

**CATHOLIC CHARITIES, INC.,  
DIOCESE OF MADISON**

**FINANCIAL STATEMENTS**

December 31, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Catholic Charities, Inc., Diocese of Madison  
Madison, Wisconsin

### ***Opinion***

We have audited the financial statements of Catholic Charities, Inc., Diocese of Madison, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Catholic Charities, Inc., Diocese of Madison as of December 31, 2023 and 2022, 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.

### ***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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities, Inc., Diocese of Madison and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities, Inc., Diocese of Madison's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities, Inc., Diocese of Madison's ability to continue as a going concern for a reasonable period of time.

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

***Financial Statements of Catholic Charities, Inc., Diocese of Madison and Affiliates***

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Catholic Charities, Inc., Diocese of Madison and affiliates, which comprise the consolidated statements of financial position, as of December 31, 2023 and 2022, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. Such consolidated financial statements are the general-purpose financial statements of Catholic Charities, Inc., Diocese of Madison and its affiliates, and the financial statements of Catholic Charities, Inc., Diocese of Madison presented herein are not a valid substitute for those consolidated financial statements.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
June 13, 2024

**CATHOLIC CHARITIES, INC., DIOCESE OF MADISON**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,286,944	\$ 2,183,720
Investments	13,517,385	11,492,978
Unconditional promises to give	118,342	294,789
Accounts receivable	1,131,458	1,146,090
Prepaid expenses	175,842	223,955
Security deposits	9,131	18,031
Property and equipment, net	4,940,097	4,959,246
Operating lease right-of-use assets	860,571	1,213,527
Finance lease right-of-use assets	71,275	124,806
Investment in subsidiary	2,676,519	2,404,529
<b>Total assets</b>	<b>\$ 24,787,564</b>	<b>\$ 24,061,671</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 98,005	\$ 127,240
Accrued payroll and related liabilities	233,726	282,324
Accrued interest payable	3,446	3,446
Provision for contract repayment	6,236	69,147
Other accrued expenses	86,726	44,113
Deferred revenue	1,655	71,816
Operating lease liabilities	868,904	1,215,793
Finance lease liabilities	78,549	127,973
Notes payable	2,412,674	2,509,348
<b>Total liabilities</b>	<b>3,789,921</b>	<b>4,451,200</b>
<b>NET ASSETS</b>		
Without donor restrictions	18,291,545	16,598,524
With donor restrictions	2,706,098	3,011,947
<b>Total net assets</b>	<b>20,997,643</b>	<b>19,610,471</b>
<b>Total liabilities and net assets</b>	<b>\$ 24,787,564</b>	<b>\$ 24,061,671</b>

See accompanying notes.

**CATHOLIC CHARITIES, INC., DIOCESE OF MADISON**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
Program revenues			
Purchase of service contracts	\$ 8,993,637	\$ -	\$ 8,993,637
Program service fees	1,764,803	-	1,764,803
Management fees	74,050	-	74,050
Contributions of financial assets			
Diocese of Madison	440,000	-	440,000
United Way workplace campaign	80,699	860	81,559
United Way grants	184,876	-	184,876
Other contributions	384,894	541,296	926,190
Contributions of nonfinancial assets	313,297	-	313,297
Fundraising events, net of cost of direct benefits to donors of \$31,132	105,996	-	105,996
Share of net income of subsidiaries	271,990	-	271,990
Investment return, net	1,556,440	4,223	1,560,663
Member distributions	770,000	-	770,000
Other revenue	28,952	-	28,952
<b>Total revenue</b>	<b>14,969,634</b>	<b>546,379</b>	<b>15,516,013</b>
<b>EXPENSES</b>			
Program services			
Services for developmental disabilities	4,759,521	-	4,759,521
Services to families and children	2,383,480	-	2,383,480
Services to homeless persons	1,990,333	-	1,990,333
Services to seniors	1,219,914	-	1,219,914
Services for alcohol and other drug abuse	1,374,165	-	1,374,165
Supporting activities			
Management and general	1,967,333	-	1,967,333
Fundraising	434,095	-	434,095
<b>Total expenses</b>	<b>14,128,841</b>	<b>-</b>	<b>14,128,841</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Satisfaction of purposes restrictions and expiration of time restrictions	852,228	(852,228)	-
<b>Change in net assets</b>	<b>1,693,021</b>	<b>(305,849)</b>	<b>1,387,172</b>
Net assets at beginning of year	16,598,524	3,011,947	19,610,471
<b>Net assets at end of year</b>	<b>\$ 18,291,545</b>	<b>\$ 2,706,098</b>	<b>\$ 20,997,643</b>

See accompanying notes.

**CATHOLIC CHARITIES, INC., DIOCESE OF MADISON**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
Program revenues			
Purchase of service contracts	\$ 9,201,094	\$ -	\$ 9,201,094
Program service fees	1,800,639	-	1,800,639
Management fees	74,000	-	74,000
Contributions of financial assets			
Diocese of Madison	625,000	-	625,000
United Way workplace campaign	87,238	-	87,238
United Way grants	180,000	22,979	202,979
Other contributions	798,028	482,733	1,280,761
Contribution received from Hope Haven	2,110,457	-	2,110,457
Contributions of nonfinancial assets	262,016	-	262,016
Fundraising events, net of cost of direct benefits to donors of \$42,867	62,805	-	62,805
Share of net loss of subsidiaries	(1,137,079)	-	(1,137,079)
Investment return, net	(1,677,623)	(2,058)	(1,679,681)
Member distributions	1,900,000	-	1,900,000
Other revenue	4,649	-	4,649
<b>Total revenue</b>	<b>14,291,224</b>	<b>503,654</b>	<b>14,794,878</b>
<b>EXPENSES</b>			
Program services			
Services for developmental disabilities	4,453,014	-	4,453,014
Services to families and children	2,764,170	-	2,764,170
Services to homeless persons	1,819,276	-	1,819,276
Services to seniors	1,188,975	-	1,188,975
Services for alcohol and other drug abuse	1,308,286	-	1,308,286
Supporting activities			
Management and general	2,106,288	-	2,106,288
Fundraising	478,554	-	478,554
<b>Total expenses</b>	<b>14,118,563</b>	<b>-</b>	<b>14,118,563</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Satisfaction of purposes restrictions and expiration of time restrictions	245,303	(245,303)	-
<b>Change in net assets</b>	<b>417,964</b>	<b>258,351</b>	<b>676,315</b>
Net assets at beginning of year	16,180,560	2,753,596	18,934,156
<b>Net assets at end of year</b>	<b>\$ 16,598,524</b>	<b>\$ 3,011,947</b>	<b>\$ 19,610,471</b>

See accompanying notes.

**CATHOLIC CHARITIES, INC., DIOCESE OF MADISON**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2023

	Program Services					Supporting Activities		Total Expenses
	Services for Developmental Disabilities	Services to Families and Children	Services to Homeless Persons	Services to Seniors	Services for Alcohol and Other Drug Abuse	Management and General	Fundraising	
Personnel	\$ 3,890,288	\$ 1,868,386	\$ 942,402	\$ 795,901	\$ 840,851	\$ 1,377,907	\$ 264,517	\$ 9,980,252
Insurance	19,205	7,372	6,371	21,520	34,277	29,564	2,001	120,310
Contracted services - professional	195	135,903	74,094	1,467	45,279	25,405	10,591	292,934
Supplies	73,318	157,255	180,665	138,075	142,019	14,038	5,450	710,820
Publicity and promotion	4,029	1,098	6,021	31,127	237	23,534	23,073	89,119
Travel	76,271	23,423	2,228	5,079	6,649	4,155	18	117,823
Equipment and furnishings	93,650	54,111	35,875	21,132	29,927	47,399	28,473	310,567
Occupancy	217,176	79,912	298,645	107,315	83,267	233,479	67,221	1,087,015
Client assistance and recreation	232,639	1,351	414,809	15,844	12,766	-	-	677,409
Depreciation and amortization	104,295	8,448	15,357	36,984	97,161	19,383	5,851	287,479
Interest	26,917	2,496	1,430	36,214	73,584	5,516	1,523	147,680
Professional fees	-	-	-	-	-	100,675	-	100,675
Grants to others	-	-	-	-	-	22,150	-	22,150
Other	21,538	43,725	12,436	9,256	8,148	64,128	25,377	184,608
<b>Total expenses</b>	<b>\$ 4,759,521</b>	<b>\$ 2,383,480</b>	<b>\$ 1,990,333</b>	<b>\$ 1,219,914</b>	<b>\$ 1,374,165</b>	<b>\$ 1,967,333</b>	<b>\$ 434,095</b>	<b>\$ 14,128,841</b>

See accompanying notes.



**CATHOLIC CHARITIES, INC., DIOCESE OF MADISON**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2022

	Program Services					Supporting Activities		Total Expenses
	Services for Developmental Disabilities	Services to Families and Children	Services to Homeless Persons	Services to Seniors	Services for Alcohol and Other Drug Abuse	Management and General	Fundraising	
Personnel	\$ 3,756,680	\$ 2,303,018	\$ 838,725	\$ 767,392	\$ 797,616	\$ 1,440,720	\$ 338,350	\$ 10,242,501
Insurance	28,031	15,979	7,814	5,529	23,234	25,836	2,407	108,830
Contracted services - professional	27,740	121,885	63,750	37,852	50,402	160,891	4,603	467,123
Supplies	48,605	116,401	147,909	111,460	129,037	18,883	23,546	595,841
Publicity and promotion	-	-	2,421	25,065	575	-	19,234	47,295
Travel	71,388	33,402	1,136	4,407	1,304	2,971	231	114,839
Equipment and furnishings	23,547	28,065	19,573	15,831	20,506	59,523	14,451	181,496
Occupancy	176,864	97,521	292,138	123,190	70,913	203,395	52,601	1,016,622
Client assistance and recreation	214,940	-	412,710	11,261	12,345	-	-	651,256
Depreciation and amortization	68,601	14,918	11,858	40,021	97,340	46,564	12,497	291,799
Interest	14,989	2,595	1,917	39,727	77,921	8,371	1,822	147,342
Professional fees	-	-	-	-	-	104,316	-	104,316
Other	21,629	30,386	19,325	7,240	27,093	34,818	8,812	149,303
<b>Total expenses</b>	<b>\$ 4,453,014</b>	<b>\$ 2,764,170</b>	<b>\$ 1,819,276</b>	<b>\$ 1,188,975</b>	<b>\$ 1,308,286</b>	<b>\$ 2,106,288</b>	<b>\$ 478,554</b>	<b>\$ 14,118,563</b>

See accompanying notes.

**CATHOLIC CHARITIES, INC., DIOCESE OF MADISON**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,387,172	\$ 676,315
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contribution received from acquisition of Hope Haven	-	(2,110,457)
Donated investments	-	(2,580)
Donated leasehold improvements	-	(40,423)
Depreciation and amortization	275,725	242,881
Amortization of operating lease right-of-use assets	352,956	347,246
(Gain) loss on disposal of property and equipment	(23,000)	28,527
Net realized and unrealized (gains) losses on investments	(1,288,338)	2,045,885
Income from subsidiary	(1,041,990)	(762,921)
Change in assets		
Unconditional promises to give	176,447	(215,593)
Accounts receivable	14,632	114,710
Prepaid expenses	48,113	(18,615)
Security deposits	8,900	(6,806)
Change in liabilities		
Accounts payable	(29,235)	29,193
Accrued payroll and related liabilities	(48,598)	(62,171)
Accrued interest payable	-	400
Provision for contract repayment	(62,911)	(20,241)
Other accrued expenses	42,613	21,750
Deferred revenue	(70,161)	26,037
Operating lease liabilities	(346,889)	(275,158)
Net cash flows from operating activities	(604,564)	17,979
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from acquisition of Hope Haven	-	47,313
Purchases of investments and reinvested income	(736,069)	(1,756,434)
Proceeds from sales of investments	-	1,029
Proceeds from sale of property and equipment	23,000	-
Purchases of property and equipment	(203,045)	(334,039)
Distributions from subsidiaries	770,000	1,900,000
Net cash flows from investing activities	(146,114)	(142,131)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(96,674)	(90,717)
Principal payments on finance lease liabilities	(49,424)	(105,842)
Net cash flows from financing activities	(146,098)	(196,559)
<b>Net change in cash and cash equivalents</b>	(896,776)	(320,711)
Cash and cash equivalents at beginning of year	2,183,720	2,504,431
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,286,944</u>	<u>\$ 2,183,720</u>

See accompanying notes.

**CATHOLIC CHARITIES, INC., DIOCESE OF MADISON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Catholic Charities, Inc., Diocese of Madison (CCI) is a nonprofit corporation that provides professional programs of high quality, in the tradition of the Roman Catholic Church, designed to meet the physical, mental, emotional, and spiritual needs of the residents of the Diocese of Madison, Wisconsin. CCI may also function as a vehicle of expression through implementation of social services to address issues of poverty, social justice, family life, rights of children and the aging, and other social issues that become a concern to the Church or society as a whole. CCI works in concert with the diocesan bishop and services, parishes, community organizations, and government entities to accomplish its purpose. CCI's social service programs include, but are not limited to:

- Services for developmental disabilities – includes residential and day programs and recreational programs
- Services to families and children – includes Post Adoption resources, Building Bridges, FACE Kids, school and family counseling, and mobile food pantries
- Services to homeless persons – includes Beacon Day Resource center, eviction prevention, and rapid rehousing
- Services to seniors – includes Companion Care, Respite Care Team Ministry, and Adult Day Center
- Services for alcohol and other drug abuse (AODA) – servicing adults with alcohol and/or drug use problems

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For financial statement presentation purposes, CCI considers money market accounts to be cash equivalents, except for amounts held in brokerage accounts and for security deposits. Cash equivalents are recorded at cost which approximates fair value.

**Investments**

CCI reports investments in equity securities with readily determinable fair values at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investments are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term.

**CATHOLIC CHARITIES, INC., DIOCESE OF MADISON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Unconditional Promises to Give**

Unconditional promises to give are recognized as revenue in the period the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. At December 31, 2023, all promises to give are due in less than one year. At December 31, 2022, \$189,789 of promises to give were due in less than one year and \$105,000 was due within one to five years. Contributions to be received over periods longer than one year are discounted at an interest rate commensurate with risk involved, if material to the financial statements.

**Accounts Receivable**

Accounts receivable consist of amounts due from third parties for program services provided by CCI to various individuals, of which CCI has an unconditional right to receive. CCI uses historical loss information based on the aging of accounts receivable as the basis to determine expected credit losses. Management believes the composition of accounts receivable is consistent with historical conditions and accounts receivable are expected to be settled within a relatively short time frame based on current conditions. As such, credit losses are expected to be insignificant.

**Property and Equipment**

All acquisitions of property and equipment in excess of \$5,000 are capitalized at cost or, if donated, at the approximate fair value at the date of donation. Costs of repairs and maintenance of minor items are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the statements of activities. In some instances, a funding source may have a reversionary interest in property and equipment purchased with contract funds.

**Leases**

CCI does not recognize short-term leases in the statements of financial position. For these leases, CCI recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. CCI also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, CCI uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

**CATHOLIC CHARITIES, INC., DIOCESE OF MADISON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investment in Subsidiary**

CCI reports its investment in the net assets of subsidiaries using the equity method. Under the equity method, the investment was initially recorded at the amount invested, and subsequently increased by CCI's proportionate share of the subsidiaries' net income and reduced by distributions and CCI's proportionate share of the subsidiaries' net loss. The equity method does not allow the investment to be reduced below zero unless the parent has a loan to the subsidiaries or guarantees the debt of the subsidiaries.

**Impairment of Long-Lived Assets**

CCI reviews long-lived assets, including property and equipment, 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.

**Debt Issuance Costs**

Debt issuance costs are presented as a reduction of the carrying amount of the debt. Amortization of debt issuance costs is reported as interest expense in the statements of functional expenses. Amortization expense for the years ended December 31, 2023 and 2022 was \$6,071, each year.

**Revenue Recognition**

Certain purchase of service programs of CCI are funded in part by service contracts and grants with various government agencies. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as owed back to funders, if specified in the contract. Amounts received prior to incurring the expense for the service are reflected as deferred revenue. Purchase of service contracts that qualify as exchange transactions are reimbursed based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Program service revenue is received from individual clients and third-party payors, including many area school districts, that provide for reimbursement to CCI at amounts that vary based on its established rates. Services provided by professional staff are reimbursed on prospectively determined fee schedules depending on the type of service provided. Program service revenue is recognized in the period the service is performed.

Management fees are recognized over the period of the contract on a straight-line basis. CCI invoices the affiliated organization for the agreed upon price on a monthly basis.

**Donated Services**

CCI has individuals who volunteer their time and perform a variety of tasks to assist in the program services and supporting activities. However, these services do not meet the criteria for recognition. Therefore, no amounts have been reflected in the financial statements.

**CATHOLIC CHARITIES, INC., DIOCESE OF MADISON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributions**

Unconditional contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions depending on the existence of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional grants and contributions are not recognized in the financial statements until the conditions are met or explicitly waived by the grantor or donor. Contributions that are restricted by the donor which were initially conditional grants and contributions are reported as increases in net assets without donor restriction if the condition and restriction are met in the same reporting period.

**Expense Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expense line items or costs within a line item are directly charged as either program services or supporting activities based on the nature of the expense. Costs which benefit several programs, such as copy machine costs or office rent, are allocated to those programs which benefit from the expense, based on salary dollars. Program managers' time is allocated to the programs they direct based on their actual time spent for each program. Agency-wide indirect costs such as insurance are allocated to all programs based on salary dollars for each program.

**Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**Income Taxes**

CCI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**Date of Management's Review**

Management has evaluated subsequent events through June 13, 2024, the date which the financial statements were available to be issued.

**NOTE 2—CONCENTRATIONS OF CREDIT RISK**

CCI maintains cash balances at several financial institutions located in southern Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. CCI's uninsured cash balances total \$188,000 and \$16,000 as of December 31, 2023 and 2022, respectively.

**CATHOLIC CHARITIES, INC., DIOCESE OF MADISON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 3—INVESTMENTS**

Investments, including investments restricted for permanent endowment, consist of the following:

	2023	2022
Cash equivalents	\$ 44,385	\$ 89,801
Certificates of deposit	512,342	-
Mutual funds	7,734,745	6,711,004
Bonds	3,356,895	3,560,925
U.S. government securities	1,869,018	1,131,248
Investments	<u>\$ 13,517,385</u>	<u>\$ 11,492,978</u>

Fair values of mutual funds are based on quoted net asset values of the shares as reported by the fund. The mutual funds held by CCI are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The mutual funds held by CCI are considered to be actively traded, which are Level 1 fair value measurements. Fair values of corporate bonds and U.S. government securities are determined using a market approach on yields currently available on comparable securities of issuers with similar credit ratings, which are Level 2 fair value measurements. Certificates of deposit are held at financial institutions at the historical cost plus accrued interest, which approximates fair value.

**NOTE 4—PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2023	2022
Land	\$ 936,500	\$ 936,500
Buildings	4,028,741	3,854,243
Vehicles and equipment	950,573	910,449
Leasehold improvements	270,469	280,469
Construction in progress	10,000	15,050
Property and equipment	6,196,283	5,996,711
Less accumulated depreciation	<u>1,256,186</u>	<u>1,037,465</u>
Property and equipment, net	<u>\$ 4,940,097</u>	<u>\$ 4,959,246</u>

**NOTE 5—LINE OF CREDIT**

During 2023 and 2022, CCI had an unsecured \$250,000 line of credit agreement with First Business Bank that expired on September 26, 2023. The line of credit had an interest rate of 6.25%. The line of credit was not used in 2023 or 2022 and there was no outstanding balance at December 31, 2023 and 2022. In October 2023, CCI updated the line of credit into a credit demand note with an interest rate of 8.5% and no stated expiration date.

CCI also had a \$100,000 line of credit agreement with UBS Bank USA (UBS) that was secured by an investment account. The line of credit was not used in 2023 or 2022 and there was no outstanding balance at December 31, 2023 and 2022. At December 31, 2023, the line of credit was not renewed and is not available for use.

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NOTE 6—NOTES PAYABLE

Notes payable consist of the following:

	<u>2023</u>	<u>2022</u>
\$1,160,000 note payable to First Business Bank requiring monthly payments of \$7,033, including principal and interest until August 2026. The interest rate is 3.95%. The note is secured by the Fen Oak land, building, and personal property.	\$ 860,926	\$ 911,032
\$41,312 vehicle note payable to Ally requiring monthly payments of \$788 including principal and interest until December 2024. The interest rate is 5.43%. The note is secured by the vehicle.	8,016	17,128
\$1,700,000 building note payable to First Business Bank requiring monthly payments of \$9,305 including principal and interest until August 2026. The interest rate is 4.29%. The note is secured by the Olin Ave. building.	<u>1,563,273</u>	<u>1,606,800</u>
Total notes payable	2,432,215	2,534,960
Less unamortized debt issuance costs	<u>19,541</u>	<u>25,612</u>
Total notes payable less unamortized debt issuance costs	<u><u>\$ 2,412,674</u></u>	<u><u>\$ 2,509,348</u></u>

Future minimum principal payments are as follows:

2024	\$ 103,703
2025	99,370
2026	<u>2,229,142</u>
Total	<u><u>\$ 2,432,215</u></u>



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**NOTE 7—NET ASSETS**

CCI's board of directors has designated net assets without donor restrictions for the following purposes:

	2023	2022
5 Door programming	\$ 796,173	\$ 714,739
All Saints development	3,904,355	3,505,244
Strategic initiatives	1,735,819	1,513,958
Total net assets with board designations	6,436,347	5,733,941
Undesignated	11,855,198	10,864,583
Total net assets without donor restrictions	<u>\$ 18,291,545</u>	<u>\$ 16,598,524</u>

Net assets with donor restrictions are restricted for the following purposes or periods:

	2023	2022
Subject to expenditure for specified purpose:		
FACE Kids	\$ -	\$ 22,976
The Beacon	764,626	966,972
Services to children and families	97,750	36,989
Services to seniors	1,576,519	1,565,064
Other	30,225	68,053
Subject to the passage of time:		
Support of programs in future periods	113,342	260,000
Subject to spending policies and appropriation:		
Investments in perpetuity (including amounts above original gift amount of \$8,185 and \$3,962 for 2023 and 2022) which, once appropriated, are expendable to support:		
Adoption services	96,116	91,893
Services for AODA	27,520	-
Total net assets with donor restrictions	<u>\$ 2,706,098</u>	<u>\$ 3,011,947</u>

**NOTE 8—LEASES**

CCI is a payer on numerous residential leases on apartment units on behalf of individual clients in its supportive residential programs in Dane County and Montello area that require monthly payments.

CCI leases facilities in Madison, Janesville, Fort Atkinson, and Beloit requiring monthly payments, expiring through 2029. CCI also leases various office equipment and vehicles that require monthly or quarterly payments and expiring through 2026. The vehicle leases have residual value guarantees up to \$13,375.

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NOTE 8—LEASES (continued)

The components of total lease cost for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Finance lease cost		
Amortization of right-of-use assets	\$ 53,531	\$ 69,822
Interest on lease liabilities	11,792	17,287
Operating lease cost	378,645	301,069
Short-term lease expense	2,373	194,832
	<u>446,341</u>	<u>583,010</u>
Total lease cost	<u>\$ 446,341</u>	<u>\$ 583,010</u>

Other information related to leases at December 31, 2023 and 2022 are as follows:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 12,218	\$ 16,119
Operating cash flows from operating leases	372,578	289,673
Financing cash flows from finance leases	48,998	59,826
Right-of-use assets obtained for new operating lease liabilities	-	715,915
Weighted-average remaining lease term		
Finance leases	1.65 years	2.53 years
Operating leases	4.27 years	4.67 years
Weighted-average discount rate		
Finance leases	11.98%	11.59%
Operating leases	2.71%	2.43%

The maturities of lease liabilities as of December 31, 2023, are as follows:

	Finance Leases	Operating Leases
2024	\$ 53,089	\$ 374,784
2025	32,261	114,753
2026	751	117,048
2027	-	119,389
2028	-	121,776
Thereafter	-	82,260
	<u>86,101</u>	<u>930,010</u>
Total minimum lease payments	86,101	930,010
Imputed interest	(7,552)	(61,106)
Total lease liabilities	<u>\$ 78,549</u>	<u>\$ 868,904</u>

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**NOTE 9—TAX DEFERRED ANNUITY PENSION PLAN**

CCI has a tax deferred annuity pension plan, which covers all employees who have met minimum age and service requirements. Participants are 100% vested in their contributions. CCI matches employee contributions to the plan up to 6% of their annual salary. Employer contributions to the plan were \$225,375 and \$226,612, respectively, in 2023 and 2022.

**NOTE 10—RELATED PARTY TRANSACTIONS**

All actions of CCI's board of directors are subject to confirmation by the Bishop of the Roman Catholic Diocese of Madison (Diocese) or, in his absence, the Vicar General or Administrator of the Diocese.

CCI's transactions with the Diocese consisted of the following:

	2023	2022
Support from Diocese		
General	\$ 440,000	\$ 625,000
Expenses to Diocese		
Office rent	\$ 324,414	\$ 324,414
Insurance	71,460	57,987
Phone and utilities	12,354	12,973
Total expenses	<u>\$ 408,228</u>	<u>\$ 395,374</u>

For the years ending December 31, 2023 and 2022, CCI received \$140,000 from the Diocese, which the Diocese stipulated must be passed through to the Catholic Multicultural Center, each year. Therefore, these funds have been excluded from CCI's revenues and expenses.

CCI and Hope Haven-Rebos United, Inc. (HH) were separate corporations with separate organizational structures and their own governing boards until CCI acquired HH on January 1, 2022. CCI previously appointed the members of HH's board of directors. CCI previously had a service agreement with HH to provide administrative, accounting, computer, and management services.

Recognized amounts of identifiable assets acquired and liabilities assumed from CCI's acquisition of HH during 2022, include the following:

Accounts receivable	\$ 110,444
Other financial assets	876,606
Property and equipment	2,788,296
Other assets	13,296
Notes payable	(1,640,796)
Other liabilities	<u>(37,389)</u>
Contribution received from HH	<u>\$ 2,110,457</u>

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**NOTE 10—RELATED PARTY TRANSACTIONS (continued)**

CCI had the following related party transactions with All Saints Assisted Living Center (ASALC):

CCI has an agreement with ASALC to provide administrative services. Total fees for these services were \$62,000 in 2023 and 2022, each year.

CCI received distributions of surplus cash from ASALC of \$340,000 and \$1,400,000 in 2023 and 2022, respectively.

CCI had the following related party transactions with All Saints Retirement Center (ASRC):

CCI has an agreement with ASRC to provide administrative services. Total fees for these services were \$12,000 in 2023 and 2022, each year.

CCI received a distribution of surplus cash from ASRC of \$430,000 and \$500,000 in 2023 and 2022, respectively.

**NOTE 11—ENDOWMENT**

CCI's endowment consists of two donor-restricted funds. These funds were established to provide adoption resources and support AODA services. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The state of Wisconsin enacted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) effective July 20, 2009, the provisions of which apply to endowment funds existing on or established after that date. CCI had determined that its permanently restricted net assets meet the definition of endowment funds under UPMIFA. CCI has interpreted Wisconsin's enacted version of 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. In accordance with Wisconsin's enacted version of UPMIFA, CCI expects it will need to consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation or depreciation of investments, (6) other resources of CCI, and (7) CCI investment policies.

CCI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the original investment of the endowment. Endowment assets include those assets of donor restricted funds that CCI must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce returns to support programs benefiting adoption.

To satisfy its long-term rate-of-return objectives, CCI relies on a total return strategy in which investment returns are achieved through both realized and unrealized gains/loss and interest and dividends. CCI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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NOTE 11—ENDOWMENT (continued)

Endowment net assets by type of fund consisted of the following:

	2023	2022
Donor-restricted endowment funds:		
Original donor-restricted gift amount - Ben Ley	\$ 87,931	\$ 87,931
Accumulated investment gains - Ben Ley	8,185	3,962
Original donor-restricted gift amount - Navin	27,520	-
Total funds	<u>\$ 123,636</u>	<u>\$ 91,893</u>

Changes in endowment net assets are as follows:

	2023	2022
Endowment net assets at beginning of year	\$ 91,893	\$ 93,951
Investment return, net	4,223	(2,058)
Contributions	27,520	-
Endowment net assets at end of year	<u>\$ 123,636</u>	<u>\$ 91,893</u>

NOTE 12—CONCENTRATIONS

CCI received approximately 17% and 18% of its revenue from Dane County Department of Human Services, for the years ended December 31, 2023 and 2022, respectively.

NOTE 13—PAYCHECK PROTECTION PROGRAM LOAN

On April 15, 2020, CCI received a \$2,212,352 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA).

On December 8, 2021, the SBA preliminarily approved forgiveness of \$2,110,160 of the loan and \$34,514 of accrued interest. The remaining \$102,192 was repaid by CCI as of December 31, 2021.

CCI must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review CCI's good-faith certification concerning the necessity of its loan request, whether CCI calculated the loan amount correctly, whether CCI used loan proceeds for the allowable uses specified in the CARES Act, and whether CCI is entitled to loan forgiveness in the amount claimed on its application. If SBA determines CCI was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

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**NOTE 14—LIQUIDITY AND AVAILABILITY**

CCI's financial assets available within one year of the statements of financial position dates for general expenditure are as follows:

	2023	2022
Cash and cash equivalents	\$ 1,286,944	\$ 2,183,720
Investments	13,517,385	11,492,978
Unconditional promises to give	118,342	294,789
Accounts receivable, net	<u>1,131,458</u>	<u>1,146,090</u>
Financial assets at end of year	16,054,129	15,117,577
Less those unavailable for general expenditures within one year:		
Board designations	(6,436,347)	(5,733,941)
Restricted by donors with time or purpose restrictions	(2,469,120)	(2,765,054)
Endowment assets	<u>(123,636)</u>	<u>(91,893)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,025,026</u>	<u>\$ 6,526,689</u>

CCI engages in contracts for services with various parties, which are usually paid either before, during, or after services are received, depending on the payor. CCI does not experience large seasonal swings in cash as it receives regular payments on contracts throughout the year. CCI's daily cash flow is monitored by management to ensure that revenues received cover operating expenses.

CCI has a credit demand note up to \$250,000 which could be used to handle short-term operating cash needs, should the situation arise. This demand note has not been utilized since it was opened. CCI holds investment accounts for various needs including operations, strategic growth, and for specific needs as restricted by donors or designated by the Board. The investments without restrictions or designations are intended to hold excess operating cash and provide operating cash for liquidity needs.

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**NOTE 15—CONTRIBUTIONS OF NONFINANCIAL ASSETS**

Contributions of nonfinancial assets include:

	2023	2022
Leasehold improvements	\$ -	\$ 40,423
Occupancy - facilities	177,674	177,624
Client assistance and recreation - food, clothing, and personal items	126,482	38,793
Supplies	9,141	5,176
Total contributions of nonfinancial assets	<u>\$ 313,297</u>	<u>\$ 262,016</u>

CCI recognized contributed nonfinancial assets within revenue, including contributed facilities, leasehold improvements, event supplies, and food, clothing, and personal items. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed facilities are used at the CCI's Beacon location for services to families and homeless program and management and general activities. In valuing the contributed facilities, CCI estimated the fair value on the basis of comparable rentable office space within Wisconsin from the most recent data available.

The contributed leasehold improvements are used for program services and management and general activities within the Community Connections location under its developmental disabilities program. In valuing the contributed leasehold improvements, CCI estimated the fair value on the basis of comparable services and materials that the contractors would have charged had the services and materials not been donated.

Contributed event supplies were utilized in fundraising activities for events in which the supplies and awards were designated for. Contributed food, clothing, and personal items were utilized at the CCI's Beacon location for services to families and homeless program. In valuing the event supplies and the contributed food, clothing, and personal items, CCI estimated the fair value on the basis of estimates of retail values that would be received for purchasing similar products in the United States.

**NOTE 16—SUPPLEMENTAL CASH FLOW DISCLOSURES**

Additional cash flow disclosures for the years ended December 31, 2023 and 2022 consist of:

	2023	2022
Cash paid for interest	\$ 115,451	\$ 124,305
Noncash investing and financing activities:		
Assumption of debt from Hope Haven	-	1,640,796
Donated property and equipment from Hope Haven	-	(2,788,296)
Donated investment from Hope Haven	-	(824,105)
Assignment of current assets and liabilities from Hope Haven	-	(91,539)
Donated leasehold improvements	-	(40,423)
Donated investments	-	(2,580)