

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

WITH INDEPENDENT AUDITORS' REPORT



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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 statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years 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, 2025 and 2024, 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 Audits 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.

Other Matter - Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, during the year ended December 31, 2025, the Agency changed its accounting principle for the presentation of contributions with donor restrictions that are satisfied within the same reporting period. The Agency now reports such contributions as increases in net assets with donor restrictions and recognizes a corresponding release from restriction when the donor-imposed restrictions are satisfied. This change has been applied retrospectively to the consolidated financial statements as of and for the year ended December 31, 2024. Our opinion is not modified with respect to this matter.

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 Audits 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Vrakas Advisors LLC

Kenosha, Wisconsin
May 14, 2026

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

Consolidated Statements of Financial Position

December 31, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,308,685	\$ 1,728,233
Receivables		
Program receivables, net	77,947	48,893
Insurance claim receivable	-	250,000
Grants receivable	53,225	174,483
United Way receivables	197,568	296,339
Unconditional promises to give, current portion	1,062,305	1,514,912
Other receivables	22,686	-
Other current assets	151,934	138,075
TOTAL CURRENT ASSETS	4,874,350	4,150,935
PROPERTY AND EQUIPMENT, net	1,096,647	964,878
OTHER ASSETS		
Investments	7,641,554	5,128,156
Operating lease right-of-use assets	146,680	241,077
Unconditional promises to give, less current portion	25,000	100,000
TOTAL OTHER ASSETS	7,813,234	5,469,233
TOTAL ASSETS	\$ 13,784,231	\$ 10,585,046
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 104,912	\$ 123,863
Accrued payroll	163,425	120,281
Accrued liabilities	33,868	31,988
Current maturities of notes payable	43,312	66,973
Current maturities of operating lease liabilities	79,211	94,423
TOTAL CURRENT LIABILITIES	424,728	437,528
LONG-TERM LIABILITIES		
Notes payable, less current maturities	116,386	159,699
Operating lease liabilities, less current maturities	67,515	146,726
Asset retirement obligation	50,859	50,859
TOTAL LONG-TERM LIABILITIES	234,760	357,284
TOTAL LIABILITIES	659,488	794,812
NET ASSETS		
Without donor restrictions	9,890,930	5,997,661
With donor restrictions	3,233,813	3,792,573
TOTAL NET ASSETS	13,124,743	9,790,234
TOTAL LIABILITIES AND NET ASSETS	\$ 13,784,231	\$ 10,585,046

The accompanying notes are an integral part of these statements.

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

Consolidated Statement of Activities
For the Year Ended December 31, 2025

	Without donor restrictions	With donor restrictions	Total
PUBLIC SUPPORT			
Archdiocese of Milwaukee	\$ -	\$ 1,200,000	\$ 1,200,000
United Way	-	474,142	474,142
Contributions	5,099,975	1,182,319	6,282,294
In-kind contributions	90,428	-	90,428
Special events	74,650	-	74,650
Net assets released from restrictions	3,494,523	(3,494,523)	-
TOTAL PUBLIC SUPPORT	8,759,576	(638,062)	8,121,514
REVENUE			
Program fees	579,591	-	579,591
Investment return, net	600,471	208,261	808,732
Other	21,921	-	21,921
Net assets released from restrictions	128,959	(128,959)	-
TOTAL REVENUE	1,330,942	79,302	1,410,244
TOTAL REVENUE AND PUBLIC SUPPORT	10,090,518	(558,760)	9,531,758
EXPENSES			
Program	4,719,079	-	4,719,079
Management and general	1,017,477	-	1,017,477
Fundraising	533,156	-	533,156
TOTAL EXPENSES	6,269,712	-	6,269,712
OTHER INCOME			
Nonrecurring income, net	72,463	-	72,463
CHANGE IN NET ASSETS	3,893,269	(558,760)	3,334,509
NET ASSETS			
Beginning of year	5,997,661	3,792,573	9,790,234
End of year	\$ 9,890,930	\$ 3,233,813	\$ 13,124,743

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, 2024

	Without donor restrictions	With donor restrictions	Total
PUBLIC SUPPORT			
Archdiocese of Milwaukee	\$ -	\$ 1,200,000	\$ 1,200,000
United Way	-	579,677	579,677
Contributions	2,123,293	2,342,921	4,466,214
In-kind contributions	60,940	-	60,940
Special events	61,125	-	61,125
Net assets released from restrictions	3,499,199	(3,499,199)	-
TOTAL PUBLIC SUPPORT	5,744,557	623,399	6,367,956
REVENUE			
Program fees	463,190	-	463,190
Investment return, net	369,110	125,013	494,123
Other	27,083	-	27,083
Net assets released from restrictions	729,792	(729,792)	-
TOTAL REVENUE	1,589,175	(604,779)	984,396
TOTAL REVENUE AND PUBLIC SUPPORT	7,333,732	18,620	7,352,352
EXPENSES			
Program	4,477,059	-	4,477,059
Management and general	811,630	-	811,630
Fundraising	546,566	-	546,566
TOTAL EXPENSES	5,835,255	-	5,835,255
OTHER EXPENSES			
Nonrecurring expenses	585,466	-	585,466
CHANGE IN NET ASSETS	913,011	18,620	931,631
NET ASSETS			
Beginning of year	5,084,650	3,773,953	8,858,603
End of year	\$ 5,997,661	\$ 3,792,573	\$ 9,790,234

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, 2025

	Program							Total program	Management and general	Fundraising	Total
	Adult day care services	Community mental health	Child welfare	Hoarding intervention & treatment	Refugee & immigration services	Outreach	Parish outreach				
Salaries and wages	\$ 188,791	\$ 827,239	\$ 313,973	\$ 213,606	\$ 786,864	\$ 461,804	\$ 24,424	\$ 2,816,701	\$ 475,386	\$ 252,181	\$ 3,544,268
Employee benefits	43,111	160,839	67,621	39,892	193,514	105,100	7,740	617,817	80,604	46,964	745,385
Payroll tax	14,143	62,369	23,104	16,231	57,473	33,769	1,751	208,840	33,309	18,897	261,046
Total salaries and related expenses	246,045	1,050,447	404,698	269,729	1,037,851	600,673	33,915	3,643,358	589,299	318,042	4,550,699
Operations	320	2,374	8,917	4,551	40,566	1,203	92	58,023	45,833	119,592	223,448
In-kind services	132	50,011	8,234	-	32,052	-	-	90,429	-	-	90,429
Specific assistance to clients	24,590	6,536	5,928	-	9,493	46,346	-	92,893	63	235	93,191
Rent and occupancy	63,424	165,161	53,533	32,505	90,456	75,970	5,516	486,565	46,545	16,048	549,158
Supplies	3,619	15,123	8,423	1,913	11,953	4,902	2,525	48,458	10,616	1,472	60,546
Promotions and advertising	360	542	-	-	143	-	-	1,045	24,377	8,661	34,083
Professional fees	814	20,752	2,605	1,080	55,610	2,187	36,965	120,013	105,044	25,775	250,832
Travel and meetings	347	6,813	14,846	4,734	6,347	5,404	48	38,539	11,559	1,656	51,754
Special events	-	61	-	-	-	8	24,639	24,708	-	33,963	58,671
Information technology	1,262	5,531	2,099	1,428	5,261	3,088	163	18,832	145,820	1,686	166,338
Other expenses	16,255	68,827	1,132	175	8,540	1,283	4	96,216	38,321	6,026	140,563
Total expenses	\$ 357,168	\$ 1,392,178	\$ 510,415	\$ 316,115	\$ 1,298,272	\$ 741,064	\$ 103,867	\$ 4,719,079	\$ 1,017,477	\$ 533,156	\$ 6,269,712

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, 2024

	Program							Total program	Management and general	Fundraising	Total
	Adult day care services	Community mental health	Child welfare	Hoarding intervention & treatment	Refugee & immigration services	Outreach	Parish outreach				
Salaries and wages	\$ 167,810	\$ 924,185	\$ 296,102	\$ 204,707	\$ 645,662	\$ 373,705	\$ 48,482	\$ 2,660,653	\$ 376,640	\$ 229,073	\$ 3,266,366
Employee benefits	36,004	184,598	58,763	46,064	134,137	89,130	22,949	571,645	88,430	58,665	718,740
Payroll tax	12,956	69,962	21,639	15,949	48,963	27,671	3,149	200,289	30,537	17,079	247,905
Total salaries and related expenses	216,770	1,178,745	376,504	266,720	828,762	490,506	74,580	3,432,587	495,607	304,817	4,233,011
Operations	335	3,438	5,371	2,478	33,412	973	289	46,296	44,100	148,289	238,685
In-kind services	696	13,096	4,540	-	42,608	-	-	60,940	-	-	60,940
Specific assistance to clients	17,755	-	3,435	-	538	6,766	-	28,494	58	-	28,552
Rent and occupancy	56,130	154,026	55,377	40,730	93,465	69,290	4,732	473,750	43,098	16,393	533,241
Supplies	1,270	9,534	5,201	4,562	11,584	5,904	1,263	39,318	6,419	613	46,350
Promotions and advertising	540	-	-	-	696	80	-	1,316	19,298	12,183	32,797
Professional fees	-	17,205	2,266	-	21,150	40	114,060	154,721	116,120	28,690	299,531
Travel and meetings	203	4,697	17,268	3,020	7,021	4,610	-	36,819	10,821	1,196	48,836
Bad debt	8,100	13,880	1,500	12,500	-	-	-	35,980	-	-	35,980
Special events	-	1,046	20	16	4	4	23,801	24,891	-	28,383	53,274
Information technology	2,514	13,843	4,435	3,066	9,671	5,598	726	39,853	35,634	3,431	78,918
Other expenses	10,735	63,405	2,109	73	24,194	1,578	-	102,094	40,475	2,571	145,140
Total expenses	\$ 315,048	\$ 1,472,915	\$ 478,026	\$ 333,165	\$ 1,073,105	\$ 585,349	\$ 219,451	\$ 4,477,059	\$ 811,630	\$ 546,566	\$ 5,835,255

The accompanying notes are an integral part of this statement.

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

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,334,509	\$ 931,631
Add (deduct)		
Depreciation	104,249	87,687
Provision for credit losses	634,962	824,078
Net realized and unrealized gains on investments	(614,113)	(362,335)
Noncash operating lease expense	94,397	124,165
Changes in cash due to changes in		
Program receivables	(664,016)	(795,380)
Insurance claim receivable	250,000	(250,000)
Grant receivables	121,258	(174,483)
United Way receivables	98,771	(7,394)
Unconditional promises to give	527,607	(670,958)
Other receivables	(22,686)	-
Other current assets	(13,859)	(24,578)
Accounts payable	(18,951)	(53,528)
Accrued expenses	45,024	(158,963)
Operating lease liabilities	(94,423)	(124,093)
NET CASH FLOW - OPERATING ACTIVITIES	3,782,729	(654,151)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(236,018)	(45,092)
Purchases of investments	(2,522,333)	(643,538)
Proceeds from sale of investments	623,048	1,650,996
NET CASH FLOW - INVESTING ACTIVITIES	(2,135,303)	962,366
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(66,974)	(66,531)
NET CHANGE IN CASH	1,580,452	241,684
CASH		
Beginning of year	1,728,233	1,486,549
End of year	\$ 3,308,685	\$ 1,728,233
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Cash paid for interest	\$ 8,864	\$ 11,748
Operating lease right-of-use assets recorded in exchange for operating lease liabilities	\$ -	\$ 174,283

The accompanying notes are an integral part of these statements.

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

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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 consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Foundation is consolidated since Catholic Charities 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, support, 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 available for use in general operations and not subject to donor (or certain grantor) restrictions. These net assets may be used at the discretion of the Agency's management and the board of directors.

Net assets with donor restrictions - net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures 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, 2025 through May 14, 2026, which is the date the consolidated financial statements were available to be issued.

Cash - The Agency maintains its cash accounts at a Federal Deposit Insurance Corporation (FDIC) insured financial institution. The FDIC provides limited insurance on cash deposits. At times, the Agency's cash deposits may exceed the FDIC limits, however, the Agency does not expect to experience any losses on its cash deposits.

Investments - Investments are generally recorded at fair value as described in Note 3. 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 statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

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

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Program receivables - Program receivables are recorded at 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 receivables. 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 the various revenue streams and the determination of net realizable value based on the relevant factors.

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 is as follows for the years ended December 31:

	2025	2024
Beginning balance	\$ 77,161	\$ 55,061
Provision for credit losses	634,962	824,078
Write-offs	(634,962)	(801,978)
	\$ 77,161	\$ 77,161
Ending balance	\$ 77,161	\$ 77,161

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, 2025 and 2024.

Property and equipment - Property and equipment are stated at cost, if purchased, and at fair value at the date of the gift, if donated, less accumulated depreciation. Acquisitions of property and equipment in excess of \$1,000 and expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

Building and improvements	20-40 years
Leasehold improvements	10-20 years
Equipment	3-10 years

Property and equipment consists of the following as of December 31:

	2025	2024
Land	\$ 119,350	\$ 119,350
Building and improvements	1,775,142	1,601,612
Leasehold improvements	41,796	35,396
Equipment	497,717	422,553
Construction in progress	-	19,077
	2,434,005	2,197,988
Less: accumulated depreciation	1,337,358	1,233,110
	\$1,096,647	\$ 964,878

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

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

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, 2025 and 2024.

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 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. 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. 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.

In-kind contributions - The Agency reports various types of contributed goods and services as support, including supplies, professional services and equipment.

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 recorded in the consolidated statements of activities at the estimated fair value based on current rates for similar services.

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 statements of activities for these contributed services.

Program revenue - The Agency records program fees at the anticipated amount of actual payment expected to 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, community mental health, hoarding intervention and treatment, adoption services, refugee and immigration services, and supporting parenting services.

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

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Revenue from adult day care services was \$151,127 and \$98,318 for the years ended December 31, 2025 and 2024. These services are paid through clients' insurance coverage at contracted rates, so no adjustments to billed rates were necessary.

Revenue from community mental health was \$357,003 and \$260,662 for the years ended December 31, 2025 and 2024. Medicare, Medicaid and commercial insurance revenue of \$630,730 and \$487,090 for the years ended December 31, 2025 and 2024 are net of a reduction of the billing rate, reflecting the experience of reimbursement rates of these programs.

Revenue from hoarding intervention and treatment was \$11,446 and \$25,890 for the years ended December 31, 2025 and 2024. 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 from adoption services, refugee and immigration services and supporting parenting totaled \$60,015 and \$78,320 for the years ended December 31, 2025 and 2024. 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.

Functional allocation of expenses - 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 full time equivalent count at the various locations.

Tax-exempt status - Catholic Charities and the Foundation 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. However, Catholic Charities and the Foundation are subject to federal income tax on any unrelated business taxable income. Management has determined there was no unrelated business taxable income in 2025 and 2024 so no provision for income taxes has been recorded.

Catholic Charities and the Foundation analyzed the requirements for accounting for uncertain tax positions and determined that they were not required to record a liability related to uncertain tax positions as of December 31, 2025 and 2024. With few exceptions, Catholic Charities and the Foundation are no longer subject to federal income tax examinations by tax authorities for years before 2022 and state income tax examinations for years before 2021.

Change in accounting principle - During the year ended December 31, 2025, the Agency changed its accounting principle related to the presentation of contributions with donor restrictions whose restrictions are satisfied within the same reporting period. Previously, the Agency reported contributions with donor restrictions that were satisfied within the same reporting period as increases in net assets without donor restrictions. Under the new accounting principle, the Agency reports such contributions as increases in net assets with donor restrictions and recognizes corresponding net assets released from restriction when the donor-imposed restrictions are satisfied.

Management believes that this change results in a more transparent presentation of donor-restricted contributions and better reflects the nature and timing of restrictions placed on the Agency's resources. The revised presentation is consistent with practices commonly used by similar nonprofit organizations and enhances the usefulness of the consolidated financial statements to users.

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The Agency has applied this change in accounting principle on a retrospective basis to all periods presented, in accordance with Accounting Standards Codification (ASC) 250, *Accounting Changes and Error Corrections*. Accordingly, the consolidated financial statements for the year ended December 31, 2024 have been restated to reflect this change. The effect of the retrospective application of this change to the Agency's consolidated financial statements as of and for the year ended December 31, 2024 is an increase to public support revenue with donor restrictions and a decrease to public support revenue without donor restrictions in the amount of \$1,652,906 and a corresponding increase to net assets released from restrictions of \$1,652,906. The change had no impact on the total change in net assets as of and for the year ended December 31, 2024, as it only affected the classification of net assets and related revenues.

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:

	2025	2024
Financial assets available within one year:		
Cash	\$3,308,685	\$1,728,233
Program receivables, net	77,947	48,893
Insurance claim receivable	-	250,000
Grants receivable	53,225	174,483
United Way receivables	197,568	296,339
Unconditional promises to give, current portion	1,062,305	1,514,912
Other receivables	22,686	-
Total	4,722,416	4,012,860
Less purpose restricted unconditional promises to give:		
United Way	(197,568)	(294,505)
Other	(390,000)	(459,300)
Financial assets available to meet cash needs for general use within one year	\$4,134,848	\$3,259,055

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 (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).

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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.

Asset backed securities, 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 2025 and 2024, the change in fair value is the result of net investment returns.

Cash and money market funds - Cash and money market funds are determined on the cost basis, which approximates fair value. As a result, they are excluded from the fair value hierarchy level disclosures.

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

	2025			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$5,018,831	\$ -	\$ -	\$5,018,831
Corporate bonds	-	363,945	-	363,945
Asset backed securities	-	15,245	-	15,245
Government bonds	-	433,429	-	433,429
Catholic Community Foundation	-	-	1,764,716	1,764,716
Total	\$5,018,831	\$812,619	\$1,764,716	7,596,166
Cash and money market funds *				45,388
Total investments				\$7,641,554
	2024			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$2,792,451	\$ -	\$ -	\$2,792,451
Corporate bonds	-	341,393	-	341,393
Government bonds	-	405,922	-	405,922
Catholic Community Foundation	-	-	1,545,956	1,545,956
Total	\$2,792,451	\$747,315	\$1,545,956	5,085,722
Money market funds *				42,434
Total investments				\$5,128,156

*The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position as of December 31, 2025 and 2024.

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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 consolidated financial statements.

4. AFFILIATE AND RELATED PARTY TRANSACTIONS

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 years ended December 31, 2025 and 2024. The unconditional promise to give from the Archdiocese was \$600,000 as of December 31, 2025 and 2024.

During the years ended December 31, 2025 and 2024, board members contributed gifts and pledge payments of \$62,950 and \$23,500.

5. LONG-TERM DEBT

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

	2025	2024
Mortgage payable secured by land and building with interest at 4%. Monthly principal and interest payments are \$2,066 through February 2027.	\$ 28,209	\$ 51,352
Mortgage payable secured by land and building with interest at 3.83%. Monthly principal and interest payments were \$2,426 through November 2025 when the note was paid off.	-	26,174
Mortgage payable secured by land and building with interest at 4.682%. Monthly principal and interest payments are \$2,030 through March 2027.	131,489	149,146
Total	159,698	226,672
Less current maturities	(43,312)	(66,973)
Long-term portion	\$116,386	\$159,699

Future maturities of long-term debt are as follows:

2026	\$ 43,312
2027	116,386
Total	\$159,698

The Agency has a line of credit agreement establishing a credit level of \$250,000 through a bank with interest at prime plus .25% (7.00% at December 31, 2025) due on demand. The Agency did not have any amounts outstanding on the line as of December 31, 2025 and 2024.

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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 matching contribution to the plan is provided. Contributions to the plan were \$165,480 and \$152,117 for the years ended December 31, 2025 and 2024.

7. NET ASSETS

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

	2025	2024
Restricted as to timing:		
United Way allocation:		
Community mental health	\$ 165,845	\$ 194,493
Outreach	33,979	27,830
Hoarding intervention and treatment	33,315	41,644
Child welfare program	24,430	30,538
	257,569	294,505
Other:		
Archdiocese of Milwaukee	600,000	600,000
Love One Another Program	-	500,000
Other unconditional promises to give	32,716	42,261
	632,716	1,142,261
Restricted as to purpose:		
Community mental health - Washington County	50,000	30,000
Community mental health - Racine County	-	30,000
Community mental health and social outreach programs - Sheboygan	-	75,000
Hoarding intervention and treatment	86,392	100,000
Refugee and immigration services	230,000	224,300
Miscellaneous restrictions by purpose	1,327	-
Earnings on endowment fund	329,302	250,000
	697,021	709,300
Restricted in perpetuity:		
Endowment fund	1,646,507	1,646,507
	1,646,507	1,646,507
Total net assets with donor restrictions	\$3,233,813	\$3,792,573

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8. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes or due to the expiration of time as follows for the years ended December 31:

	2025	2024
Subject to the passage of time	\$2,537,638	\$2,591,891
Subject to expenditure for specified purpose		
Community mental health	25,000	245,750
Refugee and immigration services	724,739	626,058
Hoarding intervention and treatment	13,608	9,500
Social outreach program	37,336	6,000
Child welfare program	88,785	20,000
Adult day services	27,965	-
Other restricted purpose	39,452	-
	956,885	907,308
Subject to endowment spending policy	128,959	729,792
	\$3,623,482	\$4,228,991

9. 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.

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Endowment net asset composition by type of fund consists of the following as of December 31:

2025	Without donor restrictions	With donor restrictions	Total
Donor restricted	\$ -	\$1,975,809	\$1,975,809
2024	Without donor restrictions	With donor restrictions	Total
Donor restricted	\$ -	\$1,896,507	\$1,896,507

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

2025	Without donor restrictions	With donor restrictions	Total
Endowment net assets, December 31, 2024	\$ -	\$1,896,507	\$1,896,507
Investment income net of fees	-	32,942	32,942
Net realized and unrealized gains	-	175,319	175,319
Appropriation of endowment assets pursuant to spending policy	-	(128,959)	(128,959)
Endowment net assets, December 31, 2025	\$ -	\$1,975,809	\$1,975,809
2024	Without donor restrictions	With donor restrictions	Total
Endowment net assets, December 31, 2023	\$ -	\$2,501,286	\$2,501,286
Investment income net of fees	-	23,060	23,060
Net realized and unrealized gains	-	101,953	101,953
Appropriation of endowment assets pursuant to spending policy	-	(729,792)	(729,792)
Endowment net assets, December 31, 2024	\$ -	\$1,896,507	\$1,896,507

10. LEASES

The Agency leases facilities and equipment under lease agreements expiring at various dates through September 2029. Two leases require lease payments plus pro-rata increases on real estate taxes and operating expenses. Total operating lease costs were \$137,665 and \$139,090 for the years ended December 31, 2025 and 2024.

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Some 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 ROU asset and lease liability based on the lease term.

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 ROU assets and operating lease liabilities through June 30, 2026.

Information related to the Agency's operating leases is as follows as of December 31, 2025:

Weighted average lease term	2.2 years
Weighted average discount rate	5.70%

Maturities of lease liabilities are as follows as of December 31, 2025:

2026	\$ 84,778
2027	43,965
2028	25,766
2029	739
Total lease payments	155,248
Less present value discount	(8,522)
Total lease liabilities	<u>\$146,726</u>

11. CONCENTRATIONS

Approximately 58% of contributions were from three donors for the year ended December 31, 2025. Unconditional promises to give from these donors was \$600,000 as of December 31, 2025. Approximately 35% of contributions were from two of the same donors for the year ended December 31, 2024. Unconditional promises to give from these donors was \$1,100,000 as of December 31, 2024.

12. 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.

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13. NONRECURRING INCOME AND EXPENSES

During 2024, 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, which are classified as nonrecurring expenses, net, on the consolidated statement of activities for the year ended December 31, 2024. None of the unauthorized disbursements were made with donor restricted net assets. There were additional unauthorized disbursements prior to 2024. During the years ended December 31, 2025 and 2024, the Agency incurred expenses relating to the investigation, audit related matters and recovery efforts through litigation, which are also classified as nonrecurring expenses. Subsequent to year end, expenses incurred are not significant as recovery efforts continue.

During 2025, the Agency recovered some of the unauthorized disbursements through insurance proceeds and seized funds, part of which was recorded as an insurance claim receivable on the consolidated statement of financial position as of December 31, 2024. The recoveries are reported net of nonrecurring expenses on the consolidated statement of activities for the year ended December 31, 2025. In addition to the insurance proceeds, a petition has been filed with the Internal Revenue Service to have seized funds returned to the Agency.