

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

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS'  
REPORT**

**JUNE 30, 2015 AND 2014**

# ST. AMBROSE FINANCIAL SERVICES, INC.

## CONTENTS

JUNE 30, 2015 AND 2014

Page

2-3	Independent Auditors' Report
	<b><u>FINANCIAL STATEMENTS</u></b>
4	Statements of Financial Position
5	Statements of Activities
6	Statements of Cash Flows
7-16	Notes to Financial Statements

## **INDEPENDENT AUDITORS' REPORT**

To the Most Reverend Bishop William Patrick Callahan  
and 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, 2015 and 2014, 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, 2015 and 2014, 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 14, 2015

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

**FINANCIAL STATEMENTS**

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

<u>ASSETS</u>	JUNE 30,	
	2015	2014
Cash and cash equivalents	\$ 756,923	\$ 411,595
Available for sale investments	40,856,013	38,946,186
Notes receivable, net of allowance for note losses	7,088,283	7,028,086
Revolving loan receivable with Diocese of La Crosse	3,922,884	3,709,060
Revolving loans receivable with Unified Catholic School Systems	869,763	1,540,259
Accounts receivable, net of allowance for doubtful accounts	2,152,099	1,900,794
CUP II dividend receivable	53,699	45,254
Accrued interest receivable	535,490	1,004,467
Prepaid expenses	4,227	61,544
CUP II insurance investment	522,560	536,985
<b>TOTAL ASSETS</b>	<b>\$ 56,761,941</b>	<b>\$ 55,184,230</b>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Deposits payable	\$ 34,283,185	\$ 32,840,137
Accounts payable	578,411	539,514
Accrued payroll and related benefits	5,153	6,905
Collections for transmittal	700,690	689,947
Reserve for self-insurance	735,000	660,000
TOTAL LIABILITIES	36,302,439	34,736,503
NET ASSETS		
Unrestricted	3,338,675	3,180,038
Board designated - specific purpose	17,120,827	17,267,689
TOTAL UNRESTRICTED NET ASSETS	20,459,502	20,447,727
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 56,761,941</b>	<b>\$ 55,184,230</b>

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

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

	YEAR ENDED JUNE 30,	
	2015	2014
<b>SUPPORT AND REVENUE</b>		
Investment income, net of investment fees	\$ 671,314	\$ 611,431
Interest from borrowings	119,635	111,800
Services income	547,917	625,450
All risk insurance income	2,124,240	2,303,866
Lay group insurance income	6,769,717	6,487,336
Priest group insurance income	1,977,878	1,861,123
Lay retirement income	758,228	760,500
<b>TOTAL SUPPORT AND REVENUE</b>	<b>12,968,929</b>	<b>12,761,506</b>
<b>EXPENSES</b>		
Program Services		
Interest on deposits	85,035	78,758
All risk insurance expenses	2,095,002	2,004,364
Lay group insurance expenses	7,795,903	6,765,288
Priest group insurance expenses	2,051,326	1,989,137
Lay retirement expenses	736,154	707,801
<b>TOTAL PROGRAM SERVICES</b>	<b>12,763,420</b>	<b>11,545,348</b>
Supporting Services		
Administration	389,281	367,267
<b>TOTAL EXPENSES</b>	<b>13,152,701</b>	<b>11,912,615</b>
<b>NET SUPPORT (UNDER) OVER EXPENSES</b>	<b>(183,772)</b>	<b>848,891</b>
<b>OTHER GAINS</b>		
Net realized and unrealized gain on investments	195,547	4,029,712
<b>CHANGE IN NET ASSETS</b>	<b>11,775</b>	<b>4,878,603</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>20,447,727</b>	<b>15,569,124</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 20,459,502</b>	<b>\$ 20,447,727</b>

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

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

	YEAR ENDED JUNE 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 11,775	\$ 4,878,603
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities		
Net realized and unrealized (gain) on investments	(195,547)	(4,029,712)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(251,305)	844,170
Accounts receivable - We Belong to Christ Campaign, Inc.	-	225,869
CUP II dividend receivable	(8,445)	4,086
Accrued interest receivable	(32,288)	(43,640)
Prepaid expenses	57,317	(57,475)
Increase (decrease) in liabilities		
Accounts payable	38,897	(5,749)
Accrued payroll and related benefits	(1,752)	705
Collections for transmittal	10,743	34,464
Reserve for self-insurance	75,000	(171,000)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(295,605)</b>	<b>1,680,321</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investment securities	(28,434,848)	(31,077,017)
Proceeds on sales of investment securities	26,734,992	27,375,567
Notes receivable, net of principal collections	441,068	1,267,860
Net (disbursements to) Diocese of La Crosse on revolving loan	(213,824)	(118,738)
Net repayments on Unified Catholic School Systems revolving loans	670,496	-
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(802,115)</b>	<b>(2,552,328)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in deposits payable	1,443,048	1,000,399
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	345,328	128,392
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>411,595</b>	<b>283,203</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 756,923</b>	<b>\$ 411,595</b>
<b><u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u></b>		
<b>Cash payments for interest paid on deposit funds</b>	<b>\$ 85,035</b>	<b>\$ 78,758</b>
<b>Noncash investing transactions:</b>		
<b>Accounts receivable converted to revolving loans to the Unified Catholic School Systems</b>	<b>\$ -</b>	<b>\$ 1,540,259</b>
<b>Unified Catholic School Systems interest receivable converted to note receivable</b>	<b>\$ 501,265</b>	<b>\$ -</b>

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



**ST. AMBROSE FINANCIAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

**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, 2015 and 2014.

**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, 2015 AND 2014

**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 that have prior 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, 2015 and 2014, the interest rate was 1.00 percent.

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

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

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

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015 AND 2014

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

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

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

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

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

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

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

**Accounting for Uncertainty in Income Taxes** - U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognizes a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2015 and 2014, 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 2012 and state examinations for years before 2011.

**Credit Risk** - During the year ended June 30, 2015, the Organization had cash deposits in excess of federally insured limits.

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

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

**Subsequent Events** - The Organization has evaluated subsequent events through October 14, 2015, the date which the financial statements were available to be issued.

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2015 AND 2014**

**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>2015</u>	<u>2014</u>
Parishes	\$ 5,541,339	\$ 6,150,868
Unified Catholic School Systems	1,300,223	843,305
Others	<u>651,721</u>	<u>438,913</u>
TOTAL NOTES RECEIVABLE	7,493,283	7,433,086
Less allowance for uncollectible notes receivable	(405,000)	(405,000)
<b>NET NOTES RECEIVABLE</b>	<b><u>\$ 7,088,283</u></b>	<b><u>\$ 7,028,086</u></b>

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

	<u>JUNE 30,</u>	
	<u>2015</u>	<u>2014</u>
BALANCE, BEGINNING OF YEAR	\$ 405,000	\$ 405,000
Provision charged to operations	-	-
Notes charged off	-	-
Recoveries	-	-
<b>BALANCE, END OF YEAR</b>	<b><u>\$ 405,000</u></b>	<b><u>\$ 405,000</u></b>

At June 30, 2015 and 2014, the Organization had no loans that were specifically classified as impaired.

Notes to the five largest borrowers were approximately \$4,786,228 and \$4,414,120 at June 30, 2015 and 2014, respectively, which represents 64 and 59 percent of the notes receivable balance at June 30, 2015 and 2014, respectively.

**NOTE 3 - Accounts Receivable**

The composition of accounts receivable consists of the following:

	<u>JUNE 30,</u>	
	<u>2015</u>	<u>2014</u>
Parishes	\$ 1,408,235	\$ 1,273,282
Unified Catholic School Systems	662,557	497,051
Others	<u>339,307</u>	<u>388,461</u>
TOTAL ACCOUNTS RECEIVABLE	2,410,099	2,158,794
Less allowance for doubtful accounts	(258,000)	(258,000)
<b>NET ACCOUNTS RECEIVABLE</b>	<b><u>\$ 2,152,099</u></b>	<b><u>\$ 1,900,794</u></b>

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

	<u>JUNE 30,</u>	
	<u>2015</u>	<u>2014</u>
BALANCE, BEGINNING OF YEAR	\$ 258,000	\$ 258,000
Provision charged to operations	-	-
Accounts charged off	-	-
Recoveries	-	-
<b>BALANCE, END OF YEAR</b>	<b><u>\$ 258,000</u></b>	<b><u>\$ 258,000</u></b>

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2015 AND 2014**

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

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

The loan is collateralized by a mortgage covering substantially all assets of the Diocese of La Crosse, with an interest rate of 1.00 percent until the 90-day Treasury bill rate as published in the Wall Street Journal rises above this rate. The maximum amount available is \$12,000,000. The outstanding balance as of June 30, 2015 and 2014, was \$3,922,884 and \$3,709,060, respectively. In addition to the principal balance, there is also \$156,379 and \$122,992 of interest receivable as of June 30, 2015 and 2014, respectively.

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

During the years ended June 30, 2015 and 2014, the Organization converted accounts receivable into unsecured revolving loans with the Unified Catholic School Systems. Interest accrues at the rate of 0.5 percent per month and is payable to the Organization on June 30<sup>th</sup> of each year and principal is due upon demand. As of June 30, 2015, four schools had amounts outstanding for a combined total of \$869,763. As of June 30, 2014, three schools had amounts outstanding for a combined total of \$1,540,259. The maximum amount available for the Schools was \$500,000, while one School had a maximum available of \$1,500,000 for both years.

**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, 2015			FAIR VALUE
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	
Money market funds	\$ 859,847	\$ -	\$ -	\$ 859,847
Fixed income				
Corporate issues	13,524,032	119,314	(102,112)	13,541,234
Foreign issues	4,555,563	81,258	(20,031)	4,616,790
Equity				
Developed foreign	4,055,707	209,781	(57,404)	4,208,084
U.S. equity	14,909,925	3,233,700	(513,567)	17,630,058
CUP II insurance investment	522,560	-	-	522,560
SUBTOTAL	<u>38,427,634</u>	<u>3,644,053</u>	<u>(693,114)</u>	<u>41,378,573</u>
Less CUP II insurance investment	(522,560)	-	-	(522,560)
<b>TOTAL</b>	<b><u>\$ 37,905,074</u></b>	<b><u>\$ 3,644,053</u></b>	<b><u>\$ (693,114)</u></b>	<b><u>\$ 40,856,013</u></b>

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2015 AND 2014**

**NOTE 6 - Investments - Continued**

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

The following schedule summarizes investment returns:

	YEAR ENDED JUNE 30,	
	2015	2014
Investment income	\$ 876,063	\$ 784,013
Investment fees	(204,749)	(172,582)
Realized gain	1,055,528	2,345,720
Unrealized (loss) gain	(859,981)	1,683,992
<b>TOTAL INVESTMENT RETURN</b>	<b><u>\$ 866,861</u></b>	<b><u>\$ 4,641,143</u></b>

The following summarizes the investment and endowment income:

	YEAR ENDED JUNE 30,	
	2015	2014
Investment interest income	\$ 876,063	\$ 784,013
Investment fees	(204,749)	(172,582)
<b>TOTAL INVESTMENT INCOME, NET OF     INVESTMENT FEES</b>	<b><u>\$ 671,314</u></b>	<b><u>\$ 611,431</u></b>

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2015 AND 2014**

**NOTE 6 - Investments - Continued**

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

	JUNE 30, 2015					
	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
Fixed income						
Corporate issues	\$ 53,922	\$ 3,817,412	\$ 48,190	\$ 3,685,447	\$ 102,112	\$ 7,502,859
Foreign issues	8,374	1,476,699	11,656	1,149,906	20,030	2,626,605
Equity						
Developed foreign	57,404	1,261,466	-	-	57,404	1,261,466
U.S. equity	292,398	2,340,142	221,169	973,404	513,567	3,313,546
	<b><u>\$ 412,098</u></b>	<b><u>\$ 8,895,719</u></b>	<b><u>\$ 281,015</u></b>	<b><u>\$ 5,808,757</u></b>	<b><u>\$ 693,113</u></b>	<b><u>\$ 14,704,476</u></b>

	JUNE 30, 2014					
	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	-	-	19,671	632,202	19,671	632,202
Corporate issues	10,659	1,430,096	43,191	2,648,820	53,850	4,078,916
Foreign issues	9,545	789,739	3,355	511,653	12,900	1,301,392
Stocks						
Common stocks	9,797	651,322	25,233	520,810	35,030	1,172,132
	<b><u>\$ 30,001</u></b>	<b><u>\$ 2,871,157</u></b>	<b><u>\$ 91,450</u></b>	<b><u>\$ 4,313,485</u></b>	<b><u>\$ 121,451</u></b>	<b><u>\$ 7,184,642</u></b>

There were fourteen corporate issued bonds, four foreign issued bonds, and four U.S. stocks in an unrealized loss position at June 30, 2015 for twelve months or more and there were two U.S. Government issued bonds, eleven corporate issued bonds, two foreign issued bonds, and two common stocks in an unrealized loss position at June 30, 2014 for twelve months or more. Management has considered industry analyst reports, and volatility in the bond and stock markets in concluding that unrealized losses as of June 30, 2015 and 2014, 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, 2015 and 2014, 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, 2015 AND 2014**

**NOTE 7 - Fair Value of Assets**

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

	JUNE 30, 2015	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	\$ 859,847	\$ 859,847	\$ -	\$ -
Fixed income				
Corporate issues	13,541,234	13,541,234	-	-
Foreign issues	4,616,790	4,616,790	-	-
Equity				
Developed foreign	4,208,084	4,208,084	-	-
U.S. equity	17,630,057	17,630,057	-	-
TOTAL INVESTMENTS	40,856,012	40,856,012	-	-
CUP II insurance investments	522,560	-	522,560	-
<b>TOTALS</b>	<b><u>\$ 41,378,572</u></b>	<b><u>\$ 40,856,012</u></b>	<b><u>\$ 522,560</u></b>	<b><u>\$ -</u></b>

	JUNE 30, 2014	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments				
Money market funds	\$ 1,148,071	\$ 1,148,071	\$ -	\$ -
Bonds				
U.S. Government issues	632,202	632,202	-	-
Corporate issues	10,433,928	10,433,928	-	-
Foreign issues	4,494,254	4,494,254	-	-
Fixed income	1,159,472	1,159,472	-	-
Stocks				
Common stocks	12,231,309	12,231,309	-	-
Foreign stocks	231,540	231,540	-	-
Equity funds	8,615,410	8,615,410	-	-
TOTAL INVESTMENTS	38,946,186	38,946,186	-	-
CUP II insurance investments	536,985	-	536,985	-
<b>TOTALS</b>	<b><u>\$ 39,483,171</u></b>	<b><u>\$ 38,946,186</u></b>	<b><u>\$ 536,985</u></b>	<b><u>\$ -</u></b>

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, 2015 AND 2014

**NOTE 8 - Deposits Payable**

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

	JUNE 30,	
	2015	2014
Deposits payable (floating rate .25 percent)	<b><u>\$ 34,283,185</u></b>	<b><u>\$ 32,840,137</u></b>

Deposits payable to the five largest depositors totaled \$7,599,911 and \$7,727,173 as of June 30, 2015 and 2014, 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 \$130,000 and \$85,000 per individual for lay and priest groups, respectively. The Organization has estimated its liability for self-insurance to be \$735,000 and \$660,000 as of June 30, 2015 and 2014, respectively.

**NOTE 10 - Board Designations**

Board designated net assets consist of the following:

	JUNE 30,	
	2015	2014
Insurance programs	\$ (1,654,093)	\$ (583,696)
Investment/loan activities	18,774,920	17,851,385
<b>TOTAL</b>	<b><u>\$ 17,120,827</u></b>	<b><u>\$ 17,267,689</u></b>

**NOTE 11 - Affiliate Transactions**

On March 31, 2011, the Organization entered into a service agreement with each Parish, the Unified Catholic School Systems, and the Diocese of La Crosse - Administrative Offices to perform insurance, accounting, and administrative services. As of June 30, 2015 and 2014, the Organization received \$547,917 and \$625,450, respectively, for insurance, accounting, and administrative services.

**ST. AMBROSE FINANCIAL SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2015 AND 2014

**NOTE 12 - Retirement Plan**

As of March 31, 2011, the Organization adopted the 403(b) Thrift Plan in place to provide retirement benefits for their employees. The Plan is funded through a group annuity contract with Mutual of America Life Insurance Company. Employees are immediately vested in the plan. The Organization contributes 1 percent of the employee's base compensation to those eligible employees who have met age and service requirements regardless of whether or not they have contributed. The Organization also contributes 2 percent of the employee's base compensation as an employer match for those employees who have met all age and service requirements. As of June 30, 2015 and 2014, the Organization contributed \$6,335 and \$6,228, respectively, to this plan.