

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

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2013 AND 2012

ST. AMBROSE FINANCIAL SERVICES, INC.

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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 statement of financial position as of June 30, 2013 and 2012, 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, 2013 and 2012, 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 29, 2013

ST. AMBROSE FINANCIAL SERVICES, INC.

FINANCIAL STATEMENTS

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

<u>ASSETS</u>	JUNE 30,	
	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 283,203	\$ 639,873
Available for sale investments	31,298,850	26,058,500
Notes receivable, net of allowance for note losses	8,295,946	9,842,012
Revolving loan receivable with Diocese of La Crosse	3,590,322	4,811,763
Accounts receivable, net of allowance for doubtful accounts	4,285,223	5,027,584
Accounts receivable - We Belong to Christ Campaign, Inc.	225,869	176,631
CUP II dividend receivable	49,340	53,778
Accrued interest receivable	960,827	958,671
Prepaid expenses	4,069	6,345
CUP II insurance investment	453,159	493,401
TOTAL ASSETS	<u>\$ 49,446,808</u>	<u>\$ 48,068,558</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Deposits payable	\$ 31,839,738	\$ 32,201,090
Accounts payable	545,263	589,701
Accrued payroll and related benefits	6,200	8,268
Collections for transmittal	655,483	668,335
Reserve for self-insurance	831,000	650,000
TOTAL LIABILITIES	<u>33,877,684</u>	<u>34,117,394</u>
 NET ASSETS		
Unrestricted	2,921,855	2,649,513
Board designated - specific purpose	12,647,269	11,301,651
TOTAL UNRESTRICTED NET ASSETS	<u>15,569,124</u>	<u>13,951,164</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 49,446,808</u>	 <u>\$ 48,068,558</u>

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

ST. AMBROSE FINANCIAL SERVICES, INC.
STATEMENTS OF ACTIVITIES

	YEAR ENDED JUNE 30,	
	2013	2012
SUPPORT AND REVENUE		
Investment income, net of investment fees	\$ 524,003	\$ 733,149
Interest from borrowings	126,635	167,167
Services income	636,522	637,759
All risk insurance income	1,854,342	2,143,505
Lay group insurance income	6,255,219	6,600,120
Priest group insurance income	1,860,468	1,667,270
Lay retirement income	817,700	691,491
TOTAL SUPPORT AND REVENUE	12,074,889	12,640,461
EXPENSES		
Program Services		
Interest on deposits	77,558	78,904
All risk insurance expenses	1,904,878	2,047,883
Lay group insurance expenses	7,314,214	6,802,811
Priest group insurance expenses	1,997,016	2,319,211
Lay retirement expenses	700,756	703,162
TOTAL PROGRAM SERVICES	11,994,422	11,951,971
Supporting Services		
Administration	364,180	507,899
TOTAL EXPENSES	12,358,602	12,459,870
NET SUPPORT (UNDER) OVER EXPENSES	(283,713)	180,591
OTHER GAINS AND LOSSES		
Net realized and unrealized gain (loss) on investments	1,901,673	(628,820)
CHANGE IN NET ASSETS	1,617,960	(448,229)
NET ASSETS AT BEGINNING OF YEAR	13,951,164	14,399,393
NET ASSETS AT END OF YEAR	\$ 15,569,124	\$ 13,951,164

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

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

	YEAR ENDED JUNE 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,617,960	\$ (448,229)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gain) loss on investments	(1,102,626)	1,348,711
Increase in allowance for doubtful accounts	-	65,000
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	742,361	(322,104)
Accounts receivable - We Belong to Christ Campaign, Inc.	(49,238)	(159,835)
CUP II dividend receivable	4,438	(9,035)
Accrued interest receivable	(2,156)	(9,538)
Prepaid expenses	2,276	(6,345)
Increase (decrease) in liabilities		
Accounts payable	(44,438)	24,715
Accrued payroll and related benefits	(2,068)	3,137
Collections for transmittal	(12,852)	41,691
Reserve for self-insurance	181,000	150,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,334,657</u>	<u>678,168</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(30,796,900)	(26,701,009)
Proceeds on sales of investment securities	26,659,176	26,712,655
Notes receivable, net of principal collections	1,546,066	(286,349)
Net repayments from Diocese of La Crosse on revolving loan	1,221,441	340,048
Decrease in CUP II insurance investments	40,242	44,376
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(1,329,975)</u>	<u>109,721</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in deposits payable	<u>(361,352)</u>	<u>(672,170)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(356,670)</u>	<u>115,719</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>639,873</u>	<u>524,154</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 283,203</u>	<u>\$ 639,873</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash payments for interest paid on deposit funds	<u>\$ 77,558</u>	<u>\$ 78,904</u>

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

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012.

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, 2013 AND 2012

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, 2013 and 2012, 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.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2013 AND 2012

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

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.

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, 2013 and 2012, 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 2009 and state examinations for years before 2008.

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.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2013 AND 2012

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

Subsequent Events - The Organization has evaluated subsequent events through October 29, 2013, the date which the financial statements were available to be issued.

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>2013</u>	<u>2012</u>
Parishes	\$ 7,535,668	\$ 8,885,794
Unified Catholic School Systems	1,093,304	1,282,543
Others	71,974	78,675
TOTAL NOTES RECEIVABLE	8,700,946	10,247,012
Less allowance for uncollectible notes receivable	(405,000)	(405,000)
NET NOTES RECEIVABLE	<u>\$ 8,295,946</u>	<u>\$ 9,842,012</u>

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

	<u>JUNE 30,</u>	
	<u>2013</u>	<u>2012</u>
BALANCE, BEGINNING OF YEAR	\$ 405,000	\$ 405,000
Provision charged to operations	-	-
Notes charged off	-	-
Recoveries	-	-
BALANCE, END OF YEAR	<u>\$ 405,000</u>	<u>\$ 405,000</u>

At June 30, 2013 and 2012, the Organization had no loans that were specifically classified as impaired.

Notes to the five largest borrowers were approximately \$5,409,800 and \$6,451,928, at June 30, 2013 and 2012, respectively, which represents 62.0 and 63.0 percent of the notes receivable balance at June 30, 2013 and 2012, respectively.

NOTE 3 - Accounts Receivable

The composition of accounts receivable consists of the following:

	<u>JUNE 30,</u>	
	<u>2013</u>	<u>2012</u>
Parishes	\$ 1,424,286	\$ 1,143,730
Unified Catholic School Systems	2,817,083	3,814,543
Others	301,854	327,311
TOTAL ACCOUNTS RECEIVABLE	4,543,223	5,285,584
Less allowance for doubtful accounts	(258,000)	(258,000)
NET ACCOUNTS RECEIVABLE	<u>\$ 4,285,223</u>	<u>\$ 5,027,584</u>

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2013 AND 2012

NOTE 3 - Accounts Receivable - Continued

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

	<u>JUNE 30,</u>	
	<u>2013</u>	<u>2012</u>
BALANCE, BEGINNING OF YEAR	\$ 258,000	\$ 193,000
Provision charged to operations	-	65,000
Accounts charged off	-	-
Recoveries	-	-
BALANCE, END OF YEAR	<u>\$ 258,000</u>	<u>\$ 258,000</u>

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

On April 8, 2011, St. Ambrose Financial Services, Inc. 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, 2013 and 2012, was \$3,590,322 and \$4,811,763, respectively.

NOTE 5 - 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:

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

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2013 AND 2012

NOTE 5 - Investments - Continued

	JUNE 30, 2012			
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
Money market funds	\$ 1,005,491	\$ -	\$ -	\$ 1,005,491
Bonds				
U.S. government issues	445,116	10,542	-	455,658
Corporate issues	8,521,081	264,487	(37,838)	8,747,730
Foreign issues	2,054,296	77,119	(1,029)	2,130,386
Fixed income	750,000	5,128	-	755,128
Stocks				
Common stocks	3,547,261	331,004	(95,129)	3,783,136
Foreign stocks	277,211	4,168	(169)	281,210
Equity funds	8,364,340	648,488	(113,067)	8,899,761
CUP II insurance investment	537,777	-	(44,376)	493,401
SUBTOTAL	25,502,573	1,340,936	(291,608)	26,551,901
Less CUP II insurance investment	(537,777)	-	44,376	(493,401)
TOTAL	<u>\$ 24,964,796</u>	<u>\$ 1,340,936</u>	<u>\$ (247,232)</u>	<u>\$ 26,058,500</u>

The following schedule summarizes investment returns:

	YEAR ENDED JUNE 30,	
	2013	2012
Investment income	\$ 665,437	\$ 858,378
Investment fees	(141,434)	(125,229)
Realized gain	839,289	764,267
Unrealized gain (loss)	1,062,384	(1,393,087)
TOTAL INVESTMENT RETURN	<u>\$ 2,425,676</u>	<u>\$ 104,329</u>

The following summarizes the investment and endowment income:

	YEAR ENDED JUNE 30,	
	2013	2012
Investment interest income	\$ 665,437	\$ 858,378
Investment fees	(141,434)	(125,229)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT FEES	<u>\$ 524,003</u>	<u>\$ 733,149</u>

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2013 AND 2012

NOTE 5 - 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, 2013					
		INVESTMENTS IN A CONTINUOUS UNREALIZED LOSS POSITION					
		LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
		UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR 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
		\$ 294,647	\$ 9,369,988	\$ 37,557	\$ 2,054,330	\$ 332,204	\$ 11,424,318

		JUNE 30, 2012					
		INVESTMENTS IN A CONTINUOUS UNREALIZED LOSS POSITION					
		LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
		UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE
Bonds							
Corporate issues		\$ 25,999	\$ 2,500,981	\$ 11,839	\$ 254,283	\$ 37,838	\$ 2,755,264
Foreign issues		1,029	252,488	-	-	1,029	252,488
Stocks							
Common stocks		82,091	515,302	13,038	277,459	95,129	792,761
Foreign stocks		-	-	169	72,584	169	72,584
Equity funds		113,067	2,692,884	-	-	113,067	2,692,884
		\$ 222,186	\$ 5,961,655	\$ 25,046	\$ 604,326	\$ 247,232	\$ 6,565,981

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 and there was one corporate issue bond, two common stocks, and one foreign stock in an unrealized loss position at June 30, 2012, 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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 AND 2012

NOTE 6 - Fair Value of Assets

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

	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	-
TOTALS	<u>\$ 31,752,009</u>	<u>\$ 31,298,850</u>	<u>\$ 453,159</u>	<u>\$ -</u>
	JUNE 30, 2012	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments				
Money market	\$ 1,005,490	\$ 1,005,490	\$ -	\$ -
Bonds				
U.S. Government issues	455,658	455,658	-	-
Corporate issues	8,747,730	8,747,730	-	-
Foreign issues	2,130,388	2,130,388	-	-
Fixed income	755,128	755,128	-	-
Stocks				
Common stocks	3,783,135	3,783,135	-	-
Foreign stocks	281,210	281,210	-	-
Equity funds	8,899,761	8,899,761	-	-
TOTAL INVESTMENTS	26,058,500	26,058,500	-	-
CUP II insurance investments	493,401	-	493,401	-
TOTALS	<u>\$ 26,551,901</u>	<u>\$ 26,058,500</u>	<u>\$ 493,401</u>	<u>\$ -</u>

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, 2013 AND 2012

NOTE 7 - 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:

	<u>JUNE 30,</u>	
	<u>2013</u>	<u>2012</u>
Deposits payable (floating rate .25 percent)	<u>\$ 31,839,738</u>	<u>\$ 32,201,090</u>

Deposits payable to the five largest depositors totaled \$7,680,531 and \$8,399,240 as of June 30, 2013 and 2012, respectively.

Deposits payable to the Diocesan organizations are not insured.

NOTE 8 - 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 \$831,000 and \$650,000 as of June 30, 2013 and 2012, respectively.

NOTE 9 - Board Designations

Board designated net assets consist of the following:

	<u>JUNE 30,</u>	
	<u>2013</u>	<u>2012</u>
Insurance programs	\$ (477,232)	\$ 768,847
Investment/loan activities	<u>13,124,501</u>	<u>10,532,804</u>
	<u>\$ 12,647,269</u>	<u>\$ 11,301,651</u>

NOTE 10 - 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, 2013 and 2012, the Organization received \$636,522 and \$637,759, respectively, for insurance, accounting, and administrative services.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
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NOTE 11 - 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, 2013 and 2012, the Organization contributed \$6,189 and \$6,092, respectively, to this plan.

NOTE 12 - Guarantee

The Organization was guarantor on six Parish commitments to We Belong to Christ Campaign, Inc. As of June 30, 2012, the amount guaranteed was \$78,560. The commitments were all paid during the year ended June 30, 2013.