CATHOLIC CHARITIES OF THE ARCHDIOCESE OF MILWAUKEE, INC. AND FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

WITH INDEPENDENT AUDITORS' REPORT

vrakas

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Catholic Charities of the Archdiocese of Milwaukee, Inc. and Foundation (the Agency), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit 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 audit. 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.

Vrakas Adrianson LLC

Kenosha, Wisconsin
December 4, 2024

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

Consolidated Statement of Financial Position

December 31, 2023

ASSETS	
CURRENT ASSETS	
Cash	$ 1,486,549
Accounts receivable, net	80,121
Unconditional promises to give	1,230,369
Other current assets	113,497
TOTAL CURRENT ASSETS	2,910,536
PROPERTY AND EQUIPMENT	
Land	119,350
Buildings and improvements	1,596,644
Leasehold improvements	250,293
Equipment	778,442
TOTAL PROPERTY AND EQUIPMENT	2,744,729
Less - accumulated depreciation	1,737,256
NET PROPERTY AND EQUIPMENT	1,007,473
OTHER ASSETS	
Investments	5,773,279
Operating lease right-of-use assets	190,959
TOTAL OTHER ASSETS	5,964,238
TOTAL ASSETS	$ 9,882,247
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 177,391
Accrued payroll	192,160
Accrued liabilities	119,072
Current maturities of notes payable	66,543
Current maturities of operating lease liabilities	93,150
TOTAL CURRENT LIABILITIES	648,316
LONG-TERM LIABILITIES	
Notes payable, less current maturities	226,660
Operating lease liabilities, less current maturities	97,809
Asset retirement obligation	50,859
TOTAL LONG-TERM LIABILITIES	375,328
TOTAL LIABILITIES	1,023,644
NET ASSETS	
Without donor restrictions	5,084,650
With donor restrictions	3,773,953
TOTAL NET ASSETS	8,858,603
TOTAL LIABILITIES AND NET ASSETS	$ 9,882,247

The accompanying notes are an integral part of this statement.

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

Consolidated Statement of Activities
For the Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
PUBLIC SUPPORT			
Archdiocese of Milwaukee	$ 600,000	$ 600,000	$ 1,200,000
United Way	310,361	288,945	599,306
Contributions	3,170,429	388,722	3,559,151
In-kind contributions	83,426	-	83,426
Special events	66,250	-	66,250
Net assets released from restrictions	1,565,752	(1,565,752)	-
TOTAL PUBLIC SUPPORT	5,796,218	(288,085)	5,508,133
REVENUE			
Program fees	457,544	-	457,544
Investment return, net	69,765	571,567	641,332
Other	26,839	-	26,839
TOTAL REVENUE	554,148	571,567	1,125,715
TOTAL REVENUE AND PUBLIC SUPPORT	6,350,366	283,482	6,633,848
EXPENSES			
Program	4,233,461	-	4,233,461
Management and general	844,940	-	844,940
Fundraising	546,857	-	546,857
TOTAL EXPENSES	5,625,258	-	5,625,258
OTHER EXPENSES			
Nonrecurring expenses	1,227,777	-	1,227,777
CHANGE IN NET ASSETS	(502,669)	283,482	(219,187)
NET ASSETS			
Beginning of year	5,587,319	3,490,471	9,077,790
End of year	$ 5,084,650	$ 3,773,953	$ 8,858,603

The accompanying notes are an integral part of this statement.

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

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2023

	Program										
	Adult day care services	Behavioral health	Child welfare	In-home support	Legal services	Outreach	Parish outreach	Total program	Management and general	Fundraising	Total
Salaries and wages	$ 170,897	$ 913,120	$ 259,543	$ 241,931	$ 532,431	$ 367,181	$ 47,785	$ 2,532,888	$ 364,613	$ 206,281	$ 3,103,782
Employee benefits	33,868	195,683	47,207	46,396	77,765	80,439	22,682	504,040	61,796	41,365	607,201
Payroll tax	12,421	65,016	18,134	17,291	38,726	25,724	2,992	180,304	25,487	14,115	219,906
Total salaries and related expenses	217,186	1,173,819	324,884	305,618	648,922	473,344	73,459	3,217,232	451,896	261,761	3,930,889
Operations	1,737	5,352	9,033	1,834	26,676	1,352	2,405	48,389	17,587	128,771	194,747
In-kind	-	35,926	4,385	2,751	40,364	-	-	83,426	-	-	83,426
Specific assistance to clients	18,886	-	700	-	3,309	2,588	-	25,483	-	-	25,483
Rent and occupancy	49,440	143,761	57,120	32,524	105,640	61,164	2,268	451,917	76,179	15,787	543,883
Supplies	1,810	29,286	5,223	2,949	6,420	3,580	13,156	62,424	16,492	334	79,250
Promotions and advertising	-	-	-	-	865	-	-	865	2,894	10,545	14,304
Professional fees	-	13,048	807	-	19,950	-	113,025	146,830	109,767	39,471	296,068
Travel and meetings	773	5,554	12,899	7,861	3,397	5,640	-	36,124	9,807	1,025	46,956
Special events	-	160	40	21	5	25	347	598	500	17,775	18,873
Information technology	5,157	22,594	6,674	7,325	13,632	9,862	1,199	66,443	8,460	5,047	79,950
Other expenses	6,930	34,439	947	427	50,418	569	-	93,730	151,358	66,341	311,429
Total expenses	$ 301,919	$ 1,463,939	$ 422,712	$ 361,310	$ 919,598	$ 558,124	$ 205,859	$ 4,233,461	$ 844,940	$ 546,857	$ 5,625,258

The accompanying notes are an integral part of this statement.

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

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (219,187)
Add (deduct)	
Depreciation	107,181
Loss on sale of land	31,093
Net realized and unrealized gains on investments	(558,534)
Changes in cash due to changes in	
Accounts receivable	119,242
Unconditional promises to give	64,422
Other current assets	(624)
Accounts payable	117,824
Accrued expenses	65,898
NET CASH FLOW - OPERATING ACTIVITIES	(272,685)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(112,943)
Proceeds from sale of land	23,517
Purchases of investments	(340,479)
Proceeds from sale of investments	349,763
NET CASH FLOW - INVESTING ACTIVITIES	(80,142)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on notes payable	(63,871)
NET CHANGE IN CASH	(416,698)
CASH	
Beginning of year	1,903,247
End of year	$ 1,486,549
SUPPLEMENTAL CASH FLOWS DISCLOSURES	
Cash paid for interest	$ 14,392
Operating lease right-of-use assets recorded in exchange for operating lease liabilities	$ 19,177
Cash paid to reduce operating lease liabilities and corresponding lease expense recorded to reduce operating lease right-of-use assets	$ 116,096

The accompanying notes are an integral part of this statement.

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. The Foundation is consolidated since the Agency has both an economic interest in the Foundation and has the ability to control the Foundation through a majority interest in its governing body.

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. Such net assets are available for any purpose consistent with the Agency's mission.

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 designated net assets at December 31, 2023.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Subsequent events - These consolidated financial statements include management's evaluation of events and transactions occurring subsequent to December 31, 2023 through December 4, 2024, which is the date the consolidated financial statements were available to be issued.

Cash - The Agency defines cash as highly liquid, short term investments with a maturity at the date of acquisition of three months or less. The Agency maintains its cash balances at Federal Deposit Insurance Corporation (FDIC) insured banks. The FDIC provides limited insurance on cash deposits. At times, amounts on deposit may exceed the federally insured limits. To date, the Agency has not experienced losses in any of these accounts and management believes they are not exposed to any significant risk related to their cash.

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 is considered a fair measure of the value at the date of donation). Investment transactions are recorded on the trade date. Investment income or loss and unrealized gains or losses, net of investment expenses, are included in the consolidated statement 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 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 discount the receivable. 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. Based on management's assessment, management does not believe an allowance for unconditional promises to give is needed as of December 31, 2023.

Credit losses - Effective January 1, 2023, the Agency adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* using the modified retrospective method. Under this ASU, the Agency presents financial instruments measured at amortized cost, including accounts receivable, 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 credit losses is based on a broad range of reasonable and supportable information, including economic outlooks. The adoption of this ASU had no impact on the Agency's consolidated financial statements.

An allowance for credit losses is maintained based on any specific collection issues and aggregate historical collection experience adjusted for current conditions, forecasting data and any relevant industry specific economic factors. Receivables are written off when deemed uncollectable and are recognized as a reduction to the allowance for credit losses. The activity in the allowance for credit losses during the year ended December 31, 2023 is as follows:

Beginning Balance	$ 41,061
Provision for expected losses	945,262
Write-offs	(931,262)
Ending balance	$ 55,061

Property and equipment - Property and equipment are stated at cost, if purchased, and at fair value at the date of the gift, if donated. Acquisitions of property and equipment 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.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

Buildings and improvements	30-35 years
Leasehold improvements	10-20 years
Equipment	3-10 years

Long-lived assets - The Agency annually considers whether indicators of impairment of long-lived assets held for use are present. If such indicators are present, the Agency determines whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amount, and if so, the Agency would recognize an impairment loss based on the excess of the carrying amount of the assets over their fair value. Management has determined no indicators of impairment were present as of December 31, 2023.

Leases - The Agency recognizes a right-of-use (ROU) asset and lease liability at the commencement date of a lease based on the present value of all expected lease payments over the term of the lease using a risk-free rate as the discount rate. Such assets and liabilities are updated when/if the terms of existing leases are modified and/or extended. ROU assets are reduced over the term of the leases. Lease liabilities are reduced as lease payments are made. Lease costs are recorded on a straight line basis over the lease term as a component of expenses.

Non-lease component costs, such as real estate taxes and common area charges, and variable lease payments, generally consisting of index-based changes in rent, are expensed as incurred and not included in the measurement of ROU assets and lease liabilities.

The Agency does not record ROU assets and related lease liabilities for short-term leases that have a lease term of 12 months or less at inception date. The lease costs associated with short-term leases are expensed on a straight-line basis over the term of the leases.

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. 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, typically on a monthly basis. 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 services, in home services, adoption services, legal services and supporting parenting services.

Revenue for adult day care services was $121,878 for the year ended December 31, 2023. 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 $220,827 for the year ended December 31, 2023. Medicare and Medicaid revenue of $331,924 for the year ended December 31, 2023, 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 $232,807 for the year ended December 31, 2023 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 $25,525 for the year ended December 31, 2023. 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 $89,314 for the year ended December 31, 2023. 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, so no adjustments to the billed rates were necessary.

Revenue from public support - Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises, which are 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 statement 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.

In-kind goods and services totaled $83,426 for the year ended December 31, 2023 and are reflected as public support and expenses on the consolidated statement 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.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement 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.

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.

The Agency analyzed the requirements for accounting for uncertain tax positions and determined that it was not required to record a liability related to uncertain tax positions as of December 31, 2023. With few exceptions, the Agency is no longer subject to federal income tax examinations by tax authorities for years before 2020 and state income tax examinations for years before 2019.

2. LIQUIDITY AND 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, 2023:

Financial assets available within one year:	
Cash	$ 1,486,549
Accounts receivable, net	80,121
Unconditional promises to give	1,230,369
Investments	5,773,279
Total	8,570,318
Less purpose restricted unconditional promises to give:	
United Way	(288,945)
Archdiocese of Milwaukee	(600,000)
Less amounts restricted for endowment (including earnings)	(2,501,286)
Financial assets available to meet cash needs for general use within one year	$ 5,180,087

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. The Agency could also draw upon a bank line of credit of $250,000 (see Note 5).

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Valuation is based upon quoted prices in active markets for identical investments.

Level 2 - Valuation is based upon other significant observable inputs (including quoted prices for similar investments).

Level 3 - Valuation is based upon significant unobservable inputs (including the Agency's assumptions in determining the fair value).

Following is a description of the valuation methodologies used for investments measured at fair value:

Equity mutual 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 measurements.

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 2023, the change in fair value of $192,735 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.

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

	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Equity mutual funds	$2,521,742	$ -	$ -	$2,521,742
Corporate bonds	-	360,232	-	360,232
Government bonds	-	381,364	-	381,364
Catholic Community Foundation	-	-	1,421,464	1,421,464
Total	$2,521,742	$741,596	$1,421,464	4,684,802
Money market funds *				1,088,477
Total investments				$5,773,279

*The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position as of December 31, 2023.

Investments in general are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

4. 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 $1,200,000 for the year ended December 31, 2023. The unconditional promise to give from the Archdiocese was $600,000 at December 31, 2023.

5. LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2023:

Mortgage payable secured by land and building with interest at 4%. Monthly principal and interest payments are $2,066 through February 2027.	$ 73,416
Mortgage payable secured by land and building with interest at 3.83%. Monthly principal and interest payments are $2,426 through November 2025.	53,720
Mortgage payable secured by land and building with interest at 4.682%. Monthly principal and interest payments are $2,030 through March 2027.	166,067
Total	293,203
Less current maturities	(66,543)
Long-term portion	$226,660

Future maturities of long-term debt are as follows:

2024	$ 66,543
2025	67,012
2026	42,613
2027	117,035

The Agency has a line of credit agreement establishing a credit level of $250,000 through a bank with interest at prime plus .25% (8.75% at December 31, 2023) due on demand. The Agency did not take any draws on the line during 2023 or have any amounts outstanding on the line at December 31, 2023.

6. EMPLOYEE BENEFIT PLANS

The Agency has a defined contribution retirement savings plan covering substantially all eligible employees. The Agency makes a 4% mandatory contribution based on employees' salaries. Additionally, a 2% discretionary contribution to the plan is provided. Contributions to the plan were $136,478 for the year ended December 31, 2023.

7. NET ASSETS

Net assets with donor restrictions consist of the following as of December 31, 2023:

Restricted as to timing:	
United Way allocation:	
Behavioral health program	$ 178,674
Outreach	28,618
In-home support services program	48,423
Child welfare program	33,230
	288,945
Archdiocese of Milwaukee	600,000
Love One Another Program	250,000
	850,000
Other unconditional promises to give	133,722
Restricted as to purpose:	
Earnings on endowment fund	854,779
	854,779
Restricted in perpetuity:	
Endowment fund	1,646,507
	1,646,507
Total net assets with donor restrictions	$3,773,953

8. 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 year ended December 31, 2023 consists of the following:

	Without donor restrictions	With donor restrictions	Total
Donor restricted	$ -	$2,501,286	$2,501,286

Changes in endowment net assets for the year ended December 31, 2023 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, December 31, 2022	$ -	$2,278,673	$2,278,673
Investment return:			
Investment income net of fees	-	22,322	22,322
Net realized and unrealized gains	-	200,291	200,291
Total investment return	-	222,613	222,613
Endowment net assets, December 31, 2023	$ -	$2,501,286	$2,501,286

9. 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. Total operating lease costs were $124,295 for the year ended December 31, 2023.

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. 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 calculated a right-of-use asset and lease liability based on the lease term.

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 5.7%. As of December 31, 2023, the weighted average remaining lease term was approximately 2 years.

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 lease is included in the calculation of operating lease right-of-use assets and operating lease liabilities.

Maturities of lease liabilities as of December 31, 2023 are as follows:

2024	$100,838
2025	58,946
2026	38,573
2027	4,395
2028	1,298
Total lease payments	204,050
Less present value discount	(13,091)
Total lease liabilities	$190,959

10. CONCENTRATIONS

Approximately 41% of contributions were from two donors for the year ended December 31, 2023. Unconditional promises to give from these donors was $850,000 as of December 31, 2023.

11. 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.

12. NONRECURRING EXPENSES

Subsequent to December 31, 2023, the Agency discovered that certain employees of the Agency made unauthorized disbursements of Agency funds. Those involved in such actions were promptly terminated and the Agency reported the matter to law enforcement. The Agency also hired an independent third party to perform a forensic investigation. The Agency has identified unauthorized disbursements of approximately $1.23 million during 2023, which are classified as nonrecurring expenses on the accompanying consolidated statement of activities. The Agency estimates there were unauthorized disbursements of approximately $500,000 from January through May 2024. None of the unauthorized disbursements were made with donor restricted net assets. The investigations by the Agency and third party also involve years prior to 2023 and are still on-going as of the date these financial statements were available to be issued. To date, the Agency has incurred approximately $225,000 in expenses related to investigation and audit related matters. The Agency believes that a portion of the total unauthorized disbursements will be recovered through insurance proceeds.