ST. AMBROSE
FINANCIAL SERVICES, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019

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 statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
October 22, 2019

ST. AMBROSE FINANCIAL SERVICES, INC.

FINANCIAL STATEMENTS

ST. AMBROSE FINANCIAL SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS	
Cash and cash equivalents	$ 538,337
Investments	54,737,282
Accounts receivable, net of allowance for doubtful accounts	1,855,379
Notes receivable, net of allowance for note losses	5,438,207
Revolving loan receivable with Diocese of La Crosse	3,319,533
Revolving loans receivable with Unified Catholic School Systems	1,816,094
Accrued investment interest receivable	241,396
CUP II dividend receivable	57,060
Prepaid expenses	3,970
CUP II insurance investment	529,843
TOTAL ASSETS	**$ 68,537,101**
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	$ 464,906
Deposits payable	37,560,002
Accrued payroll and related benefits	10,085
Deferred revenue	1,210,579
Workers' compensation dividend payable	700,000
Reserve for self-insurance	918,000
TOTAL LIABILITIES	40,863,572
NET ASSETS	
Without donor restrictions	27,673,529
TOTAL LIABILITIES AND NET ASSETS	**$ 68,537,101**

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

ST. AMBROSE FINANCIAL SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

SUPPORT AND REVENUE	
Investment income, net of investment fees	$ 932,079
Interest from lending activities	198,892
Services income	33,985
All risk insurance income	2,040,263
Lay group insurance income	8,534,373
Priest group insurance income	2,189,771
Lay retirement income	342,550
TOTAL SUPPORT AND REVENUE	14,271,913
EXPENSES	
Program Services	
Deposit and loan expenses	862,480
All risk insurance expenses	2,840,477
Lay group insurance expenses	8,093,757
Priest group insurance expenses	1,959,328
Lay retirement expenses	394,344
TOTAL PROGRAM SERVICES	14,150,386
Supporting Services	
Management and general	272,609
TOTAL EXPENSES	14,422,995
NET SUPPORT UNDER EXPENSES	(151,082)
OTHER GAINS	
Net realized and unrealized gain on investments	2,116,045
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,964,963
NET ASSETS AT BEGINNING OF YEAR	25,708,566
NET ASSETS AT END OF YEAR	**$ 27,673,529**

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

ST. AMBROSE FINANCIAL SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES						SUPPORTING SERVICES	
	DEPOSIT AND LOAN	ALL RISK INSURANCE	LAY GROUP INSURANCE	PRIEST GROUP INSURANCE	LAY RETIREMENT	TOTAL	MANAGEMENT AND GENERAL	TOTAL EXPENSES
FUNCTIONAL EXPENSES								
Payroll and benefits	$ 28,109	$ 9,836	$ 66,860	$ 14,908	$ 20,844	$ 140,557	$ 127,617	$ 268,174
Professional fees	-	71,134	57,759	28,304	28,590	185,787	27,096	212,883
Premium expense	-	1,727,552	1,105,169	340,277	-	3,172,998	-	3,172,998
Claims expense	-	231,835	6,841,804	1,572,229	-	8,645,868	-	8,645,868
Interest	828,741	-	-	-	-	828,741	-	828,741
Office supplies	1,492	63	1,275	470	392	3,692	5,533	9,225
Technology	4,138	57	18,065	3,140	352	25,752	76,058	101,810
Workers' compensation dividend expense	-	800,000	-	-	-	800,000	-	800,000
Contributions and benefits paid	-	-	-	-	344,166	344,166	-	344,166
Taxes	-	-	2,825	-	-	2,825	-	2,825
Utilities	-	-	-	-	-	-	2,390	2,390
Travel	-	-	-	-	-	-	2,517	2,517
Rent	-	-	-	-	-	-	12,600	12,600
Service charges	-	-	-	-	-	-	7,228	7,228
Miscellaneous	-	-	-	-	-	-	11,570	11,570
TOTAL EXPENSES	**$ 862,480**	**$ 2,840,477**	**$ 8,093,757**	**$ 1,959,328**	**$ 394,344**	**$ 14,150,386**	**$ 272,609**	**$ 14,422,995**

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

ST. AMBROSE FINANCIAL SERVICES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,964,963
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Net realized and unrealized (gain) on investments	(2,116,045)
(Decrease) in allowance for doubtful accounts	(13,600)
Increase in allowance for note losses	25,000
Changes in assets and liabilities	
(Increase) in assets	
Accounts receivable	(181,773)
CUP II dividend receivable	(4,542)
Accrued interest receivable	(2,249)
Prepaid expenses	(1,271)
(Decrease) increase in liabilities	
Accounts payable	(150,292)
Workers' compensation dividend payable	700,000
Accrued payroll and related benefits	2,705
Deferred revenue	353,512
Reserve for self-insurance	383,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	959,408
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investment securities	(27,185,442)
Proceeds on sales of investment securities	31,953,364
Notes receivable, net of principal collections	353,104
Net (distributions) on Diocese of La Crosse revolving loan	(56,683)
Net (distributions to) Unified Catholic School Systems revolving loans	(1,419,497)
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,644,846
CASH FLOWS FROM FINANCING ACTIVITIES	
Net (decrease) in deposits payable	(4,360,017)
NET INCREASE IN CASH AND CASH EQUIVALENTS	244,237
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	294,100
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 538,337**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash payments for interest paid on deposit funds	**$ 828,741**

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

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 - 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 as opportunity and permanent reserves for future unexpected expenditures.
>
> *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, 2019, there were no net assets with donor restrictions.

Accounting Pronouncements Adopted - On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about the availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

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

Recent Accounting Pronouncements - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for annual periods beginning after December 15, 2018. Early adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Organization is currently evaluating the impact this guidance will have on the financial statements.

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.

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

<u>Available-for-Sale</u> - 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.

<u>Held-to-Maturity</u> - 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.

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

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 is generally 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. As of June 30, 2019, the interest rates ranged from 2.45 - 5.20 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.

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.

Deferred Revenue - The Organization bills insurance premiums for Parishes, Schools, and others one month in advance. These amounts are reflected in the financial statements as deferred revenue.

Revenue Recognition - The Organization's revenue sources include investment return, services income, insurance income, and retirement income. Revenue is recognized when earned.

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, professional fees, 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 year ended June 30, 2019, 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.

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

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 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, 2019, 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 22, 2019, 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 as of June 30, 2019:

	PRINCIPAL	INTEREST	TOTAL
Parishes	$ 4,646,172	$ 173,690	$ 4,819,862
Unified Catholic School Systems	404,405	22,875	427,280
Others	621,065	-	621,065
TOTAL NOTES RECEIVABLE	5,671,642	196,565	5,868,207
Less allowance for note losses	(235,000)	(195,000)	(430,000)
NET NOTES RECEIVABLE	**$ 5,436,642**	**$ 1,565**	**$ 5,438,207**

A summary of the activity in the allowance for note losses as of June 30, 2019 is as follows:

	PRINCIPAL	INTEREST	TOTAL
BALANCE, BEGINNING OF YEAR	$ 235,000	$ 170,000	$ 405,000
Provision charged to operations	-	25,000	25,000
Notes charged off	-	-	-
BALANCE, END OF YEAR	**$ 235,000**	**$ 195,000**	**$ 430,000**

At June 30, 2019, the Organization had no loans that were specifically classified as impaired.

The five largest notes receivable balances (principal portion) were $3,782,789 at June 30, 2019, which represents 67 percent of the principal portion of the notes receivable balance at June 30, 2019.

NOTE 3 - Accounts Receivable

The composition of accounts receivable consists of the following as of June 30, 2019:

Parishes	$ 729,011
Unified Catholic School Systems	649,815
Others	697,953
TOTAL ACCOUNTS RECEIVABLE	2,076,779
Less allowance for doubtful accounts	(221,400)
NET ACCOUNTS RECEIVABLE	**$ 1,855,379**

A summary of the activity in the allowance for doubtful accounts as of June 30, 2019 is as follows:

BALANCE, BEGINNING OF YEAR	$ 235,000
Provision charged to operations	(13,600)
BALANCE, END OF YEAR	**$ 221,400**

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 charged at the 90-day Treasury bill rate as published in the Wall Street Journal. As of June 30, 2019, the interest rate was 2.45 percent. The maximum amount available is $12,000,000. The outstanding balance as of June 30, 2019, was $3,319,533 (which is comprised of $3,089,859 in principal and $229,674 in interest).

NOTE 5 - Revolving Loans Receivable With Unified Catholic School Systems

During the year ended June 30, 2019, the Organization converted accounts receivable into unsecured revolving loans with the Unified Catholic School Systems. Interest accrues at the rate of 2.75 percent over the 90-day Treasury rate as published in the Wall Street Journal 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, 2019, three Schools had amounts outstanding for a total of $1,816,094 (which is comprised of $1,808,721 in principal and $1,373 in interest). The maximum amount available for the Schools was $500,000, with the exception of one School that had a maximum available of $2,500,000 as of June 30, 2019.

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 as of June 30, 2019:

	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
Money market funds	$ 1,755,861	$ -	$ -	$ 1,755,861
Fixed income				
Corporate issues	19,401,125	362,707	(24,751)	19,739,081
Foreign issues	4,335,958	89,347	(3,620)	4,421,685
Equity				
Developed foreign	6,286,049	910,356	(20,435)	7,175,970
U.S. equity	17,613,979	3,731,976	(190,038)	21,155,917
U.S. Listed Real Estate	430,239	58,529	-	488,768
CUP II insurance investment	529,843	-	-	529,843
SUBTOTAL	50,353,054	5,152,915	(238,844)	55,267,125
Less CUP II insurance investment	(529,843)	-	-	(529,843)
TOTAL	**$ 49,823,211**	**$ 5,152,915**	**$ (238,844)**	**$ 54,737,282**

The following schedule summarizes investment returns as of June 30, 2019:

Investment income	$ 1,200,981
Investment fees	(268,902)
Realized gain	1,051,144
Unrealized gain, includes CUP II insurance investment unrealized loss of $40,762	1,064,901
TOTAL INVESTMENT RETURN	**$ 3,048,124**

The following summarizes the investment income as of June 30, 2019:

Investment interest income	$ 1,200,981
Investment fees	(268,902)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT FEES	**$ 932,079**

As of June 30, 2019, 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.

NOTE 7 - Fair Value Measurements - Continued

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, 2019.

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.

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

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, 2019.

	JUNE 30, 2019	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	$ 1,755,861	$ 1,755,861	$ -	$ -
Fixed income				
Corporate issues	19,739,081	-	19,739,081	-
Foreign issues	4,421,685	-	4,421,685	-
Equity				
Developed foreign	7,175,970	7,175,970	-	-
U.S. equity	21,155,917	21,155,917	-	-
U.S. Listed Real Estate	488,768	488,768	-	-
TOTAL INVESTMENTS	54,737,282	30,576,516	24,160,766	-
CUP II insurance investments	529,843	-		529,843
TOTALS	**$ 55,267,125**	**$ 30,576,516**	**$ 24,160,766**	**$ 529,843**

The change in Level 3 assets measured at fair value on a recurring basis is summarized as follows:

BALANCE, BEGINNING OF YEAR	$ 570,605
Decrease in value of assets	(40,762)
BALANCE, END OF YEAR	**$ 529,843**

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 1.95 to 2.45 percent for year ended June 30, 2019):

Deposits payable	$ 37,560,002

Deposits payable to the five largest depositors totaled $11,762,802 as of June 30, 2019.

Deposits payable to the Diocesan organizations are not insured.

NOTE 9 - Workers' Compensation Dividend Payable

The Organization approved a workers' compensation dividend payable to the Diocesan parishes, schools, and other organizations that they provide insurance services to based on amounts the Organization has received due to overall performance related to workers' compensation. $100,000 has been recognized as expense as of June 30, 2019, and the remaining $700,000 is recorded as a payable at June 30, 2019. The Organization intends to pay this remaining liability in equal installments over the next 7 years.

NOTE 10 - 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 the year ended June 30, 2019. The Organization has estimated its liability for self-insurance to be $918,000 as of June 30, 2019.

NOTE 11 - Net Assets

Included in net assets without donor restrictions are amounts designated by the board for the following purposes at June 30, 2019:

Insurance programs	$ (2,902,643)
Investment/loan activities	26,749,892
TOTAL BOARD DESIGNATED NET ASSETS	**$ 23,847,249**

The Organization's Board of Directors has designated funds be set aside for its insurance programs and its investment and loan activities in order to continue meeting the upcoming needs of the Organization.

NOTE 12 - 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.

NOTE 13 - 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, 2019, the Organization contributed $6,782 to this plan.