issues	632,202	632,202	-	-
Corporate issues	10,433,928	10,433,928	-	-
Foreign issues	4,494,254	4,494,254	-	-
Fixed income	1,159,472	1,159,472	-	-
Stocks				
Common stocks	12,231,309	12,231,309	-	-
Foreign stocks	231,540	231,540	-	-
Equity funds	8,615,410	8,615,410	-	-
TOTAL INVESTMENTS	38,946,186	38,946,186	-	-
CUP II insurance investments	536,985	-	536,985	-
<b>TOTALS</b>	<b><u>\$ 39,483,171</u></b>	<b><u>\$ 38,946,186</u></b>	<b><u>\$ 536,985</u></b>	<b><u>\$ -</u></b>
	JUNE 30, 2013	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments				
Money market	\$ 1,657,123	\$ 1,657,123	\$ -	\$ -
Bonds				
U.S. Government issues	904,158	904,158	-	-
Corporate issues	9,613,867	9,613,867	-	-
Foreign issues	2,612,629	2,612,629	-	-
Fixed income	1,953,903	1,953,903	-	-
Stocks				
Common stocks	7,541,572	7,541,572	-	-
Foreign stocks	554,254	554,254	-	-
Equity funds	6,461,344	6,461,344	-	-
TOTAL INVESTMENTS	31,298,850	31,298,850	-	-
CUP II insurance investments	453,159	-	453,159	-
<b>TOTALS</b>	<b><u>\$ 31,752,009</u></b>	<b><u>\$ 31,298,850</u></b>	<b><u>\$ 453,159</u></b>	<b><u>\$ -</u></b>

Fair values for investments are pooled investment funds which are inputs that are observed or corroborated primarily from observable market data through correlation or other appropriate methods.



**ST. AMBROSE FINANCIAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2014 AND 2013**

**NOTE 8 - Deposits Payable**

Deposits Payable consist of monies received from Diocesan organizations for investment in a cooperative investment program. Generally, interest is determined quarterly based on the 90-day Treasury bill rate (floating rate) as reported below:

	JUNE 30,	
	2014	2013
Deposits payable (floating rate .25 percent)	<b><u>\$ 32,840,137</u></b>	<b><u>\$ 31,839,738</u></b>

Deposits payable to the five largest depositors totaled \$7,727,173 and \$7,680,531 as of June 30, 2014 and 2013, respectively.

Deposits payable to the Diocesan organizations are not insured.

**NOTE 9 - Contingent Liabilities**

**Self-Insurance** - St. Ambrose Financial Services, Inc. is a member of the Catholic Umbrella Pool II, a self-insurance fund which provides excess liability coverage for its membership. Participating Dioceses share in the operating income and expenses of the pool based on their contributions to the fund for each fiscal year. Participants are responsible for claims and claim expenses incurred during years in which they are active in the Pool. In the event total paid and reserved claims exceed the assets of the Pool, participants will be responsible for additional contributions as defined in the participation agreements and pursuant to such policy established by the Executive Committee. Self-insured stop loss provisions include a maximum of \$100,000 and \$50,000 per individual for lay and priest groups, respectively. The Organization has estimated its liability for self-insurance to be \$660,000 and \$831,000 as of June 30, 2014 and 2013, respectively.

**NOTE 10 - Board Designations**

Board designated net assets consist of the following:

	JUNE 30,	
	2014	2013
Insurance programs	\$ (583,696)	\$ (477,232)
Investment/loan activities	17,851,385	13,124,501
	<b><u>\$ 17,267,689</u></b>	<b><u>\$ 12,647,269</u></b>

**NOTE 11 - Affiliate Transactions**

On March 31, 2011, the Organization entered into a service agreement with each Parish, the Unified Catholic School Systems, and the Diocese of La Crosse - Administrative Offices to perform insurance, accounting, and administrative services. As of June 30, 2014 and 2013, the Organization received \$625,450 and \$636,522, respectively, for insurance, accounting, and administrative services.

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2014 AND 2013

**NOTE 12 - Retirement Plan**

As of March 31, 2011, the Organization adopted the 403(b) Thrift Plan in place to provide retirement benefits for their employees. The Plan is funded through a group annuity contract with Mutual of America Life Insurance Company. Employees are immediately vested in the plan. The Organization contributes 1 percent of the employee's base compensation to those eligible employees who have met age and service requirements regardless of whether or not they have contributed. The Organization also contributes 2 percent of the employee's base compensation as an employer match for those employees who have met all age and service requirements. As of June 30, 2014 and 2013, the Organization contributed \$6,228 and \$6,189, respectively, to this plan.