

Archdiocese of Milwaukee

Financial Statements

June 30, 2022 and 2021

Archdiocese of Milwaukee

Table of Contents
June 30, 2022 and 2021

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	7

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, 2022 and 2021, 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, 2022 and 2021, 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 3, 2022

Archdiocese of Milwaukee

Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Assets		
Cash and cash equivalents	\$ 10,672,780	\$ 21,185,504
Receivables, net	10,015,434	7,199,883
Notes receivable, net	101,152	104,152
Investments	46,067,837	37,313,721
Cemetery, ground burial and crypt sites	4,525,375	3,715,412
Land, buildings and equipment, net	4,775,791	4,491,048
Beneficial interest in Cemetery Trust	64,352,032	73,566,173
Other assets	1,911,196	1,419,692
	<u>142,421,597</u>	<u>148,995,585</u>
Total assets	<u>\$ 142,421,597</u>	<u>\$ 148,995,585</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,618,355	\$ 2,237,713
Deferred revenue	17,954,414	14,868,710
Accrued Priests' post-retirement benefits	14,803,793	18,441,370
Collections held for others	768,128	971,737
Custodial funds held for others	128,002	128,002
Asset retirement obligation	2,991,250	2,835,250
	<u>38,263,942</u>	<u>39,482,782</u>
Total liabilities	<u>38,263,942</u>	<u>39,482,782</u>
Net Assets		
Without donor restrictions:		
Undesignated operating	13,053,521	7,294,018
Board designated	6,149,981	7,126,962
Beneficial interest in Cemetery Trust	64,352,032	73,566,173
	<u>83,555,534</u>	<u>87,987,153</u>
Total net assets without donor restrictions	<u>83,555,534</u>	<u>87,987,153</u>
With donor restrictions:		
Purpose and time restricted	16,885,755	17,809,284
Endowment Fund	3,716,366	3,716,366
	<u>20,602,121</u>	<u>21,525,650</u>
Total net assets with donor restrictions	<u>20,602,121</u>	<u>21,525,650</u>
Total net assets	<u>104,157,655</u>	<u>109,512,803</u>
Total liabilities and net assets	<u>\$ 142,421,597</u>	<u>\$ 148,995,585</u>

See notes to financial statements

Archdiocese of Milwaukee

Statements of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Annual appeal	\$ -	\$ 8,799,427	\$ 8,799,427	\$ -	\$ 9,244,208	\$ 9,244,208
Assessments	9,089,683	-	9,089,683	8,988,206	-	8,988,206
Contributions	643,309	2,690,258	3,333,567	706,767	2,005,093	2,711,860
Grants	608,133	85,000	693,133	-	238,114	238,114
Program revenues	648,401	-	648,401	298,673	-	298,673
Cemetery sales and services	9,652,752	-	9,652,752	9,364,097	-	9,364,097
Distributions from Cemetery Trust	1,950,000	-	1,950,000	1,950,000	-	1,950,000
Other revenue	278,437	-	278,437	488,816	-	488,816
Net assets released from restrictions	10,536,745	(10,536,745)	-	10,329,251	(10,329,251)	-
Total revenues and other support	33,407,460	1,037,940	34,445,400	32,125,810	1,158,164	33,283,974
Operating Expenses						
Salaries and benefits	15,728,219	-	15,728,219	16,152,843	-	16,152,843
Occupancy	3,843,116	-	3,843,116	3,293,045	-	3,293,045
Office and program supplies	3,043,773	-	3,043,773	1,791,870	-	1,791,870
Travel and professional development	544,438	-	544,438	235,651	-	235,651
Cost of sales	1,084,565	-	1,084,565	1,202,003	-	1,202,003
Grants and other assistance	4,247,228	-	4,247,228	4,098,541	-	4,098,541
Professional services	1,168,572	-	1,168,572	1,338,254	-	1,338,254
Interest	-	-	-	47,468	-	47,468
Depreciation	577,407	-	577,407	271,588	-	271,588
Other	179,884	-	179,884	46,409	-	46,409
Total operating expenses	30,417,202	-	30,417,202	28,477,672	-	28,477,672
Change in net assets from operations	2,990,258	1,037,940	4,028,198	3,648,138	1,158,164	4,806,302

See notes to financial statements

Archdiocese of Milwaukee

Statements of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Nonoperating Activities						
Investment return, net	\$ (1,716,297)	\$ (1,961,469)	\$ (3,677,766)	\$ 621,613	\$ 1,626,793	\$ 2,248,406
Forgiveness of note payable	-	-	-	2,162,308	-	2,162,308
Gain on sale of property	485,115	-	485,115	9,260,466	-	9,260,466
Priest medical related changes other than service cost	4,092,125	-	4,092,125	5,410,310	-	5,410,310
Change in beneficial interest in Cemetery Trust	(10,282,820)	-	(10,282,820)	12,761,972	-	12,761,972
Total nonoperating activities	(7,421,877)	(1,961,469)	(9,383,346)	30,216,669	1,626,793	31,843,462
Change in net assets	(4,431,619)	(923,529)	(5,355,148)	33,864,807	2,784,957	36,649,764
Net Assets, Beginning	<u>87,987,153</u>	<u>21,525,650</u>	<u>109,512,803</u>	<u>54,122,346</u>	<u>18,740,693</u>	<u>72,863,039</u>
Net Assets, Ending	<u>\$ 83,555,534</u>	<u>\$ 20,602,121</u>	<u>\$ 104,157,655</u>	<u>\$ 87,987,153</u>	<u>\$ 21,525,650</u>	<u>\$ 109,512,803</u>

See notes to financial statements

Archdiocese of Milwaukee

Statements of Cash Flows Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (5,355,148)	\$ 36,649,764
Adjustments to reconcile to net cash flows from operating activities:		
Bad debt recovery	(242,507)	(290,219)
Depreciation and amortization	577,407	271,588
Asset retirement expense	156,000	85,250
Forgiveness of note payable	-	(2,162,308)
Investment return, net	14,246,509	(1,762,016)
Gain on sale of property and equipment	(485,115)	(9,260,466)
Change in beneficial interest in Cemetery Trust	10,282,820	(12,761,972)
Changes in assets and liabilities:		
Receivables, payables and accrued expenses	(3,201,402)	1,346,277
Other assets	(491,504)	(656,884)
Cemetery, ground burial and crypt sites	(809,963)	354,957
Deferred revenue	3,085,704	3,130,201
Accrued postretirement and pension benefits	(3,637,577)	(4,750,655)
Net cash flows from operating activities	<u>14,125,224</u>	<u>10,193,517</u>
Cash Flows From Investing Activities		
Payments received on notes receivable	12,000	12,000
Purchase of property and equipment	(861,470)	(451,412)
Proceeds from the sale of property and equipment	484,435	3,630,765
Proceeds from sale of investments	29,646,490	1,636,684
Purchase of investments	(50,473,877)	(4,613,877)
Net change in collections held for others	(203,609)	84,677
Net change in custodial funds held for others	-	(211,427)
Deposits to beneficial interest in Cemetery Trust	(1,068,679)	(1,140,450)
Net cash flows from investing activities	<u>(22,464,710)</u>	<u>(1,053,040)</u>
Cash Flows From Financing Activities		
Principal payments on notes payable	-	(25,593)
Net change in cash, restricted cash and cash equivalents	(8,339,486)	9,114,884
Cash, Restricted Cash and Cash Equivalents, Beginning	<u>40,511,955</u>	<u>31,397,071</u>
Cash, Restricted Cash and Cash Equivalents, Ending	<u>\$ 32,172,469</u>	<u>\$ 40,511,955</u>
Reconciliation of Total Cash, Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 10,672,780	\$ 21,185,504
Cemetery pre-need cash included in investments	4,412,279	12,544,304
Cash and money markets included in investments	17,087,410	6,782,147
Total cash, restricted cash and cash equivalents	<u>\$ 32,172,469</u>	<u>\$ 40,511,955</u>
Supplemental Cash Flow Disclosures		
Cash paid for interest	\$ -	\$ 26,930
Noncash Investing and Financing Activities		
Principal payments on notes payable from proceeds from the sale of property and equipment	<u>\$ -</u>	<u>\$ 5,273,340</u>

See notes to financial statements

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

Net receivables as of June 30 consist of:

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 5,803,756	\$ 4,550,484
Contributions	417,599	521,642
Charitable remainder trusts	3,282,297	1,684,584
Parish and school obligations	410,017	383,775
Interest and dividends	101,765	59,398
	<u>10,015,434</u>	<u>7,199,883</u>
Total accounts receivable, net	<u>\$ 10,015,434</u>	<u>\$ 7,199,883</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 1.8%. The current portions of the notes receivable were \$48,963 and \$12,242 at June 30, 2022 and 2021. The notes receivable are presented net of allowances for uncollectible accounts of \$463,406 and \$472,406 at June 30, 2022 and 2021, respectively.

Life Insurance Contributions

Donors have contributed multiple life insurance policies on their lives to the Archdiocese. The cash surrender value of \$258,099 and \$253,733 at June 30, 2022 and 2021, 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 and will be recorded if and when the policies are cashed in.

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

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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 \$2,991,250 and \$2,835,250 as of June 30, 2022 and 2021, 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, 2022 and 2021.

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 in an amount not less than \$487,500 per quarter, to be used solely for the care and maintenance of the cemeteries and mausoleums operated or maintained by the Archdiocese. The distributions totaled \$1,950,000 each for the years ended June 30, 2022 and 2021.

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, 2022 and 2021 consist of charitable gift annuities.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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>2022</u>	<u>2021</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	3,172,894	3,217,817
General operations and other	<u>954,387</u>	<u>1,886,445</u>
Total designated net assets	<u>\$ 6,149,981</u>	<u>\$ 7,126,962</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>2022</u>	<u>2021</u>
Limited to perpetual care of cemeteries	<u>\$ 64,352,032</u>	<u>\$ 73,566,173</u>

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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 non-operating revenue or expense, such as investment return net of fees, forgiveness of note payable, gains and losses 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, 2022 and 2021.

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 rescission 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, 2022 and 2021, there were receivables from cemetery sales of \$4,233,207 and \$3,422,180, respectively.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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 \$17,863,901 and \$14,533,048, as of June 30, 2022 and 2021, 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 \$13,265,654 and \$12,544,304 as of June 30, 2022 and 2021, 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.

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

During 2022, the Archdiocese adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. Adopting ASU No. 2020-07 did not have a significant impact on the Archdiocese's financial statements.

During 2022, the Archdiocese also adopted ASU No. 2018-14, *Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU No. 2018-14 modifies and clarifies the required disclosures for employers that sponsor defined benefit pension or other postretirement plans. These amendments remove disclosures that are no longer considered cost beneficial, clarify the specific requirements of disclosures and add disclosure requirements identified as relevant. Adopting ASU No. 2018-14 did not have a significant impact on the Archdiocese's financial statements.

New Accounting Pronouncements

During February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. The Archdiocese will be required to apply the standard for fiscal years and reporting periods beginning after December 15, 2021 (2023). Management is currently evaluating the impact of ASU No. 2016-02 on the Archdiocese's financial statements.

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). Early adoption is permitted. Management is currently evaluating the impact of ASU No. 2016-13 on the Archdiocese's financial statements.

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.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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

	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	\$ -	\$ 15,667,100	\$ 8,901,048	24,568,148
Cash and money markets, at cost				17,087,410
Cash held in cemeteries pre-need cash account, at cost				4,412,279
Total investments				46,067,837
Beneficial interest in Cemetery Trust, at fair value	\$ -	\$ -	\$ 64,352,032	64,352,032
Total assets				\$ 110,419,869
June 30, 2021				
	Level 1	Level 2	Level 3	Total
Assets				
Commercial bonds	\$ -	\$ 4,571,370	\$ -	\$ 4,571,370
US Government bonds and securities	-	2,905,029	-	2,905,029
Other investments	-	-	10,510,871	10,510,871
Total investments, at fair value	\$ -	\$ 7,476,399	\$ 10,510,871	17,987,270
Cash and money markets, at cost				6,782,147
Cash held in cemeteries pre-need cash account, at cost				12,544,304
Total investments				37,313,721
Beneficial interest in Cemetery Trust, at fair value	\$ -	\$ -	\$ 73,566,173	73,566,173
Total assets				\$ 110,879,894

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

The Archdiocese classifies investments in corporate stocks as Level 1 items as they are publicly traded in active markets. 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:

	<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	(1,892,195)	(8,287,678)	(10,179,873)
Balance, June 30, 2022	<u>\$ 8,901,048</u>	<u>\$ 64,352,032</u>	<u>\$ 73,253,080</u>

	<u>Other Investments</u>	<u>Beneficial Interest in Cemetery Trust</u>	<u>Total</u>
Balance, June 30, 2020	\$ 5,856,686	\$ 59,663,751	\$ 65,520,437
Deposits	2,529,778	1,090,361	3,620,139
Withdrawals	(73,254)	(1,950,000)	(2,023,254)
Investment income	2,197,661	14,762,061	16,959,722
Balance, June 30, 2021	<u>\$ 10,510,871</u>	<u>\$ 73,566,173</u>	<u>\$ 84,077,044</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 reported in the statements of financial position and are net of allowances for uncollectible amounts and unamortized discounts.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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>2022</u>	<u>2021</u>
Less than one year	\$ 555,599	\$ 594,642
Less allowance for doubtful accounts	<u>(138,000)</u>	<u>(73,000)</u>
Net contributions receivable	<u>\$ 417,599</u>	<u>\$ 521,642</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>2022</u>	<u>2021</u>
Mausoleum, crypts and niches	\$ 1,800,378	\$ 987,883
Cemetery land and facilities held for burial privileges	<u>2,724,997</u>	<u>2,727,529</u>
Total	<u>\$ 4,525,375</u>	<u>\$ 3,715,412</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 of completion and are recorded as expense upon sale.

On September 28, 2020, the Archdiocese entered into three contracts with Carrier Mausoleums Construction U.S.A., Inc. to construct additions to three mausoleums. The contract for Resurrection Cemetery located in Mequon, Wisconsin, was for \$537,237 and that project was completed during fiscal 2021 and was added to inventory available for sale in August 2021. The contract for Holy Cross Cemetery located in Milwaukee, Wisconsin, was for \$521,186 and that project was completed and added to inventory available for sale in January 2022. The contract was for St. Adalbert Cemetery located in Milwaukee, Wisconsin for \$875,605, and was completed in August of 2022. At June 30, 2022 and 2021, the amount paid under this contract was \$987,680 and \$644,217, respectively and is reflected in other assets on the statements of financial position.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

5. Land, Buildings and Equipment

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

	<u>2022</u>	<u>2021</u>
Land	\$ 860,510	\$ 860,510
Land and building improvements	1,819,909	1,804,130
Construction in progress	-	53,627
Buildings	9,822,262	9,822,262
Leasehold improvements	726,318	735,283
Furniture and fixtures, equipment, art	1,204,628	681,526
Vehicles	446,053	521,608
Vacant land	-	46,985
	<u>14,879,680</u>	<u>14,525,931</u>
Total	14,879,680	14,525,931
Less accumulated depreciation	<u>(10,103,889)</u>	<u>(10,034,883)</u>
Net land, buildings and equipment	<u>\$ 4,775,791</u>	<u>\$ 4,491,048</u>

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, 2022 were \$4,051,119 and \$1,125,000 respectively. The balances at June 30, 2021 were \$4,317,587 and \$2,250,000 respectively.
St. Thomas More High School, Inc.	Subject to a mortgage with balances at June 30, 2022 and 2021 of \$745,088 and \$785,486, respectively.
St. Joseph Catholic Academy, Inc.	Subject to a mortgage and a line of credit both secured by the building. The balances at June 30, 2022 and 2021 were \$0.

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

On August 5, 2020, the Archdiocese sold the All Souls Property, located in Franklin, Wisconsin. The All Souls Property was a first lien property for the Cemetery Trust line of credit, as disclosed in Note 6. The Cemetery Trust line of credit was paid off in full, principal and accrued interest, from the proceeds of the sale.

On August 7, 2020, the Archdiocese sold the property known as St. Charles Youth and Family Services, located in Milwaukee, Wisconsin, for \$5,000,000. The St. Charles Youth and Family Services property was a first lien property for the note payable with Catholic Financial Life, and second mortgage lien on the Cemetery Trust line of credit, as disclosed in Note 6. The note payable to Catholic Financial Life was paid off in full, principal and accrued interest, from the proceeds of the sale.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

6. Notes Payable

Catholic Financial Life

On October 12, 2016, the Archdiocese entered in a note with Catholic Financial Life. The amount financed through Catholic Financial Life was \$4,115,797 with a fixed interest rate of 4.60%. The business note was secured by first mortgage liens on real estate known as St. Charles Youth and Family Services Facility and the Mary Mother of the Church Pastoral Center.

On August 7, 2020, the Archdiocese sold the property known as St. Charles Youth and Family Services, Inc. and used the proceeds to pay the remaining balance on the note payable with Catholic Financial Life. Interest expense for fiscal years ended June 30, 2022 and 2021 was \$0 and \$26,930, respectively. As of June 30, 2021 the balance of the note payable was \$0.

Paycheck Protection Program Loan

The Archdiocese participated in and received funds on April 14, 2020 under the Paycheck Protection Program (PPP) through the Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020 in the amount of \$2,137,255. Loans under the PPP are guaranteed by the Small Business Administration (SBA) and are designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans can be forgiven to the extent that employee levels are maintained and the loan principal is used for eligible expenses. Any portion of the loan balance that is not forgiven will carry interest at 1% and will have a maturity of two years.

The Archdiocese met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during December of 2020. Legal release was received during June of 2021, therefore, the Archdiocese recorded forgiveness income of \$2,162,308, including \$25,053 of accrued interest, within its statement of activities for the year ended June 30, 2021.

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.

Credit Lines

The Archdiocese was authorized to draw on a line of credit made available by the Cemetery Trust up to the amount of \$2,780,000. The line of credit bore interest in an amount equal to the lesser of (i) One Year LIBOR (as determined and adjusted annually) plus 200 basis points or (ii) five (5)% and was set annually in December. The rate of interest was 4.00%. In August of 2020, the Archdiocese paid the outstanding balance on the line of credit with the Cemetery Trust.

Since January 1, 2016 and through the retirement of the line of credit in August of 2020, interest-only payments had been made quarterly. The line of credit was secured by mortgage liens on the properties discussed in Note 5 and second mortgage liens on the Mary Mother of the Church Pastoral Center.

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%. The balance drawn as of June 30, 2022 and 2021 was zero.

7. Charitable Gift Annuities

Charitable gift annuities are included in custodial funds held for others and consist of annuities at 7.00% totaling \$128,002 as of June 30, 2022 and 2021. Current maturities of the charitable gift annuities totaled \$18,005 as of June 30, 2022 and 2021.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

8. 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. The grant paid was \$1,250,000 for the years ending June 30, 2022 and 2021. As of June 30, 2022 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 and \$1,153,000 for the years ending June 30, 2022 and 2021, respectively. As of June 30, 2022 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 \$1,237,564 and \$1,145,253 for the years ending June 30, 2022 and 2021, 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 support to various urban and ethnic ministries. As of June 30, 2022 there were conditional pledges payable of \$110,000.

Contributions

The Faith In Our Future Trust (FIOF Trust), is a freestanding, separate legal entity. FIOF Trust has a Board of Trustees overseeing governance and administration. FIOF Trust contributed education and faith formation grants to the Archdiocese. Grants in the amount of \$20,000 and \$48,488 were received for the years ending June 30, 2022 and 2021, respectively. Grants receivable were \$37,000 at June 30, 2022 and 2021.

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, 2022 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, 2022 and 2021.

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.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

9. 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, 2021. 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, 2021 and 2020 valuation funding liability and funded ratio:

	<u>July 1, 2021</u>	<u>July 1, 2020</u>
Actuarial accrued liability	\$ 359,633,968	\$ 321,020,462
Market value of assets	<u>339,580,213</u>	<u>285,118,725</u>
Unfunded accrued liability	<u>\$ 20,053,755</u>	<u>\$ 35,901,737</u>
Funding ratio	94.4 %	88.8 %
Total contributions to the Plan	<u>\$ 8,092,000</u>	<u>\$ 7,869,000</u>

The Archdiocese's participation in the Plan is approximately 5% of the total contributions to the Plan. The Archdiocese pension expense for the years ended June 30, 2022 and 2021, respectively, was \$554,255 and \$542,198, 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.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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' Plan's most recent available information is as of June 30, 2021. Following is a summary of the July 1, 2021 and 2020 valuation funding liability and funded ratio:

	<u>July 1, 2021</u>	<u>July 1, 2020</u>
Actuarial accrued liability	\$ 40,742,364	\$ 35,371,018
Market value of assets	<u>40,417,545</u>	<u>34,720,702</u>
Unfunded accrued liability	<u>\$ 324,819</u>	<u>\$ 650,316</u>
Funding ratio	99.2 %	98.2 %
Total contributions to the Plan	<u>\$ 679,000</u>	<u>\$ 686,000</u>

Pension expense for the years ended June 30, 2022 and 2021 was \$98,269 and \$89,033, 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 \$4,255,401 and \$348,474 as of June 30, 2022 and 2021) are gains of \$4,092,125 and \$5,410,310 in 2022 and 2021, respectively. These components are presented as priest medical related changes other than service cost on the statements of activities.

At June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Accumulated postretirement benefit obligation	\$ 14,803,793	\$ 18,441,370
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status of Plan, recognized in the statements of financial position	<u>\$ (14,803,793)</u>	<u>\$ (18,441,370)</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, 2022 and 2021 was \$0 and \$167,916, respectively.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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>2022</u>	<u>2021</u>
Employer contributions	\$ 680,986	\$ 702,639
Benefits paid	\$ 680,986	\$ 702,639

The Archdiocese expects to contribute \$827,140 to the plan during the year ended June 30, 2023.

Expected benefit payments for the years ended June 30:

Years ending June 30:

2022	\$ 827,140
2023	862,186
2024	872,032
2025	881,053
2026	889,252
Next five years	<u>4,580,229</u>
	<u>\$ 8,911,892</u>

At June 30, 2022 and 2021, the net periodic benefit cost recognized was \$950,336 and \$1,396,985, respectively.

The weighted average discount rate used to develop the present value of benefit obligations was 4.25% and 2.75% at June 30, 2022 and 2021, respectively. The weighted average discount rate used to develop the net post retirement expense was 2.75% and 2.50% at June 30, 2022 and 2021, respectively.

The medical cost trend rate used to value the accumulated post-retirement benefit obligation is 7.50% for 2022 and is assumed to decrease gradually to an ultimate rate of 3.50% in 2033. The dental and vision cost trend rates used for 2022 and thereafter are 3.50%.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

10. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Funds with purpose and/or time restrictions:		
Catholic Stewardship Appeal	\$ 5,842,979	\$ 7,241,639
Education	2,538,226	1,476,689
Ministry	1,431,799	1,731,495
Campus and young adult ministry	539,785	605,548
Kapalcznski Development Fund	577,837	1,466,429
Mary B. Finnigan Trust	810,749	1,216,305
Clergy	896,850	680,471
Rapp Trust	277,299	377,464
Beihoff Trust	496,968	608,496
Life insurance	258,099	253,733
Radecki Bequest	154,966	154,966
Other funds with purpose and/or time restrictions	<u>3,060,198</u>	<u>1,996,049</u>
Total net assets held with purpose and/or time restrictions	<u>16,885,755</u>	<u>17,809,284</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>\$ 20,602,121</u>	<u>\$ 21,525,650</u>

11. 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.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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. 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.

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, 2022 and 2021.

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

	2022			
	Without Donor Restrictions	With Donor Restrictions Purpose Restrictions	Perpetual in Nature	Total
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>

	2021			
	Without Donor Restrictions	With Donor Restrictions Purpose Restrictions	Perpetual in Nature	Total
Donor restricted endowment funds	\$ -	\$ 2,699,588	\$ 3,716,366	\$ 6,415,954
Board designated endowment funds	3,217,817	-	-	3,217,817
Total	<u>\$ 3,217,817</u>	<u>\$ 2,699,588</u>	<u>\$ 3,716,366</u>	<u>\$ 9,633,771</u>

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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

	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
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>
	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restrictions	Perpetual in Nature	
Endowment net assets:				
June 30, 2020	\$ 256,905	\$ 1,213,179	\$ 3,716,366	\$ 5,186,450
Contributions	6,000	-	-	6,000
Investment return, net	425,134	1,531,476	-	1,956,610
Appropriation for expenditure	-	(45,067)	-	(45,067)
Transfer to Board designated funds	2,529,778	-	-	2,529,778
Endowment net assets: June 30, 2021	<u>\$ 3,217,817</u>	<u>\$ 2,699,588</u>	<u>\$ 3,716,366</u>	<u>\$ 9,633,771</u>

12. 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, trust assets, assets held for others, perpetual endowments or board designated funds set aside for specific reserves, projects or a long-term investment as board designated endowments. 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, 2022 and 2021, \$2,000,000 remained available on this line of credit.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and cash equivalents	\$ 10,672,780	\$ 21,185,504
Receivables, net	10,015,434	7,199,883
Notes receivable, net	101,152	104,152
Investments	46,067,837	37,313,721
Beneficial interest in Cemetery Trust	<u>64,352,032</u>	<u>73,566,173</u>
Total financial assets	131,209,235	139,369,433
Less financial assets unavailable for general expenditures within one year due to contractual or donor imposed restrictions:		
Beneficial interest in Cemetery Trust	(64,352,032)	(73,566,173)
Cemetery pre-need trust	(13,265,654)	(12,544,304)
Cemetery pre-need and perpetual care trust funding	(2,560,231)	-
Custodial investments held for others	(128,002)	(128,002)
Accounts receivable, long term	(3,174,905)	(2,566,635)
Notes receivable, long term	(52,189)	(91,910)
Collections held for others	(768,128)	(971,737)
Board designated net assets	(6,149,981)	(7,126,962)
Net assets with donor restrictions less Catholic Stewardship Appeal	<u>(14,759,142)</u>	<u>(14,284,011)</u>
Financial assets available to meet cash needs for general use within one year	<u>\$ 25,998,971</u>	<u>\$ 28,089,699</u>

13. 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.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

The following tables detail expenses by nature and function for the years ended June 30, 2022 and 2021:

	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	<u>\$ 15,417,081</u>	<u>\$ 9,234,772</u>	<u>\$ 4,230,627</u>	<u>\$ 1,534,722</u>	<u>\$ 30,417,202</u>
	2021				
	Program Activities		Supporting Activities		
	Pastoral Ministries	Cemeteries	Central Service Office	Fundraising	Total
Salaries and benefits	\$ 8,834,076	\$ 3,938,133	\$ 2,485,803	\$ 894,831	\$ 16,152,843
Occupancy	236,624	2,195,037	821,419	39,965	3,293,045
Office and program supplies	1,077,169	152,527	290,240	271,934	1,791,870
Travel and professional development	210,625	7,265	13,272	4,489	235,651
Cost of sales	-	1,202,003	-	-	1,202,003
Grants and other assistance	4,053,844	-	44,697	-	4,098,541
Professional services	21,567	893,868	422,819	-	1,338,254
Interest	-	-	47,468	-	47,468
Depreciation	19,319	129,204	120,901	2,164	271,588
Other	30,120	114,356	(229,383)	131,316	46,409
Total expenses	<u>\$ 14,483,344</u>	<u>\$ 8,632,393</u>	<u>\$ 4,017,236</u>	<u>\$ 1,344,699</u>	<u>\$ 28,477,672</u>

14. 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.

Archdiocese of Milwaukee

Notes to Financial Statements
June 30, 2022 and 2021

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.

15. Administrative Services for Unrelated Organizations

The Archdiocese provides administrative services to several unrelated organizations, including the 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 unrelated 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.

16. 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.

17. Commitments

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.

18. Subsequent Events

The Archdiocese has evaluated subsequent events through November 3, 2022, which is the date that the financial statements were approved and available to be issued.