Catholic Charities of the Archdiocese of Milwaukee, Inc. and Foundation

Consolidated Financial Statements

December 31, 2022 and 2021

Independent Auditors' Report

To the Board of Directors of
Catholic Charities of the Archdiocese of Milwaukee, Inc. and Foundation

Opinion

We have audited the consolidated financial statements of Catholic Charities of the Archdiocese of Milwaukee, Inc. and Foundation (the Agency), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Agency as of December 31, 2022 and 2021, 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 (GAAP).

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 Consolidated Financial Statements section of our report. We are required to be independent of the Agency 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 the Agency'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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.

Baker Tilly US, LLP

Milwaukee, Wisconsin
May 24, 2023

Catholic Charities of the Archdiocese of Milwaukee, Inc. and Foundation

Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 1,903,247	$ 2,769,390
Accounts receivable, net	199,363	185,371
Unconditional promises to give	1,294,791	1,054,417
Other current assets	112,873	96,146
Total current assets	3,510,274	4,105,324
Property and Equipment	1,004,321	973,689
Other Assets		
Investments	5,224,029	5,927,207
Operating right-of-use assets	287,878	-
Unconditional promises to give (long-term)	-	25,000
Other long-term assets	52,000	52,000
Total other assets	5,563,907	6,004,207
Total assets	$ 10,078,502	$ 11,083,220
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 63,993	$ 60,449
Accounts payable	59,567	36,597
Accrued payroll	200,979	78,929
Accrued liabilities	44,355	56,252
Operating lease liability	126,357	-
Total current liabilities	495,251	232,227
Long-Term Liabilities		
Long-term debt	293,081	356,767
Asset retirement obligation	50,859	39,290
Long-term operating lease liability	161,521	-
Total liabilities	1,000,712	628,284
Net Assets		
Without donor restrictions	5,587,319	6,834,742
With donor restrictions	3,490,471	3,620,194
Total net assets	9,077,790	10,454,936
Total liabilities and net assets	$ 10,078,502	$ 11,083,220

See notes to consolidated financial statements

Catholic Charities of the Archdiocese of Milwaukee, Inc. and Foundation

Consolidated Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Archdiocese of Milwaukee	$ 650,000	600,000	$ 1,250,000	$ 600,000	600,000	$ 1,200,000
United Way	346,347	308,954	655,301	346,654	303,477	650,131
Contributions	2,765,429	252,844	3,018,273	3,120,592	93,731	3,214,323
In-kind contributions	96,859	-	96,859	79,917	-	79,917
Special events	79,838	-	79,838	28,930	-	28,930
Net assets released from restrictions	1,007,199	(1,007,199)	-	952,352	(952,352)	-
Total public support	4,945,672	154,599	5,100,271	5,128,445	44,856	5,173,301
Revenue						
Program fees	731,456	-	731,456	755,409	-	755,409
Investment return, net	(466,700)	(284,322)	(751,022)	30,321	262,951	293,272
Other	2,011	-	2,011	666,975	-	666,975
Total revenue	266,767	(284,322)	(17,555)	1,452,705	262,951	1,715,656
Total public support and revenue	5,212,439	(129,723)	5,082,716	6,581,150	307,807	6,888,957
Expenses						
Program	4,739,530	-	4,739,530	4,138,254	-	4,138,254
Management and general	1,188,282	-	1,188,282	935,324	-	935,324
Fundraising	532,050	-	532,050	447,880	-	447,880
Total expenses	6,459,862	-	6,459,862	5,521,458	-	5,521,458
Change in net assets	(1,247,423)	(129,723)	(1,377,146)	1,059,692	307,807	1,367,499
Net Assets, Beginning	6,834,742	3,620,194	10,454,936	5,775,050	3,312,387	9,087,437
Net Assets, Ending	$ 5,587,319	$ 3,490,471	$ 9,077,790	$ 6,834,742	$ 3,620,194	$ 10,454,936

See notes to consolidated financial statements

Catholic Charities of the Archdiocese of Milwaukee, Inc. and Foundation

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ (1,377,146)	$ 1,367,499
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	114,213	62,832
Net realized and unrealized losses (gains) on investments	836,706	(228,402)
Accretion of asset retirement obligation	11,569	2,112
Forgiveness of Paycheck Protection Program loan	-	(566,600)
Changes in assets and liabilities:		
Accounts receivable	(13,992)	(139,473)
Unconditional promises to give	(215,374)	(70,997)
Other current assets	(16,727)	1,520
Accounts payable	22,970	34,167
Accrued expenses	110,153	(98,695)
Net cash flows from operating activities	(527,628)	363,963
Cash Flows From Investing Activities		
Capital expenditures	(144,845)	(129,742)
Purchase of investments	(1,762,656)	(3,130,603)
Proceeds from sale of investments	1,629,128	1,809,450
Net cash flows from investing activities	(278,373)	(1,450,895)
Cash Flows From Financing Activities		
Principal payments on long-term debt	(60,142)	(52,818)
Net change in cash and cash equivalents	(866,143)	(1,139,750)
Cash and Cash Equivalents, Beginning	2,769,390	3,909,140
Cash and Cash Equivalents, Ending	$ 1,903,247	$ 2,769,390
Supplemental Cash Flow Disclosures		
Cash Paid for Interest	$ 17,023	$ 22,031

See notes to consolidated financial statements

Catholic Charities of the Archdiocese of Milwaukee, Inc. and Foundation

Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program										
	Adult Day Service	Behavioral Health	Child Welfare	In-Home Support	Legal Services	Outreach	Parish Outreach	Total Program	Management and General	Fundraising	Total
Salaries and wages	$ 168,426	$ 824,461	$ 256,821	$ 250,778	$ 501,854	$ 347,886	$ 54,540	$ 2,404,766	$ 383,686	$ 154,517	$ 2,942,969
Employee benefits	31,918	199,606	49,398	52,537	79,679	62,294	17,364	492,796	81,196	24,566	598,558
Payroll tax	12,736	59,754	19,321	19,067	37,938	25,169	3,848	177,833	28,237	11,683	217,753
Total salaries and related expenses	213,080	1,083,821	325,540	322,382	619,471	435,349	75,752	3,075,395	493,119	190,766	3,759,280
Operations	11,529	35,784	26,001	13,949	22,063	12,101	2,920	124,347	63,320	138,097	325,764
In-kind	-	42,263	3,735	10,806	40,055	-	-	96,859	-	-	96,859
Specific assistance to clients	18,909	-	705	-	305	13,626	202,227	235,772	1,477	-	237,249
Rent and occupancy	104,406	149,617	62,642	36,297	93,620	63,014	3,495	513,091	133,797	16,430	663,318
Supplies	18,329	55,629	30,561	22,198	15,027	24,574	20,414	186,732	79,172	14,003	279,907
Promotions and advertising	-	-	-	-	-	-	-	-	3,020	6,386	9,406
Professional fees	2,687	24,367	27,850	5,343	20,142	57,253	92,990	230,632	155,551	39,059	425,242
Travel and meetings	18,323	19,044	17,377	8,642	22,626	12,006	135	98,153	28,052	2,676	128,881
Special events	-	-	-	-	-	-	-	-	-	76,835	76,835
Information technology	6,533	25,591	9,141	10,470	16,236	12,057	2,414	82,442	-	5,458	87,900
Other expenses	2,996	28,596	3,017	2,912	55,564	2,779	243	96,107	230,774	42,340	369,221
Total expenses	$ 396,792	$ 1,464,712	$ 506,569	$ 432,999	$ 905,109	$ 632,759	$ 400,590	$ 4,739,530	$ 1,188,282	$ 532,050	$ 6,459,862

See notes to consolidated financial statements

Catholic Charities of the Archdiocese of Milwaukee, Inc. and Foundation

Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program										
	Adult Day Service	Behavioral Health	Child Welfare	In-Home Support	Legal Services	Outreach	Parish Outreach	Total Program	Management and General	Fundraising	Total
Salaries and wages	$ 151,639	$ 657,297	$ 220,600	$ 287,330	$ 461,152	$ 268,394	$ 48,199	$ 2,094,611	$ 348,960	$ 164,992	$ 2,608,563
Employee benefits	14,367	168,281	44,754	57,507	81,131	45,958	9,220	421,218	80,067	37,467	538,752
Payroll tax	12,393	47,515	16,838	22,592	36,385	20,453	3,799	159,975	26,122	11,100	197,197
Total salaries and related expenses	178,399	873,093	282,192	367,429	578,668	334,805	61,218	2,675,804	455,149	213,559	3,344,512
Operations	205	7,284	9,040	1,607	14,993	2,299	1,181	36,609	53,415	109,885	199,909
In-kind	243	19,889	8,463	14,772	36,550	-	-	79,917	-	-	79,917
Specific assistance to clients	15,022	13,110	797	664	40,864	131,862	94,644	296,963	-	-	296,963
Rent and occupancy	74,768	156,695	72,956	48,194	78,013	52,222	5,969	488,817	121,256	22,948	633,021
Supplies	45,708	58,816	26,918	20,321	7,696	29,992	4,915	194,366	83,176	14,284	291,826
Promotions and advertising	-	-	-	-	-	-	-	-	-	7,927	7,927
Professional fees	-	11,962	48	-	8,750	36,585	102,459	159,804	121,671	41,639	323,114
Travel and meetings	193	15,283	10,182	11,934	5,876	8,164	442	52,074	19,595	239	71,908
Special events	-	-	-	-	-	-	-	-	-	9,784	9,784
Information technology	8,691	29,567	9,895	17,181	20,481	13,231	1,915	100,961	-	6,588	107,549
Other expenses	865	6,954	1,323	206	37,722	5,869	-	52,939	81,062	21,027	155,028
Total expenses	$ 324,094	$ 1,192,653	$ 421,814	$ 482,308	$ 829,613	$ 615,029	$ 272,743	$ 4,138,254	$ 935,324	$ 447,880	$ 5,521,458

1. Summary of Significant Accounting Policies

Nature of Activities

The consolidated financial statements include the accounts of Catholic Charities of the Archdiocese of Milwaukee, Inc. (Catholic Charities) and its related entity, Catholic Charities Foundation of the Archdiocese of Milwaukee, Inc. (the Foundation). The entities are collectively known as the Agency.

Catholic Charities is a nonprofit corporation whose mission ("a way of caring"), inspired by Christ's call to serve and Catholic social teachings is to help build a just and caring community by providing social services to those in need and by advocating for justice and equality in all societal structures. The mission is carried out primarily within the ten-county Archdiocese of Milwaukee area in response to local needs and in collaboration with other organizations.

The Foundation is a nonprofit corporation whose mission is to provide support to Catholic Charities through major donor development and investment management, thereby generating income which is used to further the mission and activities of Catholic Charities.

Basis of Accounting

The financial statements are presented on a consolidated basis, with all significant intercompany transactions eliminated in consolidation.

Cash and Cash Equivalents

The Agency defines cash equivalents as highly liquid, short term investments with a maturity at the date of acquisition of three months or less.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). The Agency records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses, net of investment expenses, are included in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Accounts Receivable

Accounts receivable are recorded at the anticipated net realizable value. The Agency determines the estimated net realizable value based on contractual agreements and historical experience. The expectation is that the time between the performance of a service for a client and the time when a third-party payer or the client pays for the service will be less than one year. Therefore, the Agency does not adjust the receivable for the effects of a significant financing component. Consistent with the Agency's mission, certain program services are provided to clients even if the clients' ability to pay for service is limited. See the discussion under “Revenue Recognition” in Note 1 for additional disclosures about material revenue streams and the determination of net realizable value based on the relevant factors.

Unconditional Promises to Give

Unconditional promises to give made to the Agency are recorded in the year the pledge is made. Amounts that are expected to be collected after one year are discounted and reflected in the consolidated financial statements at their net present value. An allowance for uncollectible promises to give is determined based on specific identification. The allowance for unconditional promises to give at December 31, 2022 and 2021 was $0.

Other Current Assets

Other current assets consist of prepaid expenses, assets held for sale and a security deposit. In prior years, the Agency received donations of sixteen burial plots and one burial crypt located in five local cemeteries. These assets are listed for sale at a discounted value and are reported at this value.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift, if donated. Acquisitions of property and equipment and right-of-use assets in excess of $3,000 and expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Contributions that are received with donor restrictions for the purchase or acquisition of property and equipment are released from donor restrictions when the asset is placed in service, unless a donor explicitly states otherwise. Maintenance, repairs and immaterial acquisitions funded through grants are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Property and equipment are depreciated using the straight line method (half year convention) over their estimated useful lives. Estimated useful lives used in the calculation of depreciation are:

Buildings and improvements	30-35 years
Leasehold improvements	Life of lease or 20 years
Equipment	3-10 years

Impairment of Long-Lived Assets

The Agency reviews long lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Other Long-Term Assets

Other long-term assets consist of donated land. The land is not used in operations nor is it being held for sale.

Asset Retirement Obligation

The asset retirement obligation consists of estimated costs and obligations associated with the retirement of long-lived assets. These liabilities are recorded at the estimated costs to remove asbestos.

Tax-Exempt Status

Catholic Charities and the Foundation have received notification that they qualify as tax exempt organizations under Section 501(c)(3) covered by the U.S. Internal Revenue Service group exemption letter of the United States Conference of Catholic Bishops and corresponding provisions of state law and, accordingly, are not subject to federal or state income taxes.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Agency are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor imposed stipulations.

Net Assets With Donor Restrictions

Net assets subject to donor imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Agency pursuant to those stipulations, or are to be maintained in perpetuity.

Board Designated Net Assets

The Agency's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. There were no board designations at December 31, 2022 and 2021.

Revenue Recognition

The Agency records program fees at the anticipated amount of actual payment which would be received, based on a contract and a review of recent history. The performance obligation within the contracts is to perform the indicated services for the customers under the contract. Program fees are most often billed on a monthly basis. Revenues are recognized at a point in time as services are provided to the customer, which are then billed by the Agency to the payor. The transaction prices are generally listed in the contracts or individual client agreements. Revenue streams were individually examined to determine a historical rate of realized revenue. The revenue streams included in program fees are adult day care, behavioral health, in home, adoption, legal and supporting parenting services.

Revenue for adult day care services was $138,811 and $131,143 for the years ended December 31, 2022 and 2021, respectively. Adult Day Care Services are paid through clients' insurance coverage at contracted rates, so no adjustments to the billed rates were necessary.

Revenue for behavioral health services was $376,456 and $372,139 for the years ended December 31, 2022 and 2021, respectively. Medicare and Medicaid revenue of $152,985 and $163,783 for the years ended December 31, 2022 and 2021, respectively, are net of a reduction to 60% of the billing rate, reflecting the experience of reimbursement rates of these two programs. Commercial insurance revenue was $130,970 and $91,012 for the years ended December 31, 2022 and 2021, respectively, and are net of a reduction to 50% of the billing rate based on reimbursement rates actually paid by the commercial insurers. The remaining amount of revenue in this revenue stream is immaterial.

Revenue for in home services was $51,671 and $74,459 for the years ended December 31, 2022 and 2021, respectively. Approximately half of the revenue was paid under annual contracts which fixed the amounts to be paid to the Agency for services rendered. Approximately half of the revenue was paid by the recipients of the services which were fixed at the commencement of services, therefore no adjustments to the billed rates were necessary.

Revenue for adoption services, legal services and supporting parenting totaled $164,518 and $177,668 for the years ended December 31, 2022 and 2021, respectively. The revenue is received from clients, with fees set at an initial meeting based on a number of factors specific to each individual client and their case.

Accounts receivable balances were $45,898 at January 1, 2021, $185,371 at December 31, 2021, and $199,363 at December 31, 2022. The Agency does not receive payments in advance of completing the performance obligation. There are no contract assets associated with any contracts with customers.

Revenue From Contributions

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises, that is those with a measurable performance barrier and a right of return, are not recognized until they become unconditional, that is when the conditions on which they depend are met. When contributions of cash or securities are received, the Agency recognizes revenue at the net amount realized from the check, credit card payment, or liquidation of the securities. Pledges for contributions in the future are recognized net of a discount. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donation. When donor restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as a contribution without donor restrictions.

In-Kind Contributions

The Agency reports various types of contributed goods and services as support, including supplies, professional services and equipment. Donated services are estimated based on published labor statistics. Donated supplies and equipment are recognized at their estimated fair value on the date received based on the estimated cost to purchase.

The Agency reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as public support with donor restrictions.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services are valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar services.

Unless otherwise noted, contributed nonfinancial assets did not have donor imposed restrictions.

In-kind goods and services totaled $96,859 and $79,917 for the years ended December 31, 2022 and 2021, respectively, and are reflected as public support and expenses on the Consolidated Statements of Activities.

The Agency also received contributed services for its various programs from volunteers which do not meet the recognition criteria described above. No amounts have been reflected in the consolidated financial statements for these contributed services.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The program services function includes all expenses directly related to the Agency's activities and programs. The supporting services function includes management and general expenses not directly associated with activities and programs and fundraising expenses. The expenses that are allocated include salaries and related expenses, professional fees and operations and are allocated based on estimated time and effort. Depreciation, rent and occupancy are allocated based on square footage.

Estimates

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adopted Accounting Pronouncement

During 2022, the Agency adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. Adopting ASU No. 2020-07 did not have a significant impact on the consolidated financial statements of the Agency.

Effective January 1, 2022, the Agency adopted Financial Accounting Standards Board (FASB) ASU No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach. The Agency's 2021 consolidated financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Lease expense for finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Agency recorded operating lease right-of-use assets and lease liabilities of $394,688. There was no effect on net assets as a result of the adoption.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Agency elected:

- The package of practical expedients permitted under the transition guidance which does not require the Agency to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provides for several accounting policy elections, as follows:

- The Agency has elected the policy not to separate lease and nonlease components for all lease classes;
- When the rate implicit in the lease is not determinable, rather than use the Agency's incremental borrowing rate, the Agency elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;
- The Agency elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Agency is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short term leases will continue to be recorded on a straight-line basis over the lease term; and
- The Agency elected to account for its leases using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 12.

New Accounting Pronouncement

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments.* ASU No. 2016-13 and subsequent amendments require financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (2023). The Agency is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its consolidated financial statements.

2. Fair Value of Financial Instruments

As defined by current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Agency uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the Agency attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the inputs used in the valuation methods, the Agency is required to provide certain information, which is set forth below, according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the inputs used to determine fair values.

Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1

Quoted market prices in active markets for identical assets or liabilities.

Level 2

Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3

Unobservable inputs that are not corroborated by market data.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Equity securities	$ 50,250	$ -	$ -	$ 50,250
Equity mutual funds	2,172,869	-	-	2,172,869
Corporate bonds	-	471,778	-	471,778
Government bonds	-	236,189	-	236,189
Catholic Community Foundation	-	-	1,228,729	1,228,729
Total	$ 2,223,119	$ 707,967	$ 1,228,729	4,159,815
Money market funds				1,064,214
Total investments				$ 5,224,029

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Equity securities	$ 21,564	$ -	$ -	$ 21,564
Equity mutual funds	3,217,487	-	-	3,217,487
Corporate bonds	-	331,705	-	331,705
Bond funds	410,864	-	-	410,864
Catholic Community Foundation	-	-	1,480,243	1,480,243
Total	$ 3,649,915	$ 331,705	$ 1,480,243	5,461,863
Money market funds				465,344
Total investments				$ 5,927,207

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Equity Securities, Equity Mutual Funds and Bond Funds

These investments are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Corporate and Government Bonds

These investments are measured at fair value using multiple sources of information that are corroborated by market data and are considered Level 2 items.

Catholic Community Foundation

The Agency classifies investments which are held at Archdiocese of Milwaukee Catholic Community Foundation, Inc. (CCF) as Level 3. It is not possible to determine a daily value of the Agency's portion of the commingled investment portfolio. The portfolio is divided among a group of investment managers to achieve diversification. CCF's policy requires a written distribution request to be submitted at least 60 days prior to the required distribution date. If a request is for more than 50% of the account balance at the time of the request, CCF reserves the right to defer payment of the amount for up to six months after receipt of the written distribution request. In 2022 and 2021, the change in fair value is the result of net investment returns.

Money Market Funds

Money market funds are determined on the cost basis. As a result, they are excluded from the fair value hierarchy level disclosures.

While the Agency believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the consolidated financial statements.

3. Property and Equipment

The major categories of property and equipment at December 31 are summarized as follows:

	2022	2021
Land	$ 124,318	$ 124,318
Buildings and improvements	1,309,511	1,309,511
Leasehold improvements	242,804	242,804
Equipment	957,765	812,920
Total property and equipment	2,634,398	2,489,553
Less accumulated depreciation	(1,630,077)	(1,515,864)
Net property and equipment	$ 1,004,321	$ 973,689

Depreciation expense totaled $114,213 and $62,832 for the years ended December 31, 2022 and 2021, respectively.

4. Unconditional Promises to Give

Unconditional promises to give are expected to be realized in the following periods as of December 31:

	2022	2021
Amounts due in:		
Less than one year	$ 1,294,791	$ 1,054,417
One to five years	-	25,000
Total	$ 1,294,791	$ 1,079,417

At December 31, 2022 and 2021, the Agency has conditional contributions outstanding totaling $218,372 and $0, respectively.

5. Affiliate

The Agency is one of the grant recipients of funds raised by the Archdiocese of Milwaukee (Archdiocese) Catholic Stewardship Appeal. The Stewardship grant is a primary source of funding for the Agency. Such contributions were $1,250,000 and $1,200,000 for the years ended December 31, 2022 and 2021, respectively. The unconditional promise to give from the Archdiocese was $600,000 at December 31, 2022 and 2021.

6. Long-Term Debt

Long-term debt consists of the following at December 31:

	2022	2021
Mortgage payable secured by land and building with interest at 4%. Monthly principal and interest payments are $2,066 through February 2027.	$ 96,397	$ 117,022
Mortgage payable secured by land and building with interest at 3.83%. Monthly principal and interest payments are $2,426 through November 2025.	80,186	105,821
Mortgage payable secured by land and building with interest at 5.34%. Monthly principal and interest payments are $2,093 and it was due March 2022. The Agency refinanced the mortgage payable during March 2022 with interest at 4.682%. Monthly principal and interest payments are $2,030 through March 2027.	180,491	194,373
Total	357,074	417,216
Less current portion	(63,993)	(60,449)
Long-term portion	$ 293,081	$ 356,767

Principal requirements on long-term debt for years ending after December 31, 2022 are reflective of the refinanced terms and are as follows:

Years ending December 30:	
2023	$ 63,993
2024	66,681
2025	67,085
2026	42,718
2027	116,597
Total	$ 357,074

The Agency has a line of credit agreement establishing a credit level of $250,000 through a bank with interest at prime plus .25% (7.75% at December 31, 2022) due on demand. The Agency did not take any draws nor had any amounts outstanding on the line of credit agreement at December 31, 2022 and 2021.

Interest on long-term debt and the line of credit was $17,023 and $22,031 for the years ended December 31, 2022 and 2021, respectively.

7. Paycheck Protection Program Loan

On April 14, 2020, the Agency received loan proceeds in the amount of $566,600 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. The Agency may request to repay the loan over five years and the request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Agency met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during 2021. Legal release was received during March of 2021, therefore, the Agency recorded forgiveness income of $566,600 included in other revenue in its Consolidated Statement of Activities for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

8. Asset Retirement Obligation

Following is a reconciliation of the asset retirement obligation associated with the Agency's removal of asbestos at December 31.

	2022	2021
Beginning balance	$ 39,290	$ 37,178
Increase in present value of obligation	11,569	2,112
Ending balance	$ 50,859	$ 39,290

9. Employee Benefit Plans

403(b) Plan

The Agency has a defined contribution retirement savings plan covering substantially all eligible employees. The Agency makes a 4% contribution based on employees' salaries. Additionally, a 2% discretionary contribution to the plan is provided. Pension expense was $140,938 and $117,163 for the years ended December 31, 2022 and 2021, respectively.

10. Net Assets

Net assets with donor restrictions consist of the following as of December 31:

	2022	2021
Restricted as to timing:		
United Way allocation:		
Behavioral health program	$ 183,890	$ 146,461
Outreach	36,789	68,742
In-home support services program	52,348	52,348
Child welfare program	35,926	35,926
	308,953	303,477
Archdiocese of Milwaukee:		
Adult day services program	25,000	25,000
Behavioral health program	185,868	185,868
Outreach	125,000	125,000
In-home support services program	75,000	75,000
Adoption and pregnancy support program	50,000	50,000
Supported parenting program	50,000	50,000
Legal services for immigrants	89,132	89,132
	600,000	600,000
Other unconditional promises to give	302,845	143,731
Restricted as to purpose:		
Miscellaneous restrictions by purpose	-	569
Earnings on endowment fund	631,694	916,016
	631,694	916,585
Restricted in perpetuity:		
Pregnancy counseling and support	-	9,422
Endowment fund	1,646,979	1,646,979
	1,646,979	1,656,401
Total net assets with donor restrictions	$ 3,490,471	$ 3,620,194

11. Endowment

The Agency follows the provisions of current authoritative guidance relating to endowments of not-for-profit organizations, which provides guidance on classifying net assets associated with donor restricted and board designated endowment funds held by an organization. A key component of the guidance is a requirement to classify the portion of a donor restricted endowment fund as net assets with donor restrictions until appropriated for expenditure. As is the policy of the Agency, restrictions on investment income which are met in the current period are reported as without donor restrictions.

Interpretation of Relevant Law

The Agency has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. The Agency classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA as adopted by the state of Wisconsin. If the fair value of the net assets with donor restrictions at year end is below the original fair value, the deficit is recorded as net assets with donor restrictions.

Fund Objectives and Policies

The endowment fund was established to assist the Agency in its mission by providing support for the operations and activities of the Agency's programs and services. The endowment fund consists of donor restricted gifts. The endowment fund is invested in a manner which attempts to provide a stream of funding for the purposes supported by the endowment as well as maintaining the purchasing power of the endowment assets. The fund is currently invested with investment advisors in a manner intended to assume a moderate level of investment risk while pursuing a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Agency investments are screened to comply with socially responsible investment principles consistent with Catholic Social Teaching. The Agency spending policy is that under normal circumstances only the income and appreciation of the fund are to be used for the fund's support purposes. This is consistent with the objective to maintain the principal of the endowment assets as well as to provide additional real growth through new gifts.

Endowment net asset composition by type of fund for the years ended December 31 consists of the following:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	$ -	$ 2,278,673	$ 2,278,673

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	$ -	$ 2,562,995	$ 2,562,995

Changes in endowment net assets for the years ended December 31 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2021	$ -	$ 2,562,995	$ 2,562,995
Investment return:			
Investment income net of fees	-	25,982	25,982
Net depreciation realized and unrealized	-	(310,304)	(310,304)
Total investment return	-	(284,322)	(284,322)
Endowment net assets, December 31, 2022	$ -	$ 2,278,673	$ 2,278,673

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2020	$ -	$ 2,300,044	$ 2,300,044
Investment return:			
Investment income net of fees	-	21,065	21,065
Net appreciation realized and unrealized	-	241,886	241,886
Total investment return	-	262,951	262,951
Endowment net assets, December 31, 2021	$ -	$ 2,562,995	$ 2,562,995

12. Leases

The Agency leases facilities and equipment under lease agreements expiring at various dates through July 2026. Two leases require lease payments plus pro-rata increases on real estate taxes and operating expenses.

Leases, Prior to January 1, 2022

Rent expense on the operating leases was $120,407 for the year ended December 31, 2021.

Leases, January 1, 2022 and After

Right-of-use assets represent the Agency's right to use an underlying asset for the lease term, while lease liabilities represent the Agency's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Agency's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Agency's sole discretion. The Agency regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Agency includes such options in the lease term. Additionally, upon adoption of the new standard, the Agency made judgments regarding lease terms for certain of its real property leases that were in month-to-month status or that contained auto-renewal clauses. The Agency estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Agency uses the rate implicit in the lease, or if not readily available, the Agency uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Agency's long-lived asset policy. The Agency reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Agency made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Agency:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Agency obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases; and
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases.

The Agency leases office space from the Archdiocese of Milwaukee under a lease which expires each June 30, but is automatically renewed for another year unless either party provides notice that it wishes to cancel. This is included in the operating lease right-of-use assets and operating lease liabilities.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2022:

Operating lease right-of-use assets	$ 287,878
Operating lease liabilities:	
Current	$ 126,357
Long-term	161,521
Total operating lease liabilities	$ 287,878

Below is a summary of expenses incurred pertaining to leases during the year ended December 31, 2022

Operating lease expense	$ 125,769

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 5.7%. As of December 31, 2022, the weighted average remaining lease term was approximately 3 years.

The table below summarizes the Agency's schedule future minimum lease payments for years ending after December 31, 2022:

Years ending December 31:	
2023	$ 126,356
2024	95,761
2025	54,550
2026	34,601
Total lease payments	311,268
Less present value discount	(23,390)
Total lease liabilities	$ 287,878

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 125,475
Operating lease right-of-use assets obtained in exchange for lease liabilities	$ 394,688

13. Concentrations

The Agency maintains a cash balance in two institutions which exceed the federally insured limit of $250,000. The Agency has not experienced any losses in the accounts and believes they are not exposed to any significant credit risk on cash.

The Agency has a collective bargaining agreement which covers approximately 38% of employees for 2022 and 2021, respectively. The agreement expired on December 31, 2022. The Agency is currently in the process of negotiating a new agreement.

Approximately 28% of contributions were from four donors for the year ended December 31, 2022 and 31% of contributions were from a single donor for the year ended December 30, 2021.

14. Protected Self-Insurance Program

The Agency participates in a protected self-insurance program along with various other Catholic entities operating within the boundaries of the Archdiocese. Premiums and loss reserves are determined and claims are processed by a service agency on a contractual basis.

Losses are paid from the loss fund of the protected self-insurance program to which premiums are paid by the Agency. No single claim from the loss fund may exceed a specified maximum. Claims in excess of this maximum are fully covered by insurance.

15. Availability of Financial Assets

The following reflects the Agency's financial assets available to meet cash needs for operating expenses and scheduled principal payments on debt within one year of December 31:

	2022	2021
Financial assets available within one year:		
Cash and cash equivalents	$ 1,903,247	$ 2,769,390
Accounts receivable, net	199,363	185,371
Unconditional promises to give	1,294,791	1,054,417
Investments	5,224,029	5,927,207
Total	8,621,430	9,936,385
Less purpose restricted unconditional promises to give:		
United Way	(308,953)	(303,477)
Archdiocese of Milwaukee	(600,000)	(600,000)
Less amounts restricted for endowment (including earnings)	(2,278,673)	(2,562,995)
Financial assets available to meet cash needs for general use within one year	$ 5,433,804	$ 6,469,913

The Agency relies on public support and program fees to meet operational needs. The practice of the Agency is to structure financial assets to be available as general expenditures, liabilities and other obligations come due. Cash in excess of daily requirements is invested in short-term investments. The Agency could also draw upon a bank line of credit of $250,000.

16. Subsequent Events

The Agency has evaluated subsequent events through May 24, 2023 which is the date that the consolidated financial statements were approved and available to be issued.