

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

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 23, 2018

ST. AMBROSE FINANCIAL SERVICES, INC.

FINANCIAL STATEMENTS

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

<u>ASSETS</u>	JUNE 30,	
	2018	2017
Cash and cash equivalents	\$ 294,100	\$ 231,990
Investments	57,348,397	48,728,239
Accounts receivable, net of allowance for doubtful accounts	1,660,006	1,699,384
Notes receivable, net of allowance for note losses	5,581,729	5,841,745
Revolving loan receivable with Diocese of La Crosse	3,089,859	3,498,792
Revolving loans receivable with Unified Catholic School Systems	396,597	580,802
CUP II dividend receivable	52,518	52,254
Accrued interest receivable	646,720	656,443
Prepaid expenses	2,699	2,699
CUP II insurance investment	570,605	525,183
TOTAL ASSETS	\$ 69,643,230	\$ 61,817,531
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 615,198	\$ 627,211
Deposits payable	41,920,019	37,415,814
Accrued payroll and related benefits	7,380	24,041
Collections for transmittal	857,067	798,860
Reserve for self-insurance	535,000	670,000
TOTAL LIABILITIES	43,934,664	39,535,926
NET ASSETS		
Unrestricted	3,805,058	3,728,554
Board designated - specific purpose	21,903,508	18,553,051
TOTAL UNRESTRICTED NET ASSETS	25,708,566	22,281,605
TOTAL LIABILITIES AND NET ASSETS	\$ 69,643,230	\$ 61,817,531

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

ST. AMBROSE FINANCIAL SERVICES, INC.
STATEMENTS OF ACTIVITIES

	YEAR ENDED JUNE 30,	
	2018	2017
SUPPORT AND REVENUE		
Investment income, net of investment fees	\$ 824,030	\$ 894,627
Interest from borrowings	151,681	116,760
Services income	193,076	266,540
All risk insurance income	2,040,905	2,087,411
Lay group insurance income	8,117,946	7,550,953
Priest group insurance income	2,197,740	2,052,870
Lay retirement income	-	692,885
TOTAL SUPPORT AND REVENUE	13,525,378	13,662,046
EXPENSES		
Program Services		
Interest on deposits	490,028	161,522
All risk insurance expenses	1,883,378	1,960,965
Lay group insurance expenses	7,648,366	7,992,468
Priest group insurance expenses	1,864,484	2,081,759
Lay retirement expenses	425,313	780,083
TOTAL PROGRAM SERVICES	12,311,569	12,976,797
Supporting Services		
Administration	378,511	332,311
TOTAL EXPENSES	12,690,080	13,309,108
NET SUPPORT OVER EXPENSES	835,298	352,938
OTHER GAINS		
Net realized and unrealized gain on investments	2,591,663	3,183,967
CHANGE IN NET ASSETS	3,426,961	3,536,905
NET ASSETS AT BEGINNING OF YEAR	22,281,605	18,744,700
NET ASSETS AT END OF YEAR	\$ 25,708,566	\$ 22,281,605

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

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

	YEAR ENDED JUNE 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,426,961	\$ 3,536,905
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized (gain) on investments	(2,591,663)	(3,183,967)
Increase in allowance for note losses	12,624	-
(Decrease) in allowance for doubtful accounts	(23,000)	-
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	62,378	(398,147)
CUP II dividend receivable	(264)	-
Accrued interest receivable	9,723	(67,140)
Prepaid expenses	-	12,385
(Decrease) increase in liabilities		
Accounts payable	(12,013)	(177,115)
Accrued payroll and related benefits	(16,661)	22,307
Collections for transmittal	58,207	85,445
Reserve for self-insurance	(135,000)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	791,292	(169,327)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(38,281,816)	(35,637,261)
Proceeds on sales of investment securities	32,207,899	32,951,416
Notes receivable, net of principal collections	247,392	567,635
Net repayments on Diocese of La Crosse revolving loan	408,933	583,389
Net repayments on (distributions to) Unified Catholic School Systems revolving loans	184,205	(116,352)
NET CASH (USED IN) INVESTING ACTIVITIES	(5,233,387)	(1,651,173)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits payable	4,504,205	952,686
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	62,110	(867,814)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	231,990	1,099,804
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 294,100	\$ 231,990
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash payments for interest paid on deposit funds	\$ 490,028	\$ 161,522

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

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 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 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, 2018 and 2017.

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, 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, 2018 AND 2017

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 that have prior approval from the Bishop.

Notes receivable are stated at unpaid principal balances, less an allowance for note losses. Interest on notes was recognized over the term of the notes and was generally calculated at the set rate of 1.00 percent on principal amounts outstanding (in some instances there may be loans with a different interest rate). This rate remained effective until the 90-day Treasury Bill rate rose above .25 percent (which was until January 1, 2017). At that time, the Organization used the Treasury Bill rate plus .75 percent (2.75 percent in some instances) each quarter. As of June 30, 2018, the interest rate was 2.5 percent (4.5 percent for some notes) and as of June 30, 2017, the interest rate was 1.5 percent (3.5 percent for some notes).

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, 2018 AND 2017

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

Notes Receivable and Allowance for Note Losses - 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, 2018 and 2017, 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.

Credit Risk - During the years ended June 30, 2018 and 2017, 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.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018 AND 2017

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

New Accounting Pronouncement - In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which is expected to impact the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by the Organization for the year ended June 30, 2019; however, early application is permitted. The Organization is currently evaluating the impact this guidance will have on its financial statements.

Subsequent Events - The Organization has evaluated subsequent events through October 23, 2018, 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:

	JUNE 30,	
	2018	2017
Parishes	\$ 4,901,352	\$ 5,332,419
Unified Catholic School Systems	434,965	248,865
Others	650,412	665,461
TOTAL NOTES RECEIVABLE	5,986,729	6,246,745
Less allowance for note losses	(405,000)	(405,000)
NET NOTES RECEIVABLE	\$ 5,581,729	\$ 5,841,745

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

	JUNE 30,	
	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 405,000	\$ 405,000
Provision charged to operations	12,624	-
Notes charged off	(12,624)	-
BALANCE, END OF YEAR	\$ 405,000	\$ 405,000

At June 30, 2018 and 2017, the Organization had no loans that were specifically classified as impaired.

Notes to the five largest borrowers were \$4,378,217 and \$4,445,514 at June 30, 2018 and 2017, respectively, which represents 73 and 71 percent of the notes receivable balance at June 30, 2018 and 2017, respectively.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018 AND 2017

NOTE 3 - Accounts Receivable

The composition of accounts receivable consists of the following:

	JUNE 30,	
	2018	2017
Parishes	\$ 1,004,561	\$ 1,076,642
Unified Catholic School Systems	379,416	480,092
Others	511,029	400,650
TOTAL ACCOUNTS RECEIVABLE	1,895,006	1,957,384
Less allowance for doubtful accounts	(235,000)	(258,000)
NET ACCOUNTS RECEIVABLE	\$ 1,660,006	\$ 1,699,384

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

	JUNE 30,	
	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 258,000	\$ 258,000
Provision charged to operations	(23,000)	-
BALANCE, END OF YEAR	\$ 235,000	\$ 258,000

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 October 2017 when the interest rates were charged at the 90-day Treasury bill rate as published in the Wall Street Journal. As of June 30, 2018 and 2017, the interest rate was 1.75 percent and 1.00 percent, respectively. The maximum amount available is \$12,000,000. The outstanding balance as of June 30, 2018 and 2017, was \$3,089,859 and \$3,498,792, respectively. In addition to the principal balance, there is also \$172,991 and \$219,424 of interest receivable as of June 30, 2018 and 2017, respectively.

NOTE 5 - Revolving Loans Receivable With Unified Catholic School Systems

During the years ended June 30, 2018 and 2017, 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 30th of each year and principal is due upon demand. As of June 30, 2018, two Schools had amounts outstanding for a total of \$396,597 and as of June 30, 2017, one School had an amount outstanding of \$580,802. The maximum amount available for the Schools was \$500,000, with the exception of one School that had a maximum available of \$1,500,000 for both years and one School that had a maximum available of \$300,000 as of June 30, 2018.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018 AND 2017

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, 2018			
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
Money market funds	\$ 7,446,372	\$ -	\$ -	\$ 7,446,372
Fixed income				
Corporate issues	19,143,167	16,981	(459,812)	18,700,336
Foreign issues	4,602,638	24,171	(105,762)	4,521,047
Equity				
Developed foreign	6,171,478	1,036,197	(78,240)	7,129,435
U.S. equity	16,044,040	3,590,069	(226,814)	19,407,295
U.S. Listed Real Estate	132,296	11,616	-	143,912
CUP II insurance investment	570,605	-	-	570,605
SUBTOTAL	<u>54,110,596</u>	<u>4,679,034</u>	<u>(870,628)</u>	<u>51,919,002</u>
Less CUP II insurance investment	<u>(570,605)</u>	<u>-</u>	<u>-</u>	<u>(570,605)</u>
TOTAL	<u>\$ 53,539,991</u>	<u>\$ 4,679,034</u>	<u>\$ (870,628)</u>	<u>\$ 57,348,397</u>

	JUNE 30, 2017			
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
Money market funds	\$ 1,697,407	\$ -	\$ -	\$ 1,697,407
Fixed income				
Corporate issues	16,129,840	162,561	(94,980)	16,197,421
Foreign issues	4,199,423	60,240	(24,143)	4,235,520
Equity				
Developed foreign	5,090,317	695,018	(59,285)	5,726,050
U.S. equity	18,193,153	2,717,466	(347,203)	20,563,416
U.S. Listed Real Estate	313,640	7,058	(12,273)	308,425
CUP II insurance investment	525,183	-	-	525,183
SUBTOTAL	<u>46,148,963</u>	<u>3,642,343</u>	<u>(537,884)</u>	<u>49,253,422</u>
Less CUP II insurance investment	<u>(525,183)</u>	<u>-</u>	<u>-</u>	<u>(525,183)</u>
TOTAL	<u>\$ 45,623,780</u>	<u>\$ 3,642,343</u>	<u>\$ (537,884)</u>	<u>\$ 48,728,239</u>

The following schedule summarizes investment returns:

	YEAR ENDED JUNE 30,	
	2018	2017
Investment income	\$ 1,080,446	\$ 1,119,443
Investment fees	(256,416)	(224,816)
Realized gain	1,842,293	1,291,551
Unrealized gain	749,370	1,892,416
TOTAL INVESTMENT RETURN	<u>\$ 3,415,693</u>	<u>\$ 4,078,594</u>

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018 AND 2017

NOTE 6 - Investments - Continued

The following summarizes the investment and endowment income:

	YEAR ENDED JUNE 30,	
	2018	2017
Investment interest income	\$ 1,080,446	\$ 1,119,443
Investment fees	(256,416)	(224,816)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT FEES	<u>\$ 824,030</u>	<u>\$ 894,627</u>

As of June 30, 2018 and 2017, the only assets or liabilities that are measured at fair value on a recurring basis are investment securities.

NOTE 7 - Fair Value of Assets

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

	JUNE 30, 2018	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	\$ 7,446,372	\$ 7,446,372	\$ -	\$ -
Fixed income				
Corporate issues	18,700,336	18,700,336	-	-
Foreign issues	4,521,047	4,521,047	-	-
Equity				
Developed foreign	7,129,435	7,129,435	-	-
U.S. equity	19,407,295	19,407,295	-	-
U.S. Listed Real Estate	143,912	143,912	-	-
TOTAL INVESTMENTS	57,348,397	57,348,397	-	-
CUP II insurance investments	570,605	-	570,605	-
TOTALS	<u>\$ 57,919,002</u>	<u>\$ 57,348,397</u>	<u>\$ 570,605</u>	<u>\$ -</u>

	JUNE 30, 2017	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	\$ 1,697,407	\$ 1,697,407	\$ -	\$ -
Fixed income				
Corporate issues	16,197,421	16,197,421	-	-
Foreign issues	4,235,520	4,235,520	-	-
Equity				
Developed foreign	5,726,050	5,726,050	-	-
U.S. equity	20,563,416	20,563,416	-	-
U.S. Listed Real Estate	308,425	308,425	-	-
TOTAL INVESTMENTS	48,728,239	48,728,239	-	-
CUP II insurance investments	525,183	-	525,183	-
TOTALS	<u>\$ 49,253,422</u>	<u>\$ 48,728,239</u>	<u>\$ 525,183</u>	<u>\$ -</u>

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018 AND 2017

NOTE 7 - Fair Value of Assets - Continued

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.

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 (floating rate 1.00 to 1.75 percent for year ended June 30, 2018 and .25 to .75 percent for year ended June 30, 2017):

	JUNE 30,	
	2018	2017
Deposits payable	<u>\$ 41,920,019</u>	<u>\$ 37,415,814</u>

Deposits payable to the five largest depositors totaled \$14,420,848 and \$9,876,925 as of June 30, 2018 and 2017, 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 \$135,000 per individual for lay group, and \$85,000 per individual for priest group for both years ended June 30, 2018 and 2017. The Organization has estimated its liability for self-insurance to be \$535,000 and \$670,000 as of June 30, 2018 and 2017, respectively.

NOTE 10 - Board Designations

Board designated net assets consist of the following:

	JUNE 30,	
	2018	2017
Insurance programs	\$ (2,773,487)	\$ (3,733,850)
Investment/loan activities	<u>24,676,995</u>	<u>22,286,901</u>
TOTAL	<u>\$ 21,903,508</u>	<u>\$ 18,553,051</u>

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 and administrative services. As of June 30, 2018 and 2017, the Organization received \$193,076 and \$266,540, respectively, for insurance and administrative services.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
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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 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, 2018 and 2017, the Organization contributed \$3,307 and \$1,292, respectively, to this plan.