

# **La Causa, Inc.**

Financial Statements and Supplemental Information

December 31, 2021 and 2020

# La Causa, Inc.

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Table of Contents  
December 31, 2021 and 2020

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Statements of Functional Expenses	7
Notes to Financial Statements	9
<b>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></b>	18
<b>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></b>	20
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal and State Awards	23
Notes to the Schedule of Expenditures of Federal and State Awards	28
Schedule of Findings and Questioned Costs	29
Summary Schedule of Prior Audit Findings	31
Schedule of Revenue and Allowable Costs by Program	32
Schedule of Revenue and Allowable Costs by Milwaukee County Contract	33
Reserve Supplementary Schedules	34

## Independent Auditors' Report

To the Board of Directors of  
La Causa, Inc.

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of La Causa, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

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

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

## ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, schedule of revenue and allowable costs by program, schedule of revenue and allowable costs by Milwaukee County contract, and reserve supplementary schedules, as required by Title 2 U.S. *Code of Federal Regulations* 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 accompanying supplementary 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 12, 2022 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 US, LLP*

Milwaukee, Wisconsin  
May 12, 2022

## La Causa, Inc.

Statements of Financial Position  
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,000,879	\$ 6,511,245
Grants receivable	1,258,611	1,027,781
Pledges receivable	51,430	39,779
Prepaid expenses	81,563	87,263
Property held for sale	169,237	169,237
Total current assets	<u>6,561,720</u>	<u>7,835,305</u>
<b>Property and Equipment</b>	<u>14,682,855</u>	<u>11,834,164</u>
<b>Other Assets</b>		
Restricted cash	133,458	174,533
Other long-term assets	144,877	123,021
Total other assets	<u>278,335</u>	<u>297,554</u>
Total assets	<u>\$ 21,522,910</u>	<u>\$ 19,967,023</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 337,857	\$ 211,633
Due to Milwaukee County, current portion	150,000	-
Accrued expenses	899,884	1,436,322
Deferred revenue	1,665,117	1,612,244
Debt, current portion	385,864	1,594,281
Other liabilities	16,269	28,648
Total current liabilities	<u>3,454,991</u>	<u>4,883,128</u>
<b>Long-term Liabilities</b>		
Due to Milwaukee County, less current portion	50,000	-
Asset retirement liability	81,095	81,095
Debt, less current portion, net	7,968,081	6,074,616
Total long-term liabilities	<u>8,099,176</u>	<u>6,155,711</u>
Total liabilities	<u>11,554,167</u>	<u>11,038,839</u>
<b>Net Assets</b>		
Without donor restrictions	9,783,855	8,713,872
With donor restrictions	184,888	214,312
Total net assets	<u>9,968,743</u>	<u>8,928,184</u>
Total liabilities and net assets	<u>\$ 21,522,910</u>	<u>\$ 19,967,023</u>

See notes to financial statements

**La Causa, Inc.**

## Statements of Activities

Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>						
Government grants	\$ 7,533,975	\$ -	\$ 7,533,975	\$ 8,328,044	\$ -	\$ 8,328,044
United Way	32,256	32,256	64,512	32,256	32,256	64,512
Donations	257,140	19,174	276,314	434,773	67,023	501,796
Special events	103,695	-	103,695	43,520	-	43,520
Child care and program fees	1,390,481	-	1,390,481	1,451,344	-	1,451,344
Fees for services	7,272,464	-	7,272,464	7,355,483	-	7,355,483
Miscellaneous	79,486	-	79,486	176,810	-	176,810
Net assets released from restrictions	80,854	(80,854)	-	103,568	(103,568)	-
	<u>16,750,351</u>	<u>(29,424)</u>	<u>16,720,927</u>	<u>17,925,798</u>	<u>(4,289)</u>	<u>17,921,509</u>
<b>Expenses</b>						
Program	13,644,194	-	13,644,194	14,011,765	-	14,011,765
Supporting services	2,036,174	-	2,036,174	2,159,005	-	2,159,005
	<u>15,680,368</u>	<u>-</u>	<u>15,680,368</u>	<u>16,170,770</u>	<u>-</u>	<u>16,170,770</u>
Change in net assets	1,069,983	(29,424)	1,040,559	1,755,028	(4,289)	1,750,739
<b>Net Assets, Beginning</b>	<u>8,713,872</u>	<u>214,312</u>	<u>8,928,184</u>	<u>6,958,844</u>	<u>218,601</u>	<u>7,177,445</u>
<b>Net Assets, Ending</b>	<u>\$ 9,783,855</u>	<u>\$ 184,888</u>	<u>\$ 9,968,743</u>	<u>\$ 8,713,872</u>	<u>\$ 214,312</u>	<u>\$ 8,928,184</u>

See notes to financial statements

## La Causa, Inc.

Statements of Cash Flows  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,040,559	\$ 1,750,739
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	685,390	632,186
Amortization	5,594	12,764
Gain from sale of property and equipment	-	(16,566)
Change in interest rate swap	-	(8,109)
Changes in assets and liabilities:		
Grants receivable	(230,830)	443,690
Other accounts receivable	-	43,750
Pledges receivable	(11,651)	51,789
Prepaid expenses	5,700	11,667
Other long-term assets	(21,856)	(44,447)
Accounts payable	126,224	(293,839)
Accrued expenses	129,886	(12,520)
Deferred revenue	52,873	(66,104)
Due to Milwaukee County	200,000	(422,000)
Other liabilities	(12,379)	9,875
Net cash flows from operating activities	<u>1,969,510</u>	<u>2,092,875</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(859,986)	(692,159)
Proceeds from sale of property and equipment	-	16,566
Net cash flows from investing activities	<u>(859,986)</u>	<u>(675,593)</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on debt	(2,926,277)	(347,948)
Debt issuance costs	(770)	(38,093)
Proceeds from issuance of debt	266,082	2,438,900
Net cash flows from financing activities	<u>(2,660,965)</u>	<u>2,052,859</u>
Net change in cash, cash equivalents and restricted cash	(1,551,441)	3,470,141
<b>Cash, Cash Equivalents and Restricted Cash, Beginning</b>	<u>6,685,778</u>	<u>3,215,637</u>
<b>Cash, Cash Equivalents and Restricted Cash, Ending</b>	<u>\$ 5,134,337</u>	<u>\$ 6,685,778</u>
<b>Supplemental Cash Flow Disclosures</b>		
Cash paid for interest	\$ 224,714	\$ 145,608
<b>Noncash Investing and Financing Activities</b>		
Proceeds from issuance of debt used to extinguish existing debt	\$ -	\$ 3,877,919
Purchases of property and equipment financed with accrued expenses	\$ -	\$ 666,324
Purchases of property and equipment financed with debt	\$ 3,340,419	\$ 1,489,760
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash to the Statements of Financial Position</b>		
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,000,879	\$ 6,511,245
Restricted cash	133,458	174,533
Total cash, cash equivalents and restricted cash	<u>\$ 5,134,337</u>	<u>\$ 6,685,778</u>

See notes to financial statements

**La Causa, Inc.**Statement of Functional Expenses  
Year Ended December 31, 2021

	<b>Child Development / Prevention</b>	<b>Crisis Nursery</b>	<b>Social Services</b>	<b>Education</b>	<b>Total Program</b>	<b>Information Technology</b>	<b>Supporting Services</b>	<b>Total</b>
Payroll	\$ 879,838	\$ 302,648	\$ 3,541,519	\$ 3,362,591	\$ 8,086,596	\$ 240,939	\$ 966,180	\$ 9,293,715
Fringe benefits	152,302	60,079	567,790	483,399	1,263,570	36,094	210,134	1,509,798
Payroll taxes	68,076	23,312	272,887	257,262	621,537	18,508	62,839	702,884
Total payroll, taxes and fringes	1,100,216	386,039	4,382,196	4,103,252	9,971,703	295,541	1,239,153	11,506,397
Telephone, training and travel	19,340	8,851	276,268	110,916	415,375	5,531	72,037	492,943
Supplies	58,522	22,203	18,767	305,213	404,705	5,958	95,336	505,999
Occupancy	106,683	38,109	149,640	339,463	633,895	18	176,496	810,409
Equipment	20,372	5,134	14,968	239,501	279,975	396	6,649	287,020
Financing	48	172	-	8,378	8,598	-	220,902	229,500
Other	-	-	276	4,419	4,695	-	12,357	17,052
Professional services	-	-	137,298	229,526	366,824	2,950	124,005	493,779
Purchased services	228,875	224	27,977	358,895	615,971	148	35,760	651,879
Depreciation	40,493	26,901	267,591	307,145	642,130	93	43,167	685,390
Allocation of information technology expenses	5,157	2,578	34,699	257,889	300,323	(310,635)	10,312	-
Total expenses	<u>\$ 1,579,706</u>	<u>\$ 490,211</u>	<u>\$ 5,309,680</u>	<u>\$ 6,264,597</u>	<u>\$ 13,644,194</u>	<u>\$ -</u>	<u>\$ 2,036,174</u>	<u>\$ 15,680,368</u>

See notes to financial statements

**La Causa, Inc.**Statement of Functional Expenses  
Year Ended December 31, 2020

	<b>Child Development / Prevention</b>	<b>Crisis Nursery</b>	<b>Social Services</b>	<b>Education</b>	<b>Total Program</b>	<b>Information Technology</b>	<b>Supporting Services</b>	<b>Total</b>
Payroll	\$ 783,703	\$ 272,799	\$ 4,204,283	\$ 3,380,379	\$ 8,641,164	\$ 191,661	\$ 1,183,534	\$ 10,016,359
Fringe benefits	138,762	46,612	671,503	548,154	1,405,031	25,947	263,617	1,694,595
Payroll taxes	53,613	20,427	302,142	255,094	631,276	14,177	80,102	725,555
Total payroll, taxes and fringes	976,078	339,838	5,177,928	4,183,627	10,677,471	231,785	1,527,253	12,436,509
Telephone, training and travel	20,109	10,221	249,079	125,321	404,730	4,798	51,183	460,711
Supplies	68,844	65,294	22,288	226,753	383,179	2,697	120,188	506,064
Occupancy	95,130	37,517	178,414	308,699	619,760	-	136,698	756,458
Equipment	12,170	1,981	16,142	223,979	254,272	2,421	9,430	266,123
Financing	20	75	38,953	2,699	41,747	-	116,716	158,463
Other	-	-	15,033	1,487	16,520	-	1,660	18,180
Professional services	48,863	-	176,455	160,756	386,074	3,568	170,445	560,087
Purchased services	78,788	174	34,156	248,636	361,754	-	14,235	375,989
Depreciation	39,069	30,663	283,907	278,214	631,853	-	333	632,186
Allocation of information technology expenses	5,417	2,583	49,865	176,540	234,405	(245,269)	10,864	-
Total expenses	<u>\$ 1,344,488</u>	<u>\$ 488,346</u>	<u>\$ 6,242,220</u>	<u>\$ 5,936,711</u>	<u>\$ 14,011,765</u>	<u>\$ -</u>	<u>\$ 2,159,005</u>	<u>\$ 16,170,770</u>

See notes to financial statements

# La Causa, Inc.

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Notes to Financial Statements  
December 31, 2021 and 2020

## 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 from 2016 through 2021.

### Cash and Cash Equivalents

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

### Grants Receivable

Grants receivable represents the outstanding balance of government and other grants due to the Organization based upon costs incurred, services completed and review of agreements. Management determines the need for an allowance for doubtful accounts based on historical collection experience and a review of current receivable balances. No allowance for doubtful accounts is considered necessary as of December 31, 2021 and 2020.

### Pledges Receivable

Pledges made to the Organization are recorded in the year the pledge is made. The pledges receivable balance at December 31, 2021 and 2020 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, 2021 and 2020.

### 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  
December 31, 2021 and 2020

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 net assets without donor restrictions 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 contributions with donor restrictions. 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 or as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions 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, 2021 and 2020.

### Property Held for Sale

Property held for sale is reported at the lower of the respective carrying value or fair value less cost to sell. These assets are generally marketed for sale immediately. Property held for sale is not depreciated. The property meets the requirements to be classified as held for sale at December 31, 2021 and 2020. During 2020, the Organization began marketing one of their locations for sale. An offer was received and accepted subsequent to December 31, 2021.

### 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 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 2021 and 2020.

### Restricted Cash

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

	<u>2021</u>	<u>2020</u>
Charter School	\$ 61,957	\$ 103,032
Crisis Nursery	71,501	71,501
Total restricted cash	<u>\$ 133,458</u>	<u>\$ 174,533</u>

### Deferred Revenue and Due to Milwaukee County

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 or other conditions are met.

In March 2021, Milwaukee County requested deferred revenue to be returned relating to programs funded during 2019. The Organization and Milwaukee County agreed to a one-time payment of \$59,715 and monthly installment repayment plan of twenty-four monthly installments of \$12,500 that began during May 2021, at zero percent interest.

Subsequent to December 31, 2021, Milwaukee County has requested deferred revenue of \$87,825 relating to programs funded during 2020 to be returned. The Organization and Milwaukee County have agreed to a monthly installment repayment plan, at zero percent interest.

## La Causa, Inc.

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Notes to Financial Statements  
December 31, 2021 and 2020

Deferred revenue to grantors is reclassified in the statements of financial position as amounts due to the specific funding source when the funding source requests deferred revenue to be returned.

### 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:

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

*Net Assets With Donor Restrictions.* Net assets subject to donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those stipulations or that they be maintained in perpetuity by the Organization.

### Board Designated Net Assets

The Organization's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. There are no Board designated net assets at December 31, 2021 and 2020.

### 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.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### Contributions and Grants

Unconditional contributions or grants are recognized when cash, securities, other assets or promises to give are received. Conditional contributions or grants, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Most of the Organization's federal, state and other grants or contracts are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. As of December 31, 2021 and 2020, there was approximately \$4,200,000 and \$4,100,000, respectively, of conditional grant revenue, which includes \$1,665,117 and \$1,612,244, respectively, that had been received in advance and is included within deferred revenue on the statements of financial position. These amounts will either be earned by the Organization or repaid to funding sources.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire during the year in which the contributions are recognized.

## La Causa, Inc.

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Notes to Financial Statements  
December 31, 2021 and 2020

### **In-Kind Contributions**

Donations of supplies, equipment, rent and other usable items are recorded at their estimated fair value. During 2021 and 2020, in-kind donations amounted to \$98,814 and \$244,404, respectively, and are included within donations on the statements of activities.

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 2021 and 2020 are not reflected in the financial statements as they generally do not require specialized skills.

### **Contracts with Customers**

A portion of the Organization's revenues arise from the sale of goods and services under contracts with customers. Revenue under contracts with customers is recognized when the customer obtains control of the good or service and is recognized to depict the transfer of promised goods or services in an amount that reflects the consideration which the Organization expects to be entitled in exchange for those goods or services.

A performance obligation is a distinct good, service or a bundle of goods and services promised in a contract. The Organization identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to appropriately depict the Organization's performance in transferring control of the promised goods or services to the customer. Contracts with customers do not include a significant financing component.

*Child Care and Program Fees:* The most significant contracts with customers relate to child care services and after school programs provided by the Organization. These activities are included within child care and program fees on the statements of activities. For both programs there are agreements between the parents and the Organization determining the service to be provided and fee. Payments from parents in the form of cash or government voucher subsidies are received monthly. The services are provided over time as children are cared for and after school programs are conducted each day. Revenue is recognized as the services are provided.

### **Expense Allocation**

The financial statements report certain categories of expenses that are attributable to program or supporting functions of the Organization. Expenses that are allocated include salaries and benefits, depreciation and occupancy costs. Salaries and benefits are allocated based on estimated time and effort. Depreciation and occupancy costs are allocated based on the number of full-time equivalent employees working at the building incurring the costs.

The Organization accumulates information technology costs within its own department and allocates these expenditures back to the relevant individual programs. Information technology is allocated based on number of users assigned per department.

### **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.

## La Causa, Inc.

Notes to Financial Statements  
December 31, 2021 and 2020

### Liquidity and Availability

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general operating expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a line of credit with availability of \$750,000, as discussed in Note 5.

The Organization's financial assets available within one year of the statements of financial position date for general expenditure such as operating expenses, scheduled principal payments on debt and capitalized costs not financed with debt are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,000,879	\$ 6,511,245
Grants receivable	1,258,611	1,027,781
Pledges receivable	<u>51,430</u>	<u>39,779</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,310,920</u>	<u>\$ 7,578,805</u>

### Recent Accounting Pronouncements

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842) that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. Organizations that have not yet adopted will be required to apply the standard for annual periods beginning after December 15, 2021 (2022). Management is currently evaluating the impact of ASU No. 2016-02 on its financial statements.

During September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (2022). The Organization is currently assessing the effect that ASU No. 2020-07 will have on its financial statements.

## 2. Property and Equipment

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

	<u>Depreciable Lives</u>	<u>2021</u>	<u>2020</u>
Land	N/A	\$ 1,132,680	\$ 1,132,680
Buildings and improvements	5-40 years	19,617,650	14,538,891
Vehicles	3-5 years	60,199	60,199
Equipment	3-7 years	3,183,141	2,838,438
Construction in progress	N/A	<u>6,649</u>	<u>1,896,030</u>
Total property and equipment		24,000,319	20,466,238
Less accumulated depreciation		<u>9,317,464</u>	<u>8,632,074</u>
Net property and equipment		<u>\$ 14,682,855</u>	<u>\$ 11,834,164</u>

## La Causa, Inc.

Notes to Financial Statements  
December 31, 2021 and 2020

### 3. Debt

Debt consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Note payable, bank, interest rate of 3.25%, until June 2025 at which time the rate will be based on the Two Year LIBOR plus 1.90% with a minimum rate of 3.25%, principal is payable in monthly installments of \$12,906, interest is payable monthly, a final payment equal to all unpaid principal and accrued interest is due on June 1, 2027, collateralized by real estate at 413 W. Scott Street, 804 West Greenfield Avenue, 809 West Greenfield Avenue, and 1655 South 2nd Street, Milwaukee, Wisconsin and 5235-5237 North Ironwood Road, Glendale, Wisconsin (collectively, the real estate).	\$ 3,538,510	\$ 3,775,887
Note payable, bank, interest rate of 3.25%, principal is payable in monthly installments of \$8,333 beginning January 2021, interest is payable monthly, a final payment equal to all unpaid principal and accrued interest is due on December 1, 2023. The note is collateralized by the real estate.	200,000	300,000
Construction note payable, maximum amount of \$4,912,000 to be borrowed, bank, interest rate of one-month LIBOR plus 1.90% (2.00% at December 31, 2021), interest only payments until May 2022, principal and interest is payable in monthly installments of \$16,373 beginning June 2022, a final payment equal to all unpaid principal and accrued interest is due on November 1, 2027, collateralized by the real estate.	4,646,261	1,189,760
Paycheck Protection Program funds, bank, interest rate of 1%, principal was payable in monthly installments of \$275,447, interest was payable monthly. The debt was paid in full during 2022. See further information below regarding note payable.	-	2,438,900
Total	8,384,771	7,704,547
Less current portion	385,864	1,594,281
Total long-term portion	7,998,907	6,110,266
Debt issuance costs, net of accumulated amortization	(30,826)	(35,650)
Long-term portion, net	<u>\$ 7,968,081</u>	<u>\$ 6,074,616</u>

## La Causa, Inc.

Notes to Financial Statements  
December 31, 2021 and 2020

Principal requirements on long-term debt for years ending after December 31, 2021 are as follows:

Years ending December 31:	
2022	\$ 385,864
2023	451,357
2024	351,357
2025	351,357
2026	351,357
Thereafter	<u>6,493,479</u>
Total	<u>\$ 8,384,771</u>

On April 13, 2020, the Organization received loan proceeds in the amount of \$2,438,900 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. The Organization may request to repay the loan over five years and the request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

In June 2021, the Organization repaid the PPP loan and interest in full to the SBA.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

The Organization is subject to certain restrictions and covenants related to their debt. As of December 31, 2021, the Organization was in compliance with all of the established covenants.

Interest charged to expense incurred on the long-term debt and line of credit (see Note 5) was \$224,714 and \$145,608 for the years ended December 31, 2021 and 2020, respectively, and is included in financing on the statements of functional expenses.

#### 4. Operating Leases

The Organization has operating lease agreements for the rental of office property and vehicles. Rent expense on the operating leases was \$7,600 and \$6,600 for the years ended December 31, 2021 and 2020, respectively. The Organization also received approximately \$64,000 and \$85,000 of donated rent during the years ended December 31, 2021 and 2020, respectively.

## La Causa, Inc.

Notes to Financial Statements  
December 31, 2021 and 2020

The following is a schedule of future minimum lease payments under operating leases as of December 31, 2021:

Years ending December 31:		
2022	\$	8,420
2023		8,420
2024		<u>3,509</u>
Total	\$	<u>20,349</u>

### 5. Line of Credit

The Organization obtained a line of credit for \$750,000 with Town Bank in 2020. Interest is payable at one-month LIBOR plus 1.65% (1.74% at December 31, 2021) and the line expires July 2, 2022. At December 31, 2021 and 2020, the line did not have an outstanding balance. The line of credit is collateralized by the real estate.

### 6. Retirement Plans

#### Retirement Savings Plan

The Organization provides retirement benefits for all eligible employees who have enrolled in a 403(b) retirement savings plan. In 2021 and 2020, the Organization contributed a 25% match or up to 6% of regular salary to those employees participating in the retirement plan totaling \$55,715 and \$53,904, respectively. The Organization did not contribute a discretionary contribution to the plan in 2021 or 2020.

#### Deferred Compensation

The Organization entered into a deferred compensation plan during 2018, which covers certain employees for payments to be made upon death, disability, retirement and other contractual provisions. The Organization has recorded a liability of \$131,345 and \$95,816 as of December 31, 2021 and 2020, respectively, related to this plan. The amount represents the present value of the payments due to the participants and estimated other plan costs. Amounts owed in fulfillment of certain contract requirements are presented as accrued expenses on the statements of financial position. Deferred compensation expense and other contractual expenses related to the plans were \$35,529 and \$34,622 in 2021 and 2020, respectively, and are included in supporting services on the statements of activities.

### 7. Net Assets

Net assets with donor restrictions at December 31 are composed of:

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 51,430	\$ 39,779
Charter School - scholarships and programs	61,957	103,032
Crisis Nursery - capital campaign	<u>71,501</u>	<u>71,501</u>
Total	<u>\$ 184,888</u>	<u>\$ 214,312</u>

**8. 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 2021 and 2020. All of the grants receivable on the statements of financial position are due from federal, state, and local government contracts at December 31, 2021 and 2020.

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.

**9. 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.

**10. 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.

**11. Subsequent Events**

The Organization has evaluated subsequent events through May 12, 2022, which is the date that the financial statements were available to be issued.

**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**

To the Board of Directors of  
La Causa, Inc.

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 Organization's statement of financial position as of December 31, 2021, 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 12, 2022.

**Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

**Report on 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 financial statements. 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*.

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## **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 US, LLP*

Milwaukee, Wisconsin  
May 12, 2022

**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**

To the Board of Directors of  
La Causa, Inc.

**Report on Compliance for Each Major Federal and Major State Program**

***Opinion on Each Major Federal and Major State Program***

We have audited La Causa, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *State Single Audit Guidelines* (the *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, 2021. 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.

In our opinion, the Organization complied, in all material respects, with the 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, 2021.

***Basis for Opinion on Each Major Federal and Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 *Guidelines*. Our responsibilities under those standards, the Uniform Guidance, and the *Guidelines* are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal and major state program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal and state programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal and major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 US, LLP*

Milwaukee, Wisconsin  
May 12, 2022

**La Causa, Inc.**Schedule of Expenditures of Federal and State Awards  
Year Ended December 31, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Passed through Milwaukee Public Schools:			
School Breakfast Program	10.553	Unavailable	\$ 98,227
National School Lunch Program	10.555	Unavailable	<u>155,525</u>
Total Child Nutrition Cluster			<u>253,752</u>
Passed through Wisconsin Department of Public Instruction:			
Child and Adult Care Food Program	10.558	Unavailable	120,312
Passed through Milwaukee Public Schools:			
Child and Adult Care Food Program	10.558	Unavailable	<u>19,100</u>
Total ALN 10.558			<u>139,412</u>
Total U.S. Department of Agriculture			<u>393,164</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through City of Milwaukee:			
Community Development Block Grant	14.218	C15111B025	<u>24,000</u>
Total CDBG, Entitlement Grants Cluster			24,000
Federal Emergency Shelter	14.231	C15111S007	<u>27,100</u>
Total U.S. Department of Housing and Urban Development			<u>51,100</u>
<b>U.S. Department of Justice</b>			
Passed through Wraparound Milwaukee:			
Wraparound	16.752	Unavailable	2,314
Wraparound, Treatment Foster Homes	16.752	Unavailable	614
Wraparound, Expansion	16.752	Unavailable	2,680
Wraparound, Performance Case Rate	16.752	Unavailable	220
CCS CORE / CCS Youth	16.752	Unavailable	<u>3,539</u>
Total U.S. Department of Justice			<u>9,367</u>
<b>U.S. Department of Education</b>			
Passed through Milwaukee Public Schools:			
Title I / I-R	84.010	Unavailable	<u>343,340</u>
Title III	84.365	Unavailable	<u>37,726</u>
COVID-19 - Education Stabilization Fund	84.425C	Unavailable	66,200
COVID-19 - Education Stabilization Fund	84.425D	Unavailable	<u>236,527</u>
Total ALN 84.425			<u>302,727</u>
Total U.S. Department of Education			<u>683,793</u>

*See accompanying notes to the schedule of expenditures of federal and state awards.*

**La Causa, Inc.**Schedule of Expenditures of Federal and State Awards  
Year Ended December 31, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through Wraparound Milwaukee:			
Wraparound	93.243	Unavailable	\$ 34,245
Wraparound, Treatment Foster Homes	93.243	Unavailable	9,084
Wraparound, Expansion	93.243	Unavailable	39,671
Wraparound, Performance Case Rate	93.243	Unavailable	3,252
CCS CORE / CCS Youth	93.243	Unavailable	52,370
Passed through Milwaukee County Department of Human Services:			
Recovery Support Coordination	93.243	Unavailable	30,391
Targeted Case Management	93.243	Unavailable	43,423
Treatment Services	93.243	Unavailable	8,112
Comprehensive Community Services	93.243	Unavailable	33,685
Mobile Crisis Team Expansion	93.243	Unavailable	168
Total ALN 93.243			<u>254,401</u>
Passed through Wisconsin Department of Children and Families:			
State Crisis Nursery	93.558	Unavailable	<u>189,672</u>
Total 477 Cluster			<u>189,672</u>
Passed through Next Door Foundation:			
Early Head Start	93.600	Unavailable	<u>266,331</u>
Total Head Start Cluster			<u>266,331</u>
Passed through Wraparound Milwaukee:			
Wraparound	93.645	Unavailable	136,239
Wraparound, Treatment Foster Homes	93.645	Unavailable	36,138
Wraparound, Expansion	93.645	Unavailable	157,826
Wraparound, Performance Case Rate	93.645	Unavailable	12,939
CCS CORE / CCS Youth	93.645	Unavailable	<u>208,349</u>
Total ALN 93.645			<u>551,491</u>
Passed through Wisconsin Department of Children and Families:			
Treatment Foster Homes	93.658	Unavailable	<u>152,951</u>
Passed through Milwaukee County Department of Human Services:			
Recovery Support Coordination	93.778	Unavailable	427,537
Targeted Case Management	93.778	Unavailable	610,869
Treatment Services	93.778	Unavailable	114,124
Comprehensive Community Services	93.778	Unavailable	473,868
Mobile Crisis Team Expansion	93.778	Unavailable	2,368

See accompanying notes to the schedule of expenditures of federal and state awards.

**La Causa, Inc.**Schedule of Expenditures of Federal and State Awards  
Year Ended December 31, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
Passed through Wraparound Milwaukee:			
Wraparound	93.778	Unavailable	\$ 691,932
Wraparound, Treatment Foster Homes	93.778	Unavailable	183,537
Wraparound, Expansion	93.778	Unavailable	801,569
Wraparound, Performance Case Rate	93.778	Unavailable	65,714
CCS CORE / CCS Youth	93.778	Unavailable	<u>1,058,165</u>
Total Medicaid Cluster			<u>4,429,683</u>
Passed through Milwaukee County Department of Human Services:			
Recovery Support Coordination	93.788	Unavailable	18,108
Targeted Case Management	93.788	Unavailable	25,873
Treatment Services	93.788	Unavailable	4,834
Comprehensive Community Services	93.788	Unavailable	20,070
Mobile Crisis Team Expansion	93.788	Unavailable	<u>100</u>
Total ALN 93.788			<u>68,985</u>
Passed through Wraparound Milwaukee			
Wraparound	93.958	Unavailable	6,756
Wraparound, Treatment Foster Homes	93.958	Unavailable	1,792
Wraparound, Expansion	93.958	Unavailable	7,827
Wraparound, Performance Case Rate	93.958	Unavailable	642
CCS CORE / CCS Youth	93.958	Unavailable	<u>10,333</u>
Total ALN 93.958			<u>27,350</u>
Passed through Milwaukee County Department of Human Services:			
Recovery Support Coordination	93.959	Unavailable	40,430
Targeted Case Management	93.959	Unavailable	57,767
Treatment Services	93.959	Unavailable	10,792
Comprehensive Community Services	93.959	Unavailable	44,812
Mobile Crisis Team Expansion	93.959	Unavailable	<u>227</u>
Total ALN 93.959			<u>154,028</u>
Total U.S. Department of Health and Human Services			<u>6,094,892</u>
Total Expenditures of Federal Awards			<u>\$ 7,232,316</u>

See accompanying notes to the schedule of expenditures of federal and state awards.

**La Causa, Inc.**Schedule of Expenditures of Federal and State Awards  
Year Ended December 31, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>State ID Number</u>	<u>Pass Through Grantor's Number</u>	<u>State Expenditures</u>
<b>Wisconsin Department of Children and Families</b>			
Passed through Wraparound Milwaukee:			
Wraparound	437.0700	Unavailable	\$ 3,517
Wraparound, Treatment Foster Homes	437.0700	Unavailable	933
Wraparound, Expansion	437.0700	Unavailable	4,074
Wraparound, Performance Case Rate	437.0700	Unavailable	334
CCS CORE / CCS Youth	437.0700	Unavailable	<u>5,379</u>
Total State ID 437.0700			<u>14,237</u>
Passed through Wraparound Milwaukee:			
Wraparound	437.3413	Unavailable	43,778
Wraparound, Treatment Foster Homes	437.3413	Unavailable	11,612
Wraparound, Expansion	437.3413	Unavailable	50,715
Wraparound, Performance Case Rate	437.3413	Unavailable	4,158
CCS CORE / CCS Youth	437.3413	Unavailable	<u>66,949</u>
Total State ID 437.3413			<u>177,212</u>
Total Wisconsin Department of Children and Families			<u>191,449</u>
<b>Wisconsin Department of Health Services</b>			
Passed through Milwaukee County Department of Human Services:			
Recovery Support Coordination	435.535	Unavailable	62,143
Targeted Case Management	435.535	Unavailable	88,791
Treatment Services	435.535	Unavailable	16,588
Comprehensive Community Services	435.535	Unavailable	68,878
Mobile Crisis Team Expansion	435.535	Unavailable	<u>344</u>
Total State ID 435.535			<u>236,744</u>
Recovery Support Coordination	435.545	Unavailable	743
Targeted Case Management	435.545	Unavailable	1,061
Treatment Services	435.545	Unavailable	4
Comprehensive Community Services	435.545	Unavailable	198
Mobile Crisis Team Expansion	435.545	Unavailable	<u>823</u>
Total State ID 435.545			<u>2,829</u>
Passed through Milwaukee County Department of Disability Services:			
WATTS Reviews	435.561	Unavailable	55,882

See accompanying notes to the schedule of expenditures of federal and state awards.

**La Causa, Inc.**Schedule of Expenditures of Federal and State Awards  
Year Ended December 31, 2021

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>State ID Number</b>	<b>Pass Through Grantor's Number</b>	<b>State Expenditures</b>
Passed through Wraparound Milwaukee:			
Wraparound	435.561	Unavailable	\$ 3,702
Wraparound, Treatment Foster Homes	435.561	Unavailable	982
Wraparound, Expansion	435.561	Unavailable	4,289
Wraparound, Performance Case Rate	435.561	Unavailable	352
CCS CORE / CCS Youth	435.561	Unavailable	<u>5,662</u>
Total State ID 435.561			<u>70,869</u>
Wraparound	435.568	Unavailable	2,129
Wraparound, Treatment Foster Homes	435.568	Unavailable	565
Wraparound, Expansion	435.568	Unavailable	2,466
Wraparound, Performance Case Rate	435.568	Unavailable	199
CCS CORE / CCS Youth	435.568	Unavailable	<u>3,255</u>
Total State ID 435.568			<u>8,614</u>
Passed through Various Agencies:			
Treatment Services	435.570150	Unavailable	<u>23,192</u>
Total Wisconsin Department of Health Services			<u>342,248</u>
<b>Wisconsin Department of Public Instruction</b>			
Passed through Milwaukee Public Schools:			
Student Achievement Guarantee in Education	255.504000	Unavailable	<u>597,688</u>
Total Expenditures of State Awards			<u>\$ 1,131,385</u>

See accompanying notes to the schedule of expenditures of federal and state awards.

## **La Causa, Inc.**

Notes to the Schedule of Expenditures of Federal and State Awards  
Year Ended December 31, 2021

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### **Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of La Causa, Inc. (the Organization) under programs of the federal and state government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the 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). 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 or the Guidelines. These direct payments totaling \$1,278,403 are included in child care and program fees on the statements of activities.

### **Indirect Cost Rate**

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

### **Charter School**

The Organization earned \$6,220,743 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 services on the statements of activities.

### **Reserve Supplementary Schedules**

Included in deferred revenue on the statements of financial position are the amounts due to purchaser reflected on the reserve supplementary 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 that have been requested by the purchaser as of December 31, 2021 are recorded as separate payables on the statements of financial position.

### **Subrecipients**

The Organization did not have any subrecipient expenditures for the year ended December 31, 2021.



# La Causa, Inc.

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2021

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## Section II: Financial Statement Findings

There were no findings.

## Section III: Federal and State Award Findings and Questioned Costs

There were no findings or questioned costs.

## Section IV: Other Issues

Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

\_\_\_\_\_ yes                        X   no

Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs, material weaknesses, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Children and Families

  X   yes                      \_\_\_\_\_ no

Department of Health Services

  X   yes                      \_\_\_\_\_ no

Department of Public Instruction

  X   yes                      \_\_\_\_\_ no

Was a management letter or other document conveying audit comments issued as a result of this audit?

  X   yes                      \_\_\_\_\_ no

Name and signature of partner



\_\_\_\_\_  
Ryan Lay, CPA

Date of the report

May 12, 2022

**La Causa, Inc.**

Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2021

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The prior year single audit disclosed no findings and, therefore, no uncorrected or unresolved findings exist from prior single audits.

## La Causa, Inc.

### Schedule of Revenue and Allowable Costs by Program Year Ended December 31, 2021

	Child Development / Prevention	Crisis Nursery	Social Services	Education	Program Total	Supporting Services	Total
<b>Public Support</b>							
Government grants	\$ 487,249	\$ 293,772	\$ 5,474,444	\$ 1,278,510	\$ 7,533,975	\$ -	\$ 7,533,975
United Way	36,267	28,245	-	-	64,512	-	64,512
Donations	-	166,379	1,048	1,600	169,027	107,287	276,314
Special events	300	85,076	4,375	9,126	98,877	4,818	103,695
Total public support	523,816	573,472	5,479,867	1,289,236	7,866,391	112,105	7,978,496
<b>Revenue</b>							
Child care and program fees	1,371,644	-	-	18,837	1,390,481	-	1,390,481
Fees for services	-	-	731,174	6,541,290	7,272,464	-	7,272,464
Miscellaneous	-	-	-	7,821	7,821	71,665	79,486
Total revenue	1,371,644	-	731,174	6,567,948	8,670,766	71,665	8,742,431
Total public support and revenue	1,895,460	573,472	6,211,041	7,857,184	16,537,157	183,770	16,720,927
<b>Expenses</b>							
Payroll, taxes and fringe benefits	1,100,216	386,039	4,382,196	4,103,252	9,971,703	1,534,694	11,506,397
Operations	287,285	21,506	335,197	741,757	1,385,745	162,449	1,548,194
Office and occupancy	146,555	53,187	289,997	854,554	1,344,293	596,094	1,940,387
Depreciation	40,493	26,901	267,591	307,145	642,130	43,260	685,390
Allocation of supporting services	274,300	86,013	720,357	870,618	1,951,288	(1,951,288)	-
Total expenses	1,848,849	573,646	5,995,338	6,877,326	15,295,159	385,209	15,680,368
Less disallowed costs	48	-	276	12,099	12,423	230,683	243,106
Total allowed expenses	1,848,801	573,646	5,995,062	6,865,227	15,282,736	154,526	15,437,262
Net revenues (expenses)	\$ 46,659	\$ (174)	\$ 215,979	\$ 991,957	\$ 1,254,421	\$ 29,244	\$ 1,283,665

**La Causa, Inc.**

Schedule of Revenue and Allowable Costs by Milwaukee County Contract  
Year Ended December 31, 2021

	Care Coordination Wraparound Milwaukee	Targeted Case Management	Recovery Support Coordination*	Treatment Foster Homes	Comprehensive Community Services Youth	Mobile Crisis Team Expansion	Comprehensive Community Services	Total
<b>Public Support</b>								
Milwaukee County fee for service	\$ 2,085,627	\$ 827,779	\$ 579,353	\$ 245,502	\$ 1,414,775	\$ -	\$ 875,861	\$ 6,028,897
Milwaukee County cost reimbursement	15,294	-	40	-	-	3,209	-	18,543
State of Wisconsin	-	-	-	152,951	-	-	-	152,951
Other	363	-	78	177	223	-	207	1,048
Total public support	2,101,284	827,779	579,471	398,630	1,414,998	3,209	876,068	6,201,439
<b>Expenses</b>								
Payroll, taxes and fringe benefits	1,504,379	578,619	450,726	217,427	1,014,635	2,867	613,543	4,382,196
Purchased services	115,739	49,327	33,440	22,004	133,377	1	50,495	404,383
Professional services	-	137	-	137,340	-	-	176	137,653
Telephone	43,818	10,066	8,891	2,948	13,137	61	14,243	93,164
Rental fees	1,000	-	-	169	-	-	-	1,169
Staff training and conferences	2,820	1,055	-	1,795	2,846	-	2,054	10,570
Depreciation	95,952	37,255	23,000	11,763	-	-	39,109	207,079
Allocation of supporting services	254,121	100,782	63,403	32,401	164,940	280	104,430	720,357
Other	15,112	-	11	5	9,169	-	5,793	30,090
Disallowed costs	276	-	-	-	-	-	-	276
Total expenses	2,033,217	777,241	579,471	425,852	1,338,104	3,209	829,843	5,986,937
Less disallowed costs	276	-	-	-	-	-	-	276
Total allowable expenses	2,032,941	777,241	579,471	425,852	1,338,104	3,209	829,843	5,986,661
Net revenues (expenses)	\$ 68,343	\$ 50,538	\$ -	\$ (27,222)	\$ 76,894	\$ -	\$ 46,225	\$ 214,778
Units of service, if applicable	67,499	134,340	N/A	N/A	15,299	N/A	36,437	N/A

\*During the year ending December 31, 2021, Milwaukee County no longer required a reserve schedule to be completed.

**La Causa, Inc.**Reserve Supplementary Schedule  
Year Ended December 31, 2021**Program: Care Coordination Wraparound Milwaukee**

1. Total units of service	67,499
2. Allowable expenses for rate-based service	\$ 2,017,647
3. Total revenue for rate-based service	\$ 2,085,627
4. Excess (deficiency) revenue over expenses	\$ 67,980
5. Calculation of reserve and amounts due to purchaser	\$ -

Purchaser (5a)	Revenue From Purchaser (5b)	Purchaser's Share of Total Revenue (5c)	Purchaser's Share of Excess Revenue (Deficiency) (5d)	Cap on Reserve for First Test (5e)	Amount Due to Purchaser From First Test (5f)
Wraparound	\$ 925,537	44.38 %	\$ 30,167	\$ 46,277	\$ -
Reach	1,072,190	51.41	34,948	53,610	-
CC - Incentive	84,000	4.03	2,738	4,200	-
Performance Case Rate	3,900	0.18	127	195	-
	-	-	-	-	-
Total 2021 Activity	\$ 2,085,627	100.00 %	\$ 67,980	\$ 104,282	\$ -

Allowable expenses for rate-based service differs from the Schedule of Revenue and Allowable Costs by Milwaukee County Contract by \$15,294 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 Supplementary Schedule  
Year Ended December 31, 2021

**Program: Treatment Foster Homes**

1. Total units of service	Not applicable
2. Allowable expenses for rate-based service	<u>\$ 425,852</u>
3. Total revenue for rate-based service	<u>\$ 398,630</u>
4. Excess (deficiency) revenue over expenses	<u>\$ (27,222)</u>
5. Calculation of reserve and amounts due to purchaser	<u>\$ -</u>

Purchaser (5a)	Revenue From Purchaser (5b)	Purchaser's Share of Total Revenue (5c)	Purchaser's Share of Excess Revenue (Deficiency) (5d)	Cap on Reserve for First Test (5e)	Amount Due to Purchaser From First Test (5f)
Milwaukee County	\$ 243,033	61.00 %	\$ (16,596)	\$ 12,152	\$ -
State of Wisconsin	152,951	38.00	(10,445)	7,648	-
Kenosha County	177	-	(12)	9	-
Children's Court	2,469	1.00	(169)	123	-
	-	-	-	-	-
Total 2021 activity	\$ 398,630	100.00 %	\$ (27,222)	\$ 19,932	\$ -

**La Causa, Inc.**Reserve Supplementary Schedule  
Year Ended December 31, 2021**Program: CCS Youth Services**

1. Total units of service	15,299
2. Allowable expenses for rate-based service	<u>\$ 1,338,104</u>
3. Total revenue for rate-based service	<u>\$ 1,533,429</u>
4. Excess (deficiency) revenue over expenses	<u>\$ 195,325</u>
5. Calculation of reserve and amounts due to purchaser	<u>\$ 118,654</u>

Purchaser (5a)	Revenue From Purchaser (5b)	Purchaser's Share of Total Revenue (5c)	Purchaser's Share of Excess Revenue (Deficiency) (5d)	Cap on Reserve for First Test (5e)	Amount Due to Purchaser From First Test (5f)
CCS CORE	\$ 955,488	62.00 %	\$ 121,708	\$ 47,774	\$ 73,934
CCS Youth	577,941	38.00 %	73,617	28,897	44,720
	-	-	-	-	-
Total 2021 Activity	\$ 1,533,429	100.00 %	\$ 195,325	\$ 76,671	\$ 118,654

**La Causa, Inc.**Reserve Supplementary Schedule  
Year Ended December 31, 2021**Program: Comprehensive Community Services**

1. Total units of service	36,437
2. Allowable expenses for rate-based service	\$ 829,843
3. Total revenue for rate-based service	\$ 920,365
4. Excess (deficiency) revenue over expenses	\$ 90,522
5. Calculation of reserve and amounts due to purchaser	\$ 44,504

Purchaser (5a)	Revenue From Purchaser (5b)	Purchaser's Share of Total Revenue (5c)	Purchaser's Share of Excess Revenue (Deficiency) (5d)	Cap on Reserve for First Test (5e)	Amount Due to Purchaser From First Test (5f)
Milwaukee County CCS	\$ 674,692	73.00 %	\$ 66,359	\$ 33,735	\$ 32,624
Milwaukee County TS	157,365	17.00	15,478	7,868	7,610
MHOP TS	5,128	1.00	504	256	248
Other TS	24,465	3.00	2,406	1,223	1,183
WATTS	58,715	6.00	5,775	2,936	2,839
	-	-	-	-	-
Total 2021 Activity	\$ 920,365	100.00 %	\$ 90,522	\$ 46,018	\$ 44,504

**La Causa, Inc.**Reserve Supplementary Schedule  
Year Ended December 31, 2021**Program: Targeted Case Management**

1. Total units of service	134,340
2. Allowable expenses for rate-based service	<u>\$ 777,241</u>
3. Total revenue for rate-based service	<u>\$ 1,010,750</u>
4. Excess (deficiency) revenue over expenses	<u>\$ 233,509</u>
5. Calculation of reserve and amounts due to purchaser	<u>\$ 182,971</u>

Purchaser (5a)	Revenue From Purchaser (5b)	Purchaser's Share of Total Revenue (5c)	Purchaser's Share of Excess Revenue (Deficiency) (5d)	Cap on Reserve for First Test (5e)	Amount Due to Purchaser From First Test (5f)
Milwaukee County TCM	\$ 1,010,750	100.00 %	\$ 233,509	\$ 50,538	\$ 182,971
	-	-	-	-	-
Total 2021 Activity	\$ 1,010,750	100.00 %	\$ 233,509	\$ 50,538	\$ 182,971