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

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2022 AND 2021

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 financial statements of St. Ambrose Financial Services, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of St. Ambrose Financial Services, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Ambrose Financial Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Ambrose Financial Services, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 St. Ambrose Financial Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Ambrose Financial Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

La Crosse, Wisconsin
_____, 2022

ST. AMBROSE FINANCIAL SERVICES, INC.
FINANCIAL STATEMENTS

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

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<u>ASSETS</u>	JUNE 30,	
	2022	2021
Cash and cash equivalents	\$ 624,883	\$ 944,116
Investments	87,593,299	91,515,671
Accounts receivable, net of allowance for doubtful accounts	342,448	226,150
Notes receivable, net of allowance for note losses	3,761,985	4,632,991
Due from Diocese of La Crosse	506,054	239,059
Revolving loans receivable with Unified Catholic School Systems	1,621,531	1,622,466
Accrued investment interest receivable	339,751	289,628
Prepaid expenses	86,814	20,905
Other assets	12,000	-
TOTAL ASSETS	\$ 94,888,765	\$ 99,490,986
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 4,602	\$ 2,345
Deposits payable	68,836,940	58,087,889
Accrued payroll and related benefits	37,802	30,658
Donations to others payable	300,000	2,084,383
Workers' compensation dividend payable	280,000	380,000
TOTAL LIABILITIES	69,459,344	60,585,275
NET ASSETS		
Without donor restrictions	25,429,421	38,905,711
TOTAL LIABILITIES AND NET ASSETS	\$ 94,888,765	\$ 99,490,986

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

ST. AMBROSE FINANCIAL SERVICES, INC.
STATEMENTS OF ACTIVITIES

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	YEAR ENDED JUNE 30,	
	2022	2021
SUPPORT AND REVENUE		
Investment income, net of investment fees	\$ 1,477,457	\$ 921,406
Interest from lending activities	133,385	193,037
Administrative services income	155,687	145,171
TOTAL SUPPORT AND REVENUE	1,766,529	1,259,614
EXPENSES		
Program Services - deposit and loan expenses		
Payroll and benefits	31,449	35,947
Interest	1,686,515	1,395,124
Office supplies	124	110
Technology	2,588	2,005
Miscellaneous	-	5,809
Total Program Services - deposit and loan expenses	1,720,676	1,438,995
Supporting Services - management and general		
Payroll and benefits	249,756	263,958
Professional fees	47,088	21,295
Office supplies	2,919	1,083
Technology	55,210	50,069
Utilities	4,917	4,796
Travel	1,633	-
Insurance	1,450	8,528
Rent	12,597	12,597
Service charges	3,729	3,669
Provision for allowances for accounts and notes receivable	(88,986)	-
Miscellaneous	240	298
Total Supporting Services - management and general	290,553	366,293
TOTAL EXPENSES	2,011,229	1,805,288
NET SUPPORT UNDER EXPENSES	(244,700)	(545,674)
OTHER GAINS (EXPENSES)		
Net realized and unrealized (loss) gain on investments	(11,699,828)	12,349,001
Donations to others	(1,531,762)	(3,213,989)
Over reserve of self-insurance	-	86,539
TOTAL OTHER (EXPENSES) GAINS	(13,231,590)	9,221,551
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(13,476,290)	8,675,877
NET ASSETS AT BEGINNING OF YEAR	38,905,711	30,229,834
NET ASSETS AT END OF YEAR	\$ 25,429,421	\$ 38,905,711

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

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

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	YEAR ENDED JUNE 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(13,476,290)	8,675,877
Adjustment to reconcile change in net assets to net cash (used in) operating activities		
Net realized and unrealized loss (gain) on investments	11,699,828	(12,349,001)
(Decrease) in allowance for doubtful accounts	(89,899)	-
(Decrease) in allowance for note losses	(64,929)	(68,057)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(26,399)	508,489
Accrued investment interest receivable	(50,123)	(46,482)
Due from Diocese of La Crosse	(266,995)	(2,091,793)
Prepaid expenses	(65,909)	63,438
Other assets	(12,000)	-
Increase (decrease) in liabilities		
Accounts payable	2,257	(7,775)
Accrued payroll and related benefits	7,144	11,243
Donations and grants payable	(1,784,383)	2,084,383
Workers' compensation dividend payable	(100,000)	(100,000)
Reserve for self-insurance	-	(25,000)
NET CASH (USED IN) OPERATING ACTIVITIES	(4,227,698)	(3,344,678)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(58,927,255)	(73,240,525)
Proceeds on sales of investment securities	51,149,799	55,619,118
Notes receivable, net of principal collections	935,935	1,254,642
Net payments on Diocese of La Crosse revolving loan	-	1,421,911
Net payments on Unified Catholic School Systems revolving loans	935	174,466
NET CASH (USED IN) INVESTING ACTIVITIES	(6,840,586)	(14,770,388)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits payable	10,749,051	18,712,549
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(319,233)	597,484
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	944,116	346,632
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 624,883	\$ 944,116
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest paid on deposit funds	\$ 1,686,515	\$ 1,395,124

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

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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NOTE 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization:

St. Ambrose Financial Services, Inc. (the "Organization") is an independent service organization operated exclusively for religious, charitable, and educational purposes within the meaning of Internal Revenue Code (IRC) Section 501(c)(3). Such purposes include, but are not limited to, providing administrative services for specific programs such as insurance and retirement plans, receiving, managing, investing, and distributing funds and other assets in order to aid and promote the strength, vitality and growth of the parishes and other entities of the Catholic Diocese of La Crosse, for the purpose of advancing the interests of the Roman Catholic Church in accordance with and in support of the mission of the Catholic Diocese and other Catholic entities within the Diocese. The services are outlined in its Services Agreement with the Diocese of La Crosse and with each diocesan parish, school, and institution.

The Organization carries out its purposes directly or by making gifts, grants, or other payments to other qualifying organizations, as well as distributions. The activities shall be consistent with the teachings of the Catholic Church.

Summary of Significant Accounting Policies:

Basis of Accounting - The financial statements of St. Ambrose Financial Services, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - The accompanying financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

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

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

Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of June 30, 2022 and 2021, there were no net assets with donor restrictions.

Cash and Cash Equivalents - For financial statement purposes, the Organization considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. However, the Organization does not consider cash or money market accounts included as investments to be cash equivalents for the statements of cash flows.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022 AND 2021

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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.

Due To/From Diocese of La Crosse - Revenue and expenses associated with programs administered on behalf of the Diocese of La Crosse are accumulated and reported to the Diocese of La Crosse quarterly. Net amounts due from the Diocese of La Crosse for program expenses in excess of program revenue are reflected as a receivable on the statements of financial position and are reimbursed by the Diocese of La Crosse on an annual basis. Net amounts due to the Diocese of La Crosse for program revenues in excess of program expenses are reflected as a payable on the statements of financial position and are remitted to the Diocese of La Crosse on an annual basis.

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

Available-for-Sale - Government and government agency bonds, notes, certificates, and other mutual funds and stocks are classified available-for-sale when the Organization anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

Held-to-Maturity - Government and government agency bonds, notes, and certificates which the Organization has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period to maturity.

Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in the statements of activities. Purchase premium and discounts are recognized in interest using the straight-line method over the term of the security. Declines in the fair value of held-to-maturity and available-for-sale securities below their costs that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Cost of securities sold is recognized using the specific identification method.

The Organization does not maintain a trading portfolio.

Notes Receivable and Allowance for Note Losses - The Organization grants demand notes to Parishes, Unified Catholic School Systems, and others.

Notes receivable are stated at unpaid principal and interest balances, less an allowance for note losses. Interest on notes is recognized over the term of the notes and was calculated on outstanding principal balances. For notes entered into prior to January 2020, the interest was calculated using a quarterly rate index based on the 90-day US Treasury Bill rate plus a predetermined margin. For notes entered into January 2020 and thereafter, the interest was calculated using a quarterly rate index based on the Bond Fund Current Yield of the St. Ambrose Financial Services, Inc. Investment Fund with U.S. Bank Private Wealth Management (US Bank Bond Fund Yield) from U.S. Bank Private Wealth Management Relationship Review report plus a predetermined margin.

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

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.

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

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

Credit Risk - During the years ended June 30, 2022 and 2021, the Organization had cash deposits in excess of federally insured limits. While the Organization is exposed to custodial credit risk, the Organization has not experienced any losses on such accounts.

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

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

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022 AND 2021

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

Accounting for Uncertainty in Income Taxes - U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2022 and 2021, 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 _____, 2022, the date which the financial statements were available to be issued.

NOTE 2 - Accounts Receivable

The composition of accounts receivable consists of the following:

	JUNE 30,	
	2022	2021
Parishes	\$ 204,527	\$ 272,253
Unified Catholic School Systems	146,412	52,245
Others	133,610	133,652
TOTAL ACCOUNTS RECEIVABLE	484,549	458,150
Less allowance for doubtful accounts	(142,101)	(232,000)
NET ACCOUNTS RECEIVABLE	\$ 342,448	\$ 226,150

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

	JUNE 30,	
	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 232,000	\$ 232,000
Provision charged to operations	(78,892)	-
Forgiveness of interest receivable	(11,007)	-
BALANCE, END OF YEAR	\$ 142,101	\$ 232,000

NOTE 3 - 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, 2022		
	PRINCIPAL	INTEREST	TOTAL
Parishes	\$ 3,096,247	\$ 2,827	\$ 3,099,074
Unified Catholic School Systems	248,305	-	248,305
Others	639,606	-	639,606
TOTAL NOTES RECEIVABLE	3,984,158	2,827	3,986,985
Less allowance for note losses	(225,000)	-	(225,000)
NET NOTES RECEIVABLE	\$ 3,759,158	\$ 2,827	\$ 3,761,985

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022 AND 2021

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NOTE 3 - Notes Receivable - Continued

	JUNE 30, 2021		
	PRINCIPAL	INTEREST	TOTAL
Parishes	\$ 3,984,854	\$ 58,118	\$ 4,042,972
Unified Catholic School Systems	248,305	-	248,305
Others	631,643	-	631,643
TOTAL NOTES RECEIVABLE	4,864,802	58,118	4,922,920
Less allowance for note losses	(234,986)	(54,943)	(289,929)
NET NOTES RECEIVABLE	\$ 4,629,816	\$ 3,175	\$ 4,632,991

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

	JUNE 30, 2022		
	PRINCIPAL	INTEREST	TOTAL
BALANCE, BEGINNING OF YEAR	\$ 234,986	\$ 54,943	\$ 289,929
Provision charged to operations	(9,986)	(108)	(10,094)
Forgiveness of interest receivable	-	(54,835)	(54,835)
BALANCE, END OF YEAR	\$ 225,000	\$ -	\$ 225,000

	JUNE 30, 2021		
	PRINCIPAL	INTEREST	TOTAL
BALANCE, BEGINNING OF YEAR	\$ 234,986	\$ 123,000	\$ 357,986
Forgiveness of interest receivable	-	(68,057)	(68,057)
BALANCE, END OF YEAR	\$ 234,986	\$ 54,943	\$ 289,929

At June 30, 2022 and 2021, the Organization had no loans that were specifically classified as impaired.

The five largest notes receivable balances (principal portion) totaled \$2,862,218 and \$3,215,234 at June 30, 2022 and 2021, respectively, which represents 72 and 66 percent of the principal portion of the notes receivable balance at June 30, 2022 and 2021, respectively.

Interest was charged at the applicable program index quarterly rate using the 90-day US Treasury Bill rate plus a margin of 0.75 or 2.75 percent, or the US Bank Bond Fund Yield plus a margin of 0.25 or 0.50 percent. As of June 30, 2022, applicable interest rates ranged from 1.30 - 3.25 percent and as of June 30, 2021, from 1.00 - 3.20 percent.

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

On January 1, 2020, the Organization entered into a revolving loan with the Diocese of La Crosse and subsequently extended the maturity date through June 30, 2022, with automatic renewal thereafter on each subsequent July 1. The maximum amount available was \$4,000,000. The loan is collateralized by a security interest of substantially all assets of the Diocese of La Crosse.

Interest was calculated on outstanding principal balances using a quarterly rate index based on the Bond Fund Current Yield of the St. Ambrose Financial Services, Inc. Investment Fund with US Bank Private Wealth Management (US Bank Bond Fund Yield) from U.S. Bank Private Wealth Management Relationship Review report plus a margin of 0.50 percent. As of June 30, 2022 and 2021, the interest rate was 3.20 and 3.25 percent, respectively. There was no outstanding balance as of June 30, 2022 and 2021. No amount was borrowed during the fiscal year ended June 30, 2022.

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022 AND 2021

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NOTE 5 - Revolving Loans Receivable With Unified Catholic School Systems

The Organization has entered into revolving loans with the Diocesan Unified Catholic School Systems and some Parish Schools. Agreements were renewed and extended the maturity date through June 30, 2022, with automatic renewal thereafter on each subsequent July 1. The maximum amount available to Parish Schools was \$300,000 and to System Schools was \$500,000 with the exception of one school that had a maximum available of \$3,000,000. The loans are collateralized by a security interest of substantially all assets of the respective School.

Interest was calculated on outstanding principal balances using a quarterly rate index based on the Bond Fund Current Yield of the St. Ambrose Financial Services, Inc. Investment Fund with US Bank Private Wealth Management (US Bank Bond Fund Yield) from U.S. Bank Private Wealth Management Relationship Review report plus a margin of 0.50 percent. As of June 30, 2022 and 2021, the interest rate was 3.20 and 3.25 percent, respectively. As of June 30, 2022 and 2021, one school had an outstanding balance of \$1,621,531 and \$1,622,466, respectively.

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, 2022			
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
Money market funds	\$ 2,761,988	\$ -	\$ -	\$ 2,761,988
Fixed income				
Corporate issues	39,356,618	26,443	(3,054,355)	36,328,706
Foreign issues	2,158,238	1,745	(116,755)	2,043,228
Equity				
Developed foreign	10,152,762	100,533	(1,014,592)	9,238,703
U.S. equity	31,875,946	5,320,000	(1,705,062)	35,490,884
Commodities	1,821,000	-	(91,210)	1,729,790
TOTAL	<u>\$ 88,126,552</u>	<u>\$ 5,448,721</u>	<u>\$(5,981,974)</u>	<u>\$ 87,593,299</u>
	JUNE 30, 2021			
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	FAIR VALUE
Money market funds	\$ 659,521	\$ -	\$ -	\$ 659,521
Fixed income				
Corporate issues	35,898,909	899,853	(240,956)	36,557,806
Foreign issues	2,351,333	153,396	-	2,504,729
Equity				
Developed foreign	9,070,112	947,916	(4,446)	10,013,582
U.S. equity	29,996,741	11,924,770	(141,478)	41,780,033
Commodities	-	-	-	-
TOTAL	<u>\$ 77,976,616</u>	<u>\$13,925,935</u>	<u>\$ (386,880)</u>	<u>\$ 91,515,671</u>

ST. AMBROSE FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022 AND 2021

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NOTE 6 - Investments - Continued

The following schedule summarizes investment returns:

	YEAR ENDED	
	JUNE 30,	
	2022	2021
Investment income	\$ 1,905,896	\$ 1,306,215
Investment fees	(428,439)	(384,809)
Realized gain	2,372,480	5,964,067
Unrealized (loss) gain	(14,072,308)	6,384,934
TOTAL INVESTMENT RETURN	<u>\$(10,222,371)</u>	<u>\$ 13,270,407</u>

The following summarizes the investment income:

	YEAR ENDED	
	JUNE 30,	
	2022	2021
Investment interest income	\$ 1,905,896	\$ 1,306,215
Investment fees	(428,439)	(384,809)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT FEES	<u>\$ 1,477,457</u>	<u>\$ 921,406</u>

As of June 30, 2022 and 2021, the only assets or liabilities that are measured at fair value on a recurring basis are investment securities.

NOTE 7 - Fair Value Measurements

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

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

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

The asset's fair value measurement within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Fair values for money market funds, equity funds, and commodities 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").

ST. AMBROSE FINANCIAL SERVICES, INC.
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NOTE 7 - Fair Value Measurements - Continued

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.

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, 2022 and 2021:

	JUNE 30, 2022	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments				
Money market funds	\$ 2,761,988	\$ 2,761,988	\$ -	\$ -
Fixed income				
Corporate issues	36,328,706	-	36,328,706	-
Foreign issues	2,043,228	-	2,043,228	-
Equity				
Developed foreign	9,238,703	9,238,703	-	-
U.S. equity	35,490,884	35,490,884	-	-
Commodities	1,729,790	1,729,790	-	-
TOTALS	<u>\$ 87,593,299</u>	<u>\$ 49,221,365</u>	<u>\$ 38,371,934</u>	<u>\$ -</u>

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

NOTE 8 - Deposits Payable

Deposits payable consist of monies received from organizations within the Diocese of La Crosse. Interest was calculated using a quarterly rate index based on the Bond Fund Current Yield of the St. Ambrose Financial Services, Inc. Investment Fund with U.S. Bank Private Wealth Management (US Bank Bond Fund Yield) from U.S. Bank Private Wealth Management Relationship Review report (floating rate 2.60 to 2.75 percent for the year ended June 30, 2022, and 2.70 to 2.95 percent for year ended June 30, 2021):

	JUNE 30,	
	2022	2021
Deposits payable	<u>\$ 68,836,940</u>	<u>\$ 58,087,889</u>

Deposits payable to the five largest depositors totaled \$18,264,498 and \$14,553,529 as of June 30, 2022 and 2021, respectively.

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NOTE 9 - Workers' Compensation Dividend Payable/Commitment

In 2019, the Organization's Board of Directors approved a workers' compensation dividend payable of \$800,000 to the Diocesan parishes, schools, and other organizations that they provide insurance services based on amounts the Organization has received due to overall performance related to workers' compensation. During the years ended June 30, 2022 and 2021, \$100,000 and \$220,000 was paid, respectively. As of June 30, 2022 and 2021, the remaining amount of \$280,000 and \$380,000, respectively, is recorded as a payable. The Organization intends to pay this remaining liability in \$100,000 installments over the next two years and the remainder in the third year.

NOTE 10 - Retirement Plan

The Organization is the Plan administrator of the 403(b) Thrift Plan sponsored by the Diocese of La Crosse and its affiliates that is in place to provide retirement benefits for their employees. The Plan is funded through a group annuity contract with Mutual of America Life Insurance Company. Employees are immediately vested in their contributions to the plan and fully vested in employer contributions after four years of service. The Organization contributes 1 percent of the employee's base compensation to those eligible employees who have met age and service requirements regardless of whether or not they have contributed. The Organization also contributes 2 percent of the employee's base compensation as an employer match for those employees who have met all age and service requirements. As of June 30, 2022 and 2021, the Organization contributed \$8,050 and \$7,687, respectively, to this plan.

NOTE 11 - Donations to Others

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

	JUNE 30,	
	2022	2021
Cathedral Matching Grant Paid During the Year	\$ -	\$ 915,617
Cathedral Matching Grant Payable	-	2,084,383
Parish Gifts	675,000	-
Diocese of La Crosse Gift	325,000	-
Diocese of La Crosse Lay Employee Retirement Pension Donation of Administration Costs	81,762	63,989
Fund Contributions Paid During the Year	150,000	150,000
Fund Contributions Payable	300,000	-
TOTAL DONATION TO OTHERS	<u>\$ 1,531,762</u>	<u>\$ 3,213,989</u>

As of June 30, 2022 and 2021, the remaining amounts of \$300,000 and \$2,084,383, respectively, are outstanding and are recorded as a liability.

NOTE 12 - Board Designated Net Assets

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

	JUNE 30,	
	2022	2021
Diocese of La Crosse Lay Employee Retirement Pension Donation of Administration Costs	\$ 100,000	\$ 150,000
Plan Contributions	-	450,000
TOTAL BOARD DESIGNATED NET ASSETS	100,000	600,000
NET ASSETS WITHOUT BOARD DESIGNATIONS	25,329,421	38,305,711
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 25,429,421</u>	<u>\$ 38,905,711</u>