

LA CAUSA, INC.

Milwaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2017 and 2016

LA CAUSA, INC.

TABLE OF CONTENTS As of and for the Years Ended December 31, 2017 and 2016

Independent Auditors' Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to Financial Statements	8 - 17
Other Independent Auditors' Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18 - 19
Report on Compliance for Each Major Federal and Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i>	20 - 21
Supplemental Information	
Schedule of Expenditures of Federal Awards	22 - 24
Schedule of Expenditures of State Awards	25 - 26
Notes to Schedules of Expenditures of Federal and State Awards	27
Schedule of Findings and Questioned Costs	28 - 30
Summary Schedule of Prior Audit Findings	31 - 32
Schedule of Revenue and Allowable Costs by Program	33
Schedule of Revenue and Allowable Costs by Milwaukee County Contract	34 - 35
La Causa Charter School - MPS Bridging Schedule	36
Reserve Supplemental Schedules for the Year Ended December 31, 2017	37 - 43

INDEPENDENT AUDITORS' REPORT

Board of Directors
La Causa, Inc.
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of La Causa, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017 and 2016, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and state awards and supplemental information identified in the table of contents, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Guidelines*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018 on our consideration of the Organization'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 solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
May 2, 2018

LA CAUSA, INC.

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017 and 2016

ASSETS		
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,912,105	\$ 836,832
Grants receivable	1,362,183	1,537,862
Other accounts receivable	36,506	58,276
Pledges receivable	16,576	32,509
Prepaid expenses	62,357	79,600
Total Current Assets	3,389,727	2,545,079
PROPERTY AND EQUIPMENT	9,816,251	10,246,219
OTHER ASSETS		
Restricted cash	182,508	210,280
Interest rate swap asset	5,182	-
Other long-term assets	48,919	39,904
Total Other Assets	236,609	250,184
TOTAL ASSETS	\$ 13,442,587	\$ 13,041,482
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 372,581	\$ 535,512
Due to Milwaukee County - current portion	177,519	155,883
Accrued expenses	742,741	794,525
Deferred revenue	1,911,580	1,216,360
Long-term debt - current portion	490,349	494,848
Other liabilities	46,122	37,095
Total Current Liabilities	3,740,892	3,234,223
LONG-TERM LIABILITIES		
Due to Milwaukee County, less current portion	-	155,883
Asset retirement liability	81,095	81,095
Interest rate swap liability	-	20,056
Long-term debt, less current portion, net	4,853,692	5,398,657
Total Long-Term Liabilities	4,934,787	5,655,691
Total Liabilities	8,675,679	8,889,914
NET ASSETS		
Unrestricted	4,523,850	3,862,730
Temporarily restricted	243,058	288,838
Total Net Assets	4,766,908	4,151,568
TOTAL LIABILITIES AND NET ASSETS	\$ 13,442,587	\$ 13,041,482

See accompanying notes to financial statements.

LA CAUSA, INC.

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT						
Government grants	\$ 12,767,657	\$ -	\$ 12,767,657	\$ 14,695,104	\$ -	\$ 14,695,104
United Way	43,980	43,974	87,954	51,314	46,049	97,363
Donations	283,311	51,576	334,887	536,726	77,510	614,236
Fundraising	174,483	-	174,483	169,107	-	169,107
Net assets released from restrictions	141,330	(141,330)	-	100,273	(100,273)	-
Total Public Support	13,410,761	(45,780)	13,364,981	15,552,524	23,286	15,575,810
REVENUE						
Private pay clients	186,479	-	186,479	248,659	-	248,659
Fees for services	7,038,639	-	7,038,639	7,396,819	-	7,396,819
Miscellaneous	111,922	-	111,922	38,364	-	38,364
Total Revenue	7,337,040	-	7,337,040	7,683,842	-	7,683,842
Total Public Support and Revenue	20,747,801	(45,780)	20,702,021	23,236,366	23,286	23,259,652
EXPENSES						
Program	19,813,407	-	19,813,407	22,026,683	-	22,026,683
Supporting services	273,274	-	273,274	361,507	-	361,507
Total Expenses	20,086,681	-	20,086,681	22,388,190	-	22,388,190
CHANGE IN NET ASSETS	661,120	(45,780)	615,340	848,176	23,286	871,462
NET ASSETS - Beginning of Year	3,862,730	288,838	4,151,568	3,014,554	265,552	3,280,106
NET ASSETS - END OF YEAR	\$ 4,523,850	\$ 243,058	\$ 4,766,908	\$ 3,862,730	\$ 288,838	\$ 4,151,568

See accompanying notes to financial statements.

LA CAUSA, INC.

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 615,340	\$ 871,462
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	632,260	647,165
Amortization	11,619	10,527
Contributions restricted for capital campaign	(25,000)	(45,000)
Milwaukee County reduction of negotiated rate	(43,648)	(550,339)
Provision for (recovery of) bad debts	(3,776)	3,694
Change in interest rate swap	(25,238)	(34,994)
Changes in assets and liabilities		
Grants receivable	175,679	(5,282)
Other accounts receivable	25,546	(25,608)
Pledges receivable	15,933	(31,084)
Prepaid expenses	17,243	(8,690)
Other long-term assets	(9,015)	31,946
Accounts payable	(162,931)	124,120
Accrued expenses	(51,784)	81,622
Deferred revenue	695,220	(417,101)
Due to Milwaukee County	(90,599)	804,139
Other liabilities	9,027	(20,400)
Net Cash Flows from Operating Activities	1,785,876	1,436,177
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in restricted cash	27,772	6,251
Purchases of property and equipment	(202,292)	(1,719,777)
Net Cash Flows from Investing Activities	(174,520)	(1,713,526)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(561,083)	(400,107)
Receipt of capital campaign gifts	25,000	45,000
Proceeds from issuance of debt	-	343,133
Net Cash Flows from Financing Activities	(536,083)	(11,974)
Net Change in Cash and Cash Equivalents	1,075,273	(289,323)
CASH AND CASH EQUIVALENTS - Beginning of Year	836,832	1,126,155
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,912,105	\$ 836,832
 Supplemental cash flow disclosures:		
Cash paid for interest	\$ 227,229	\$ 189,928
 Noncash investing and financing activities:		
Purchases of property and equipment financed with long-term debt	\$ -	\$ 2,250,000
Debt issuance costs financed with long-term debt	\$ -	\$ 16,867

See accompanying notes to financial statements.

LA CAUSA, INC.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2017

	Child Development / Prevention	Crisis Nursery	Social Services	Education	Total Program	Supporting Services	Total
Payroll	\$ 828,971	\$ 292,237	\$ 5,504,302	\$ 4,095,101	\$ 10,720,611	\$ 1,240,342	\$ 11,960,953
Fringe benefits	105,297	54,995	823,101	602,919	1,586,312	275,115	1,861,427
Payroll taxes	<u>65,189</u>	<u>22,917</u>	<u>438,200</u>	<u>323,144</u>	<u>849,450</u>	<u>89,272</u>	<u>938,722</u>
Total payroll, taxes and fringes	999,457	370,149	6,765,603	5,021,164	13,156,373	1,604,729	14,761,102
Administrative	13,916	13,010	604,073	103,727	734,726	58,233	792,959
Fundraising	92	-	-	7,456	7,548	40,168	47,716
Supplies	40,924	55,163	67,512	163,606	327,205	72,227	399,432
Occupancy	82,477	36,628	189,976	407,819	716,900	105,308	822,208
Equipment	7,497	3,586	60,845	76,438	148,366	18,035	166,401
Financing	-	98	86,657	235	86,990	127,353	214,343
Other	-	148	38,001	763	38,912	8,501	47,413
Professional services	3,175	-	613,753	228,357	845,285	133,438	978,723
Purchased services	<u>177,746</u>	<u>1,815</u>	<u>173,250</u>	<u>861,411</u>	<u>1,214,222</u>	<u>9,902</u>	<u>1,224,124</u>
Total operating costs	1,325,284	480,597	8,599,670	6,870,976	17,276,527	2,177,894	19,454,421
Depreciation	38,476	29,785	253,731	301,885	623,877	8,383	632,260
Allocation of supporting services	<u>201,214</u>	<u>73,117</u>	<u>874,524</u>	<u>764,148</u>	<u>1,913,003</u>	<u>(1,913,003)</u>	<u>-</u>
Total Expenses	<u>\$ 1,564,974</u>	<u>\$ 583,499</u>	<u>\$ 9,727,925</u>	<u>\$ 7,937,009</u>	<u>\$ 19,813,407</u>	<u>\$ 273,274</u>	<u>\$ 20,086,681</u>

See accompanying notes to financial statements.

LA CAUSA, INC.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2016

	Child Development / Prevention	Crisis Nursery	Social Services	Education	Total Program	Supporting Services	Total
Payroll	\$ 874,865	\$ 295,666	\$ 6,459,078	\$ 4,236,706	\$ 11,866,315	\$ 1,240,397	\$ 13,106,712
Fringe benefits	82,911	50,737	989,802	650,170	1,773,620	267,185	2,040,805
Payroll taxes	70,529	23,591	522,114	337,750	953,984	91,278	1,045,262
Total payroll, taxes and fringes	1,028,305	369,994	7,970,994	5,224,626	14,593,919	1,598,860	16,192,779
Administrative	21,106	16,451	651,523	95,771	784,851	73,607	858,458
Fundraising	1,129	-	-	7,839	8,968	40,756	49,724
Supplies	42,562	57,223	76,588	190,877	367,250	169,913	537,163
Occupancy	73,548	40,792	478,554	403,201	996,095	103,519	1,099,614
Equipment	6,113	3,272	241,247	31,297	281,929	8,382	290,311
Financing	57	76	45,238	772	46,143	124,799	170,942
Other	-	277	1,691	(798)	1,170	7,230	8,400
Professional services	2,234	-	878,779	227,691	1,108,704	123,530	1,232,234
Purchased services	175,127	231	295,743	821,501	1,292,602	8,798	1,301,400
Total operating costs	1,350,181	488,316	10,640,357	7,002,777	19,481,631	2,259,394	21,741,025
Depreciation	48,326	44,056	142,833	394,816	630,031	17,134	647,165
Allocation of supporting services	190,993	68,072	941,682	714,274	1,915,021	(1,915,021)	-
Total Expenses	\$ 1,589,500	\$ 600,444	\$ 11,724,872	\$ 8,111,867	\$ 22,026,683	\$ 361,507	\$ 22,388,190

See accompanying notes to financial statements.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

La Causa, Inc. (the "Organization") is a bilingual multicultural agency committed to children, youth and families. It was organized to operate exclusively for charitable and educational purposes and to develop programs for the care of children and families as well as the social, recreational and cultural development of these families located in Milwaukee County, Wisconsin.

Principles of Presentation

The accompanying financial statements include the accounts of General Property Systems, LLC, which is currently inactive.

In 2016, the Organization initiated the formation of La Causa Foundation, Inc. (the "Foundation"), which is organized and operated exclusively for charitable, education and scientific purposes within the meaning of those terms as used in sections 501(c)(3) of the Internal Revenue Code of 1986. The sole purpose of the Foundation is to operate for the exclusive benefit of the Organization. The Organization is the sole member of the Foundation. There was no activity relating to the Foundation in 2017 or 2016.

Cash and Cash Equivalents

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Grants and Other Accounts Receivable

The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of grants and other accounts receivable. When an account is deemed uncollectible, the account is written off against the allowance. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. Other accounts receivable is shown net of an allowance for doubtful accounts of \$0 and \$3,694 as of December 31, 2017 and 2016, respectively.

Pledges Receivable

Pledges made to the Organization are recorded in the year the pledge is made. The pledges receivable balance at December 31, 2017 and 2016 is expected to be collected within the next year. The Organization believes all amounts are fully collectible and no allowance is necessary at December 31, 2017 and 2016.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Depreciation is provided on a straight line basis over the estimated useful lives of the assets.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization has recorded a liability for the conditional asset retirement obligation related to encapsulated asbestos material in its buildings, in accordance with authoritative guidance. A liability of \$81,095 was recorded at December 31, 2017 and 2016.

Impairment of Long-Lived Assets

The Organization 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 impairment losses in 2017 and 2016.

Restricted Cash

Restricted cash consists of cash restricted or designated for long-term purposes. At December 31, restricted cash consisted of the following:

	<u>2017</u>	<u>2016</u>
Charter School scholarships	\$ 98,547	\$ 138,698
Crisis Nursery expansion	83,961	71,582
Total Restricted Cash	<u>\$ 182,508</u>	<u>\$ 210,280</u>

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Deferred Revenue

Deferred grant revenue consists of cash received from government grants that is not fully earned. The revenue will be recognized in subsequent years when the expenses are incurred. If a funding source requests deferred revenue be returned, the requested amount is shown as due to the specific funding source on the statements of financial position.

Milwaukee County has requested deferred revenue to be returned. The Organization and Milwaukee County have agreed to monthly installment repayment plans, at zero percent interest, on any requests made. In order to reduce the amount of deferred revenue that would need to be returned to Milwaukee County, the Organization and Milwaukee County entered into a Memorandum of Understanding that reduced the rate the Organization would bill the County for two contracts in 2017 and 2016. During 2016, the amount of the reduction of the negotiated rate was to be first applied to reduce deferred revenue created in 2016 and then to and deferred revenue created in previous years. Beginning January 1, 2017, the amount of the reduction of the negotiated rate is to be applied first to any current year deferred revenue only. The Memorandum of Understanding was effectively terminated in February 2017, when the Organization requested the rate be increased to 100% of the County rate for the two contracts. As of December 31, 2017 and 2016, the total liability outstanding from all requests from Milwaukee County was \$177,519 and \$311,766 respectively.

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 Organization are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization currently has no permanently restricted net assets.

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes.

Revenue Recognition

Contributions, including pledges receivable, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

In-Kind Contributions

Donations of supplies, equipment, rent, and other usable items are recorded at their estimated fair value. During 2017 and 2016, in-kind donations amounted to \$167,250 and \$266,715, respectively, and are reflected in the financial statements.

The Organization uses the services of volunteers when and where appropriate to reduce labor costs, improve community involvement, provide training situations and encourage parental involvement. Volunteer hours utilized in 2017 and 2016 are not reflected in the financial statements as they generally do not require specialized skills.

Supporting Services

The Organization includes fundraising expenses within their supporting services classification on the statements of activities. Fundraising expenses totaled \$74,405 and \$90,831 for the years ended December 31, 2017 and 2016, respectively.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Derivatives

The Organization follows current authoritative guidance to account for the derivative instrument, an interest rate swap contract. The authoritative guidance requires an organization to recognize all of its derivative instruments as either assets or liabilities in the statements of financial position at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, whether the hedge is a cash flow or a fair value hedge. See Note 2 and Note 6 for additional interest rate swap agreement disclosures.

The Organization uses a derivative to manage risks related to interest rate movements. The interest rate swap contract was designated and qualified as a cash flow hedge which was reported at fair value. The change in fair value of the derivative is recognized as a change in net assets in the period of change. The Organization documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. It is the policy of the Organization to execute such contracts with creditworthy counterparties. The Organization's interest rate risk management strategy was to stabilize cash flow requirements by maintaining an interest rate swap contract to convert variable rate debt to a fixed rate. The Organization does not use derivatives for trading or speculative purposes.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

Financial Accounting Standards Board ("FASB") has issued Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities" ("ASU 2016-14"). ASU 2016-14 is intended to simplify and improve current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, expense classifications and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 (2018), with early adoption permitted. Management is currently evaluating the impact of ASU 2016-14 on the Organization's financial statements.

FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The amendments defer the effective date of ASU 2014-09, clarify the implementation guidance on principal versus agent considerations, and clarify the identification of performance obligations and the licensing implementation guidance. Topic 606 (as amended) is effective for calendar year 2019. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. Management is currently evaluating the impact of ASU 2014-09 on the Organization's financial statements.

In November 2016, FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash". This standard will require cash flow statements to explain the change during a reporting period of the totals for cash, cash equivalents, restricted cash, and restricted cash equivalents. Amounts reported as restricted cash should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The update also includes a requirement that the footnotes to the financial statements explain the nature of the restrictions. The Organization will be required to apply the standard for fiscal years beginning after December 15, 2018 (2019). Early adoption will be permitted and the standard should be applied retrospectively upon adoption. Management is currently evaluating the impact of the ASU 2016-18 on the Organization's financial statements.

In February 2016, FASB issued ASU 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 Organization will be required to apply the standard for fiscal years and reporting periods beginning after December 15, 2019 (2020). Early adoption is permitted. Management is currently evaluating the impact of ASU 2016-02 on the Organization's financial statements.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 2 - Fair Value Accounting

The Organization follows current authoritative accounting guidance for fair value measurements of financial assets and liabilities. Current authoritative accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table sets forth by level within the fair value hierarchy the Organization's financial instrument that was accounted for at fair value on a recurring basis as of December 31, 2017:

	Total	Level 1	Level 2	Level 3
Financial Assets				
Interest rate swap asset	\$ 5,182	\$ -	\$ 5,182	\$ -

The following table sets forth by level within the fair value hierarchy the Organization's financial instruments that were accounted for at fair value on a recurring basis as of December 31, 2016:

	Total	Level 1	Level 2	Level 3
Financial Liabilities				
Interest rate swap liability	\$ 20,056	\$ -	\$ 20,056	\$ -

The interest rate swap valuation was based on the expected cash flow, maturity date, notional amount, interest rates and risk of non-performance through the duration of the agreement and was considered a level 2 item. See Note 1 and Note 6 for additional interest rate swap agreement disclosures.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 3 - Property and Equipment

The major categories of property and equipment at December 31 are summarized as follows:

	Depreciable Lives	2017	2016
Land	N/A	\$ 637,480	\$ 637,480
Buildings and improvements	5-40 yrs.	13,963,872	13,757,795
Vehicles	3-5 yrs.	54,939	54,939
Equipment	3-7 yrs.	<u>2,239,172</u>	<u>2,242,957</u>
Total Property and Equipment		16,895,463	16,693,171
Less: Accumulated depreciation		<u>7,079,212</u>	<u>6,446,952</u>
Net Property and Equipment		<u>\$ 9,816,251</u>	<u>\$ 10,246,219</u>

NOTE 4 - Long-Term Debt

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

	2017	2016
Note payable, bank, interest rate of LIBOR plus 2.00% (3.36% at December 31, 2017), principal is payable in monthly installments of \$21,390 beginning October 1, 2015, interest is payable monthly, a final payment equal to all unpaid principal and accrued interest is due on August 2020, collateralized by real estate at 735 West Greenfield Avenue, 228-238 West Mitchell Street, 1655 South Second Street, 804 West Greenfield Avenue, 809 West Greenfield Avenue, 1427 South 8th Street, 1313-1315 South 8th Street, and 1319 South 8th Street Milwaukee, Wisconsin. Interest on a portion of the debt has been fixed via the interest rate swap.	\$ 3,080,954	\$ 3,407,634
Note payable, bank, interest rate of daily LIBOR plus 2.50% (4.06% at December 31, 2017), principal and interest is payable in monthly installments of \$15,514 beginning May 29, 2016, a final payment equal to all unpaid principal and accrued interest is due on April 29, 2021, collateralized by real estate at 5235 North Ironwood Road Glendale, Wisconsin and 1643 South 2nd Street Milwaukee, Wisconsin.	2,056,647	2,171,050

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 2017 and 2016

NOTE 4 - Long-Term Debt (continued)

	2017	2016
Note payable, bank, interest rate of daily LIBOR plus 2.50% (4.06% at December 31, 2017), principal is payable in monthly installments of \$10,000 beginning December 31, 2016, interest is payable monthly, a final payment equal to all unpaid principal and accrued interest is due on November 30, 2019. The note is collateralized by the same real estate that is collateral on the note payable that matures on August 2020.	<u>\$ 240,000</u>	<u>\$ 360,000</u>
Totals	5,377,601	5,938,684
Less: Current portion	<u>490,349</u>	<u>494,848</u>
Total Long-Term Portion	4,887,252	5,443,836
Debt issuance costs, net of accumulated amortization	<u>(33,560)</u>	<u>(45,179)</u>
Long-Term Portion, net	<u>\$ 4,853,692</u>	<u>\$ 5,398,657</u>

Principal requirements on long-term debt for years ending after December 31, 2017 are as follows:

2018	\$ 490,349
2019	490,349
2020	2,681,294
2021	<u>1,715,609</u>
Total	<u>\$ 5,377,601</u>

The Organization is subject to certain restrictions and covenants related to their debt. As of December 31, 2017, the Organization was in compliance with or obtained waivers for all of the established covenants.

Interest charged to expense incurred on the long-term debt, line of credit and capital leases was \$227,229 and \$189,928 for the years ended December 31, 2017 and 2016, respectively, and is included in financing on the statements of functional expenses.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 5 - Operating Leases

The Organization has operating lease agreements for the rental of office property and vehicles. Rent expense on the operating leases was \$17,272 and \$241,768 for the years ended December 31, 2017 and 2016, respectively. The Organization also received approximately \$70,000 of donated rent during the years ended December 31, 2017 and 2016. Future minimum lease payments under operating leases in 2018 are \$2,188.

NOTE 6 - Derivative Financial Instruments and Hedging Activities

The Organization entered into an interest rate swap contract in 2015 as part of a variable interest loan agreement with a bank on the Organization's term note. The swap ends on August 27, 2020. The fixed rate on the swap is 2.29% at December 31, 2017. The differential between the fixed and variable rates is accrued and paid or refunded as interest rates change and is recorded as a component of interest expense for the loan. The notional amount of the swap agreement declines according to the scheduled principal payments. The fair value of the interest rate swap is reflected as a long-term asset or liability on the statements of financial position. See Note 1 and Note 2 for additional disclosures. The following represents the notional amount hedged, fair value of the interest rate swap outstanding at year end and the amount of exposure or benefit recorded in unrestricted net assets as supporting services in the statements of activities.

	Notional Amount	As of December 31 Asset (Liability)	Year Ended December 31 Benefit
2017 Interest rate swap	\$ 2,532,621	\$ 5,128	\$ 25,238
2016 Interest rate swap	\$ 2,789,301	\$ (20,056)	\$ 34,994

NOTE 7 - Line of Credit

The Organization has a line of credit for \$750,000 with PNC Bank. Interest is payable at daily LIBOR plus 2.00% (3.56% at December 31, 2017) and the line expires August 27, 2018. At December 31, 2017 and 2016, the line did not have an outstanding balance. The line of credit is collateralized by the same real estate that is collateral on the note payable that matures on August 2020 (see Note 4).

NOTE 8 - Pension Plans

The Organization provides retirement benefits for all eligible employees who have enrolled in a 403(b) retirement savings plan. In 2017 and 2016, the Organization contributed a 25% match or up to 6% of regular salary to those employees participating in the retirement plan totaling \$67,015 and \$71,635, respectively. The Organization did not contribute a discretionary contribution to the plan in 2017 or 2016.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 9 - Net Assets

Temporarily restricted net assets at December 31 are composed of:

	<u>2017</u>	<u>2016</u>
Time restricted	\$ 60,550	\$ 78,558
Charter School scholarships	98,547	138,698
Capital campaign - Crisis Nursery	<u>83,961</u>	<u>71,582</u>
Totals	<u>\$ 243,058</u>	<u>\$ 288,838</u>

NOTE 10 - Concentrations

The majority of the government grants and fees for services revenue on the statements of activities are from federal, state, and local government contracts in 2017 and 2016. The receivables from government contracts amounted to \$1,346,520 and \$1,491,814 at December 31, 2017 and 2016, respectively.

The Organization maintains cash balances in an institution which exceeds the federally insured limit of \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 11 - Commitments and Contingencies

Financial Awards From Grantors

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

NOTE 12 - Litigation

The Organization is party to various legal actions that are incidental to its activities. The outcome of legal actions directly involving the Organization cannot be predicted with certainty. Management believes that the outcome of any of the ongoing proceedings, or all of them combined, will not have a material adverse effect on its financial position or activities.

NOTE 13 - Subsequent Events

The Organization has evaluated subsequent events through May 2, 2018, which is the date that the financial statements were issued.

OTHER INDEPENDENT AUDITORS' REPORTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

Board of Directors
La Causa, Inc.
Milwaukee, Wisconsin

We have audited, in accordance with the 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, the financial statements of La Causa, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
May 2, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE
STATE SINGLE AUDIT GUIDELINES

INDEPENDENT AUDITORS' REPORT

Board of Directors
La Causa, Inc.
Milwaukee, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited La Causa, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the Organization's major federal and major state programs for the year ended December 31, 2017. The Organization's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Guidelines* (Guidelines). Those standards, the Uniform Guidance and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or a major state program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the Guidelines. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
May 2, 2018

SUPPLEMENTAL INFORMATION

LA CAUSA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Passed through Wisconsin Department of Public Instruction			
Child and Adult Care Food Program	10.558	Unavailable	\$ 113,042
Passed through Milwaukee Public Schools			
Child and Adult Care Food Program	10.558	Unavailable	<u>33,938</u>
Total Child and Adult Care Food Program			<u>146,980</u>
Passed through Wraparound Milwaukee			
Core Program	10.557	Unavailable	44
Crisis Stabilization	10.557	Unavailable	65
Rate Reduction Withholding	10.557	Unavailable	3
Transitional Services	10.557	Unavailable	32
Wraparound	10.557	Unavailable	157
Wraparound - Expansion	10.557	Unavailable	157
Wraparound - Performance Case Rate	10.557	Unavailable	8
Wraparound - Technical Assistance	10.557	Unavailable	16
Wraparound - Treatment Foster Homes	10.557	Unavailable	48
Wraparound - Treatment Services	10.557	Unavailable	<u>3</u>
Total Special Supplemental Nutrition Program for Women, Infants, and Children			<u>533</u>
Passed through Milwaukee Public Schools			
School Breakfast Program	10.553	Unavailable	203,630
National School Lunch Program	10.555	Unavailable	<u>441,197</u>
Total Child Nutrition Cluster			<u>644,827</u>
Total U.S. Department of Agriculture			<u>792,340</u>
U.S. Department of Health and Human Services:			
Passed through United Way of Greater Milwaukee and Waukesha County			
Teen Pregnancy Prevention Program	93.297	Unavailable	33,298
Passed through Milwaukee County Department of Human Services			
Re-Entry Coordination Services	93.558	Unavailable	16,151
Wiser Choices Treatment Services	93.558	Unavailable	3,312

See accompanying notes to schedules of expenditures of federal and state awards.

LA CAUSA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended December 31, 2017

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services (continued):			
Passed through Wisconsin Department of Children and Families State Crisis Nursery	93.558	Unavailable	\$ 189,672
Passed through Milwaukee County Department of Disability Services WATTS Reviews	93.558	Unavailable	<u>3,709</u>
Total TANF Cluster			<u>212,844</u>
Passed through Milwaukee County Department of Human Services Wiser Choices Treatment Services	93.667	Unavailable	5,796
Re-Entry Coordination Services	93.667	Unavailable	28,734
Passed through Milwaukee County Department of Disability Services WATTS Reviews	93.667	Unavailable	<u>6,944</u>
Total Social Services Block Grant			<u>41,474</u>
Passed through Milwaukee County Department of Human Services Targeted Case Management	93.778	Unavailable	521,792
Recovery Support Coordination	93.778	Unavailable	869,845
Comprehensive Community Services	93.778	Unavailable	1,161,429
Passed through Wraparound Milwaukee Core Program	93.778	Unavailable	312,131
Crisis Stabilization	93.778	Unavailable	466,231
Rate Reduction Withholding	93.778	Unavailable	21,790
Transitional Services	93.778	Unavailable	226,919
Wraparound	93.778	Unavailable	1,129,514
Wraparound - Expansion	93.778	Unavailable	1,118,568
Wraparound - Performance Case Rate	93.778	Unavailable	54,915
Wraparound - Technical Assistance	93.778	Unavailable	111,074
Wraparound - Treatment Foster Homes	93.778	Unavailable	341,590
Wraparound - Treatment Services	93.778	Unavailable	<u>24,473</u>
Total Medicaid Cluster			<u>6,360,271</u>
Passed through Wraparound Milwaukee Core Program	93.645	Unavailable	77,749
Crisis Stabilization	93.645	Unavailable	116,133
Rate Reduction Withholding	93.645	Unavailable	5,428
Transitional Services	93.645	Unavailable	56,523
Wraparound	93.645	Unavailable	281,351
Wraparound - Expansion	93.645	Unavailable	278,624
Wraparound - Performance Case Rate	93.645	Unavailable	13,679
Wraparound - Technical Assistance	93.645	Unavailable	27,667
Wraparound - Treatment Foster Homes	93.645	Unavailable	85,087
Wraparound - Treatment Services	93.645	Unavailable	<u>6,096</u>
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>948,337</u>

See accompanying notes to schedules of expenditures of federal and state awards.

LA CAUSA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (concluded)

For the Year Ended December 31, 2017

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services (continued):			
Passed through Next Door Early Headstart	93.600	Unavailable	\$ <u>220,855</u>
Passed through Wisconsin Department of Children and Families Treatment Foster Homes	93.658	Unavailable	<u>77,912</u>
Total U.S. Department of Health and Human Services			<u>7,894,991</u>
U.S. Department of Housing and Urban Development:			
Passed through City of Milwaukee Community Development Block Grant Total CDBG - Entitlement Grants Cluster	14.218	C1511B025	<u>24,060</u> 24,060
Federal Emergency Shelter Total U.S. Department of Housing and Urban Development	14.231	C15111S007	<u>47,096</u> <u>71,156</u>
U.S. Department of Justice:			
Passed through Wraparound Milwaukee Core Program	16.821	Unavailable	524
Crisis Stabilization	16.821	Unavailable	783
Rate Reduction Withholding	16.821	Unavailable	37
Transitional Services	16.821	Unavailable	381
Wraparound	16.821	Unavailable	1,899
Wraparound - Expansion	16.821	Unavailable	1,879
Wraparound - Performance Case Rate	16.821	Unavailable	92
Wraparound - Technical Assistance	16.821	Unavailable	187
Wraparound - Treatment Foster Homes	16.821	Unavailable	574
Wraparound - Treatment Services	16.821	Unavailable	<u>41</u>
Total U.S. Department of Justice			<u>6,397</u>
U.S. Department of Education:			
Passed through Wisconsin Department of Public Instruction State CLC	84.287	15-40-3619/CLC7	63,677
Passed through Milwaukee Public Schools MPS - Title I	84.010	Unavailable	443,198
MPS - Title III	84.365	Unavailable	<u>29,779</u>
Total U.S. Department of Education			<u>536,654</u>
Total Expenditures of Federal Awards			\$ <u>9,301,538</u>

See accompanying notes to schedules of expenditures of federal and state awards.

LA CAUSA, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2017

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>State ID Number</u>	<u>Pass Through Grantor's Number</u>	<u>State Expenditures</u>
Wisconsin Department of Children and Families:			
Direct Award			
State - Treatment Foster Homes	437.118000	Not Applicable	\$ 246,722
Passed through Various Agencies			
Treatment Services	435.570150	Unavailable	<u>40,692</u>
Total Wisconsin Department of Children and Families			<u>287,414</u>
Wisconsin Department of Health Services:			
Passed through Wraparound Milwaukee			
Wraparound - Technical Assistance	410.313000	Unavailable	10,451
Wraparound	410.313000	Unavailable	106,276
Wraparound - Treatment Foster Homes	410.313000	Unavailable	32,141
Wraparound - Treatment Services	410.313000	Unavailable	2,303
Wraparound - Expansion	410.313000	Unavailable	105,248
Wraparound - Performance Case Rate	410.313000	Unavailable	5,167
Crisis Stabilization	410.313000	Unavailable	43,868
Core Program	410.313000	Unavailable	29,369
Transitional Services	410.313000	Unavailable	21,351
Rate Reduction Withholding	410.313000	Unavailable	<u>2,050</u>
Total			<u>358,224</u>
Passed through Milwaukee County Department of Human Services			
Re-Entry Coordination Services	435.561000	Unavailable	58,252
Wiser Choices Treatment Services	435.561000	Unavailable	11,591
Passed through Milwaukee County Department of Disability Services			
WATTS Reviews	435.561000	Unavailable	48,497

See accompanying notes to schedules of expenditures of federal and state awards.

LA CAUSA, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS (concluded)
For the Year Ended December 31, 2017

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>State ID Number</u>	<u>Pass Through Grantor's Number</u>	<u>State Expenditures</u>
Wisconsin Department of Health Services			
(continued):			
Passed through Wraparound Milwaukee			
Wraparound	435.561000	Unavailable	\$ 35,424
Wraparound - Treatment Foster Homes	435.561000	Unavailable	10,714
Wraparound - Treatment Services	435.561000	Unavailable	768
Wraparound - Performance Case Rate	435.561000	Unavailable	1,722
Wraparound - Technical Assistance	435.561000	Unavailable	3,484
Wraparound - Expansion	435.561000	Unavailable	35,083
Crisis Stabilization	435.561000	Unavailable	14,623
Core Program	435.561000	Unavailable	9,790
Transitional Services	435.561000	Unavailable	7,117
Rate Reduction Withholding	435.561000	Unavailable	683
Total			<u>237,748</u>
Wraparound	435.570022	Unavailable	15,182
Wraparound - Treatment Foster Homes	435.570022	Unavailable	4,592
Wraparound - Treatment Services	435.570022	Unavailable	329
Wraparound - Performance Case Rate	435.570022	Unavailable	738
Wraparound - Technical Assistance	435.570022	Unavailable	1,493
Wraparound - Expansion	435.570022	Unavailable	15,035
Crisis Stabilization	435.570022	Unavailable	6,267
Core Program	435.570022	Unavailable	4,196
Transitional Services	435.570022	Unavailable	3,050
Rate Reduction Withholding	435.570022	Unavailable	293
Total			<u>51,175</u>
Wraparound	435.570024	Unavailable	2,055
Wraparound - Treatment Foster Homes	435.570024	Unavailable	622
Wraparound - Treatment Services	435.570024	Unavailable	45
Wraparound - Performance Case Rate	435.570024	Unavailable	100
Wraparound - Technical Assistance	435.570024	Unavailable	202
Wraparound - Expansion	435.570024	Unavailable	2,036
Crisis Stabilization	435.570024	Unavailable	849
Core Program	435.570024	Unavailable	568
Transitional Services	435.570024	Unavailable	413
Rate Reduction Withholding	435.570024	Unavailable	40
Total			<u>6,930</u>
Passed through various agencies			
Crisis Stabilization	Unavailable	Unavailable	<u>12,035</u>
Total Wisconsin Department of Health Services			<u>666,112</u>
Wisconsin Department of Public Instruction:			
Passed through Milwaukee Public Schools			
SAGE	255.504000	Unavailable	<u>697,339</u>
Total Expenditures of State Awards			<u>\$ 1,650,865</u>

See accompanying notes to schedules of expenditures of federal and state awards.

LA CAUSA, INC.

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2017

Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the "Schedule") include the federal and state grant activity of the Organization under programs of the federal and state government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where applicable.

Wisconsin Department of Workforce Development child care assistance direct payments are not included on the Schedule due to the funding not being subject to the Uniform Guidance. These direct payments totaling \$1,205,104 are included in government grants on the statements of activities.

Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Charter School

The Organization earned \$6,558,721 of revenue from the Non-Instrumentality Charter School. The grant received from Milwaukee Public Schools could not be confirmed by the funding source as being either federal or state monies and was, therefore, not included in the Schedule. These monies are reflected as fees for service on the statements of activities.

Reserve Supplemental Schedules

Included in deferred revenue on the statements of financial position are the amounts due to purchaser reflected on the reserve supplemental schedules. Management intends to use the amount recorded in deferred revenue to provide program services in future years.

The Organization has been contacted by certain funding sources to settle excess reserves. Any unpaid amounts are recorded as separate payables on the statements of financial position.

LA CAUSA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended December 31, 2017

Section II: Financial Statement Findings

There were no findings.

Section III: Federal and State Findings and Questioned Costs

There were no findings or questioned costs.

LA CAUSA, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended December 31, 2017

Section II: Financial Statement Findings

- 2016-001** **Criteria:** The Organization is responsible for maintaining effective internal controls surrounding the recognition of revenue, specifically billing of its fee-for-service Crisis Stabilization Program.
- Statement of condition:** Bills submitted by the Organization for payment were based on incorrect information. This resulted in payment being received for services not provided.
- Cause:** The internal controls in place did not identify the incorrect information supplied by employees.
- Effect:** The Organization recognized revenue in excess of amounts that were earned.
- Recommendation:** We recommend management identify which control failed to detect the inaccurate billing and create and implement additional controls in response.
- Management's response:** Upon completing our internal investigation of the Crisis Stabilization Program, it was determined that while adequate internal controls have been in place for years, the controls did not take into account the possibility of deliberate and malicious intent by an employee(s) to purposely misrepresent their documentation. The problem was exasperated by a lack of follow up and enforcement of existing policies and procedures by previous Social Services administration overseeing this program. As a result of this incident, more comprehensive program monitoring has been implemented which includes enhanced policies and procedures, internal review and verification processes, and more detailed verification forms. In addition, the Organization is expanding the Compliance role to include two Quality Assurance/Quality Improvement positions whose primary responsibility will be to ensure all contracts within Social Services are in compliance.
- This finding was cleared during 2017.**

LA CAUSA, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued) For the Year Ended December 31, 2017

Section III: Federal and State Findings and Questioned Costs

2016-002 **CFDA Number:** 93.645 and 93.778 State ID's: 410.313000 and 435.561000
Agencies: Milwaukee County
Program: Medicaid Cluster (93.778), Stephanie Tubbs Jones Child Welfare Services Program (93.645), Wraparound (410.313000 and 435.561000)
Criteria: The Organization is responsible for maintaining effective internal controls over compliance to ensure billings for services performed were earned and allowable according to federal and state requirements.
Statement of condition: Bills submitted by the Organization to grantors for payment were based on incorrect information, resulting in payment being received for services not provided.
Questioned costs: \$103,858
Context: The Organization was contacted by a funding source questioning services performed. Based on an independent study by the funder and an internal investigation, errors were detected.
Cause: The internal controls in place did not identify the incorrect information supplied by employees.
Effect: Services that were not provided were reported as being completed, which resulted in payment being received.
Recommendation: We recommend management identify which control failed to detect the inaccurate billing and create and implement additional controls in response.
Management's response: Upon completing our internal investigation of the Crisis Stabilization Program, it was determined that while adequate internal controls have been in place for years, the controls did not take into account the possibility of deliberate and malicious intent by an employee(s) to purposely misrepresent their documentation. The problem was exasperated by a lack of follow up and enforcement of existing policies and procedures by previous Social Services administration overseeing this program. As a result of this incident, more comprehensive program monitoring has been implemented which includes enhanced policies and procedures, internal review and verification processes, and more detailed verification forms. In addition, the Organization is expanding the Compliance role to include two Quality Assurance/Quality Improvement positions whose primary responsibility will be to ensure all contracts within Social Services are in compliance.
This finding was cleared during 2017.

LA CAUSA, INC.

SCHEDULE OF REVENUE AND ALLOWABLE COSTS BY PROGRAM For the Year Ended December 31, 2017

	Child Development/ Prevention	Crisis Nursery	Social Services	Education	Program Total	Supporting Services	Total
PUBLIC SUPPORT							
Government grants	\$ 1,539,001	\$ 336,880	\$ 8,969,180	\$ 1,922,596	\$ 12,767,657	\$ -	\$ 12,767,657
United Way	50,805	37,149	-	-	87,954	-	87,954
Donations	13,257	171,035	582	25,104	209,978	124,909	334,887
Fundraising	3,577	38,438	119	68,527	110,661	63,822	174,483
Total Public Support	1,606,640	583,502	8,969,881	2,016,227	13,176,250	188,731	13,364,981
REVENUE							
Private pay clients	186,479	-	-	-	186,479	-	186,479
Fees for service	3,516	-	423,817	6,611,306	7,038,639	-	7,038,639
Miscellaneous	-	-	-	-	-	111,922	111,922
Total Revenue	189,995	-	423,817	6,611,306	7,225,118	111,922	7,337,040
Total Public Support and Revenue	1,796,635	583,502	9,393,698	8,627,533	20,401,368	300,653	20,702,021
EXPENSES							
Payroll, taxes and fringe benefits	999,457	370,149	6,765,603	5,021,164	13,156,373	1,604,729	14,761,102
Operations	194,346	52,207	945,319	1,079,836	2,271,708	156,574	2,428,282
Administrative	131,481	58,241	888,748	769,976	1,848,446	416,591	2,265,037
Depreciation	38,476	29,785	253,731	301,885	623,877	8,383	632,260
Allocation of supporting services	201,214	73,117	874,524	764,148	1,913,003	(1,913,003)	-
Total Expenses	1,564,974	583,499	9,727,925	7,937,009	19,813,407	273,274	20,086,681
Less: Disallowed costs	(3,627)	-	48,276	998	45,647	129,762	175,409
Total Allowable Expenses	1,568,601	583,499	9,679,649	7,936,011	19,767,760	143,512	19,911,272
NET REVENUES (EXPENSES)	\$ 228,034	\$ 3	\$ (285,951)	\$ 691,522	\$ 633,608	\$ 157,141	\$ 790,749

LA CAUSA, INC.

SCHEDULE OF REVENUE AND ALLOWABLE COSTS BY MILWAUKEE COUNTY CONTRACT For the Year Ended December 31, 2017

	Care Coordination Wraparound Milwaukee	Targeted Case Management	Crisis Stabilization	Recovery Support Coordination	Preservation Specialist	Treatment Services
PUBLIC SUPPORT						
Milwaukee County fee for service	\$ 3,979,359	\$ 521,792	\$ 711,952	\$ 856,707	\$ -	\$ 95,656
Milwaukee County cost reimbursement	81,255	-	-	1,368	155,522	-
Milwaukee County reduction of negotiated rate	30,510	-	-	13,138	-	-
State of Wisconsin	-	-	-	-	-	-
Other	160	4,931	69,941	-	-	-
Total Public Support	<u>4,091,284</u>	<u>526,723</u>	<u>781,893</u>	<u>871,213</u>	<u>155,522</u>	<u>95,656</u>
EXPENSES						
Payroll, taxes and fringe benefits	2,854,625	528,627	713,802	663,159	142,630	115,612
Purchased services	410,553	53,256	54,652	67,755	1,095	22,775
Professional services	7,711	3	42,561	-	-	62,743
Telephone	57,731	7,890	14,996	10,437	446	2,715
Rental fees	7,148	-	-	184	-	1,278
Staff training and conferences	5,351	1,676	72,344	-	-	633
Depreciation	112,937	2,937	26,461	22,681	13	23,321
Allocation of supporting services	340,171	58,684	121,820	72,044	11,338	21,428
Other	61,117	-	9,090	8,892	-	12,925
Disallowed costs	807	73	11,073	209	-	163
Total Expenses	<u>3,858,151</u>	<u>653,146</u>	<u>1,066,799</u>	<u>845,361</u>	<u>155,522</u>	<u>263,593</u>
Less: Disallowed costs	807	73	11,073	209	-	163
Total Allowable Expenses	<u>3,857,344</u>	<u>653,073</u>	<u>1,055,726</u>	<u>845,152</u>	<u>155,522</u>	<u>263,430</u>
NET REVENUES (EXPENSES)	<u>\$ 233,940</u>	<u>\$ (126,350)</u>	<u>\$ (273,833)</u>	<u>\$ 26,061</u>	<u>\$ -</u>	<u>\$ (167,774)</u>
Units of service, if applicable	125,558	53,848	16,944	N/A	N/A	N/A

LA CAUSA, INC.

SCHEDULE OF REVENUE AND ALLOWABLE COSTS BY MILWAUKEE COUNTY CONTRACT (CONCLUDED)
For the Year Ended December 31, 2017

	Treatment Foster Home	CLASP	Peer Run Drop-In Center	Mobile Crisis Team Expansion	Comprehensive Community Services	Re-entry Coordination	Total
PUBLIC SUPPORT							
Milwaukee County fee for service	\$ 478,285	\$ -	\$ -	\$ -	\$ 1,161,430	\$ -	\$ 7,805,181
Milwaukee County cost reimbursement	-	203,658	188,112	180,908	-	103,137	913,960
Milwaukee County reduction of negotiated rate	-	-	-	-	-	-	43,648
State of Wisconsin	324,634	-	-	-	-	-	324,634
Other	100	229,939	-	-	1,100	-	306,171
Total Public Support	803,019	433,597	188,112	180,908	1,162,530	103,137	9,393,594
EXPENSES							
Payroll, taxes and fringe benefits	349,541	328,688	124,747	18,301	853,456	72,415	6,765,603
Purchased services	66,987	36,343	19,694	132	81,981	10,277	825,500
Professional services	333,238	7,845	3	156,616	1,901	308	612,929
Telephone	5,958	7,566	3,858	465	23,249	1,614	136,925
Rental fees	869	-	-	-	-	-	9,479
Staff training and conferences	810	1,486	1,741	-	3,776	35	87,852
Depreciation	13,888	3,662	3,116	-	31,501	5,040	245,557
Allocation of supporting services	40,414	48,007	30,283	5,394	116,737	8,204	874,524
Other	5,208	-	4,670	-	16,859	2,517	121,278
Disallowed costs	15,394	16,398	8,174	-	1,130	536	53,957
Total Expenses	832,307	449,995	196,286	180,908	1,130,590	100,946	9,733,604
Less: Disallowed costs	15,394	16,398	8,174	-	1,130	(536)	52,885
Total Allowable Expenses	816,913	433,597	188,112	180,908	1,129,460	101,482	9,680,719
NET REVENUES (EXPENSES)	\$ (13,894)	\$ -	\$ -	\$ -	\$ 33,070	\$ 1,655	\$ (287,125)
Units of service, if applicable	N/A	N/A	N/A	N/A	52,294	N/A	N/A

LA CAUSA, INC.

LA CAUSA CHARTER SCHOOL - MPS BRIDGING SCHEDULE
For the Year Ended December 31, 2017

	<u>January 1 through June 30, 2017</u>		<u>July 1 through December 31, 2017</u>		<u>Total</u>
	<u>Milwaukee</u>		<u>Milwaukee</u>		
	<u>Public Schools</u>	<u>Other Sources</u>	<u>Public Schools</u>	<u>Other Sources</u>	
PUBLIC SUPPORT AND REVENUE					
MPS - Non-Instrumentality					
Charter contract	\$ 3,599,804	\$ 31,310	\$ 2,871,357	\$ 56,250	\$ 6,558,721
MPS - Other revenue	-	668,736	-	521,200	1,189,936
Other public support and revenue	-	514,324	-	364,552	878,876
Total Public Support and Revenue	<u>3,599,804</u>	<u>1,214,370</u>	<u>2,871,357</u>	<u>942,002</u>	<u>8,627,533</u>
EXPENSES					
Payroll	1,960,364	489,988	1,255,996	369,884	4,076,232
Fringe benefits	266,377	57,450	213,873	64,809	602,509
Payroll taxes	148,191	50,022	101,059	23,874	323,146
Total payroll, taxes and fringes	<u>2,374,932</u>	<u>597,460</u>	<u>1,570,928</u>	<u>458,567</u>	<u>5,001,887</u>
Administrative	50,202	18,213	32,495	2,717	103,627
Fundraising	-	1,670	-	5,785	7,455
Supplies	22,274	49,167	67,301	24,864	163,606
Occupancy	193,307	299	214,315	-	407,921
Equipment	34,523	27,458	14,108	349	76,438
Financing	-	66	-	169	235
Other	-	3	-	760	763
Professional services	100,887	7,328	118,221	1,920	228,356
Purchased services	167,067	299,827	125,330	288,464	880,688
Total Expenses	<u>3,474,090</u>	<u>1,034,178</u>	<u>2,629,087</u>	<u>799,654</u>	<u>7,937,009</u>
Depreciation	2,943,192	1,001,491	2,142,698	783,595	6,870,976
Allocation of supporting services	133,099	32,687	120,040	16,059	301,885
Total Expenses	<u>397,799</u>	<u>-</u>	<u>366,349</u>	<u>-</u>	<u>764,148</u>
Total Expenses	<u>3,474,090</u>	<u>1,034,178</u>	<u>2,629,087</u>	<u>799,654</u>	<u>7,937,009</u>
NET MPS REVENUES	<u>\$ 125,714</u>	<u>\$ 180,192</u>	<u>\$ 242,270</u>	<u>\$ 142,348</u>	<u>\$ 690,524</u>

LA CAUSA, INC.

**RESERVE SUPPLEMENTAL SCHEDULE
For the Year Ended December 31, 2017**

Program: Care Coordination Wraparound Milwaukee

1. Total units of service	125,558
2. Allowable expenses for rate-based service	\$ 3,776,089
3. Total revenue for rate-based service	\$ 4,065,402
4. Excess (deficiency) revenue over expenses	\$ 289,313
5. Total reserve from all prior periods	\$ 33,692
6. Calculation of reserve and amounts due to purchaser	\$ 86,043

Purchaser (6a)	Revenue from Purchaser (6b)	First Test					Second Test					Total amount due to purchaser (6m)
		Purchaser's share of total revenue (6c)	Purchaser's share of excess revenue (deficiency) (6d)	Cap on reserve for first test (6e)	Amount to add to reserve for this period (6f)	Amount due to purchaser from first test (6g)	Purchaser's share of reserve from prior periods (6h)	Purchaser's share of reserve from all periods (6i)	Cap on reserve for second test (6j)	Amount of reserve (6k)	Amount due to purchaser from second test (6l)	
Milwaukee County	\$4,065,402	100.00 %	\$ 289,313	\$ 203,270	\$ 203,270	\$ 86,043	\$ 33,692	\$ 236,962	\$ 405,540	\$ 236,962	\$ -	\$ 86,043
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total 2017 Activity	\$4,065,402	100.00 %	\$ 289,313	\$ 203,270	\$ 203,270	\$ 86,043	\$ 33,692	\$ 236,962	\$ 405,540	\$ 236,962	\$ -	\$ 86,043

Allowable expenses for rate-based service differs from the Schedule of Revenue and Allowable Costs by Milwaukee County Contract by \$81,255 as the Organization earned that amount as part of an expense reimbursement award and therefore, expenses were reduced by the same amount.

LA CAUSA, INC.

**RESERVE SUPPLEMENTAL SCHEDULE
For the Year Ended December 31, 2017**

Program: Treatment Services

1. Total units of service	Not applicable
2. Allowable expenses for rate-based service	\$ 263,430
3. Total revenue for rate-based service	\$ 96,039
4. Excess (deficiency) revenue over expenses	\$ (167,391)
5. Total reserve from all prior periods	\$ 30,231
6. Calculation of reserve and amounts due to purchaser	\$ 383

Purchaser (6a)	Revenue from Purchaser (6b)	First Test					Second Test					Total amount due to purchaser (6m)
		Purchaser's share of total revenue (6c)	Purchaser's share of excess revenue (deficiency) (6d)	Cap on reserve for first test (6e)	Amount to add to reserve for this period (6f)	Amount due to purchaser from first test (6g)	Purchaser's share of reserve from prior periods (6h)	Purchaser's share of reserve from all periods (6i)	Cap on reserve for second test (6j)	Amount of reserve (6k)	Amount due to purchaser from second test (6l)	
Milwaukee County - Wraparound	\$ 34,266	35.68 %	\$ (59,724)	\$ 1,713	\$ (59,724)	\$ -	\$ 6,632	\$ (53,092)	\$ 3,427	\$ (53,092)	\$ -	\$ -
CCCM	600	0.63	(1,046)	30	(1,046)	-	1,489	443	60	60	383	383
Milwaukee County - Wiser Choice	20,698	21.55	(36,076)	1,035	(36,076)	-	5,434	(30,642)	2,070	(30,642)	-	-
CCS	23,841	24.82	(41,553)	1,192	(41,553)	-	1,455	(40,098)	2,384	(40,098)	-	-
Other	16,634	17.32	(28,992)	832	(28,992)	-	15,221	(13,771)	1,663	(13,771)	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total 2017 Activity	\$ 96,039	100.00 %	\$ (167,391)	\$ 4,802	\$(167,391)	\$ -	\$ 30,231	\$ (137,160)	\$ 9,604	\$(137,543)	\$ 383	\$ 383

LA CAUSA, INC.

**RESERVE SUPPLEMENTAL SCHEDULE
For the Year Ended December 31, 2017**

Program: Treatment Foster Homes

1. Total units of service	Not applicable
2. Allowable expenses for rate-based service	\$ 816,913
3. Total revenue for rate-based service	\$ 1,015,830
4. Excess (deficiency) revenue over expenses	\$ 198,917
5. Total reserve from all prior periods	\$ 115,577
6. Calculation of reserve and amounts due to purchaser	\$ 212,911

Purchaser (6a)	Revenue from Purchaser (6b)	First Test					Second Test					Total amount due to purchaser (6m)
		Purchaser's share of total revenue (6c)	Purchaser's share of excess revenue (deficiency) (6d)	Cap on reserve for first test (6e)	Amount to add to reserve for this period (6f)	Amount due to purchaser from first test (6g)	Purchaser's share of reserve from prior periods (6h)	Purchaser's share of reserve from all periods (6i)	Cap on reserve for second test (6j)	Amount of reserve (6k)	Amount due to purchaser from second test (6l)	
Milwaukee County	\$ 585,171	57.61 %	\$ 114,587	\$ 29,259	\$ 29,259	\$ 85,328	\$ 50,817	\$ 80,076	\$ 58,517	\$ 58,517	\$ 21,559	\$ 106,887
State of Wisconsin	430,659	42.39 %	84,330	21,533	21,533	62,797	64,760	86,293	43,066	43,066	43,227	106,024
	-	-	-	-	-	-	-	-	-	-	-	-
Total 2017 Activity	\$ 1,015,830	100.00 %	\$ 198,917	\$ 50,792	\$ 50,792	\$ 148,125	\$ 115,577	\$ 166,369	\$ 101,583	\$ 101,583	\$ 64,786	\$ 212,911

LA CAUSA, INC.

**RESERVE SUPPLEMENTAL SCHEDULE
For the Year Ended December 31, 2017**

Program: Recovery Support - Coordination

1. Total units of service	Not applicable
2. Allowable expenses for rate-based service	\$ 843,784
3. Total revenue for rate-based service	\$ 1,186,968
4. Excess (deficiency) revenue over expenses	\$ 343,184
5. Total reserve from all prior periods	\$ 105,774
6. Calculation of reserve and amounts due to purchaser	\$ 330,261

		First Test					Second Test						
Purchaser (6a)	Revenue from Purchaser (6b)	Purchaser's share of total revenue (6c)	Purchaser's share of excess revenue (deficiency) (6d)	Cap on reserve for first test (6e)	Amount to add to reserve for this period (6f)	Amount due to purchaser from first test (6g)	Purchaser's share of reserve from prior periods (6h)	Purchaser's share of reserve from all periods (6i)	Cap on reserve for second test (6j)	Amount of reserve (6k)	Amount due to purchaser from second test (6l)	Total amount due to purchaser (6m)	
Milwaukee County	\$ 1,186,968	100.00 %	\$ 343,184	\$ 59,348	\$ 59,348	\$ 283,836	\$ 105,774	\$ 165,122	\$ 118,697	\$ 118,697	\$ 46,425	\$ 330,261	
	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	
Total 2017 Activity	\$ 1,186,968	100.00 %	\$ 343,184	\$ 59,348	\$ 59,348	\$ 283,836	\$ 105,774	\$ 165,122	\$ 118,697	\$ 118,697	\$ 46,425	\$ 330,261	

Allowable expenses for rate-based service differs from the Schedule of Revenue and Allowable Costs by Milwaukee County Contract by \$1,368 as the Organization earned that amount as part of an expense reimbursement award and therefore, expenses were reduced by the same amount.

LA CAUSA, INC.

**RESERVE SUPPLEMENTAL SCHEDULE
For the Year Ended December 31, 2017**

Program: Crisis Stabilization

1. Total units of service	16,944
2. Allowable expenses for rate-based service	\$ 1,055,726
3. Total revenue for rate-based service	\$ 711,952
4. Excess (deficiency) revenue over expenses	\$ (343,774)
5. Total reserve from all prior periods	\$ 36,703
6. Calculation of reserve and amounts due to purchaser	\$ -

Purchaser (6a)	Revenue from Purchaser (6b)	Purchaser's share of total revenue (6c)	First Test				Second Test					Total amount due to purchaser (6m)
			Purchaser's share of excess revenue (deficiency) (6d)	Cap on reserve for first test (6e)	Amount to add to reserve for this period (6f)	Amount due to purchaser from first test (6g)	Purchaser's share of reserve from prior periods (6h)	Purchaser's share of reserve from all periods (6i)	Cap on reserve for second test (6j)	Amount of reserve (6k)	Amount due to purchaser from second test (6l)	
Milwaukee County	\$ 652,802	91.69 %	\$ (315,213)	\$ 32,640	\$ (315,213)	\$ -	\$ 38,163	\$ (277,050)	\$ 65,280	\$ (277,050)	\$ -	\$ -
Milwaukee County WATTS	59,150	8.31 %	(28,561)	2,958	(28,561)	-	(1,460)	(30,021)	5,915	(30,021)	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total 2017 Activity	\$ 711,952	100.00 %	\$ (343,774)	\$ 35,598	\$ (343,774)	\$ -	\$ 36,703	\$ (307,071)	\$ 71,195	\$ (307,071)	\$ -	\$ -

LA CAUSA, INC.

**RESERVE SUPPLEMENTAL SCHEDULE
For the Year Ended December 31, 2017**

Program: Comprehensive Community Services

1. Total units of service	52,294
2. Allowable expenses for rate-based service	\$ 1,129,460
3. Total revenue for rate-based service	\$ 1,245,955
4. Excess (deficiency) revenue over expenses	\$ 116,495
5. Total reserve from all prior periods	\$ 92,626
6. Calculation of reserve and amounts due to purchaser	\$ 84,525

Purchaser (6a)	Revenue from Purchaser (6b)	Purchaser's share of total revenue (6c)	First Test				Second Test					Total amount due to purchaser (6m)
			Purchaser's share of excess revenue (deficiency) (6d)	Cap on reserve for first test (6e)	Amount to add to reserve for this period (6f)	Amount due to purchaser from first test (6g)	Purchaser's share of reserve from prior periods (6h)	Purchaser's share of reserve from all periods (6i)	Cap on reserve for second test (6j)	Amount of reserve (6k)	Amount due to purchaser from second test (6l)	
Milwaukee County	\$ 1,245,955	100.00 %	\$ 116,495	\$ 62,298	\$ 62,298	\$ 54,197	\$ 92,626	\$ 154,924	\$ 124,596	\$ 124,596	\$ 30,328	\$ 84,525
	-	-	-	-	-	-	-	-	-	-	-	-
Total 2017 Activity	\$ 1,245,955	100.00 %	\$ 116,495	\$ 62,298	\$ 62,298	\$ 54,197	\$ 92,626	\$ 154,924	\$ 124,596	\$ 124,596	\$ 30,328	\$ 84,525

LA CAUSA, INC.

**RESERVE SUPPLEMENTAL SCHEDULE
For the Year Ended December 31, 2017**

Program: Targeted Case Management

1. Total units of service	53,848
2. Allowable expenses for rate-based service	\$ 653,073
3. Total revenue for rate-based service	\$ 521,792
4. Excess (deficiency) revenue over expenses	\$ (131,281)
5. Total reserve from all prior periods	\$ 5,284
6. Calculation of reserve and amounts due to purchaser	\$ -

Purchaser (6a)	Revenue from Purchaser (6b)	Purchaser's share of total revenue (6c)	First Test				Second Test					Total amount due to purchaser (6m)
			Purchaser's share of excess revenue (deficiency) (6d)	Cap on reserve for first test (6e)	Amount to add to reserve for this period (6f)	Amount due to purchaser from first test (6g)	Purchaser's share of reserve from prior periods (6h)	Purchaser's share of reserve from all periods (6i)	Cap on reserve for second test (6j)	Amount of reserve (6k)	Amount due to purchaser from second test (6l)	
Milwaukee County TCM	\$ 521,792	100.00 %	\$ (131,281)	\$ 26,090	\$ (131,281)	\$ -	\$ 5,284	\$ (125,997)	\$ 52,179	\$ (125,997)	\$ -	\$ -
	-	-	-	-	-	-	-	-	-	-	-	-
Total 2017 Activity	\$ 521,792	100.00 %	\$ (131,281)	\$ 26,090	\$ (131,281)	\$ -	\$ 5,284	\$ (125,997)	\$ 52,179	\$ (125,997)	\$ -	\$ -



La Causa, Inc.

Where Children and Families Come First

2018 Board of Directors

Lyman Tschanz - Chair
Vice President of Manufacturing
Rockwell Automation

Robert Kotecki – Vice Chair
Vice President - Business Insurance
Associated Financial Group

Nancy Jelen - Secretary
Community Representative

Gustavo Cueto - Treasurer
Assistant Director - Distribution
Growth & Development
Northwestern Mutual

George A. Torres
President & CEO
La Causa, Inc.

Mario Gayoso Noguero
Hispanic Market Manager
Russ Darrow Group

Andres Gonzalez
Vice President & Chief Diversity
Officer
Froedtert & Medical College
of Wisconsin

Juan Hernandez
Founder / President
TKK Electronics

Eduard Jimenez
Senior Manager, Customer Service
& Supply
Molson Coors

Martha Lamelas
Community Representative

Kenneth Little
Commercial Corridor Manager
City of Milwaukee

Erico Ortiz
Owner / Gallery Director
Inspiration Studios

Teri Severinsen
Chief Financial Officer
Midwest Fiber Networks, LLC

Chad Winters, J.D.
Business Development Consultant
Lockton Companies, LLC

La Causa, Inc.

Schedule of Findings and Questioned Costs - Year ended December 31, 2016

Section II. Financial Statement Findings	Management Responses	Status
<p>2016-001 Criteria: The organization is responsible for maintaining effective internal controls surrounding the recognition of revenue, specifically billing of its fee-for-service Crisis Stabilization Program. Statement Condition: Bills submitted by the Organization for payment were based on incorrect information. This resulted in payment being received for services not provided. Cause: The internal controls in place did not identify the incorrect information supplied by employees. Effect: The Organization recognized revenue in excess of amounts that were earned. Recommendation: We recommend management identify which control failed to detect the inaccurate billing and create and implement additional controls in response.</p>	<p>Previous Social Services Administration failed to properly supervise, did not hold employees accountable, did not follow policies & procedures, and did not verify documentation. Since departure of the previous administration, Management has implemented more comprehensive program monitoring including: detailed forms and reporting requirements, enhanced policies and procedures, internal review and verification processes, and additional program supervision. In addition, the Organization is expanding the Compliance role to include two QA/QI positions whose primary responsibility will be to ensure all contracts within Social Services are in compliance.</p>	<p>Complete- We reviewed and revised policies and procedures, developed a detailed verification log, added additional supervision and involved more direct administrative support.</p> <p>After further review, La Causa decided to terminate the Crisis Stabilization program with Milwaukee County. The official termination date was November 10, 2017.</p> <p>One QA/QI staff has been hired and we continue to interview for the second position.</p>





La Causa, Inc.

Where Children and Families Come First

2018 Board of Directors

Lyman Tschanz - Chair
Vice President of Manufacturing
Rockwell Automation

Robert Kotecki - Vice Chair
Vice President - Business Insurance
Associated Financial Group

Nancy Jelen - Secretary
Community Representative

Gustavo Cueto - Treasurer
Assistant Director - Distribution
Growth & Development
Northwestern Mutual

George A. Torres
President & CEO
La Causa, Inc.

Mario Gayoso Noguero
Hispanic Market Manager
Russ Darrow Group

Andres Gonzalez
Vice President & Chief Diversity
Officer
Froedtert & Medical College
of Wisconsin

Juan Hernandez
Founder / President
TKK Electronics

Eduard Jimenez
Senior Manager, Customer Service
& Supply
Molson Coors

Martha Lamelas
Community Representative

Kenneth Little
Commercial Corridor Manager
City of Milwaukee

Erico Ortiz
Owner / Gallery Director
Inspiration Studios

Teri Severinsen
Chief Financial Officer
Midwest Fiber Networks, LLC

Chad Winters, J.D.
Business Development Consultant
Lockton Companies, LLC

La Causa, Inc.

Schedule of Findings and Questioned Costs - Year ended December 31, 2016

Section II. Financial Statement Findings	Management Responses	Status
<p>2016-002 CFDA Number: 93.465 and 93.778 State ID's: 410.313 and 435.561 Agencies: Milwaukee County Program: Medicaid Cluster (93.778), Temporary Assistance for Needy Families Cluster (93.558), Wraparound (410.313 and 435.561) Criteria: The organization is responsible for maintaining effective internal controls over compliance to ensure billings for services performed were earned and allowable according to federal and state requirements. Statement Condition: Bills submitted by the Organization to grantors for payment were based on incorrect information, resulting in payment being received for services not provided. Questioned Costs: \$103,858 Context: The Organization was contacted by a funding source questioning services performed. Based on an independent study by the funder and an internal investigation, errors were detected. Cause: The internal controls in place did not identify the incorrect information supplied by employees. Effect: Services that were not provided were reported as being completed, which resulted in payment being received. Recommendation: We recommend management identify which control failed to detect the inaccurate billing and create and implement additional controls in response.</p>	<p>Previous Social Services Administration failed to properly supervise, did not hold employees accountable, did not follow policies & procedures, and did not verify documentation. Since departure of the previous administration, Management has implemented more comprehensive program monitoring including: detailed forms and reporting requirements, enhanced policies and procedures, internal review and verification processes, and additional program supervision. In addition, the Organization is expanding the Compliance role to include two QA/QI positions whose primary responsibility will be to ensure all contracts within Social Services are in compliance.</p>	<p>Complete- We reviewed and revised policies and procedures, developed a detailed verification log, added additional supervision and involved more direct administrative support.</p> <p>After further review, La Causa decided to terminate the Crisis Stabilization program with Milwaukee County. The official termination date was November 10, 2017.</p> <p>One QA/QI staff has been hired and we continue to interview for the second position.</p>

