

Archdiocese of Milwaukee

Financial Statements

June 30, 2023 and 2022

Archdiocese of Milwaukee

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Independent Auditors' Report

To the Most Reverend Jerome E. ListECKI, Archbishop of Milwaukee
Archdiocese of Milwaukee

Opinion

We have audited the financial statements of the Archdiocese of Milwaukee (the Archdiocese), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities 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 the Archdiocese as of June 30, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Archdiocese 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 GAAP, 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 the Archdiocese's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 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 the Archdiocese'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 the Archdiocese's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Milwaukee, Wisconsin
November 28, 2023

Archdiocese of Milwaukee

Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Assets		
Cash and cash equivalents	\$ 9,799,259	\$ 10,672,780
Receivables, net	8,283,406	10,015,434
Notes receivable, net	1,048,152	101,152
Investments	52,542,830	46,067,837
Cemetery, ground burial and crypt sites	5,182,971	4,525,375
Land, buildings and equipment, net	5,888,575	4,775,791
Beneficial interest in Cemetery Trust	68,988,725	64,352,032
Other assets	1,309,329	1,911,196
	<u>153,043,247</u>	<u>142,421,597</u>
Total assets	<u>\$ 153,043,247</u>	<u>\$ 142,421,597</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,862,727	\$ 1,618,355
Deferred revenue	20,512,474	17,954,414
Accrued priests' post-retirement benefits	14,102,053	14,803,793
Collections held for others	470,067	768,128
Custodial funds held for others	128,002	128,002
Asset retirement obligation	3,176,250	2,991,250
	<u>40,251,573</u>	<u>38,263,942</u>
Total liabilities	<u>40,251,573</u>	<u>38,263,942</u>
Net Assets		
Without donor restrictions:		
Undesignated operating	16,672,968	13,053,521
Board designated	8,311,886	6,149,981
Beneficial interest in Cemetery Trust	68,988,725	64,352,032
	<u>93,973,579</u>	<u>83,555,534</u>
Total net assets without donor restrictions	<u>93,973,579</u>	<u>83,555,534</u>
With donor restrictions:		
Purpose and time restricted	15,101,729	16,885,755
Endowment fund	3,716,366	3,716,366
	<u>18,818,095</u>	<u>20,602,121</u>
Total net assets with donor restrictions	<u>18,818,095</u>	<u>20,602,121</u>
Total net assets	<u>112,791,674</u>	<u>104,157,655</u>
Total liabilities and net assets	<u>\$ 153,043,247</u>	<u>\$ 142,421,597</u>

See notes to financial statements

Archdiocese of Milwaukee

Statements of Activities

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Annual appeal	\$ -	\$ 8,458,651	\$ 8,458,651	\$ -	\$ 8,799,427	\$ 8,799,427
Assessments	9,546,252	-	9,546,252	9,089,683	-	9,089,683
Contributions	1,455,037	995,731	2,450,768	643,309	2,690,258	3,333,567
Grants	684,860	33,700	718,560	608,133	85,000	693,133
Program revenues	503,618	-	503,618	648,401	-	648,401
Cemetery sales and services	10,559,312	-	10,559,312	9,652,752	-	9,652,752
Distributions from Cemetery Trust	3,278,000	-	3,278,000	1,950,000	-	1,950,000
Other revenue	394,661	-	394,661	278,437	-	278,437
Net assets released from restrictions	11,955,661	(11,955,661)	-	10,536,745	(10,536,745)	-
Total revenues and other support	38,377,401	(2,467,579)	35,909,822	33,407,460	1,037,940	34,445,400
Operating Expenses						
Salaries and benefits	16,754,513	-	16,754,513	15,728,219	-	15,728,219
Occupancy	4,257,462	-	4,257,462	3,843,116	-	3,843,116
Office and program supplies	3,773,048	-	3,773,048	3,043,773	-	3,043,773
Travel and professional development	399,242	-	399,242	544,438	-	544,438
Cost of sales	1,281,173	-	1,281,173	1,084,565	-	1,084,565
Grants and other assistance	4,273,829	-	4,273,829	4,247,228	-	4,247,228
Professional services	1,434,796	-	1,434,796	1,168,572	-	1,168,572
Depreciation	506,179	-	506,179	577,407	-	577,407
Other	256,316	-	256,316	179,884	-	179,884
Total operating expenses	32,936,558	-	32,936,558	30,417,202	-	30,417,202
Change in net assets from operations	5,440,843	(2,467,579)	2,973,264	2,990,258	1,037,940	4,028,198

See notes to financial statements

Archdiocese of Milwaukee

Statements of Activities

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Nonoperating Activities						
Investment return, net	\$ 732,067	\$ 683,553	\$ 1,415,620	\$ (1,716,297)	\$ (1,961,469)	\$ (3,677,766)
Gain on sale of property	25,500	-	25,500	485,115	-	485,115
Priest medical related changes other than service cost	992,457	-	992,457	4,092,125	-	4,092,125
Change in beneficial interest in Cemetery Trust	3,227,178	-	3,227,178	(10,282,820)	-	(10,282,820)
Total nonoperating activities	4,977,202	683,553	5,660,755	(7,421,877)	(1,961,469)	(9,383,346)
Change in net assets	10,418,045	(1,784,026)	8,634,019	(4,431,619)	(923,529)	(5,355,148)
Net Assets, Beginning	83,555,534	20,602,121	104,157,655	87,987,153	21,525,650	109,512,803
Net Assets, Ending	\$ 93,973,579	\$ 18,818,095	\$ 112,791,674	\$ 83,555,534	\$ 20,602,121	\$ 104,157,655

See notes to financial statements

Archdiocese of Milwaukee

Statements of Cash Flows Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 8,634,019	\$ (5,355,148)
Adjustments to reconcile to net cash flows from operating activities:		
Bad debt recovery	(15,670)	(242,507)
Depreciation and amortization	506,179	577,407
Asset retirement expense	185,000	156,000
Investment return, net	(390,529)	14,246,509
Gain on sale of property and equipment	(25,500)	(485,115)
Change in beneficial interest in Cemetery Trust	(3,227,178)	10,282,820
Changes in assets and liabilities:		
Receivables, payables and accrued expenses	1,983,070	(3,201,402)
Other assets	601,867	(491,504)
Cemetery, ground burial and crypt sites	(657,596)	(809,963)
Deferred revenue	2,558,060	3,085,704
Accrued postretirement and pension benefits	(701,740)	(3,637,577)
Net cash flows from operating activities	<u>9,449,982</u>	<u>14,125,224</u>
Cash Flows From Investing Activities		
Payments received on notes receivable	12,000	12,000
Purchase of property and equipment	(1,634,365)	(861,470)
Proceeds from the sale of property and equipment	40,902	484,435
Proceeds from sale of investments	5,550,303	29,646,490
Purchase of investments	(9,137,055)	(50,473,877)
Notes receivable granted	(950,000)	-
Net change in collections held for others	(298,061)	(203,609)
Deposits to beneficial interest in Cemetery Trust	(1,409,515)	(1,068,679)
Net cash flows from investing activities	<u>(7,825,791)</u>	<u>(22,464,710)</u>
Net change in cash, restricted cash and cash equivalents	1,624,191	(8,339,486)
Cash, Restricted Cash and Cash Equivalents, Beginning	<u>32,172,469</u>	<u>40,511,955</u>
Cash, Restricted Cash and Cash Equivalents, Ending	<u>\$ 33,796,660</u>	<u>\$ 32,172,469</u>
Reconciliation of Total Cash, Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 9,799,259	\$ 10,672,780
Cemetery pre-need cash included in investments	908,527	4,412,279
Cash and money markets included in investments	<u>23,088,874</u>	<u>17,087,410</u>
Total cash, restricted cash and cash equivalents	<u>\$ 33,796,660</u>	<u>\$ 32,172,469</u>

See notes to financial statements

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2023 and 2022

1. Summary of Significant Accounting Policies

Nature of Activities

The Archdiocese of Milwaukee (the Archdiocese) provides ministerial support and services to parishes and other Catholic entities within a ten county region of Southeastern Wisconsin. The mission is to proclaim Christ and make disciples through the sacramental life of the Church.

The Archdiocese is a not-for-profit Wisconsin corporation, without capital stock. Accordingly, the financial statements do not include any amounts for capital stock. The Archdiocese has a Board of Directors which oversees all ordinary administration. The Archbishop of Milwaukee serves as the canonical administrator of the Archdiocese. The Archdiocese is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, however any unrelated business income may be subject to taxation.

The financial statements include corporate assets, liabilities and operations of the Archdiocese of Milwaukee, primarily based in the Central Services Offices and the Cemeteries and Mausoleums.

Under the laws of the State of Wisconsin, parishes, their related schools and certain other Catholic entities operating within the boundaries of the Archdiocese are not under the fiscal and operating control of the Archdiocese. Therefore, in accordance with accounting principles generally accepted in the United States of America, they are not included in the financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. All significant balances and transactions between the specific activities have been eliminated in the financial statements.

Cash and Cash Equivalents

Cash equivalents are defined as securities and other short-term investments with maturities at date of acquisition of approximately three months or less.

Investments

Investments are generally recorded at fair value based on quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The Archdiocese records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses, net of investment fees are included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Contributions, parish assessments and school assessments use the allowance method to account for uncollectible accounts receivable, based on historic collection experience and a review of the current status of receivables. The allowance is recorded through a provision for bad debt expense and an adjustment to a valuation allowance.

The Archdiocese records revenue and net receivables for cemetery services and merchandise based on historical collection rates.

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June 30, 2023 and 2022

Net receivables as of June 30 consist of:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 5,056,200	\$ 5,803,756
Contributions receivable	453,224	417,599
Charitable remainder trusts	1,755,495	3,282,297
Parish and school obligations	829,738	410,017
Interest and dividends	188,749	101,765
	<u>\$ 8,283,406</u>	<u>\$ 10,015,434</u>

Notes Receivable

The Archdiocese has outstanding notes to certain parishes and schools for capital improvements and other needs. Notes receivable represent unsecured notes to parishes and schools. These notes are either a term loan or a demand note and carry an interest rate ranging from 0% to 4.86%. The current portions of the notes receivable were \$1,035,997 and \$48,963 at June 30, 2023 and 2022. The notes receivable are presented net of allowances for uncollectible accounts of \$468,059 and \$463,406 at June 30, 2023 and 2022, respectively.

Life Insurance Contributions

Donors have contributed multiple life insurance policies on their lives to the Archdiocese. The cash surrender value of \$262,332 and \$258,099 at June 30, 2023 and 2022, respectively, is included in other assets on the statements of financial position.

Contribution revenue has been recorded for the change in cash surrender value of these policies.

Land, Buildings and Equipment

Acquisitions of land, buildings and equipment in excess of \$5,000 and expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized.

Land, buildings and equipment are primarily carried at cost.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	50
Building improvements	5 to 40
Leasehold improvements	20
Land improvements	20
Furniture and fixtures	10
Equipment	3 to 10
Vehicles	5

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The Archdiocese follows current authoritative guidance for accounting for conditional asset retirement obligations. The guidance refers to a legal obligation to perform an asset retirement activity even if the timing and/or settlement is conditional on a future event that may or may not be within the control of an organization. Accordingly, if the Archdiocese has sufficient information to reasonably estimate the fair value of an obligation in connection with an asset retirement, it is required to recognize a liability at the time the liability is incurred. The Archdiocese recognized a liability for the abatement of asbestos at the Mary Mother of the Church Pastoral Center (Center). Liabilities of \$3,176,250 and \$2,991,250 as of June 30, 2023 and 2022, are included in the statements of financial position as asset retirement obligation.

Impairment of Long-Lived Assets

The Archdiocese reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There have been no such losses during the years ended June 30, 2023 and 2022.

Beneficial Interest in Cemetery Trust

The Archdiocese operates cemeteries which assist in caring for the faithful departed by performing an ancient corporal work of mercy, providing and maintaining appropriate facilities for burial of the dead. On April 2, 2007, the Archdiocese of Milwaukee Catholic Cemetery Perpetual Care Trust (the Cemetery Trust) was created to formalize the trust relationship with respect to funds (the Perpetual Care Funds) which are held under a fiduciary responsibility to adequately provide for the future care of mausoleums, crypts and gravesites. The Cemetery Trust is a distinct legal entity whose assets are legally restricted to the purposes of the Cemetery Trust. The Archdiocese disclaims control of the Cemetery Trust or a right to receive assets for any purpose other than for the care and maintenance of cemetery properties.

In March 2008, all assets accumulated over time for the future care of cemeteries and mausoleums were moved to a separate investment account controlled by the Cemetery Trust.

In accordance with accounting protocols, a beneficial interest in the Cemetery Trust at the value of the Trust's assets is included on the statements of financial position. The Trust's assets consist primarily of cash and investments.

The Archdiocese receives distributions from the Cemetery Trust to be used solely for the care and maintenance of the cemeteries and mausoleums operated or maintained by the Archdiocese. For the year ended June 30, 2022, the quarterly distributions were to be an amount not less than \$487,500. For the year ended June 30, 2023, the annual distributions from the Cemetery Trust were to be 5% of the average fund balance for the preceding three fiscal years, paid quarterly. The distributions totaled \$3,278,000 and \$1,950,000 for the years ended June 30, 2023 and 2022, respectively.

Collections Held for Others

Collections to be forwarded to other entities represent cash collected on behalf of other Catholic organizations and programs, mainly via the annual Combined Collections fund drive.

Custodial Funds Held for Others

The Archdiocese administers the investments for various programs and organizations within the geographical boundaries of the Archdiocese of Milwaukee. These are not Archdiocese funds. The Archdiocese may provide administrative services to help support these ministries and programs. The custodial funds held for others as of June 30, 2023 and 2022 consist of charitable gift annuities.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2023 and 2022

Net Assets

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Archdiocese and/or the passage of time or are required to be maintained in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

Board Designated Net Assets

The Archdiocese may designate a portion of net assets without donor restrictions for a specific purpose. These designations can be modified or removed by the Archdiocese at any time.

At June 30, designated net assets without donor restrictions consist of the following:

Specific Purposes

The Board of Directors has designated certain net assets without donor restrictions consistent with the purposes set forth in the original instruments as of June 30 as follows:

	<u>2023</u>	<u>2022</u>
St. Aemilian Trust (for the establishment of facilities for orphans, dependent, neglected and delinquent children, for rehabilitation, treatment and other welfare services needed for such ends and the promotion of education, charity and religion)	\$ 1,516,227	\$ 1,516,227
St. John's Burse (for deaf and hearing impaired ministry)	506,473	506,473
Mary Mother of the Church Endowment Fund	3,555,523	3,172,894
General operations and other	<u>2,733,663</u>	<u>954,387</u>
Total designated net assets	<u>\$ 8,311,886</u>	<u>\$ 6,149,981</u>

The Archdiocese has an economic interest, as defined by accounting standards, in the Cemetery Trust. Trust funding occurs at the discretion of the Archbishop and trust funds are subject to a fiduciary obligation to be used for the purpose of perpetual care of Archdiocesan Cemeteries.

	<u>2023</u>	<u>2022</u>
Limited to perpetual care of cemeteries	<u>\$ 68,988,725</u>	<u>\$ 64,352,032</u>

Archdiocese of Milwaukee

Notes to Financial Statements
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Measure of Operations

The Archdiocese's transactions that are part of the programs that support the pastoral ministries, cemetery operations, central service office and fundraising activities of the Archdiocese are reported as operating revenue and expense. All other transactions are reported as nonoperating revenue or expense, such as investment return net of fees, gains on sales of property, changes in post-retirement benefits and the change in the beneficial interest in the Cemetery Trust.

Revenue Recognition

Revenues from assessments (cathedraticum), contributions and promises to give that are received without donor stipulations are reported as revenue and net assets without donor restrictions at the point they are received. Gifts received with a donor stipulation that limits use are reported as revenue and net assets with donor restrictions at the point in time they are received. When a donor stipulated time restriction ends, or purpose restriction is accomplished, 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 promises to give are contributions with measurable performance barriers and a right of return and are not recognized until the conditions on which they depend have been met. There are no conditional promises to give as of June 30, 2023 and 2022.

The Archdiocese enters into contracts with Catholic Cemetery customers providing property and interment services, cemetery services and related merchandise on an at-need and pre-need basis. Each of these items is considered a separate performance obligation. Sales of cemetery services and merchandise are recorded at net realizable value. Cemetery services and merchandise sold at the time of need are recognized in the period the service is performed or the merchandise is delivered.

The Archdiocese records revenue on sales of cemetery plots and mausoleum crypts and niches at the date of sale as it has no legal obligation, beyond a short recession period, to refund any such sale. As a matter of policy, the Archdiocese has refunded sales under certain circumstances at amounts equal to or less than the original sales price, with the units then returned to inventory. This policy is subject to amendment at any time. The Archdiocese allows customers to purchase cemetery plots and mausoleum crypts and niches through an installment method in which customers are allowed up to two years to pay. The burial right is transferred to the customer when the contract is paid in full.

The Archdiocese sells pre-need cemetery services and merchandise under contracts that provide for the delivery of the services and merchandise at the time of need. Pre-need cemetery services and merchandise sales are recognized as cemetery revenue in the period the service is performed or the merchandise is delivered. Prior to that time, such sales are deferred. Purchase of these services can be included in the two year installment sale with the purchase of property. As of June 30, 2023 and 2022, there were receivables from cemetery sales of \$4,192,183 and \$4,151,909, respectively.

Archdiocese of Milwaukee

Notes to Financial Statements
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The Archdiocese has deferred revenue which primarily includes unearned income relating to pre-need contracts with the cemeteries which are to be recognized as revenue as the contracted services are performed and goods are delivered. Amounts collected from pre-need service and merchandise sales are deposited into a pre-need trust fund and are recorded as deferred revenue in the financial statements. When pre-need services and merchandise are delivered, amounts equal to the original deposits are withdrawn from the pre-need trust fund and transferred to the operating fund. Revenue is recognized when the services and merchandise are delivered. Deferred revenue related to pre-need contracts was \$20,390,783 and \$17,863,901, as of June 30, 2023 and 2022, respectively.

These pre-need contracts are paid in full or paid under a payment plan. These pre-need payments are treated as trust funds and handled in compliance with Wisconsin Statutes Chapter 157, which states that pre-need trust funds may not be withdrawn until the obligations under the pre-need sales contract have been fulfilled. Investments on the statements of financial position include cash and investments of \$17,240,917 and \$13,265,654 as of June 30, 2023 and 2022, respectively, for the Cemeteries Pre-Need Trust Fund.

The Archdiocese recognizes its canonical obligation to care for the dead and maintains a perpetual care trust fund to ensure the continuous maintenance and operation of the cemetery grounds.

Below is the opening and closing balances accounts receivable and deferred revenue related to contracts with customers:

	<u>July 1, 2021</u>		<u>June 30, 2022</u>		<u>June 30, 2023</u>
Accounts receivable	\$ 3,413,119	\$	4,151,909	\$	4,192,183
Deferred revenue	14,533,048		17,863,901		20,390,783

Contributed Services

Volunteers contribute personal time to assist the Archdiocese in performing various services. Volunteer services are not recorded by the Archdiocese, as these services do not require specialized expertise as defined by generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could be different from those estimates.

Adopted Accounting Pronouncements

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

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. Adopting ASU No. 2016-02 did not have a significant impact on the Archdiocese's financial statements.

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Notes to Financial Statements
June 30, 2023 and 2022

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

- The package of practical expedients permitted under the transition guidance which does not require the Archdiocese to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Archdiocese's right-of-use assets.

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

- The Archdiocese has elected the policy not to separate lease and nonlease components for all asset classes;
- When the rate implicit in the lease is not determinable, rather than use the Archdiocese's incremental borrowing rate, the Archdiocese elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;
- The Archdiocese has elected the policy to not include low-value leases on the statements of financial position;
- The Archdiocese elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Archdiocese is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

New Accounting Pronouncements

During June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectibility of the reported amount. ASU No. 2016-13 is effective for annual periods beginning after December 15, 2022 (2024). Management is currently evaluating the impact of ASU No. 2016-13 on the Archdiocese's financial statements.

Archdiocese of Milwaukee

Notes to Financial Statements
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2. Fair Value of Financial Instruments

As defined by suggested accounting protocols, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Archdiocese uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated or generally unobservable inputs. Whenever possible, the Archdiocese attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observation of the inputs used in the valuation methods, the Archdiocese is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

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

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Commercial bonds	\$ -	\$ 8,937,939	\$ -	\$ 8,937,939
US Government bonds and securities	-	9,900,289	-	9,900,289
Other investments	-	-	9,707,201	9,707,201
Total investments, at fair value	<u>\$ -</u>	<u>\$ 18,838,228</u>	<u>\$ 9,707,201</u>	28,545,429
Cash and money markets, at cost				23,088,874
Cash held in cemeteries pre-need cash account, at cost				<u>908,527</u>
Total investments				<u>\$ 52,542,830</u>
Beneficial interest in Cemetery Trust, at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,988,725</u>	<u>\$ 68,988,725</u>

Archdiocese of Milwaukee

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	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Commercial bonds	\$ -	\$ 8,901,100	\$ -	\$ 8,901,100
US Government bonds and securities	-	6,766,000	-	6,766,000
Other investments	-	-	8,901,048	8,901,048
Total investments, at fair value	<u>\$ -</u>	<u>\$ 15,667,100</u>	<u>\$ 8,901,048</u>	24,568,148
Cash and money markets, at cost				17,087,410
Cash held in cemeteries pre-need cash account, at cost				<u>4,412,279</u>
Total investments				<u>\$ 46,067,837</u>
Beneficial interest in Cemetery Trust, at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,352,032</u>	<u>\$ 64,352,032</u>

Bonds and US Government securities are classified as Level 2 items as they are not publicly traded in active markets. The bonds are invested in US Government, corporate and foreign issues.

The Archdiocese classifies other investments which are held at the Archdiocese of Milwaukee Catholic Community Foundation, Inc. (CCF) as Level 3. It is not possible to determine a daily value of the Archdiocese'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.

The Archdiocese classifies the beneficial interest in Cemetery Trust as Level 3. It is valued based on the value of the underlying assets held by the Trust.

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

	Other Investments	Beneficial Interest in Cemetery Trust	Total
Balance, June 30, 2022	\$ 8,901,048	\$ 64,352,032	\$ 73,253,080
Deposits	-	1,211,781	1,211,781
Withdrawals	(260,125)	(3,278,000)	(3,538,125)
Investment income	1,066,278	6,702,912	7,769,190
Balance, June 30, 2023	<u>\$ 9,707,201</u>	<u>\$ 68,988,725</u>	<u>\$ 78,695,926</u>

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	<u>Other Investments</u>	<u>Beneficial Interest in Cemetery Trust</u>	<u>Total</u>
Balance, June 30, 2021	\$ 10,510,871	\$ 73,566,173	\$ 84,077,044
Deposits	555,789	1,023,537	1,579,326
Withdrawals	(273,417)	(1,950,000)	(2,223,417)
Investment income	<u>(1,892,195)</u>	<u>(8,287,678)</u>	<u>(10,179,873)</u>
Balance, June 30, 2022	<u>\$ 8,901,048</u>	<u>\$ 64,352,032</u>	<u>\$ 73,253,080</u>

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

3. Contributions Receivable

Contributions receivable are included in receivables, net in the statements of financial position and are net of allowances for uncollectible amounts and unamortized discounts.

Unconditional promises (pledges/contributions) to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows, when significant. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is expected to be received. Amortization of the discount is included in contribution revenue.

The contributions receivable balance as of June 30 is expected to be collected according to the following schedule:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 526,224	\$ 555,599
Less allowance for doubtful accounts	<u>(73,000)</u>	<u>(138,000)</u>
Net contributions receivable	<u>\$ 453,224</u>	<u>\$ 417,599</u>

4. Cemetery, Ground Burial and Crypt Sites

These properties are recorded at original cost and consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Mausoleum, crypts and niches	\$ 2,461,702	\$ 1,800,378
Cemetery land and facilities held for burial privileges	<u>2,721,269</u>	<u>2,724,997</u>
Total	<u>\$ 5,182,971</u>	<u>\$ 4,525,375</u>

The Archdiocese does not record depreciation on these assets. The cost of individual crypts, niches and cemetery plots are allocated based on the costs at completion and are recorded as expense upon sale.

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On April 21, 2023 the Archdiocese entered into a contract with Carrier Mausoleums Construction U.S.A., Inc. to construct a mausoleum at St. Joseph Cemetery located in Waukesha, Wisconsin, for \$1,090,644 that is expected to be completed in December 2023. On June 23, 2023, the Archdiocese entered into a contract with Carrier Mausoleums Construction U.S.A., Inc. to construct a mausoleum at All Saints Cemetery located in Pleasant Prairie, Wisconsin, for \$1,646,394 that is expected to be completed in March 2024. As of June 30, 2023, the amount paid under these two contracts totaled \$323,617 and is reflected in other assets on the statements of financial position.

5. Land, Buildings and Equipment

Land, buildings and equipment are summarized as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 860,510	\$ 860,510
Land and building improvements	1,943,562	1,819,909
Construction in progress	985,168	-
Buildings	9,822,262	9,822,262
Leasehold improvements	726,318	726,318
Furniture and fixtures, equipment, art	1,582,138	1,204,628
Vehicles	494,495	446,053
	<u>16,414,453</u>	<u>14,879,680</u>
Total	16,414,453	14,879,680
Less accumulated depreciation	<u>(10,525,878)</u>	<u>(10,103,889)</u>
Net land, buildings and equipment	<u>\$ 5,888,575</u>	<u>\$ 4,775,791</u>

Construction in progress as of June 30, 2023 primarily included costs relating to roof replacement projects at various cemeteries as well as costs to remove a bridge at St. Adalbert's Cemetery. Outstanding commitments on these projects totaled approximately \$375,000 as of June 30, 2023.

Land, building and equipment includes certain land, buildings and equipment (other than leasehold improvements and equipment owned directly by the tenants) being used by Pius XI High School, Inc.; St. Thomas More High School, Inc.; and St. Joseph Catholic Academy, Inc. The Archdiocese and the three high schools have entered into lease agreements for a term ending in 2043 with a renewal option for 15 years.

Outlined below are encumbrances on the property and equipment being used by the high schools.

Pius XI High School, Inc.	Subject to a mortgage and a line of credit. The balances at June 30, 2023 were \$3,785,997 and \$1,425,000 respectively. The balances at June 30, 2022 were \$4,051,119 and \$1,125,000 respectively.
St. Thomas More High School, Inc.	Subject to a mortgage with balances at June 30, 2023 and 2022 of \$515,671 and \$745,088, respectively.
St. Joseph Catholic Academy, Inc.	Subject to a mortgage and a line of credit. The balances at June 30, 2023 were \$0 and \$180,000 respectively. The balances at June 30, 2022 were \$0.

The mortgages, loan and lines of credit are nonrecourse as to the Archdiocese.

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6. Line of Credit

The Archdiocese is authorized to draw on a line of credit made available by Town Bank up to the amount of \$2,000,000. The line of credit expires May 7, 2024, is secured by all business assets and accrues interest at prime rate less 1.25% (7.00% as of June 30, 2023). The balance drawn as of June 30, 2023 and 2022 was \$0.

7. Intradiocesan

Grants

St. Francis de Sales Seminary, Inc. (the Seminary) is a freestanding, separate legal entity. The Seminary has a Board of Trustees overseeing governance and administration. The Archdiocese contributes a Catholic Stewardship Appeal grant to the Seminary to fulfill one of the appeal solicitation purposes and is paid by the Seminary for certain administrative services under a contract. Total grants paid to the Seminary were \$1,350,000 and \$1,250,000 for the years ending June 30, 2023 and 2022, respectively. As of June 30, 2023 there were conditional pledges payable of \$1,250,000.

Catholic Charities of the Archdiocese of Milwaukee, Inc. (Catholic Charities) is a freestanding, separate legal entity. Catholic Charities has a Board of Directors overseeing governance and administration. The Archdiocese contributes a Catholic Stewardship Appeal grant to Catholic Charities to fulfill one of the appeal solicitation purposes. The grant paid was \$1,200,000 for the years ending June 30, 2023 and 2022. As of June 30, 2023 there were conditional pledges payable of \$1,200,000. Catholic Charities also compensates the Archdiocese for certain business services under a contract.

The Archdiocese contributed \$950,262 and \$1,237,564 for the years ending June 30, 2023 and 2022, respectively, to various parishes, schools and other Catholic organizations within the Archdiocese of Milwaukee. These funds were received primarily through the Catholic Stewardship Appeal and provided support for parish and school operations and various urban and ethnic ministries. As of June 30, 2023 there were conditional pledges payable of \$110,000.

Line of Credit Guarantee

Seton Catholic Schools, Inc. (Seton), participates in the Wisconsin and Milwaukee Parental Choice Programs (Choice Program). Seton has established a line of credit that provides a bridge between the timing of expenditures and the receipt of Choice Program payments. The Archdiocese will guarantee any line of credit up to \$4,000,000. The available line of credit as of June 30, 2023 is \$4,000,000 through a maturity date of May 7, 2024. The outstanding balance on the line of credit was \$0 at June 30, 2023 and 2022.

No liability was included in the accompanying statements of financial position related to the Archdiocese's obligations under this guarantee as management estimated Seton has the ability to pay its debt.

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8. Employee Benefit Plans

The Archdiocese has two pension plans covering substantially all employees. The plans also cover certain individuals employed by Catholic corporations and activities which are located within the boundaries of the Archdiocese, but are not included among the entities that are under the fiscal management of the Archdiocese, as listed in Note 1. A summary of each plan follows:

Lay Employees' Pension Plan

This is a noncontributory multi-employer defined benefit plan administered by the Archdiocese. As this is a multi-employer plan, valuation information is not available by employer. The Plan name is the Archdiocese of Milwaukee Lay Employees' Pension Plan (the Plan) and the identifying number is 39-6268506. The Plan is exempt from filing IRS Form 5500.

The Plan's most recent available information is as of June 30, 2022. At that time, all full time lay employees of participating Catholic organizations located within the boundaries of the Archdiocese who have been employed for one year are covered by the Plan. The benefits for employees in the Plan are based on the years of service and the applicable percentage of average monthly compensation of the employee. Following is a summary of the July 1, 2022 and 2021 valuation funding liability and funded ratio:

	<u>July 1, 2022</u>	<u>July 1, 2021</u>
Actuarial accrued liability	\$ 366,731,188	\$ 359,633,968
Market value of assets	<u>288,888,175</u>	<u>339,580,213</u>
Unfunded accrued liability	<u>\$ 77,843,013</u>	<u>\$ 20,053,755</u>
Funding ratio	78.8 %	94.4 %
Total contributions to the Plan	<u>\$ 7,715,000</u>	<u>\$ 8,092,000</u>

The Archdiocese's participation in the Plan exceeds 5% of the total contributions to the Plan. The Archdiocese pension expense for the years ended June 30, 2023 and 2022, respectively, was \$577,081 and \$554,255, which includes amortization of past service costs over 30 years.

Priests' Pension Plan

This is a contributory multi-employer defined benefit plan covering all Archdiocesan priests. The Plan name is the Archdiocese of Milwaukee Priests' Pension Plan (the Priests' Plan) and the identifying number is 39-6234907. The Priests' Plan is exempt from filing IRS Form 5500.

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The benefit for priests in the Priests' Plan is normally a fixed monthly benefit, subject to adjustment if years of service are less than years of incardination. As this is a multi-employer plan, valuation information is not available by employer. The Priests' Plans most recent available information is as of June 30, 2022. Following is a summary of the July 1, 2022 and 2021 valuation funding liability and funded ratio:

	<u>July 1, 2022</u>	<u>July 1, 2021</u>
Actuarial accrued liability	\$ 41,696,177	\$ 40,742,364
Market value of assets	<u>33,679,071</u>	<u>40,417,545</u>
Unfunded accrued liability	<u>\$ 8,017,106</u>	<u>\$ 324,819</u>
Funding ratio	80.8 %	99.2 %
Total contributions to the Plan	<u>\$ 692,000</u>	<u>\$ 679,000</u>

Pension expense for the years ended June 30, 2023 and 2022 was \$81,448 and \$98,269, respectively, which includes amortization of past service costs over 30 years.

Post-Retirement Benefits Other Than Pensions

The Archdiocese provides defined benefit post-retirement health, dental and vision insurance benefits to its diocesan priests. Covered members become eligible for these benefits at retirement after meeting minimum age and service requirements. The costs of future benefits are accrued during the priest's active working career. The Archdiocese funds benefits on a pay-as-you-go basis, with some retirees paying a portion of the costs.

Service cost is included in salaries and benefits on the statements of activities. The other components excluding service cost (net period benefit cost, interest net of benefits paid and the actuarial unamortized gains of \$5,003,194 and \$4,255,401 as of June 30, 2023 and 2022) are gains of \$992,457 and \$4,092,125 in 2023 and 2022, respectively. These components are presented as priest medical related changes other than service cost on the statements of activities.

At June 30, 2023 and 2022, the post-retirement health insurance benefit plan did not have any assets.

The following table sets forth the Plan's funded status and amounts recognized in the statements of financial position.

	<u>2023</u>	<u>2022</u>
Accumulated postretirement benefit obligation	\$ 14,102,053	\$ 14,803,793
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status of Plan, recognized in the statements of financial position	<u>\$ (14,102,053)</u>	<u>\$ (14,803,793)</u>

The projected benefit obligation is the same as the accumulated benefit obligation.

The change in discount rate decreased the liability and the net periodic benefit cost. The net amortization of the above amounts that are reclassified into a component of net periodic benefit cost for the years ended June 30, 2023 and 2022 was \$0.

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The amount of employer contributions to the plan and the benefits paid by the plan for the years ended June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Employer contributions	\$ 695,842	\$ 680,986
Benefits paid	\$ 695,842	\$ 680,986

The Archdiocese expects to contribute \$789,598 to the plan during the year ended June 30, 2024.

Expected benefit payments for the years ended June 30:

Years ending June 30:

2024	\$ 789,598
2025	852,945
2026	865,913
2027	878,702
2028	890,704
Next five years	<u>4,660,085</u>
	<u>\$ 8,937,947</u>

At June 30, 2023 and 2022, the net periodic benefit cost recognized was \$741,895 and \$950,336, respectively.

The weighted average discount rate used to develop the present value of benefit obligations was 4.75% and 4.25% at June 30, 2023 and 2022, respectively. The weighted average discount rate used to develop the net post retirement expense was 4.25% and 2.75% at June 30, 2023 and 2022, respectively.

The medical cost trend rate used to value the accumulated post-retirement benefit obligation is 7.25% for 2023 and is assumed to decrease gradually to an ultimate rate of 3.50% in 2038. The dental and vision cost trend rates used for 2023 and thereafter are 3.50%.

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9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Funds with purpose and/or time restrictions:		
Catholic Stewardship Appeal	\$ 5,227,398	\$ 5,842,979
Education	2,327,512	2,538,226
Ministry	1,136,198	1,431,799
Campus and young adult ministry	425,053	539,785
Kapalcznski Development Fund	786,618	577,837
Mary B. Finnigan Trust	998,662	810,749
Clergy	743,099	896,850
Rapp Trust	294,386	277,299
Beihoff Trust	556,661	496,968
Life insurance	262,332	258,099
Radecki Bequest	154,966	154,966
Other funds with purpose and/or time restrictions	<u>2,188,844</u>	<u>3,060,198</u>
Total net assets held with purpose and/or time restrictions	<u>15,101,729</u>	<u>16,885,755</u>
Funds to be held in perpetuity:		
Education Endowment Fund (for the support and furtherance of Roman Catholic education in the Archdiocese of Milwaukee)	1,000,000	1,000,000
Msgr. Eugene J. Kapalczynski Development Fund	2,624,360	2,624,360
General operations and other	<u>92,006</u>	<u>92,006</u>
Total net assets held in perpetuity	<u>3,716,366</u>	<u>3,716,366</u>
Total net assets with donor restrictions	<u>\$ 18,818,095</u>	<u>\$ 20,602,121</u>

10. Endowment

The Archdiocese 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 that is not classified as principal as net assets with donor restrictions until appropriated for expenditure.

Interpretation of Relevant Law – The Archdiocese 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 Archdiocese classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Archdiocese in a manner consistent with the standard of prudence prescribed by UPMIFA as adopted by the state of Wisconsin. If the market value of the principal at year end is below the original fair value, the deficit is recorded as net assets with donor restrictions.

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Fund Objectives and Policies – The endowment funds assist the Archdiocese in its mission by providing support for Catholic education and for the support of operations and activities of the Archdiocese's programs and services. The endowment funds consist of donor restricted gifts and board designated funds. The endowment funds are invested in conservative fixed income investments to provide funding for the purposes supported by the endowments with a primary objective of maintaining the principal of the endowment assets. The Archdiocesan spending policy is that the income generated by the investments can be used for purposes which are consistent with the donor restrictions or board designations.

Underwater Endowment

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Archdiocese to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles (GAAP), there were no deficiencies of this nature that are reported in net assets with donor restrictions as of June 30, 2023 and 2022.

Endowment Net Asset Composition by Type of Fund Consists of the Following as of June 30:

2023				
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restrictions	Perpetual in Nature	
Donor restricted endowment funds	\$ -	\$ 1,800,094	\$ 3,716,366	\$ 5,516,460
Board designated endowment funds	3,555,523	-	-	3,555,523
Total	<u>\$ 3,555,523</u>	<u>\$ 1,800,094</u>	<u>\$ 3,716,366</u>	<u>\$ 9,071,983</u>
2022				
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restrictions	Perpetual in Nature	
Donor restricted endowment funds	\$ -	\$ 1,404,890	\$ 3,716,366	\$ 5,121,256
Board designated endowment funds	3,172,894	-	-	3,172,894
Total	<u>\$ 3,172,894</u>	<u>\$ 1,404,890</u>	<u>\$ 3,716,366</u>	<u>\$ 8,294,150</u>

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Changes in Endowment Net Assets for the Year Ended June 30 are as Follows:

	2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restrictions	Perpetual in Nature	
Endowment net assets:				
June 30, 2022	\$ 3,172,894	\$ 1,404,890	\$ 3,716,366	\$ 8,294,150
Investment return, net	382,629	591,294	-	973,923
Appropriation for expenditure	-	(196,090)	-	(196,090)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Endowment net assets: June 30, 2023	<u>\$ 3,555,523</u>	<u>\$ 1,800,094</u>	<u>\$ 3,716,366</u>	<u>\$ 9,071,983</u>
	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restrictions	Perpetual in Nature	
Endowment net assets:				
June 30, 2021	\$ 3,217,817	\$ 2,699,588	\$ 3,716,366	\$ 9,633,771
Contributions	71,353	-	-	71,353
Investment return, net	(600,711)	(1,115,398)	-	(1,716,109)
Appropriation for expenditure	-	(179,300)	-	(179,300)
Transfer to Board designated funds	484,435	-	-	484,435
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Endowment net assets: June 30, 2022	<u>\$ 3,172,894</u>	<u>\$ 1,404,890</u>	<u>\$ 3,716,366</u>	<u>\$ 8,294,150</u>

11. Availability of Financial Assets

As part of the Archdiocese's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following schedule reflects the Archdiocese financial assets as of June 30 reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor imposed restrictions or internal designation of funds. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The board designations could be drawn upon if the board approves that action. Additionally, the Archdiocese maintains a \$2,000,000 line of credit as discussed in Note 6. As of June 30, 2023 and 2022, \$2,000,000 remained available on this line of credit.

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	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and cash equivalents	\$ 9,799,259	\$ 10,672,780
Receivables, net	8,283,406	10,015,434
Notes receivable, net	1,048,152	101,152
Investments	52,542,830	46,067,837
Beneficial interest in Cemetery Trust	<u>68,988,725</u>	<u>64,352,032</u>
Total financial assets	140,662,372	131,209,235
Less financial assets unavailable for general expenditures within one year due to contractual or donor imposed restrictions:		
Beneficial interest in Cemetery Trust	(68,988,725)	(64,352,032)
Cemetery pre-need trust	(17,240,917)	(13,265,654)
Cemetery pre-need and perpetual care trust funding	(406,111)	(2,560,231)
Custodial investments held for others	(128,002)	(128,002)
Accounts receivable, long term	(3,167,305)	(3,174,905)
Notes receivable, long term	(12,000)	(52,189)
Collections held for others	(470,067)	(768,128)
Board designated net assets	(8,311,886)	(6,149,981)
Net assets with donor restrictions less Catholic Stewardship Appeal	<u>(13,590,697)</u>	<u>(14,759,142)</u>
Financial assets available to meet cash needs for general use within one year	<u>\$ 28,346,662</u>	<u>\$ 25,998,971</u>

12. Functional Expenses

The financial statements contain certain categories of expenses that are attributable to more than one program or supporting function. Directly identifiable expenses are charged to pastoral ministries, cemeteries, central service office and fundraising. Expenses attributable to multiple functions are allocated. Salaries and benefit costs are allocated based on employee's time and effort. Other expenses relating to more than one function are charged to pastoral ministries, cemeteries, central service office and fundraising based on the allocation percentages used for salary and benefits or square footage.

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The following tables detail expenses by nature and function for the years ended June 30, 2023 and 2022:

	2023				
	Program Activities		Supporting Activities		
	Pastoral Ministries	Cemeteries	Central Service Office	Fundraising	Total
Salaries and benefits	\$ 8,248,027	\$ 4,628,589	\$ 2,841,001	\$ 1,036,896	\$ 16,754,513
Occupancy	343,397	2,814,334	1,035,936	63,795	4,257,462
Office and program supplies	2,365,754	365,068	419,348	622,878	3,773,048
Travel and professional development	342,104	25,730	12,987	18,421	399,242
Cost of sales	-	1,281,173	-	-	1,281,173
Grants and other assistance	4,239,133	-	34,696	-	4,273,829
Professional services	83,051	1,153,582	198,023	140	1,434,796
Depreciation	31,087	273,373	198,467	3,252	506,179
Other	129,327	(123,053)	157,448	92,594	256,316
Total expenses	\$ 15,781,880	\$ 10,418,796	\$ 4,897,906	\$ 1,837,976	\$ 32,936,558

	2022				
	Program Activities		Supporting Activities		
	Pastoral Ministries	Cemeteries	Central Service Office	Fundraising	Total
Salaries and benefits	\$ 8,320,827	\$ 4,203,936	\$ 2,353,122	\$ 850,334	\$ 15,728,219
Occupancy	435,746	2,440,072	910,317	56,981	3,843,116
Office and program supplies	1,827,391	323,182	411,518	481,682	3,043,773
Travel and professional development	500,173	8,864	21,577	13,824	544,438
Cost of sales	-	1,084,565	-	-	1,084,565
Grants and other assistance	4,226,127	-	21,101	-	4,247,228
Professional services	12,983	824,077	331,499	13	1,168,572
Depreciation	51,328	198,910	319,898	7,271	577,407
Other	42,506	151,166	(138,405)	124,617	179,884
Total expenses	\$ 15,417,081	\$ 9,234,772	\$ 4,230,627	\$ 1,534,722	\$ 30,417,202

13. Participants' Indemnity Program Irrevocable Trust

The Archdiocese, both for itself and as the agent for all parishes and various other Catholic entities operating within the boundaries of the Archdiocese, provides administrative services for a protected self-insurance program. This program provides uniform property and liability coverage under a comprehensive plan. During the 2017-2018 fiscal year, the Archdiocese strengthened this program by establishing a new trust. The trust name is the Participants' Indemnity Program Irrevocable Trust (PIPIT) and the identifying number is 83-6214122. Premiums and loss reserves are determined and claims are processed by a service agency on a contractual basis.

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Losses are paid from the loss fund of the trust to which premiums are paid by the participants. No single claim from the loss fund may exceed a specified maximum. Claims in excess of this maximum are fully covered by insurance. Any potential losses or portion of the loss fund, which might revert back to the Archdiocese, is not measurable.

14. Administrative Services for Unrelated Organizations

The Archdiocese provides administrative services to several organizations, including the Faith in our Future (FIOF) Trust, the Love One Another Trust (LOA Trust) and Seton. Under the agreements the Archdiocese may advance payments for expenses, which are then reimbursed to the Archdiocese. Contributions to the FIOF Trust are donor restricted and grants from the FIOF Trust can be made only for purposes of Catholic Education and Faith Formation, as specified and disclosed in materials provided to donors. Contributions to the LOA Trust are donor restricted and the trust funds can be used only to benefit the parishioners and ministries of the Archdiocese of Milwaukee, as specified and disclosed in the materials provided to donors. The Archdiocese does not have control over or a beneficial interest in the net assets of the FIOF Trust, LOA Trust or other organizations for which the Archdiocese provides administrative services and, therefore, none of the activities of the FIOF Trust, LOA Trust or the other unrelated entities are included in the Archdiocese's financial statements.

15. Concentrations

The Archdiocese maintains cash balances in three institutions which exceed the federally insured limit of \$250,000 for interest earning accounts. The Archdiocese has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

16. Commitments and Contingencies

Cemetery Management

The Archdiocese currently owns and operates eight cemeteries and seven mausoleums in southeastern Wisconsin. In July of 2016, the Archdiocese signed a management services contract with Catholic Management Services (CMS), a nonprofit organization specializing in strategic business planning and professional services to cemetery operations. CMS, which is operated under the Diocese of Oakland and headquartered in Pleasanton, CA, currently serves multiple dioceses in the Midwest and across the country. The term of the agreement automatically renews for successive one-year terms, unless one party provides written notice to the other party at least ninety (90) days in advance of the end of the then-existing term, that it does not wish to renew for an additional term. Either party may terminate with advance written notice of not less than ninety (90) days.

Paycheck Protection Program

The Archdiocese previously participated in and received funds under the Paycheck Protection Program (PPP) through the Coronavirus Aid, Relief and Economic Security (CARES) Act that was administered through the Small Business Administration (SBA). The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

Litigation

The Archdiocese is periodically involved in litigation, claims and lawsuits arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on the Archdiocese's financial position or activities.

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17. Subsequent Events

The Archdiocese has evaluated subsequent events through November 28, 2023, which is the date that the financial statements were approved and available to be issued.