

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

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2021 AND 2020

ST. AMBROSE FINANCIAL SERVICES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
St. Ambrose Financial Services, Inc..
La Crosse, Wisconsin

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, 2021 and 2020, 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 audit. 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, 2021 and 2020, 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 20, 2021

ST. AMBROSE FINANCIAL SERVICES, INC.

FINANCIAL STATEMENTS

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

<u>ASSETS</u>	JUNE 30,	
	2021	2020
Cash and cash equivalents	\$ 944,116	\$ 346,632
Investments	91,515,671	61,545,264
Accounts receivable, net of allowance for doubtful accounts	226,150	734,639
Notes receivable, net of allowance for note losses	4,632,991	5,819,576
Due from Diocese of La Crosse	239,059	-
Revolving loan receivable with Diocese of La Crosse	-	1,421,911
Revolving loans receivable with Unified Catholic School Systems	1,622,466	1,796,932
Accrued investment interest receivable	289,628	243,146
Prepaid expenses	20,905	84,343
TOTAL ASSETS	\$ 99,490,986	\$ 71,992,443
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 2,345	\$ 10,120
Deposits payable	58,087,889	39,375,340
Accrued payroll and related benefits	30,658	19,415
Due to Diocese of La Crosse	-	1,852,734
Donations to others payable	2,084,383	-
Workers' compensation dividend payable	380,000	480,000
Reserve for self-insurance	-	25,000
TOTAL LIABILITIES	60,585,275	41,762,609
NET ASSETS		
Without donor restrictions	38,905,711	30,229,834
TOTAL LIABILITIES AND NET ASSETS	\$ 99,490,986	\$ 71,992,443

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

ST. AMBROSE FINANCIAL SERVICES, INC.
STATEMENTS OF ACTIVITIES

	YEAR ENDED JUNE 30,	
	2021	2020
SUPPORT AND REVENUE		
Investment income, net of investment fees	\$ 921,406	\$ 913,739
Interest from lending activities	193,037	166,656
Administrative services income	145,171	125,314
TOTAL SUPPORT AND REVENUE	1,259,614	1,205,709
EXPENSES		
Program Services - Deposit and loan expenses		
Payroll and benefits	35,947	32,801
Interest	1,395,124	988,482
Office supplies	110	1,180
Technology	2,005	2,367
Miscellaneous	5,809	-
Total Program Services - Deposit and loan expenses	1,438,995	1,024,830
Supporting Services - Management and general		
Payroll and benefits	263,958	223,299
Professional fees	21,295	31,249
Office supplies	1,083	3,794
Technology	50,069	52,398
Utilities	4,796	4,494
Insurance	8,528	7,869
Rent	12,597	12,597
Service charges	3,669	5,124
Uncollectible accounts (recovery)	-	(11,142)
Miscellaneous	298	167
Total Supporting Services - Management and general	366,293	329,849
TOTAL EXPENSES	1,805,288	1,354,679
NET SUPPORT UNDER EXPENSES	(545,674)	(148,970)
OTHER GAINS (EXPENSES)		
Net realized and unrealized gain on investments	12,349,001	3,094,244
Donations to others	(3,213,989)	(206,286)
Over reserve of self-insurance	86,539	347,160
TOTAL OTHER GAINS	9,221,551	3,235,118
Transfer of net assets to Diocese of La Crosse Administrative Offices	-	(529,843)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	8,675,877	2,556,305
NET ASSETS AT BEGINNING OF YEAR	30,229,834	27,673,529
NET ASSETS AT END OF YEAR	\$ 38,905,711	\$ 30,229,834

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

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

	YEAR ENDED JUNE 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,675,877	2,556,305
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities		
Net realized and unrealized (gain) on investments	(12,349,001)	(3,094,244)
Increase in allowance for doubtful accounts	-	10,600
(Decrease) in allowance for note losses	(68,057)	(72,014)
Transfer of net assets to Diocese of La Crosse Administrative Offices	-	529,843
Changes in assets and liabilities		
Decrease (increase) in assets		
Accounts receivable	508,489	1,167,200
Accrued interest receivable	(46,482)	(1,750)
Prepaid expenses	63,438	(80,373)
(Decrease) increase in liabilities		
Accounts payable	(7,775)	(454,786)
Workers' compensation dividend payable	(100,000)	(220,000)
Donations and grants payable	2,084,383	-
Accrued payroll and related benefits	11,243	9,330
Deferred revenue	-	(1,210,579)
Reserve for self-insurance	(25,000)	(893,000)
Due to Diocese of La Crosse	(2,091,793)	1,852,734
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(3,344,678)	99,266
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(73,240,525)	(33,077,436)
Proceeds on sales of investment securities	55,619,118	29,363,698
Notes receivable, net of principal collections	1,254,642	(309,355)
Net payments on Diocese of La Crosse revolving loan	1,421,911	1,897,622
Net payments on Unified Catholic School Systems revolving loans	174,466	19,162
NET CASH (USED IN) INVESTING ACTIVITIES	(14,770,388)	(2,106,309)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits payable	18,712,549	1,815,338
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	597,484	(191,705)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	346,632	538,337
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 944,116	\$ 346,632
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash payments for interest paid on deposit funds	\$ 1,395,124	\$ 988,482

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

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 and administration of insurance and retirement programs to Diocesan parishes, schools, and organizations within the boundaries of the Diocese of La Crosse. Services provided include, but are not limited to, receiving, managing, investing, and distributing funds and other assets.

Predominantly all assets, liabilities, and revenue and expenses 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 - The accompanying financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

The Organization is required to report information regarding its net assets and its activities based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets in excess of what is needed to preserve the health of its operations.

Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of June 30, 2021 and 2020, there were no net assets with donor restrictions.

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. However, the Organization does not consider cash or money market accounts included as investments to be cash equivalents for the statement of cash flows.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable consist of the balance due to the Organization from insurance, 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, 2021 AND 2020

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 statements 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, Unified Catholic School Systems, and others.

Notes receivable are stated at unpaid principal and interest balances, less an allowance for note losses. Interest on notes is recognized over the term of the notes and for the first two quarters of the year ended June 30, 2020, was calculated (in some instances there may be loans with a different interest rate) on principal amounts outstanding using the 90-day Treasury Bill rate plus .75 percent (2.75 percent in some instances) each quarter. Beginning January 2020 and for the year ended June 30, 2021, interest on new loans was calculated using the St. Ambrose Financial Services, Inc. Bond Fund Yield as published in the U.S. Bank Private Wealth Management Review Quarterly Report plus 0.25 percent (0.50 percent in some instances). As of June 30, 2021, the interest rates generally ranged from 1.00 - 3.10 percent and as of June 30, 2020, from 1.00 - 3.45 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 the 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, 2021 AND 2020

NOTE 1 - Nature of Organization and Significant Accounting Policies

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.

Revenue Recognition - The Organization's revenue sources include investment returns and administrative services income. Administrative services income represents finance charges on administration receivables and reimbursements of administrative costs associated with each program per the service agreement. Revenue is recognized when performance obligations are met as stipulated in the service agreement.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Those expenses include payroll and benefits, office supplies, and technology expenses, which are allocated based on estimates of time and usage as determined by a time and cost study.

Credit Risk - During the years ended June 30, 2021 and 2020, the Organization had cash deposits in excess of federally insured limits. While the Organization is exposed to custodial credit risk, the Organization has not experienced any losses on such accounts.

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.

Tax Status - The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from State taxation

Accounting for Uncertainty in Income Taxes - U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize 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, 2021 and 2020, 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.

Subsequent Events - The Organization has evaluated subsequent events through October 20, 2021, the date which the financial statements were available to be issued.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2021 AND 2020

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:

	JUNE 30, 2021		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
Parishes	\$ 3,984,854	\$ 58,118	\$ 4,042,972
Unified Catholic School Systems	248,305	-	248,305
Others	<u>631,643</u>	<u>-</u>	<u>631,643</u>
TOTAL NOTES RECEIVABLE	4,864,802	58,118	4,922,920
Less allowance for note losses	(234,986)	(54,943)	(289,929)
NET NOTES RECEIVABLE	<u>\$ 4,629,816</u>	<u>\$ 3,175</u>	<u>\$ 4,632,991</u>
	JUNE 30, 2020		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
Parishes	\$ 5,193,542	\$ 123,073	\$ 5,316,615
Unified Catholic School Systems	248,305	-	248,305
Others	<u>612,642</u>	<u>-</u>	<u>612,642</u>
TOTAL NOTES RECEIVABLE	6,054,489	123,073	6,177,562
Less allowance for note losses	(234,986)	(123,000)	(357,986)
NET NOTES RECEIVABLE	<u>\$ 5,819,503</u>	<u>\$ 73</u>	<u>\$ 5,819,576</u>

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

	JUNE 30, 2021		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
BALANCE, BEGINNING OF YEAR	\$ 234,986	\$ 123,000	\$ 357,986
Forgiveness of interest receivable	-	(68,057)	(68,057)
BALANCE, END OF YEAR	<u>\$ 234,986</u>	<u>\$ 54,943</u>	<u>\$ 289,929</u>
	JUNE 30, 2020		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
BALANCE, BEGINNING OF YEAR	\$ 235,000	\$ 195,000	\$ 430,000
Provision charged to operations	(14)	(21,742)	(21,756)
Forgiveness of interest receivable	-	(50,258)	(50,258)
BALANCE, END OF YEAR	<u>\$ 234,986</u>	<u>\$ 123,000</u>	<u>\$ 357,986</u>

At June 30, 2021 and 2020, the Organization had no loans that were specifically classified as impaired.

The five largest notes receivable balances (principal portion) totaled \$3,215,234 and \$3,637,809 at June 30, 2021 and 2020, respectively, which represents 66 and 60 percent of the principal portion of the notes receivable balance at June 30, 2021 and 2020, respectively.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2021 AND 2020

NOTE 3 - Accounts Receivable

The composition of accounts receivable consists of the following:

	JUNE 30,	
	2021	2020
Parishes	\$ 272,253	\$ 499,534
Unified Catholic School Systems	52,245	243,619
Others	133,652	223,486
TOTAL ACCOUNTS RECEIVABLE	458,150	966,639
Less allowance for doubtful accounts	(232,000)	(232,000)
NET ACCOUNTS RECEIVABLE	\$ 226,150	\$ 734,639

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

	JUNE 30,	
	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 232,000	\$ 221,400
Provision charged to operations	-	10,600
BALANCE, END OF YEAR	\$ 232,000	\$ 232,000

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

On April 8, 2011 (and subsequently replaced with new revolving loan and line of credit agreement on January 1, 2020), the Organization entered into a revolving loan with the Diocese of La Crosse Administrative Offices (the "Diocese of La Crosse").

The loan is collateralized by a mortgage covering substantially all assets of the Diocese of La Crosse, with an interest rate charged at the rate of 0.50 percent over the St. Ambrose Financial Services, Inc. Bond Fund Yield as published in the U.S. Bank Private Wealth Management Review Quarterly Report (may adjust quarterly). As of June 30, 2021 and 2020, the interest rate was 3.20 and 3.55 percent, respectively. The maximum amount available is \$4,000,000 at year end. There was no outstanding balance as of June 30, 2021. The outstanding balance as of June 30, 2020 was \$1,421,911.

NOTE 5 - Revolving Loans Receivable With Unified Catholic School Systems

During the years ended June 30, 2021 and 2020, the Organization converted accounts receivable into unsecured revolving loans with the Unified Catholic School Systems. Interest accrues at the rate of 0.50 percent over the St. Ambrose Financial Services, Inc. Bond Yield as published in the U.S. Bank Private Wealth Management Review Quarterly Report on the first day of each quarter and is payable to the Organization on a monthly basis, and the principal is due according to the maturity date of each agreement. As of June 30, 2021, one school had an amount outstanding for a total of \$1,622,466 and as of June 30, 2020, two schools had amounts outstanding for a total of \$1,796,932. The maximum amount available for the schools was \$500,000, with the exception of one school that had a maximum available of \$3,000,000.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2021 AND 2020

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, 2021			
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
Money market funds	\$ 659,521	\$ -	\$ -	\$ 659,521
Fixed income				
Corporate issues	35,898,909	899,853	(240,956)	36,557,806
Foreign issues	2,351,333	153,396	-	2,504,729
Equity				
Developed foreign	9,070,112	947,916	(4,446)	10,013,582
U.S. equity	29,996,741	11,924,770	(141,478)	41,780,033
U.S. listed real estate	-	-	-	-
TOTAL	<u>\$ 77,976,616</u>	<u>\$ 13,925,935</u>	<u>\$ (386,880)</u>	<u>\$ 91,515,671</u>

	JUNE 30, 2020			
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
Money market funds	\$ 2,446,842	\$ -	\$ -	\$ 2,446,842
Fixed income				
Corporate issues	22,168,481	1,214,357	(6,824)	23,376,014
Foreign issues	4,325,259	218,247	(3,286)	4,540,220
Equity				
Developed foreign	4,619,532	1,407,718	(32,527)	5,994,723
U.S. equity	19,957,928	4,594,582	(488,232)	24,064,278
U.S. listed real estate	873,101	250,086	-	1,123,187
TOTAL	<u>\$ 54,391,143</u>	<u>\$ 7,684,990</u>	<u>\$ (530,869)</u>	<u>\$ 61,545,264</u>

The following schedule summarizes investment returns:

	YEAR ENDED	
	JUNE 30,	
	2021	2020
Investment income	\$ 1,306,215	\$ 1,209,952
Investment fees	(384,809)	(296,213)
Realized gain	5,964,067	854,191
Unrealized gain	6,384,934	2,240,053
TOTAL INVESTMENT RETURN	<u>\$ 13,270,407</u>	<u>\$ 4,007,983</u>

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2021 AND 2020

NOTE 6 - Investments - Continued

The following summarizes the investment income:

	YEAR ENDED	
	JUNE 30,	
	2021	2020
Investment interest income	\$ 1,306,215	\$ 1,209,952
Investment fees	(384,809)	(296,213)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT FEES	<u>\$ 921,406</u>	<u>\$ 913,739</u>

As of June 30, 2021 and 2020, the only assets or liabilities that are measured at fair value on a recurring basis are investment securities.

NOTE 7 - Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with the provision of U.S. GAAP, which provides a framework for measuring fair value under generally accepted accounting principles.

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.

The asset's fair value measurement within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Fair values for money market funds and equity funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for real estate funds are determined using published net asset values ("NAV").

Fixed income securities consisting of corporate and foreign bonds are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type. Fixed income securities are generally classified within Level 2 of the valuation hierarchy.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2021 AND 2020

NOTE 7 - Fair Value Measurements - Continued

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value on a recurring basis as of June 30, 2021 and 2020:

	JUNE 30, 2021	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments				
Money market funds	\$ 659,521	\$ 659,521	\$ -	\$ -
Fixed income				
Corporate issues	36,557,806	-	36,557,806	-
Foreign issues	2,504,729	-	2,504,729	-
Equity				
Developed foreign	10,013,582	10,013,582	-	-
U.S. equity	41,780,033	41,780,033	-	-
U.S. listed real estate	-	-	-	-
TOTALS	<u>\$ 91,515,671</u>	<u>\$ 52,453,136</u>	<u>\$ 39,062,535</u>	<u>\$ -</u>

	JUNE 30, 2020	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments				
Money market funds	\$ 2,446,842	\$ 2,446,842	\$ -	\$ -
Fixed income				
Corporate issues	23,376,014	-	23,376,014	-
Foreign issues	4,540,220	-	4,540,220	-
Equity				
Developed foreign	5,994,723	5,994,723	-	-
U.S. equity	24,064,278	24,064,278	-	-
U.S. listed real estate	1,123,187	1,123,187	-	-
TOTALS	<u>\$ 61,545,264</u>	<u>\$ 33,629,030</u>	<u>\$ 27,916,234</u>	<u>\$ -</u>

NOTE 8 - Deposits Payable

Deposits Payable consist of monies received from organizations within the Diocese of La Crosse for investment in a cooperative investment program. Interest was determined for the first two quarters of the fiscal year ended June 30, 2020, quarterly based on the 90-day Treasury bill rate (floating rate). Beginning January 1, 2020, interest rates were determined using the St. Ambrose Financial Services, Inc. Bond Fund Yield as published in the U.S. Bank Private Wealth Management Review Quarterly Report (floating rate 2.70 to 2.95 percent for the year ended June 30, 2021 and 1.60 to 3.05 percent for year ended June 30, 2020):

	JUNE 30.	
	2021	2020
Deposits payable	<u>\$ 58,087,889</u>	<u>\$ 39,375,340</u>

Deposits payable to the five largest depositors totaled \$14,553,529 and \$8,710,068 as of June 30, 2021 and 2020, respectively.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2021 AND 2020

NOTE 9 - Workers' Compensation Dividend Payable/Commitment

In 2019, the Organization's Board of Directors approved a workers' compensation dividend payable of \$800,000 to the Diocesan parishes, schools, and other organizations that they provide insurance services based on amounts the Organization has received due to overall performance related to workers' compensation. During the years ended June 30, 2021 and 2020, \$100,000 and \$220,000 was paid, respectively. As of June 30, 2021 and 2020, the remaining amount of \$380,000 and \$480,000, respectively, is recorded as a payable. The Organization intends to pay this remaining liability in \$100,000 installments over the next three years and the remainder in the fourth year.

NOTE 10 - Donations to Others

To alleviate burdens that otherwise would have fallen on the parishes of the Diocese, most of which have invested their excess funds in St. Ambrose Financial Services, Inc., the Board allocated a portion of the net assets without donor restrictions. The following donations were recorded in the statements of activities as donations to others:

	JUNE 30,	
	2021	2020
Cathedral Matching Grant	\$ 3,000,000	\$ -
Diocese of La Crosse Lay Employee Retirement Pension Donation of Administration Costs	63,989	56,286
Fund Contributions	150,000	150,000
TOTAL DONATION TO OTHERS	\$ 3,213,989	\$ 206,286

As of June 30, 2021 and 2020, the remaining amounts of \$2,084,383 and \$-0-, respectively, are outstanding and are recorded as a liability.

NOTE 11 - Contingent Liabilities

Self-Insurance - In 2011, St. Ambrose Financial Services, Inc. was assigned membership by the Diocese of La Crosse to the Catholic Umbrella Pool II ("CUP II"), a self-insurance fund which provides excess liability coverage for its membership. As of July 1, 2019, membership assignment of the CUP II was transferred back to the Diocese of La Crosse and the portion of that membership was reflected as a transfer on the statement of activities as of June 30, 2020.

The Organization had estimated its liability for health plan self-insurance to be \$25,000 as of June 30, 2020, for claims prior to membership changing over to the Diocese of La Crosse. As of June 30, 2021, the Organization has estimated no remaining liability.

NOTE 12 - Affiliate Transactions

On March 31, 2011 (and subsequently revised) 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 and administrative services.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2021 AND 2020

NOTE 12 - Affiliate Transactions - Continued

The revised service agreement with the Diocese of La Crosse - Administrative Offices was effective July 1, 2019 and was approved by the Board of Directors of the Organization and the Finance Council of the Diocese of La Crosse. The Organization administers the insurance-related activities for the Diocese of La Crosse and any related expenses that arise from the administration are reported quarterly and reimbursed by the Diocese of La Crosse on an annual basis. The amount of \$239,059 due from the Diocese of La Crosse for program expenses in excess of program revenue as of June 30, 2021, is reflected as a receivable on the statement of financial position. The amount of \$1,852,734 due to the Diocese of La Crosse for revenue in excess of expenses as of June 30, 2020 is reflected as a liability on the statement of financial position.

The Organization is responsible for invoicing the premiums that are determined by the Diocese of La Crosse and for collecting the premiums from all plan participants. As a result of these responsibilities, the Organization retains any finance charge income that results from plan participants not paying the premiums timely. In addition, due to St. Ambrose Financial Services, Inc. retaining the authority and responsibility for the collection activities, the amounts due from plan participants as of June 30, 2021 and 2020 is reflected in accounts receivable of the Organization.

NOTE 13 - Retirement Plan

The Organization is the Plan administrator of the 403(b) Thrift Plan sponsored by the Diocese of La Crosse and its affiliates that is 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 their contributions to the plan and fully vested in employer contributions after four years of service. 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, 2021 and 2020, the Organization contributed \$7,687 and \$6,848, respectively, to this plan.

NOTE 14 - Board Designated Net Assets

Included in net assets without donor restrictions are amounts designated by the Board for the following purposes:

	<u>JUNE 30,</u>	
	<u>2021</u>	<u>2020</u>
Cathedral Matching Grant	\$ -	\$ 3,000,000
Diocese of La Crosse Lay Employee Retirement Pension Donation of Administration Costs	150,000	200,000
Plan Contributions	<u>450,000</u>	<u>600,000</u>
TOTAL BOARD DESIGNATED NET ASSETS	600,000	3,800,000
NET ASSETS WITHOUT BOARD DESIGNATIONS	<u>38,305,711</u>	<u>26,429,834</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 38,905,711</u>	<u>\$ 30,229,834</u>