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

Milwaukee, Wisconsin

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2019 and 2018

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

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As of and for the Years Ended December 31, 2019 and 2018

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 statements of financial position as of December 31, 2019 and 2018, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Baker Tilly Virchow Krause, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Opinion

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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Agency adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
May 27, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 1,673,175	$ 1,116,249
Accounts receivable, net	65,244	116,490
Grants receivable	-	8,938
Unconditional promises to give	1,045,350	1,047,798
Other current assets	109,352	115,744
Total Current Assets	2,893,121	2,405,219
PROPERTY AND EQUIPMENT	951,477	1,111,053
OTHER ASSETS		
Investments	3,973,994	2,196,618
Long-term unconditional promises to give	75,000	-
Other long-term assets	52,000	52,000
Total Other Assets	4,100,994	2,248,618
TOTAL ASSETS	$ 7,945,592	$ 5,764,890

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 51,957	$ 46,130
Accounts payable	29,075	65,214
Accrued payroll	142,829	155,296
Accrued liabilities	43,354	49,992
Total Current Liabilities	267,215	316,632
LONG-TERM LIABILITIES		
Long-term debt	470,012	525,450
Asset retirement obligation	35,324	35,130
Total Liabilities	772,551	877,212
NET ASSETS		
Without donor restrictions	3,935,280	1,771,763
With donor restrictions	3,237,761	3,115,915
Total Net Assets	7,173,041	4,887,678
TOTAL LIABILITIES AND NET ASSETS	$ 7,945,592	$ 5,764,890

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	Without Donor Restrictions	With Donor Restrictions	2018 Total
PUBLIC SUPPORT						
Government grants	$ -	$ -	$ -	$ 529,097	$ -	$ 529,097
Archdiocese of Milwaukee	576,379	576,465	1,152,844	576,552	576,552	1,153,104
United Way	350,922	342,007	692,929	394,789	360,250	755,039
Contributions	4,024,236	210,994	4,235,230	1,578,910	425,627	2,004,537
In-kind contributions	120,077	-	120,077	72,240	-	72,240
Special events	37,100	-	37,100	49,200	-	49,200
Net assets released from restriction	1,317,751	(1,317,751)	-	1,693,480	(1,693,480)	-
Total Public Support	6,426,465	(188,285)	6,238,180	4,894,268	(331,051)	4,563,217
REVENUE						
Program fees	678,792	-	678,792	966,531	-	966,531
Investment income, net	41,198	310,131	351,329	9,165	(163,865)	(154,700)
Other	31,010	-	31,010	17,146	-	17,146
Total Revenue	751,000	310,131	1,061,131	992,842	(163,865)	828,977
Total Public Support and Revenue	7,177,465	121,846	7,299,311	5,887,110	(494,916)	5,392,194
EXPENSES						
Program	3,742,140	-	3,742,140	4,548,022	-	4,548,022
Management and general	813,407	-	813,407	846,162	-	846,162
Fundraising	458,401	-	458,401	424,524	-	424,524
Total Expenses	5,013,948	-	5,013,948	5,818,708	-	5,818,708
CHANGE IN NET ASSETS	2,163,517	121,846	2,285,363	68,402	(494,916)	(426,514)
NET ASSETS - Beginning of Year	1,771,763	3,115,915	4,887,678	1,703,361	3,610,831	5,314,192
NET ASSETS - END OF YEAR	$ 3,935,280	$ 3,237,761	$ 7,173,041	$ 1,771,763	$ 3,115,915	$ 4,887,678

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 2,285,363	$ (426,514)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	159,576	145,509
Net realized and unrealized (gains) loss on investments	(285,596)	207,347
Donated investments received	(1,443,282)	-
Accretion of asset retirement obligation	194	1,672
Provision for bad debts	-	49,198
Changes in assets and liabilities		
Receivables	60,184	64,349
Unconditional promises to give	(72,552)	526,195
Other current assets	6,392	(33,920)
Accounts payable	(36,139)	7,401
Accrued expenses	(19,105)	1,505
Grant advance payable	-	(98,325)
Net Cash Flows from Operating Activities	655,035	444,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	-	(155,667)
Purchase of investments	(391,345)	(867,865)
Proceeds from sale of investments	342,847	465,103
Net Cash Flows from Investing Activities	(48,498)	(558,429)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(49,611)	(49,469)
Net Change in Cash and Cash Equivalents	556,926	(163,481)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,116,249	1,279,730
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,673,175	$ 1,116,249
Cash paid for interest	$ 29,092	$ 26,616
Noncash investing and financing activities		
Refinancing of debt	$ 232,812	$ 349,896

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2019

	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	$ 163,535	$ 638,671	$ 247,141	$ 299,919	$ 415,633	$ 227,595	$ 14,322	$ 2,006,816	$ 323,826	$ 205,760	$ 2,536,402
Employee benefits	16,692	113,664	38,046	43,934	52,306	36,447	1,303	302,392	54,575	40,672	397,639
Payroll tax expense	13,152	49,162	19,473	24,480	32,921	17,411	1,310	157,909	24,913	15,429	198,251
Total Salaries and Related Expenses	193,379	801,497	304,660	368,333	500,860	281,453	16,935	2,467,117	403,314	261,861	3,132,292
Operations	2,338	19,946	9,447	5,254	35,582	4,456	1,332	78,355	43,372	105,852	227,579
In-kind	4,013	34,243	4,362	364	67,509	4,267	-	114,758	-	5,320	120,078
Specific assistance to clients	28,968	637	638	23	201	2,500	3,395	36,362	-	-	36,362
Rent and occupancy	89,793	157,924	65,164	52,065	62,154	55,852	3,411	486,363	42,150	8,069	536,582
Supplies	14,663	60,829	21,153	14,961	32,442	24,422	1,361	169,831	63,435	5,581	238,847
Promotions and advertising	-	-	13	-	24	-	600	637	13,468	5,797	19,902
Professional fees	4,192	20,398	2,847	952	6,402	1,250	109,108	145,149	122,939	29,404	297,492
Travel and meetings	222	9,078	10,576	18,622	1,952	8,039	170	48,659	20,404	1,253	70,316
Special events	-	-	-	-	-	-	9,059	9,059	150	18,852	28,061
Information technology	11,606	44,169	17,230	21,632	29,597	16,007	791	141,032	23,798	14,272	179,102
Other expenses	2,917	22,159	3,784	-	14,368	1,590	-	44,818	80,377	2,140	127,335
Total Expenses	$ 352,091	$ 1,170,880	$ 439,874	$ 482,206	$ 751,091	$ 399,836	$ 146,162	$ 3,742,140	$ 813,407	$ 458,401	$ 5,013,948

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2018

	Program											
	Adult Day Service	Behavioral Health	Child Welfare	In-Home Support	Legal Services	MRS	Outreach	Parish Outreach	Total Program	Management and General	Fundraising	Total
Salaries and wages	$ 172,729	$ 752,672	$ 253,539	$ 346,298	$ 298,515	$ 374,134	$ 270,657	$ 54,733	$ 2,523,277	$ 445,123	$ 149,073	$ 3,117,473
Employee benefits	13,361	122,690	48,958	60,333	50,716	51,405	57,122	10,462	415,047	76,755	39,142	530,944
Payroll tax expense	13,942	55,183	22,139	23,958	22,803	29,431	19,436	4,116	191,008	29,988	10,756	231,752
Total Salaries and Related Expenses	200,032	930,545	324,636	430,589	372,034	454,970	347,215	69,311	3,129,332	551,866	198,971	3,880,169
Operations	3,885	37,055	2,881	5,305	43,773	11,189	3,103	1,541	108,732	28,320	124,478	261,530
In-kind	7,710	24,501	7,687	-	13,990	12,230	-	-	66,118	961	5,161	72,240
Specific assistance to clients	35,655	-	1,461	-	1,613	160,903	9,966	-	209,598	-	-	209,598
Rent and occupancy	60,571	134,772	46,901	51,299	43,439	79,835	53,929	4,119	474,865	43,320	7,323	525,508
Supplies	8,176	30,673	14,188	7,991	16,366	7,126	7,147	1,274	92,941	24,420	9,302	126,663
Promotions and advertising	-	-	-	-	-	-	-	-	-	6,862	-	6,862
Professional fees	250	19,260	2,207	-	7,827	563	-	124,554	154,661	91,669	55,881	302,211
Travel and meetings	298	13,179	15,554	19,352	2,313	9,578	6,784	812	67,870	11,793	863	80,526
Bad debt	-	43,670	2,000	3,528	-	-	-	-	49,198	-	-	49,198
Special events	-	-	18	-	-	-	-	11,461	11,479	3,778	13,602	28,859
Information technology	9,465	38,231	13,729	19,495	15,853	19,744	13,803	2,809	133,129	22,224	8,036	163,389
Other expenses	488	22,693	6,418	882	13,605	1,551	4,262	200	50,099	60,949	907	111,955
Total Expenses	$ 326,530	$ 1,294,579	$ 437,680	$ 538,441	$ 530,813	$ 757,689	$ 446,209	$ 216,081	$ 4,548,022	$ 846,162	$ 424,524	$ 5,818,708

See accompanying notes to consolidated financial statements.

NOTE 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 and 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.

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2019 and 2018 was $0 and $4,800 respectively.

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 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.

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 permanently.

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.

Revenue Recognition

In 2019, the Agency adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all related amendments using the modified retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised services to clients in an amount that reflects the payment which the Agency expects to receive in exchange for providing those services. Additionally, ASU No. 2014-09 requires enhanced disclosure of revenue arrangements.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Agency applied the modified retrospective approach to all contracts and services when adopting ASU No. 2014-09 and did not record a cumulative adjustment as the timing and measurement of revenue for the Agency's customers is similar to its prior revenue recognition model. As a result of the adoption, what was previously classified as the provision for bad debts in the consolidated Statement of Functional Expenses is now reflected as implicit price concessions, as defined in Topic 606, and therefore is included as a reduction of net revenues for program fees. For changes in transaction price resulting from actual realized payments, the Agency will prospectively recognize those differences as adjustments to program fees on the Consolidated Statements of Activities. For periods prior to January 1, 2019, the provision for bad debts has been presented consistent with the previous revenue recognition standards that required separate presentation of these amounts on the Consolidated Statements of Functional Expenses.

During 2019, the Agency recorded program fees at the anticipated amount of actual payment which would be received, based on a contract or a review of recent history. The performance obligation of 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 $257,159 for the year ended December, 31 2019. Adult Day Care Services was paid through clients' insurance coverage at contracted rates, so no adjustments to the billed rates were necessary.

Revenue for behavioral health services was $157,825 for the year ended December, 31 2019. Medicare and Medicaid revenue of $78,764 for the year ended December, 31 2019 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 $40,785 for the year ended December, 31 2019 and are net of a reduction to 50% of the billing rate based on reimbursement rates actually paid by the commercial insurers. $27,546 of revenue was received pursuant to a contract with a social services agency and no discount was applied for the year ended December, 31 2019. The remaining amount of revenue in this revenue stream is immaterial.

Revenue for in home services was $128,746 for the year ended December, 31 2019. 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 $135,062 for the year ended December 31, 2019. 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.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Revenue From Contributions

In 2019, the Agency adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* using the modified prospective transition method. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adopting ASU No. 2018-08 did not have a significant impact on the consolidated financial statements of the Agency.

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially 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. Gifts of cash are reported as restricted support if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, 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 restriction. Donor restricted contributions whose restrictions are met in the same reporting periods 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 supplies and equipment are recognized at their estimated values on the date received.

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 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.

In-kind goods and services totaled $120,077 and $72,240 for the years ended December 31, 2019 and 2018, 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.

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, related expenses, professional fees, and operations and are allocated based on estimated time and effort. Depreciation 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.

New Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU No. 2016-02") that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. The Agency will be required to apply the standard for fiscal years and reporting periods beginning after December 15, 2020 (2021). Early adoption is permitted. Management is currently evaluating the impact of ASU No. 2016-02 on the Agency's consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU No. 2018-13"). The new guidance modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting - Chapter 8*: *Notes to Financial Statements*, which the Board finalized on August 28, 2018. ASU No. 2018-13 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2019 (2020). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2018-13 will have on its consolidated financial statements.

NOTE 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:

	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ -	$ 68,750	$ -	$ 68,750
Equity securities	976,406	-	-	976,406
Equity mutual funds	915,159	-	-	915,159
Corporate bonds	-	332,261	-	332,261
Bond funds	448,232	-	-	448,232
Catholic Community Foundation	-	-	1,233,186	1,233,186
Total Assets	$ 2,339,797	$ 401,011	$ 1,233,186	$ 3,973,994

	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ -	$ 78,248	$ -	$ 78,248
Equity mutual funds	360,782	-	-	360,782
Corporate bonds	-	311,724	-	311,724
Bond funds	395,604	-	-	395,604
Catholic Community Foundation	-	-	1,050,260	1,050,260
Total Assets	$ 756,386	$ 389,972	$ 1,050,260	$ 2,196,618

NOTE 2 - Fair Value of Financial Instruments (continued)

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

Balance, December 31, 2018	$ 1,050,260
Net gains (realized and unrealized) included in change in net assets	167,823
Interest and dividends	28,553
Less fees	(13,450)
Balance, December 31, 2019	$ 1,233,186
Balance, December 31, 2017	$ 1,243,526
Net losses (realized and unrealized) included in change in net assets	(128,122)
Interest and dividends	24,063
Less fees	(14,207)
Distributions	(75,000)
Balance, December 31, 2018	$ 1,050,260

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 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.

Money market funds - The fair value of short-term investments, consisting primarily of money market funds is classified as Level 2 as these funds are not traded on a regular basis.

Catholic Community Foundation - The Agency classifies investments which are held at the 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.

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.

NOTE 3 - Property and Equipment

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

	2019	2018
Land	$ 124,318	$ 124,318
Buildings and improvements	1,309,511	1,309,511
Leasehold improvements	227,935	227,935
Equipment	676,503	676,503
Total Property and Equipment	2,338,267	2,338,267
Less: Accumulated depreciation	(1,386,790)	(1,227,214)
Net Property and Equipment	$ 951,477	$ 1,111,053

NOTE 4 - Unconditional Promises to Give

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

Amounts due in:	2019	2018
Less than one year	$ 1,045,350	$ 1,052,598
One to five years	75,000	-
	1,120,350	1,052,598
Less: Unamortized discount and allowance	-	4,800
Totals	$ 1,120,350	$ 1,047,798

NOTE 5 - Affiliate

The Agency is one of the grant recipients of funds raised by the Archdiocese of Milwaukee ("Archdiocese") in the Catholic Stewardship Appeal. The Stewardship grant is a primary source of funding for the Agency. Such contributions were $1,152,844 and $1,153,104 for the years ended December 31, 2019 and 2018, respectively. The unconditional promise to give from the Archdiocese was $576,465 and $576,552 at December 31, 2019 and 2018, respectively.

NOTE 6 - Long-Term Debt

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

	2019	2018
Mortgage payable secured by land and building with interest at 5.00%. Monthly principal and interest payments were $2,026. Due February 2021.	$ 150,372	$ 166,616
Mortgage payable secured by land and building with interest at 5.77%. Monthly principal and interest payments were $2,476. Due November 2021.	148,281	168,669
Mortgage payable secured by land and building with interest at 4.00%. Monthly principal and interest payments of $1,945 which was due March 2019. In March 2019, the principal balance of $232,812 was refinanced. Monthly principal and interest payments are $2,093, the interest rate is 5.34% and it is due March 2022.	223,316	236,295
Totals	521,969	571,580
Less: Current portion	(51,957)	(46,130)
Long-Term Portion	$ 470,012	$ 525,450

Principal requirements on long-term debt for years ending after December 31, 2019 are reflective of the refinanced terms and are as follows:

2020	$ 51,957
2021	274,071
2022	195,941
Total	$ 521,969

The Agency has a line of credit agreement establishing a credit level of $250,000 through a bank with interest at prime plus .25% (5.00% at December 31, 2019). The Agency did not take any draws nor had any amounts outstanding on the line of credit agreement at December 31, 2019 and 2018.

Interest on long-term debt and the line of credit was $29,092 and $26,616 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 - Asset Retirement Obligation

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

	2019	2018
Beginning balance	$ 35,130	$ 33,458
Increase in present value of obligation	194	1,672
Ending Balance	$ 35,324	$ 35,130

NOTE 8 - 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 $113,849 and $128,481 for the years ended December 31, 2019 and 2018, respectively.

NOTE 9 - Net Assets

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

	2019	2018
Restricted as to timing:		
United Way Allocation		
Behavioral Health Program	$ 181,164	$ 170,667
Outreach	60,533	62,579
Migrant & Refugee Services Program	-	10,000
In-Home Support Services Program	59,486	70,400
Child Welfare Program	40,824	46,604
	342,007	360,250
Archdiocese of Milwaukee		
Adult Day Services Program	25,000	25,000
Behavioral Health Program	162,411	162,500
Outreach	125,000	125,000
Migrant & Refugee Services Program	-	26,552
In-Home Support Services Program	75,000	75,000
Child Welfare Program	100,000	100,000
Legal Services for Immigrants	89,054	62,500
	576,465	576,552
Other Unconditional Promises to Give	196,344	111,370
Restricted as to purpose:		
Legal Services	-	236,000
Outreach	-	4,785
Miscellaneous Restrictions by Purpose	4,628	18,772
Earnings on Endowment Funds	461,916	151,785
	466,544	411,342
Restricted in perpetuity:		
Pregnancy counseling and support	9,422	9,422
Endowment fund	1,646,979	1,646,979
	1,656,401	1,656,401
Total net assets with donor restrictions	$ 3,237,761	$ 3,115,915

NOTE 10 - 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 net assets without donor restrictions.

NOTE 10 - Endowment (continued)

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 permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 an unrealized loss 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:

	2019		
	Without donor restrictions	With donor restrictions	Total
Donor restricted	$ -	$ 2,108,895	$ 2,108,895

	2018		
	Without donor restrictions	With donor restrictions	Total
Donor restricted	$ -	$ 1,798,764	$ 1,798,764

NOTE 10 - Endowment (continued)

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

	2019		
	Without donor restrictions	With donor restrictions	Total
Endowment Net Assets, December 31, 2018	$ -	$ 1,798,764	$ 1,798,764
Investment Return			
Investment income net of fees	-	24,979	24,979
Net appreciation realized and unrealized	-	285,152	285,152
Total investment return	-	310,131	310,131
Endowment Net Assets, December 31, 2019	$ -	$ 2,108,895	$ 2,108,895

	2018		
	Without donor restrictions	With donor restrictions	Total
Endowment Net Assets, December 31, 2017	$ -	$ 1,999,157	$ 1,999,157
Investment Return			
Investment income net of fees	-	17,501	17,501
Net depreciation realized and unrealized	-	(181,366)	(181,366)
Total investment return	-	(163,865)	(163,865)
Endowment Net Assets, December 31, 2018	$ -	$ 1,798,764	$ 1,798,764

NOTE 11 - Operating Leases

The Agency leases facilities and equipment under lease agreements expiring at various dates through November 2024. Two leases require lease payments plus pro-rata increases on real estate taxes and operating expenses.

Future minimum lease payments as of December 31, 2019 are as follows:

2020	$ 44,012
2021	43,178
2022	34,005
2023	34,005
2024	25,980
	$ 181,180

Rent expense on the operating leases was $96,669 and $96,660 for the years ended December 31, 2019 and 2018, respectively.

NOTE 12 - 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% and 34% of employees for 2019 and 2018, respectively. The agreement will expire on December 31, 2022.

Approximately 58% of contributions were from bequests for the year ended December 31, 2019. There were no concentrations from contributions in 2018.

NOTE 13 - 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.

NOTE 14 - 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:

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 1,673,175	$ 1,116,249
Accounts receivable, net	65,244	116,490
Grants receivable	-	8,938
Unconditional promises to give	1,045,350	1,047,798
Investments	3,973,994	2,196,618
Total	$ 6,757,763	$ 4,486,093
Less purpose restricted unconditional promises to give:		
United Way	(342,007)	(360,250)
Archdiocese of Milwaukee	(576,465)	(576,552)
Less amounts restricted for endowment (including earnings)	(2,108,895)	(1,798,764)
Financial assets available to meet cash needs for general use within one year	$ 3,730,396	$ 1,750,527

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.

NOTE 15 - Subsequent Events

The Agency has evaluated subsequent events through May 21, 2020 which is the date that the consolidated financial statements were approved and available to be issued.

In the first quarter of 2020 the COVID-19 pandemic struck the United States. The operations of the Agency were affected by federal and state regulations and public health guidance which was promulgated to reduce the spread of the virus.

Program fees were reduced by the inability to deliver program services. For the period of January 1 through April 30, 2020, revenue from program fees was approximately $156,000, compared to approximately $260,000 for the same period in 2019. Modifications to stay-at-home orders will affect the extent of program services which can be delivered though the balance of 2020.

The economic contraction in 2020 is expected to negatively impact contributions by an unknown amount over the course of the year. Individual contributions for January to April, 2020 were approximately $452,000, compared to approximately $376,000 for the same months in 2019.

United Way and workplace giving revenue is expected to decrease in 2020. During January to April 2020 the revenue was approximately $36,000, compared to approximately $71,000 for the same period in 2019.

The fair value of the Agency's investments decreased 13% through April 30, 2020.

NOTE 15 - Subsequent Events (continued)

It is expected that an economic impact of the COVID-19 pandemic will continue through the balance of 2020, but it is not possible to quantify the extent to which multiple factors will undergo ongoing change and then affect the financial performance of the Agency through the balance of 2020.

In April, 2020, the Agency applied for a forgivable loan under the Payroll Protection Program ("PPP"), administered by the Federal Small Business Administration, as provided for in the "CARES" Act, enacted in response to the COVID-19 pandemic. The Agency received a loan of $566,600, disbursed on April 15, 2020. Expenses for payroll, benefits, rent, and utilities are eligible for loan forgiveness if incurred in the eight weeks following the disbursement date and defined staffing levels are maintained. Any loan balance which is not forgiven can be carried for up to 2 years before repayment is due, with interest accrued at an annual rate of 1%. No payments are due for 6 months following the disbursement of the funds.