



CATHOLIC CHARITIES WEST MICHIGAN

FINANCIAL STATEMENTS

SEPTEMBER 30, 2024 and 2023

CATHOLIC CHARITIES WEST MICHIGAN

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Catholic Charities West Michigan

Opinion

We have audited the accompanying financial statements of Catholic Charities West Michigan, which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Catholic Charities West Michigan as of September 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2025, on our consideration of Catholic Charities West Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities West Michigan's internal control over financial reporting and compliance.

Doeren Mayhew Assurance

Grand Rapids, Michigan
May 5, 2025

CATHOLIC CHARITIES WEST MICHIGAN

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2024 AND 2023

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,825,639	\$ 3,283,551
Restricted cash equivalents	1,156,274	-
Accounts receivable, less allowance for credit losses of \$78,345 in 2024 and \$26,548 in 2023	1,185,606	1,502,412
Promises to give	901,542	1,030,582
Prepaid expenses and other assets	219,255	221,178
Property and equipment	6,493,510	6,712,333
Right-of-use assets, operating leases	606,278	900,323
Beneficial interests in assets held by others	1,244,243	1,107,162
	<u>15,632,347</u>	<u>14,757,541</u>
Total assets	<u>\$ 15,632,347</u>	<u>\$ 14,757,541</u>
<u>Liabilities</u>		
Accounts payable	\$ 298,800	\$ 322,045
Accrued liabilities		
Compensated absences	560,335	450,315
Salaries and wages	239,781	185,749
Other	933,184	1,011,987
Deferred revenue	568,218	661,468
Proceeds from conditional grants	1,109,930	-
Lease liabilities - operating	615,007	906,145
Long-term debt	3,160,717	3,283,477
	<u>7,485,972</u>	<u>6,821,186</u>
Total liabilities	<u>7,485,972</u>	<u>6,821,186</u>
Net assets		
Without donor restrictions		
Board designated	1,402,997	4,860,976
Undesignated	3,473,375	(22,829)
	<u>3,270,003</u>	<u>3,098,208</u>
With donor restrictions	<u>3,270,003</u>	<u>3,098,208</u>
	<u>8,146,375</u>	<u>7,936,355</u>
Total net assets	<u>8,146,375</u>	<u>7,936,355</u>
	<u>\$ 15,632,347</u>	<u>\$ 14,757,541</u>
Total liabilities and net assets	<u>\$ 15,632,347</u>	<u>\$ 14,757,541</u>

See accompanying notes

CATHOLIC CHARITIES WEST MICHIGAN

STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Governmental purchased service fees	\$ 13,486,168	\$ -	\$ 13,486,168
Contributions and nongovernment grants	2,297,928	741,780	3,039,708
Contributions of nonfinancial assets	216,187	-	216,187
United Way	-	23,848	23,848
Catholic Services Appeal	-	849,174	849,174
Special events, less expense of \$109,698	157,441	131,612	289,053
Program service fees	114,758	-	114,758
Interest income	137,969	-	137,969
Other revenue	119,245	-	119,245
Change in the value of beneficial interests in assets held by others	-	137,081	137,081
Net assets released from restrictions	1,711,700	(1,711,700)	-
Total public support and revenue	18,241,396	171,795	18,413,191
Expenses			
Program services			
Child welfare	6,041,145	-	6,041,145
Family preservation	4,345,426	-	4,345,426
Behavioral health	1,258,666	-	1,258,666
Community outreach	3,370,458	-	3,370,458
Total program services	15,015,695	-	15,015,695
Supporting services			
Management and general	2,801,227	-	2,801,227
Fundraising	386,249	-	386,249
Total supporting services	3,187,476	-	3,187,476
Total expenses	18,203,171	-	18,203,171
Change in net assets	38,225	171,795	210,020
Net assets, beginning of year	4,838,147	3,098,208	7,936,355
Net assets, end of year	<u>\$ 4,876,372</u>	<u>\$ 3,270,003</u>	<u>\$ 8,146,375</u>

See accompanying notes

CATHOLIC CHARITIES WEST MICHIGAN

STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Governmental purchased service fees	\$ 15,237,872	\$ -	\$ 15,237,872
Contributions and nongovernment grants	1,014,771	885,852	1,900,623
Contributions of nonfinancial assets	131,287	-	131,287
United Way	12,490	67,002	79,492
Catholic Services Appeal	-	824,441	824,441
Special events, less expense of \$106,374	173,917	113,191	287,108
Program service fees	151,394	-	151,394
Interest income	40,184	-	40,184
Other revenue	18,410	-	18,410
Change in the value of beneficial interests in assets held by others	-	106,785	106,785
Net assets released from restrictions	1,509,993	(1,509,993)	-
Total public support and revenue	18,290,318	487,278	18,777,596
Expenses			
Program services			
Child welfare	6,491,495	-	6,491,495
Family preservation	4,731,963	-	4,731,963
Behavioral health	1,076,605	-	1,076,605
Community outreach	3,075,872	-	3,075,872
Total program services	15,375,935	-	15,375,935
Supporting services			
Management and general	2,511,676	-	2,511,676
Fundraising	386,701	-	386,701
Total supporting services	2,898,377	-	2,898,377
Total expenses	18,274,312	-	18,274,312
Change in net assets	16,006	487,278	503,284
Net assets, beginning of year	4,822,141	2,610,930	7,433,071
Net assets, end of year	\$ 4,838,147	\$ 3,098,208	\$ 7,936,355

See accompanying notes

CATHOLIC CHARITIES WEST MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2024

	Program Services					Supporting Services			
	Child Welfare	Family Preservation	Behavioral Health	Community Outreach Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries & related expenses									
Salaries	\$ 3,044,605	\$ 2,869,877	\$ 821,711	\$ 1,442,165	\$ 8,178,358	\$ 1,483,025	\$ 239,574	\$ 1,722,599	\$ 9,900,957
Health and retirement benefits	547,446	547,407	143,842	293,235	1,531,930	185,917	43,366	229,283	1,761,213
Payroll taxes and workers' compensation	244,203	232,924	65,644	114,919	657,690	111,327	19,209	130,536	788,226
Total salaries & related expenses	3,836,254	3,650,208	1,031,197	1,850,319	10,367,978	1,780,269	302,149	2,082,418	12,450,396
Professional fees and other purchased services	11,773	7,795	13,653	409,037	442,258	354,710	15,981	370,691	812,949
Supplies	27,600	10,529	2,526	287,698	328,353	10,498	3,054	13,552	341,905
Communication	61,572	79,011	18,028	33,571	192,182	59,783	5,083	64,866	257,048
Postage and shipping	5,126	530	829	1,233	7,718	2,068	2,893	4,961	12,679
Occupancy	217,250	186,465	48,934	227,531	680,180	60,155	6,181	66,336	746,516
Printing and publications	3,570	721	271	3,562	8,124	337	13,393	13,730	21,854
Travel	102,906	199,545	35,187	106,051	443,689	15,681	944	16,625	460,314
Conferences, conventions and meetings	10,762	5,149	380	19,570	35,861	13,779	1,620	15,399	51,260
Specific assistance to individuals	1,503,190	99,477	-	47,911	1,650,578	-	-	-	1,650,578
Organization dues	6,584	5,113	444	5,496	17,637	36,093	20	36,113	53,750
Equipment rental and repairs	42,175	36,597	28,798	36,419	143,989	87,418	9,236	96,654	240,643
Insurance	-	-	-	-	-	95,606	-	95,606	95,606
Advertising	-	-	-	8,064	8,064	-	20,682	20,682	28,746
Provision for credit losses	60,734	-	360	3,220	64,314	7,911	-	7,911	72,225
Special events	-	-	-	-	-	-	109,698	109,698	109,698
Other including in-kind expense	2,231	523	-	100,534	103,288	120,312	-	120,312	223,600
Staff training and recruitment	23,161	2,999	24,595	129,268	180,023	101,767	922	102,689	282,712
Total expenses before depreciation and interest	5,914,888	4,284,662	1,205,202	3,269,484	14,674,236	2,746,387	491,856	3,238,243	17,912,479
Interest expense	35,022	17,211	29,851	24,649	106,733	5,265	-	5,265	111,998
Depreciation	91,235	43,553	23,613	76,325	234,726	49,575	4,091	53,666	288,392
Total expenses	6,041,145	4,345,426	1,258,666	3,370,458	15,015,695	2,801,227	495,947	3,297,174	18,312,869
Less expenses included with revenues on the statement of activities									
Special event expenses	-	-	-	-	-	-	(109,698)	(109,698)	(109,698)
Total expenses included in the expense section on the statement of activities	<u>\$ 6,041,145</u>	<u>\$ 4,345,426</u>	<u>\$ 1,258,666</u>	<u>\$ 3,370,458</u>	<u>\$ 15,015,695</u>	<u>\$ 2,801,227</u>	<u>\$ 386,249</u>	<u>\$ 3,187,476</u>	<u>\$ 18,203,171</u>

See accompanying notes

CATHOLIC CHARITIES WEST MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2023

	Program Services					Supporting Services			
	Child Welfare	Family Preservation	Behavioral Health	Community Outreach Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries & related expenses									
Salaries	\$ 2,961,152	\$ 3,054,793	\$ 707,654	\$ 1,318,535	\$ 8,042,134	\$ 1,148,049	\$ 235,903	\$ 1,383,952	\$ 9,426,086
Health and retirement benefits	576,557	586,412	118,392	258,102	1,539,463	222,033	35,283	257,316	1,796,779
Payroll taxes and workers' compensation	239,868	251,166	57,786	107,175	655,995	101,215	19,406	120,621	776,616
Total salaries & related expenses	3,777,577	3,892,371	883,832	1,683,812	10,237,592	1,471,297	290,592	1,761,889	11,999,481
Professional fees and other									
purchased services	17,793	8,236	18,517	368,563	413,109	406,467	25,579	432,046	845,155
Supplies	20,373	18,682	2,450	350,891	392,396	10,361	1,207	11,568	403,964
Communication	73,782	103,846	16,060	33,453	227,141	57,961	4,658	62,619	289,760
Postage and shipping	5,755	1,281	857	1,588	9,481	2,416	2,523	4,939	14,420
Occupancy	168,845	234,781	32,701	192,052	628,379	57,200	5,033	62,233	690,612
Printing and publications	3,700	1,110	178	5,692	10,680	544	13,777	14,321	25,001
Travel	131,446	218,360	25,060	102,836	477,702	13,494	1,084	14,578	492,280
Conferences, conventions and meetings	6,698	4,334	7,595	11,320	29,947	6,751	1,963	8,714	38,661
Specific assistance to individuals	2,053,081	111,414	-	48,282	2,212,777	-	-	-	2,212,777
Organization dues	6,073	4,946	10,357	5,152	26,528	34,442	-	34,442	60,970
Equipment rental and repairs	54,342	33,584	28,157	45,045	161,128	98,421	8,884	107,305	268,433
Insurance	-	-	-	-	-	100,447	-	100,447	100,447
Advertising	-	-	-	3,205	3,205	-	26,572	26,572	29,777
Provision for credit losses	1,057	-	530	-	1,587	300	-	300	1,887
Special events	-	-	-	-	-	-	106,374	106,374	106,374
Other including in-kind expense	1,633	1,052	93	69,890	72,668	63,726	538	64,264	136,932
Staff training and recruitment	41,921	9,900	4,819	62,650	119,290	128,215	1,038	129,253	248,543
Total expenses before depreciation and interest	6,364,076	4,643,897	1,031,206	2,984,431	15,023,610	2,452,042	489,822	2,941,864	17,965,474
Interest expense	32,830	25,054	28,103	20,778	106,765	3,819	-	3,819	110,584
Depreciation	94,589	63,012	17,296	70,663	245,560	55,815	3,253	59,068	304,628
Total expenses	6,491,495	4,731,963	1,076,605	3,075,872	15,375,935	2,511,676	493,075	3,004,751	18,380,686
Less expenses included with revenues on the statement of activities									
Special event expenses	-	-	-	-	-	-	(106,374)	(106,374)	(106,374)
Total expenses included in the expense section on the statement of activities	\$ 6,491,495	\$ 4,731,963	\$ 1,076,605	\$ 3,075,872	\$ 15,375,935	\$ 2,511,676	\$ 386,701	\$ 2,898,377	\$ 18,274,312

See accompanying notes

CATHOLIC CHARITIES WEST MICHIGAN

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 210,020	\$ 503,284
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	288,392	304,628
Gain on sale of assets	(16,577)	-
Provision for credit losses	72,225	1,887
Beneficial interests in assets held by others	(137,081)	(106,785)
Decrease/(increase) in assets		
Accounts receivable	244,581	(280,643)
Promises to give	129,040	(6,039)
Prepaid expenses and other assets	1,923	15,861
Increase/(decrease) in liabilities		
Accounts payable	(23,245)	16,999
Accrued liabilities	85,249	(67,342)
Deferred revenue	(93,250)	337,336
Right-of-use assets and liabilities, operating leases	2,907	5,822
Total adjustments	554,164	221,724
Net cash provided by operating activities	764,184	725,008
Cash flows from investing activities		
Proceeds from sale of property and equipment	18,879	-
Purchases of property and equipment	(71,871)	(76,274)
Net cash (used) by investing activities	(52,992)	(76,274)
Cash flows from financing activities		
Proceeds from conditional grants	1,109,930	-
Payments on long-term debt	(122,760)	(143,736)
Net cash provided (used) by financing activities	987,170	(143,736)
Net increase (decrease) in cash, cash equivalents, and restricted cash equivalents	1,698,362	504,998
Cash, cash equivalents and restricted cash - beginning of year	3,283,551	2,778,553
Cash, cash equivalents, and restricted cash - end of year	\$ 4,981,913	\$ 3,283,551
Cash and cash equivalents	\$ 3,825,639	\$ 3,283,551
Restricted cash equivalents	1,156,274	-
	\$ 4,981,913	\$ 3,283,551

See accompanying notes

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies

Business Activity

Catholic Charities West Michigan (Organization) is a nonprofit organization affiliated with the Roman Catholic Diocese of Grand Rapids (Diocese) and the Diocese of Grand Rapids Deposit and Loan Program. The Organization provides child welfare, family preservation and behavioral health services under federal and state contracts. The Organization also provides counseling, voluntary adoption services, foster grandparents, senior companions, meal programs, parish enrichment, social justice and other community outreach initiatives.

Method of Accounting

The Organization maintains its records on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposit accounts, money accounts (FedFunds), cash on hand, and cash on deposit with the Diocese of Grand Rapids Deposit and Loan Program and the Diocese. Funds deposited at the Diocese of Grand Rapids Deposit and Loan Program and the Diocese were \$1,559,046 and \$1,780,404 at September 30, 2024 and 2023, respectively. The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Organization maintains cash accounts at two financial institutions. The Organization's cash balances exceed FDIC insured amounts.

Restricted Cash Equivalents

Restricted cash equivalents consist of money accounts (FedFunds) received in the form of a conditional grant and intended for use in the event of funding shortfalls.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization recognizes an allowance for losses on accounts receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Organization assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible. The expense associated with the allowance for expected credit losses is recognized in selling, general, and administrative expenses. The Organization did not experience significant write-offs during 2024 and 2023, and the allowance was not significant as of December 31, 2024 and 2023. The Organization has omitted all credit loss related disclosures.

Accounts receivable was \$1,223,656 at October 1, 2022.

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

Promises to Give

Promises to give are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. When balances are deemed uncollectible, they are written off through a charge to the valuation allowance and a credit to promises to give. The Organization considers promises to give to be fully collectible. As such, no allowance for doubtful promises has been recorded. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made.

Property and Equipment

The Organization follows the practice of capitalizing, at cost, all expenditures of property and equipment in excess of \$5,000. Donations of property and equipment are recorded as support at the estimated fair market value at the time received. Such donations are reported as without donor restriction support unless the donor has restricted the donated asset to a specific purpose. Depreciation is recorded on the straight-line method at rates based on the estimated useful life of the asset.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value. The Organization identified property and equipment related to one of its facilities that is currently idle. See Note 5. No impairment losses were recognized during 2024 or 2023.

Beneficial Interests in Assets Held by Others

The Organization is the income beneficiary of endowment funds held and administered by The Catholic Foundation of West Michigan (CFWM) and unrelated third parties. The beneficial interests are recorded at fair value as determined based on the underlying investments held by CFWM and the unrelated trust and the unrelated foundation.

Gains and losses in the underlying investments are reported as change in the value of beneficial interests in assets held by others in the statements of activities. Earnings, as defined by the trusts, are available to be distributed annually and are included in other revenue without donor restrictions and with donor restrictions in the statements of activities. These distributions are used based on specified donor restrictions.

Leases

The Organization recognizes right-of-use assets and lease liabilities for leases with terms greater than 12 months. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method (finance leases) or on a straight-line basis over the term of the lease (operating leases). Lease and non-lease components of a contract are accounted for as separate lease components. The Organization's right-of-use assets and lease liabilities primarily relate to program facilities and office space. Renewal periods are included in the expected lease term if they are reasonably certain of being exercised.

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

Right-of-use assets and lease liabilities are recorded at the net present value of future lease payments and include any initial direct costs incurred at lease commencement. The risk-free rate is used to determine the net present value of the lease when the rate implicit in the lease is not readily determinable. Right-of-use assets under finance leases are amortized over the life of the lease or, if shorter, the life of the leased asset, on a straight-line basis. Right-of-use assets under operating leases are reduced as lease expense is incurred.

Short-term leases (initial terms less than 12 months) are expensed on a straight-line basis over the lease term.

Compensated Absences

The Organization has recorded an estimate of its anticipated obligation for compensated absences related to unused paid time off (PTO) as of September 30, 2024 and 2023. Such benefits vest for eligible employees after three months of service. Estimates associated with the calculation of this obligation include assumptions related to employee attrition and patterns of PTO use. Management evaluates these assumptions based upon historical trends and current employee census. An increase in the obligation of approximately \$100,000 was recorded in 2024 to reflect an improved attrition rate and current use patterns.

Net Assets

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for purposes as described in Note 10.
- Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions are met in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor-restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition

The Organization recognizes revenue from contracts with customers through three primary revenue streams. These include governmental purchased service fees, foster care fees and program service fees. Governmental purchased service fees, excluding foster care, are recognized each month as services are provided and billed to the state agency. Foster care is provided on a per diem basis; revenues are generally recognized on a daily basis as the services are provided. Program service fees are recognized when the service is provided. Total deferred revenue (contract liability) as of October 1, 2022 was \$324,312.

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

The following table summarizes the Organization's disaggregated revenue based on timing of revenue recognition for the years ended September 30:

	<u>2024</u>	<u>2023</u>
Governmental purchased service fees, including foster care	\$ 13,486,168	\$ 15,237,872
Program service fees	<u>114,758</u>	<u>151,394</u>
Revenue from contracts with customers recognized at a point in time	<u>\$ 13,600,926</u>	<u>\$ 15,389,266</u>

Grant Revenue and Conditional Grants

Grant revenue is recognized under the terms of each grant, typically when actual expenditures are incurred or services are provided that meet the specific terms of a grant.

In 2023, the Organization was awarded several grants totaling approximately \$628,000 as part of its annual contract with West Michigan Partnership for Children. Use of these funds must comply with the applicable federal and funder requirements. The Organization received these funds in advance and has recorded a contract liability (other accrued liability) in the statement of financial position of approximately \$463,000 as of September 30, 2024.

Total contract liabilities associated with grant revenue were approximately \$468,000 and \$628,000 as of September 30, 2024 and 2023, respectively.

The Organization received the following conditional grants that are not recognized as assets in the statements of financial position or as grant revenue in the statement of activities:

	<u>2024</u>	<u>2023</u>
Conditional grants passed through various entities, awarded and not spent	<u>\$ 1,086,141</u>	<u>\$ 1,534,722</u>

Contributions and Conditional Contributions

Contributions received and unconditional promises to give are recorded as without donor restriction or with donor restriction support depending on the existence and/or nature of donor restrictions. All contributions are considered to be available for use unless specifically restricted by the donor. Donor restricted contributions are reported as restricted support and are then reclassified to net assets without donor restrictions upon expiration of the donor restriction. If the restriction will be met in the same reporting period, the support will be reported as without donor restrictions. Contributions are reported as revenue at the time the contribution is promised.

During 2024, the Organization received proceeds from a conditional grant intended to provide a reserve for potential funding shortfalls. Proceeds of approximately \$1,110,000 are recorded as restricted cash equivalents with a corresponding liability on the statement of financial position. The Organization considers these funds conditional and has not recognized the revenue in the accompanying financial statements, as the associated conditions have not been met. The proceeds from the grant may be returned to the provider if such conditions are not met.

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

Special Events

Special event revenue is generated through ticket sales, sponsorship agreements, and contributions associated with the event. This revenue is recognized when the special event occurs.

Contributions for future fundraising events are recorded as contract liabilities until the event occurs. These contract liabilities were approximately \$100,000 and \$34,000 as of September 30, 2024 and 2023, respectively.

Income Taxes

The Internal Revenue Service has determined that the Organization is exempt from federal income taxes under provisions of Code Section 501(c)(3). In addition, the Organization qualifies for charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under 509(a)(2). Tax positions taken are assessed for uncertainty and a provision may be recorded if a tax position is not likely to be sustained upon examination.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited as detailed in the statement of functional expenses. Salaries and benefits are allocated based on estimates of time and effort. Utilities and maintenance expenses are allocated based on the number of budgeted full-time equivalents at each location.

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to September 30, 2024 for potential recognition or disclosure in these financial statements. The evaluation was performed through May 5, 2025, the date the financial statements were available for issuance.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the allocation of expenses, the disclosure of contingent assets and liabilities (including reserves), and the reported revenues and expenses. Actual results could vary from the estimates that were used. It is at least reasonably possible that the estimates used in calculating the accounts receivable allowance, the value of idle property, and the various accruals including the obligation for compensated absences could change over the course of the next year.

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

Note 2 - Liquidity

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2024	2023
Cash	\$ 3,825,639	\$ 3,283,551
Less: conditional grants	(468,379)	(627,914)
Less: board designated funds	(1,402,997)	(1,432,120)
Accounts receivable	1,185,606	1,502,412
Promises to give	901,542	930,582
	<u>\$ 4,041,411</u>	<u>\$ 3,656,511</u>

The Organization's normal operations as a social service organization have predictable and consistent monthly cash outlays and cash inflows from monthly billing for services. An exception to this can be the bureaucratic delays and budget eliminations inherent in being funded by government contracts. Cash inflow from contributions and donations is concentrated in November and December, which is when government grant funding can be delayed. There are occasional but significant expenses such as major facility repairs. The Diocese of Grand Rapids shall be a financial resource and lend the Organization funds for some of these financial situations. Included in the Organization's annual budget is an emergency contingency plan to be used in the event of unanticipated circumstances resulting in a severe financial downturn. Included in the table above are funds maintained in an operating reserve account to support operations through delays in payments of committed funding and to support confidence in the long-term sustainability of the Organization.

Note 3 - Accounts Receivable

Accounts receivable is comprised of the following:

	2024	2023
Client fees	\$ 127,226	\$ 152,842
Allowance for credit losses - client fees	(22,503)	(17,673)
Government grants and contracts	1,136,725	1,376,118
Allowance for credit losses - contracts	(55,842)	(8,875)
Total accounts receivable	<u>\$ 1,185,606</u>	<u>\$ 1,502,412</u>

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

Note 4 - Promises to Give

Unconditional promises to give are comprised of the following:

	2024	2023
United Way allocations and designations	\$ 44,780	\$ 92,251
Diocese of Grand Rapids - Catholic Services Appeal	636,881	618,331
Pledges	219,881	320,000
Total Promises to Give	<u>\$ 901,542</u>	<u>\$ 1,030,582</u>

The promises to give are expected to be received within one year.

Note 5 - Property and Equipment

Property and equipment consist of the following:

	2024	2023
Land	\$ 299,500	\$ 299,500
Leasehold and land improvements	424,416	394,666
Building and building improvements	7,318,614	7,246,829
Equipment, furniture and vehicles	1,487,832	1,522,349
Construction in progress	-	29,750
Idle facilities	862,561	862,561
	10,392,923	10,355,655
Accumulated depreciation	<u>(3,899,413)</u>	<u>(3,643,322)</u>
	<u>\$ 6,493,510</u>	<u>\$ 6,712,333</u>

In 2022, the Organization paused detox center operations. Management is evaluating the best future use for the facility, which remains idle as of September 30, 2024. No depreciation expense was recorded for this facility during 2024 and 2023. The facility has a net book value of approximately \$836,000 at September 30, 2024 and 2023. Management believes that the fair value of the facility does not materially differ from the recorded value.

Note 6 - Lease Agreements

Leasee

The Organization leases facilities to provide family preservation, behavioral health, and child welfare services under long-term, non-cancellable operating leases that expire at various dates through 2028. Monthly payments range from \$500 to \$5,433, through the lease term.

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

The Organization's lease expense consists of the following for the year ended September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 352,850	\$ 272,314
Short-term lease cost	32,371	84,793
Sublease income	(4,029)	-
Total lease cost	<u>\$ 381,192</u>	<u>\$ 357,107</u>

Supplemental lease information is as follows for the year ended September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in measurement of lease liabilities		
Operating cash flows from operating leases	\$ 349,172	\$ 260,697
Right-of-use assets obtained in exchange for operating lease liabilities	25,876	1,140,728
Weighted-average remaining lease term - operating leases	3.10 years	3.64 years
Weighted-average discount rate - operating leases	4.20%	4.18%

Remaining lease payments are as follows:

	<u>Operating Leases</u>
<u>Years ending September 30</u>	
2025	\$ 235,711
2026	204,413
2027	136,612
2028	79,394
	<u>656,130</u>
Total minimum lease payments	656,130
Less: present value discount	<u>(41,123)</u>
Present value of lease liabilities	<u>\$ 615,007</u>

Lessor

The Organization is the sublessor of a commercial property beginning in September 2024. The lease expires April 30, 2026. The total rental income was approximately \$4,800 for the year ended September 30, 2024. The cost of the property under the leasing agreement totaled \$56,286 as of September 30, 2024.

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

Anticipated future lease payments to be received under this agreement are:

<u>Years ending September 30</u>	
2025	\$ 58,014
2026	33,841
Total	<u>\$ 91,855</u>

Note 7 - Beneficial Interests

Investments are recorded at fair value. Accounting standards provide a framework for establishing fair value. The framework for determining fair value is based on a hierarchy which prioritizes the use of inputs to various valuation techniques. The three levels of the fair value hierarchy, with Level 1 given the highest priority, are as follows:

Level 1	unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	quoted prices in active markets for similar assets or liabilities, identical or similar assets or liabilities that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly
Level 3	significant unobservable inputs which may include the Organization's own assumptions in determining fair value

The fair value of the beneficial interests in perpetual trusts at September 30, 2024 and 2023, is based upon the fair value of the underlying investments held by The Catholic Foundation of West Michigan and unrelated third parties. The underlying assets cannot be liquidated or redeemed by Catholic Charities of West Michigan. As such, no quoted prices or active markets are available for this asset (Level 3). Management reviews and evaluates the values provided by the fund managers and agrees with the valuation methods and assumptions used in determining the fair value. These assets are considered net assets with donor restrictions.

Following is a reconciliation of activity for the years ended September 30, 2024 and 2023 for assets measured at fair value based on significant unobservable (Level 3) information.

Balance at October 1, 2022	\$ 1,000,377
Change in value of beneficial interests (net)	<u>106,785</u>
Balance at September 30, 2023	1,107,162
Change in value of beneficial interests (net)	<u>137,081</u>
Balance at September 30, 2024	<u>\$ 1,244,243</u>

The various investments underlying the beneficial interests are in equity and fixed income securities and other investments and are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these interests could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Organization.

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

Note 8 - Long-Term Debt

Long-term debt consists of two notes payable to the Diocese of Grand Rapids Deposit and Loan Program. Interest is due monthly at a 3.50% annual rate. Cash paid for interest expense was approximately \$112,000 and \$111,000 for the years ended September 30, 2024 and 2023, respectively.

Maturities of long-term debt are provided in the table below.

Years ending September 30:

2025	\$ 125,471
2026	129,934
2027	134,555
2028	139,341
2029	144,296
Thereafter	<u>2,487,120</u>
	<u>\$ 3,160,717</u>

Note 9 - Line of Credit

The Organization has available a \$500,000 unsecured line of credit with a bank that matures in July 2025. The line of credit bears interest at 2.05% above SOFR (4.96% at September 30, 2024), with a minimum rate of 3.75%. There were no funds borrowed at September 30, 2024 or 2023.

Note 10 - Board Designated Net Assets

Net assets without donor restrictions designated for specific purposes by the Board of Directors consist of cash and cash equivalents as follows:

	<u>2024</u>	<u>2023</u>
Lottie Brown Seaton Fund for client personal enhancement and self development opportunities	\$ 29,784	\$ 29,049
Facilities reserve	1,373,213	1,403,071
Net investment in property and equipment	-	3,428,856
Total Board Designated Unrestricted Net Assets	<u>\$ 1,402,997</u>	<u>\$ 4,860,976</u>

The Board designates net assets, when beneficial, to show commitment to a certain plan, program, or strategy. As of September 30, 2024, the Board of Directors removed net assets designations for net investment in property and equipment.

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at September 30:

	2024	2023
United Way-funding for future time periods	\$ 44,780	\$ 92,252
Catholic Services Appeal-funding for future time periods	636,881	618,331
Various program support - funding for future time periods	280,180	230,141
God's Kitchen-purpose restrictions	763,919	750,322
Child welfare programs - purpose restrictions	300,000	300,000
Beneficial Interest in Trusts	133,895	112,092
Catholic Foundation West Michigan	1,028,701	929,577
Muskegon Community Funds	81,647	65,493
	<u>\$ 3,270,003</u>	<u>\$ 3,098,208</u>

Net assets released from restrictions are as follows for the years ended September 30:

	2024	2023
Time restricted release - United Way	\$ 75,423	\$ 79,743
Time restricted release - Catholic Services Appeal	830,624	800,660
Time restricted release - program support	214,058	-
Purpose restricted release - God's Kitchen	591,595	536,080
Purpose restricted release - child welfare programs	-	93,510
	<u>\$ 1,711,700</u>	<u>\$ 1,509,993</u>

Note 12 - Contributed Nonfinancial Assets

The Organization received approximately \$101,000 and \$74,000 in contributions of nonfinancial assets during the years ended September 30, 2024 and 2023 related to donated supplies. These donated items are recorded at their estimated fair value as an in-kind contribution and expense. The Organization estimates the fair value on the basis of estimates of wholesale values that would be received for selling similar products.

Remaining contributions of nonfinancial assets relate to in-kind professional services. These specialized services are recorded at their estimated fair value as an in-kind contribution and expense. The estimated fair value is provided by the firm and is based on current rates for similar services.

There were no donor-imposed restrictions on contributed non-financial assets.

CATHOLIC CHARITIES WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

Note 13 - Retirement Plan

The Organization has a retirement plan under Internal Revenue Code Section 401(k) maintained for eligible employees. Under the plan, eligible employees are permitted to contribute up to 85% of their compensation into the plan, limited to the Internal Revenue Service maximums. Effective January 1, 2022, as approved by the Board of Directors, the Organization may make a discretionary matching contribution of 100% of the first 2% of eligible employee earnings and an additional 50% on the next 4% (up to 6%) of eligible employee earnings to be paid each pay period. The Organization made contributions of \$288,781 and \$272,508 for the years ended September 30, 2024 and 2023, respectively.

Note 14 - Concentrations and Contingencies

Concentrations

Catholic Charities West Michigan, which operates exclusively in the State of Michigan, receives a substantial portion of its funding and support from government agencies. Approximately 60% and 67% of the public support and revenue was provided by two primary funding sources (U.S. Department of Health and Human Services and the State of Michigan Department of Health and Human Services) during the years ended September 30, 2024 and 2023, respectively. Amounts due from these two major funding sources comprise 90% and 83% of accounts receivable at September 30, 2024 and 2023, respectively.

Additionally, in 2024, gifts from a significant donor represented 43% of contribution revenue.

While certain of the arrangements under which the Organization receives funding are for multiple years, other arrangements are one-year contracts that are renewed annually. General uncertainties exist associated with economic conditions that could impact future federal and state governmental appropriations. In the event of a significant reduction in funding, the Organization could be challenged to substantially reduce service offerings, eliminate costs and/or find alternative funding sources.

Contingencies

In the normal course of its activities, Catholic Charities West Michigan becomes party to various legal actions. The Organization carries commercial insurance to cover material conceivable losses.

Catholic Charities West Michigan participates in federally funded programs. Financial awards from federal, state, and local governmental entities in the form of grants are subject to the single audit requirements of the Uniform Guidance. The single audit of the federal programs for September 30, 2024 has been conducted and the required reports have been issued. However, the compliance audit reports have not yet been accepted by the grantors.

While management believes the outcome of these circumstances will not have a material effect on the financial position of the Organization, a reserve in the amount of \$800,000 was established in 2021 to provide for uncertainties with respect to these conditions. This amount is included in accrued liabilities as of September 30, 2024 and 2023.

Note 15 - Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 presentation. There was no effect on total assets, liabilities, or net assets as a result of the reclassifications.