# ST. AMBROSE
# FINANCIAL SERVICES, INC.

## FINANCIAL STATEMENTS
## WITH INDEPENDENT AUDITORS' REPORT

## JUNE 30, 2017 AND 2016

## ST. AMBROSE FINANCIAL SERVICES, INC.

CONTENTS

JUNE 30, 2017 AND 2016

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# INDEPENDENT AUDITORS' REPORT

To the Most Reverend Bishop William Patrick Callahan
and the Board of Directors
St. Ambrose Financial Services, Inc.
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, 2017 and 2016, 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, 2017 and 2016, 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 25, 2017

# ST. AMBROSE FINANCIAL SERVICES, INC.

## FINANCIAL STATEMENTS

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

| | JUNE 30, 2017 | JUNE 30, 2016 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 231,990 | $ 1,099,804 |
| Available for sale investments | 48,728,239 | 42,858,427 |
| Accounts receivable, net of allowance for doubtful accounts | 1,699,384 | 1,301,237 |
| Notes receivable, net of allowance for note losses | 5,841,745 | 6,409,380 |
| Revolving loan receivable with Diocese of La Crosse | 3,498,792 | 4,082,181 |
| Revolving loans receivable with Unified Catholic School Systems | 580,802 | 464,450 |
| CUP II dividend receivable | 52,254 | 52,254 |
| Accrued interest receivable | 656,443 | 589,303 |
| Prepaid expenses | 2,699 | 15,084 |
| CUP II insurance investment | 525,183 | 525,183 |
| **TOTAL ASSETS** | **$ 61,817,531** | **$ 57,397,303** |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | $ 627,211 | $ 804,326 |
| Deposits payable | 37,415,814 | 36,463,128 |
| Accrued payroll and related benefits | 24,041 | 1,734 |
| Collections for transmittal | 798,860 | 713,415 |
| Reserve for self-insurance | 670,000 | 670,000 |
| TOTAL LIABILITIES | 39,535,926 | 38,652,603 |
| NET ASSETS | | |
| Unrestricted | 3,728,554 | 3,580,033 |
| Board designated - specific purpose | 18,553,051 | 15,164,667 |
| TOTAL UNRESTRICTED NET ASSETS | 22,281,605 | 18,744,700 |
| **TOTAL LIABILITIES AND NET ASSETS** | **$ 61,817,531** | **$ 57,397,303** |

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

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

| | YEAR ENDED JUNE 30, 2017 | YEAR ENDED JUNE 30, 2016 |
|---|---|---|
| SUPPORT AND REVENUE | | |
| Investment income, net of investment fees | $ 894,627 | $ 646,013 |
| Interest from borrowings | 116,760 | 107,796 |
| Services income | 266,540 | 486,348 |
| All risk insurance income | 2,087,411 | 2,336,854 |
| Lay group insurance income | 7,550,953 | 6,854,939 |
| Priest group insurance income | 2,052,870 | 2,042,930 |
| Lay retirement income | 692,885 | 756,400 |
| TOTAL SUPPORT AND REVENUE | 13,662,046 | 13,231,280 |
| EXPENSES | | |
| Program Services | | |
| Interest on deposits | 161,522 | 86,869 |
| All risk insurance expenses | 1,960,965 | 2,049,434 |
| Lay group insurance expenses | 7,992,468 | 8,948,364 |
| Priest group insurance expenses | 2,081,759 | 1,972,725 |
| Lay retirement expenses | 780,083 | 807,527 |
| TOTAL PROGRAM SERVICES | 12,976,797 | 13,864,919 |
| Supporting Services | | |
| Administration | 332,311 | 244,789 |
| TOTAL EXPENSES | 13,309,108 | 14,109,708 |
| NET SUPPORT OVER (UNDER) EXPENSES | 352,938 | (878,428) |
| OTHER GAINS (LOSSES) | | |
| Net realized and unrealized gain (loss) on investments | 3,183,967 | (836,374) |
| CHANGE IN NET ASSETS | 3,536,905 | (1,714,802) |
| NET ASSETS AT BEGINNING OF YEAR | 18,744,700 | 20,459,502 |
| **NET ASSETS AT END OF YEAR** | **$ 22,281,605** | **$ 18,744,700** |

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

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

| | YEAR ENDED JUNE 30, 2017 | YEAR ENDED JUNE 30, 2016 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ 3,536,905 | $ (1,714,802) |
| Adjustment to reconcile change in net assets to net cash (used in) operating activities | | |
| Net realized and unrealized (gain) loss on investments | (3,183,967) | 836,374 |
| Changes in assets and liabilities | | |
| (Increase) decrease in assets | | |
| Accounts receivable | (398,147) | 740,724 |
| CUP II dividend receivable | - | 1,445 |
| Accrued interest receivable | (67,140) | (53,813) |
| Prepaid expenses | 12,385 | (10,857) |
| (Decrease) increase in liabilities | | |
| Accounts payable | (177,115) | 225,915 |
| Accrued payroll and related benefits | 22,307 | (3,419) |
| Collections for transmittal | 85,445 | 12,725 |
| Reserve for self-insurance | - | (65,000) |
| NET CASH (USED IN) OPERATING ACTIVITIES | (169,327) | (30,708) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investment securities | (35,637,261) | (27,664,795) |
| Proceeds on sales of investment securities | 32,951,416 | 24,823,384 |
| Notes receivable, net of principal collections | 567,635 | 678,903 |
| Net repayments on (disbursements to) Diocese of La Crosse on revolving loan | 583,389 | (49,159) |
| Net (distributions to) repayments on Unified Catholic School Systems revolving loans | (116,352) | 405,313 |
| NET CASH (USED IN) INVESTING ACTIVITIES | (1,651,173) | (1,806,354) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase in deposits payable | 952,686 | 2,179,943 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (867,814) | 342,881 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 1,099,804 | 756,923 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **$ 231,990** | **$ 1,099,804** |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| **Cash payments for interest paid on deposit funds** | **$ 161,522** | **$ 86,869** |

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, accounting support and services (these services were discontinued effective July 1, 2016), 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 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, 2017 and 2016.

**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.

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

**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:

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 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. 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, 2017, the interest rate was 1.5 percent (3.5 percent for some notes) and as of June 30, 2016, the interest rate was 1.0 percent (3.0 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 allowance.

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

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.

**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, 2017 and 2016, 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.

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

**Credit Risk** - During the year ended June 30, 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.

**Subsequent Events** - The Organization has evaluated subsequent events through October 25, 2017, 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, | |
|---|---|---|
| | 2017 | 2016 |
| Parishes | $ 5,332,419 | $ 5,876,051 |
| Unified Catholic School Systems | 248,865 | 248,865 |
| Others | 665,461 | 689,464 |
| TOTAL NOTES RECEIVABLE | 6,246,745 | 6,814,380 |
| Less allowance for uncollectible notes receivable | (405,000) | (405,000) |
| **NET NOTES RECEIVABLE** | **$ 5,841,745** | **$ 6,409,380** |

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

| | JUNE 30, | |
|---|---|---|
| | 2017 | 2016 |
| BALANCE, BEGINNING OF YEAR | $ 405,000 | $ 405,000 |
| Provision charged to operations | - | - |
| Notes charged off | - | - |
| Recoveries | - | - |
| **BALANCE, END OF YEAR** | **$ 405,000** | **$ 405,000** |

At June 30, 2017 and 2016, the Organization had no loans that were specifically classified as impaired.

Notes to the five largest borrowers were approximately $4,445,514 and $4,556,200 at June 30, 2017 and 2016, respectively, which represents 71 and 67 percent of the notes receivable balance at June 30, 2017 and 2016, respectively.

## NOTE 3 - Accounts Receivable

The composition of accounts receivable consists of the following:

| | JUNE 30, | |
|---|---|---|
| | 2017 | 2016 |
| Parishes | $ 1,076,642 | $ 841,979 |
| Unified Catholic School Systems | 480,092 | 407,704 |
| Others | 400,650 | 309,554 |
| TOTAL ACCOUNTS RECEIVABLE | 1,957,384 | 1,559,237 |
| Less allowance for doubtful accounts | (258,000) | (258,000) |
| **NET ACCOUNTS RECEIVABLE** | **$ 1,699,384** | **$ 1,301,237** |

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

| | JUNE 30, | |
|---|---|---|
| | 2017 | 2016 |
| BALANCE, BEGINNING OF YEAR | $ 258,000 | $ 258,000 |
| Provision charged to operations | - | - |
| Accounts charged off | - | - |
| Recoveries | - | - |
| **BALANCE, END OF YEAR** | **$ 258,000** | **$ 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 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, 2017 and 2016, was $3,498,792 and $4,082,181, respectively. In addition to the principal balance, there is also $219,424 and $193,672 of interest receivable as of June 30, 2017 and 2016, respectively.

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

During the years ended June 30, 2017 and 2016, 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, 2017 and 2016, one School had an amount outstanding for a total of $580,802 and $464,450, respectively. 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, 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 | 46,148,963 | 3,642,343 | (537,884) | 49,253,422 |
| Less CUPII insurance investment | (525,183) | - | - | (525,183) |
| **TOTAL** | **$ 45,623,780** | **$ 3,642,343** | **$ (537,884)** | **$ 48,728,239** |

| | JUNE 30, 2016 | | | |
|---|---|---|---|---|
| | COST | GROSS UNREALIZED GAINS | GROSS UNREALIZED (LOSSES) | FAIR VALUE |
| Money market funds | $ 1,545,560 | $ - | $ - | $ 1,545,560 |
| Fixed income | | | | |
| Corporate issues | 14,251,099 | 408,810 | (18,555) | 14,641,354 |
| Foreign issues | 4,431,692 | 105,249 | (11,895) | 4,525,046 |
| Equity | | | | |
| Developed foreign | 4,804,014 | 148,766 | (193,949) | 4,758,831 |
| U.S. equity | 16,614,019 | 1,251,800 | (478,183) | 17,387,636 |
| CUP II insurance investment | 525,183 | - | - | 525,183 |
| SUBTOTAL | 42,171,567 | 1,914,625 | (702,582) | 43,383,610 |
| Less CUPII insurance investment | (525,183) | - | - | (525,183) |
| **TOTAL** | **$ 41,646,384** | **$ 1,914,625** | **$ (702,582)** | **$ 42,858,427** |

The following schedule summarizes investment returns:

| | YEAR ENDED JUNE 30, | |
|---|---|---|
| | 2017 | 2016 |
| Investment income | $ 1,119,443 | $ 846,133 |
| Investment fees | (224,816) | (200,120) |
| Realized gain | 1,291,551 | 899,899 |
| Unrealized gain (loss) | 1,892,416 | (1,736,273) |
| **TOTAL INVESTMENT RETURN** | **$ 4,078,594** | **$ (190,361)** |

## NOTE 6 - Investments - Continued

The following summarizes the investment and endowment income:

| | YEAR ENDED JUNE 30, 2017 | YEAR ENDED JUNE 30, 2016 |
|---|---|---|
| Investment interest income | $ 1,119,443 | $ 846,133 |
| Investment fees | (224,816) | (200,120) |
| **TOTAL INVESTMENT INCOME, NET OF INVESTMENT FEES** | **$ 894,627** | **$ 646,013** |

As of June 30, 2017 and 2016, 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, 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** | **$ 49,253,422** | **$ 48,728,239** | **$ 525,183** | **$ -** |

| | JUNE 30, 2016 | 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 | $ 1,545,560 | $ 1,545,560 | $ - | $ - |
| Fixed income | | | | |
| Corporate issues | 14,641,354 | 14,641,354 | - | - |
| Foreign issues | 4,525,046 | 4,525,046 | - | - |
| Equity | | | | |
| Developed foreign | 4,758,831 | 4,578,831 | - | - |
| U.S. equity | 17,387,636 | 17,387,636 | - | - |
| TOTAL INVESTMENTS | 42,858,427 | 42,858,427 | - | - |
| CUP II insurance investments | 525,183 | - | 525,183 | - |
| **TOTALS** | **$ 43,383,610** | **$ 42,858,427** | **$ 525,183** | **$ -** |

## 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:

| | JUNE 30, | |
|---|---|---|
| | 2017 | 2016 |
| Deposits payable (floating rate .25 to .75 percent) | $ 37,415,814 | $ 36,463,128 |

Deposits payable to the five largest depositors totaled $9,876,925 and $9,233,226 as of June 30, 2017 and 2016, 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, 2017 and 2016. The Organization has estimated its liability for self-insurance to be $670,000 as of June 30, 2017 and 2016.

## NOTE 10 - Board Designations

Board designated net assets consist of the following:

| | JUNE 30, | |
|---|---|---|
| | 2017 | 2016 |
| Insurance programs | $ (3,733,850) | $ (3,389,892) |
| Investment/loan activities | 22,286,901 | 18,554,559 |
| **TOTAL** | $ 18,553,051 | $ 15,164,667 |

## 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, 2017 and 2016, the Organization received $266,540 and $486,348, respectively, for insurance, accounting, and administrative services. Accounting services were discontinued effective July 1, 2016.

## 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, 2017 and 2016, the Organization contributed $1,292 and $2,978, respectively, to this plan.