

La Causa, Inc.

Financial Statements and Supplemental Information

December 31, 2022 and 2021

La Causa, Inc.

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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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 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 16, 2023 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 16, 2023

La Causa, Inc.

Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,902,246	\$ 5,000,879
Grants receivable	1,592,935	1,258,611
Pledges receivable	46,511	51,430
Prepaid expenses	64,125	81,563
Property held for sale	169,237	169,237
Total current assets	<u>6,775,054</u>	<u>6,561,720</u>
Property and Equipment, Net	<u>14,149,200</u>	<u>14,682,855</u>
Other Assets		
Restricted cash	99,033	133,458
Other long-term assets	162,612	144,877
Total other assets	<u>261,645</u>	<u>278,335</u>
Total assets	<u>\$ 21,185,899</u>	<u>\$ 21,522,910</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 317,162	\$ 337,857
Due to Milwaukee County, current portion	50,000	150,000
Accrued expenses	925,440	899,884
Deferred revenue	1,599,121	1,665,117
Debt, current portion	436,727	385,864
Other liabilities	31,249	16,269
Total current liabilities	<u>3,359,699</u>	<u>3,454,991</u>
Long-term Liabilities		
Due to Milwaukee County, less current portion	-	50,000
Asset retirement liability	92,214	81,095
Debt, less current portion, net	7,173,935	7,968,081
Total long-term liabilities	<u>7,266,149</u>	<u>8,099,176</u>
Total liabilities	<u>10,625,848</u>	<u>11,554,167</u>
Net Assets		
Without donor restrictions	10,414,507	9,783,855
With donor restrictions	145,544	184,888
Total net assets	<u>10,560,051</u>	<u>9,968,743</u>
Total liabilities and net assets	<u>\$ 21,185,899</u>	<u>\$ 21,522,910</u>

See notes to financial statements

La Causa, Inc.

Statements of Activities

Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Government grants	\$ 7,238,770	\$ -	\$ 7,238,770	\$ 7,533,975	\$ -	\$ 7,533,975
United Way	32,256	32,256	64,512	32,256	32,256	64,512
Donations	175,779	14,255	190,034	257,140	19,174	276,314
Special events	136,197	-	136,197	103,695	-	103,695
Child care and program fees	1,015,641	-	1,015,641	1,390,481	-	1,390,481
Fees for services	7,177,177	-	7,177,177	7,272,464	-	7,272,464
Miscellaneous	251,872	-	251,872	79,486	-	79,486
Net assets released from restrictions	85,855	(85,855)	-	80,854	(80,854)	-
	<u>16,113,547</u>	<u>(39,344)</u>	<u>16,074,203</u>	<u>16,750,351</u>	<u>(29,424)</u>	<u>16,720,927</u>
Expenses						
Program	13,056,096	-	13,056,096	13,644,194	-	13,644,194
Supporting services	2,426,799	-	2,426,799	2,036,174	-	2,036,174
	<u>15,482,895</u>	<u>-</u>	<u>15,482,895</u>	<u>15,680,368</u>	<u>-</u>	<u>15,680,368</u>
Change in net assets	630,652	(39,344)	591,308	1,069,983	(29,424)	1,040,559
Net Assets, Beginning	<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>
Net Assets, Ending	<u>\$ 10,414,507</u>	<u>\$ 145,544</u>	<u>\$ 10,560,051</u>	<u>\$ 9,783,855</u>	<u>\$ 184,888</u>	<u>\$ 9,968,743</u>

See notes to financial statements

La Causa, Inc.Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 591,308	\$ 1,040,559
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	848,228	685,390
Amortization	7,673	5,594
Changes in assets and liabilities:		
Grants receivable	(334,324)	(230,830)
Pledges receivable	4,919	(11,651)
Prepaid expenses	17,438	5,700
Other long-term assets	(17,735)	(21,856)
Accounts payable	(20,695)	126,224
Accrued expenses	25,556	129,886
Deferred revenue	(65,996)	52,873
Due to Milwaukee County	(150,000)	200,000
Other liabilities	14,980	(12,379)
Asset retirement liability	11,119	-
Net cash flows from operating activities	<u>932,471</u>	<u>1,969,510</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(314,573)</u>	<u>(859,986)</u>
Cash Flows From Financing Activities		
Principal payments on debt	(750,956)	(2,926,277)
Debt issuance costs	-	(770)
Proceeds from issuance of debt	<u>-</u>	<u>266,082</u>
Net cash flows from financing activities	<u>(750,956)</u>	<u>(2,660,965)</u>
Net change in cash, cash equivalents and restricted cash	(133,058)	(1,551,441)
Cash, Cash Equivalents and Restricted Cash, Beginning	<u>5,134,337</u>	<u>6,685,778</u>
Cash, Cash Equivalents and Restricted Cash, Ending	<u>\$ 5,001,279</u>	<u>\$ 5,134,337</u>
Supplemental Cash Flow Disclosures		
Cash paid for interest	\$ 260,010	\$ 224,714
Noncash Investing and Financing Activities		
Purchases of property and equipment financed with debt	\$ -	\$ 3,340,419
Reconciliation of Cash, Cash Equivalents and Restricted Cash to the Statements of Financial Position		
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,902,246	\$ 5,000,879
Restricted cash	99,033	133,458
Total cash, cash equivalents and restricted cash	<u>\$ 5,001,279</u>	<u>\$ 5,134,337</u>

See notes to financial statements

La Causa, Inc.Statement of Functional Expenses
Year Ended December 31, 2022

	Child Development / Prevention	Crisis Nursery	Social Services	Education	Total Program	Information Technology	Supporting Services	Total
Payroll	\$ 956,932	\$ 328,408	\$ 2,801,797	\$ 3,413,618	\$ 7,500,755	\$ 170,654	\$ 1,146,637	\$ 8,818,046
Fringe benefits	151,443	60,620	411,657	456,843	1,080,563	20,360	238,013	1,338,936
Payroll taxes	73,782	25,132	217,188	263,187	579,289	13,391	73,824	666,504
Total payroll, taxes and fringes	1,182,157	414,160	3,430,642	4,133,648	9,160,607	204,405	1,458,474	10,823,486
Telephone, training and travel	18,721	8,480	222,717	91,399	341,317	3,915	59,045	404,277
Supplies	31,766	18,989	27,788	321,021	399,564	734	83,041	483,339
Occupancy	103,250	40,503	158,739	475,280	777,772	-	145,329	923,101
Equipment	19,918	14,026	7,204	118,293	159,441	243	20,862	180,546
Financing	-	18	-	5,082	5,100	-	262,198	267,298
Other	-	-	-	12,714	12,714	-	31,001	43,715
Professional services	2,122	-	111,911	299,172	413,205	57,099	149,524	619,828
Purchased services	142,877	165	18,202	707,675	868,919	-	20,158	889,077
Depreciation	44,950	26,614	268,187	319,196	658,947	-	189,281	848,228
Allocation of information technology expenses	4,209	2,371	29,463	222,467	258,510	(266,396)	7,886	-
Total expenses	<u>\$ 1,549,970</u>	<u>\$ 525,326</u>	<u>\$ 4,274,853</u>	<u>\$ 6,705,947</u>	<u>\$ 13,056,096</u>	<u>\$ -</u>	<u>\$ 2,426,799</u>	<u>\$ 15,482,895</u>

See notes to financial statements

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

	Child Development / Prevention	Crisis Nursery	Social Services	Education	Total Program	Information Technology	Supporting Services	Total
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.

Notes to Financial Statements
December 31, 2022 and 2021

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 2022.

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. Bad debt allowance for doubtful accounts is \$0 as of December 31, 2022 and 2021.

Pledges Receivable

Pledges made to the Organization are recorded in the year the pledge is made. The pledges receivable balance at December 31, 2022 and 2021 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, 2022 and 2021.

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, 2022 and 2021

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 \$92,214 and \$81,095 was recorded at December 31, 2022 and 2021, respectively.

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, 2022 and 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 2022 and 2021.

Restricted Cash

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

	<u>2022</u>	<u>2021</u>
Charter School	\$ 27,532	\$ 61,957
Crisis Nursery	71,501	71,501
Total restricted cash	<u>\$ 99,033</u>	<u>\$ 133,458</u>

Deferred Revenue and Due to Milwaukee County

Deferred 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.

In August 2022, the Organization requested a repayment plan for the 2021 deferred revenue to be returned relating to programs funded during 2021. Subsequent to December 31, 2022, Milwaukee County has agreed to a one-time payment of \$144,946 and a monthly installment repayment plan of 10 monthly installments of \$20,000 that begin April 15, 2023, at zero percent interest.

La Causa, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021.

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, 2022 and 2021, 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, 2022 and 2021, there was approximately \$4,000,000 and \$4,200,000, respectively, of conditional grant revenue, which includes \$1,599,121 and \$1,665,117, 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.

Notes to Financial Statements
December 31, 2022 and 2021

In-Kind Contributions

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 2022 and 2021 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.

Below is the opening and closing balances of accounts receivable and deferred revenue from contracts with customers:

	<u>January 1, 2021</u>	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Account receivable	\$ -	\$ -	\$ 121
Deferred revenue	21,262	46,581	80,035

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 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, 2022 and 2021

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 4.

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,902,246	\$ 5,000,879
Grants receivable	1,592,935	1,258,611
Pledges receivable	<u>46,511</u>	<u>51,430</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,541,692</u>	<u>\$ 6,310,920</u>

2. Property and Equipment

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

	<u>Depreciable Lives</u>	<u>2022</u>	<u>2021</u>
Land	N/A	\$ 1,132,680	\$ 1,132,680
Buildings and improvements	5-40 years	19,686,445	19,617,650
Vehicles	3-5 years	134,232	60,199
Equipment	3-7 years	3,342,667	3,183,141
Construction in progress	N/A	<u>22,740</u>	<u>6,649</u>
Total property and equipment		24,318,764	24,000,319
Less accumulated depreciation		<u>10,169,564</u>	<u>9,317,464</u>
Net property and equipment		<u>\$ 14,149,200</u>	<u>\$ 14,682,855</u>

La Causa, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

3. Debt

Debt consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Note payable, bank, interest rate of 3.25%, until June 2025 at which time the rate will be based on the one month term secured overnight financing rate (SOFR) plus 2.01%, 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).	\$ 3,293,633	\$ 3,538,510
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.	100,000	200,000
Construction note payable, maximum amount of \$4,912,000 to be borrowed, bank, interest rate of one-month LIBOR plus 1.90%, interest only payments until May 2022. Collateralized by the real estate. During 2022, this construction note payable converted to the two notes payable below.	-	4,646,261
Note payable, bank, interest rate of 5.35% until May 2023 when the interest rate converts to the 5 year term SOFR plus 2.01% with a minimum of 4.50% and maximum of 5.76%, principal and interest are payable in monthly installments, a final payment equal to all unpaid principal and accrued interest is due November 1, 2027. The note is collateralized by real estate.	2,372,795	-
Note payable, bank, interest rate of one month term SOFR plus 2.01% with a minimum rate of 3.50% (3.50% at December 31, 2022), principal and interest are payable in monthly installments, a final payment equal to all unpaid principal and accrued interest is due on November 1, 2027. The note is collateralized by real estate.	1,867,387	-
Total	7,633,815	8,384,771
Less current portion	436,727	385,864
Total long-term portion	7,197,088	7,998,907
Debt issuance costs, net of accumulated amortization	(23,153)	(30,826)
Long-term portion, net	<u>\$ 7,173,935</u>	<u>\$ 7,968,081</u>

La Causa, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

Principal requirements on long-term debt for years ending after December 31, 2022 are as follows:

Years ending December 31:	
2023	\$ 486,727
2024	336,727
2025	336,727
2026	336,726
2027	<u>6,186,908</u>
Total	<u>\$ 7,683,815</u>

The Organization is subject to certain restrictions and covenants related to their debt. As of December 31, 2022, 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 4) was \$260,010 and \$224,714 for the years ended December 31, 2022 and 2021, respectively, and is included in financing on the statements of functional expenses.

4. Line of Credit

The Organization obtained a line of credit for \$750,000 with Town Bank in 2020. Interest is payable at one month term SOFR plus 1.76% (3.97% at December 31, 2022) and the line expires July 2, 2023. At December 31, 2022 and 2021, the line did not have an outstanding balance. The line of credit is collateralized by the real estate.

5. 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 2022 and 2021, the Organization contributed a 25% match or up to 6% of regular salary to those employees participating in the retirement plan totaling \$41,538 and \$55,715, respectively. The Organization did not contribute a discretionary contribution to the plan in 2022 or 2021.

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 \$137,589 and \$131,345 as of December 31, 2022 and 2021, 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 \$37,522 and \$35,529 in 2022 and 2021, respectively, and are included in supporting services on the statements of activities.

La Causa, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

6. Net Assets

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

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 46,511	\$ 51,430
Charter School - scholarships and programs	27,532	61,957
Crisis Nursery - capital campaign	<u>71,501</u>	<u>71,501</u>
Total	<u>\$ 145,544</u>	<u>\$ 184,888</u>

7. 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 2022 and 2021. All of the grants receivable on the statements of financial position are due from federal, state, and local government contracts at December 31, 2022 and 2021.

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.

8. 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.

9. 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.

10. Related Parties

Board members typically make contributions to the various campaigns of the Organization and may be employees of firms with which the Organization has business relationships or that contribute funds to the Organization. Annually, Board members are required to disclose those interests.

11. Subsequent Events

The Organization has evaluated subsequent events through May 16, 2023, 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, 2022, 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 16, 2023.

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*.

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 16, 2023

**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, 2022. 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, 2022.

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 16, 2023

La Causa, Inc.Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2022

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Passed through Milwaukee Public Schools:			
School Breakfast Program	10.553	Unavailable	\$ 163,583
National School Lunch Program	10.555	Unavailable	<u>375,634</u>
Total Child Nutrition Cluster			<u>539,217</u>
Passed through Wisconsin Department of Public Instruction:			
Child and Adult Care Food Program	10.558	Unavailable	80,006
Passed through Milwaukee Public Schools:			
Child and Adult Care Food Program	10.558	Unavailable	<u>66,645</u>
Total ALN 10.558			<u>146,651</u>
Total U.S. Department of Agriculture			<u>685,868</u>
U.S. Department of Housing and Urban Development			
Passed through City of Milwaukee:			
Community Development Block Grant	14.218	C15122B025	24,000
City Reprogramming	14.218	C15119BR05	<u>111,286</u>
Total CDBG, Entitlement Grants Cluster			135,286
Federal Emergency Shelter	14.231	C15122S007	<u>27,100</u>
Total U.S. Department of Housing and Urban Development			<u>162,386</u>
U.S. Department of Justice			
Passed through Wraparound Milwaukee:			
Wraparound	16.752	Unavailable	1,032
Wraparound, Treatment Foster Homes	16.752	Unavailable	235
Wraparound, Expansion	16.752	Unavailable	1,531
Wraparound, Performance Case Rate	16.752	Unavailable	81
CCS CORE / CCS Youth	16.752	Unavailable	<u>2,150</u>
Total U.S. Department of Justice			<u>5,029</u>
U.S. Department of Education			
Passed through Milwaukee Public Schools:			
Title I / I-R	84.010	Unavailable	365,502
Title III	84.365	Unavailable	61,656
COVID-19 - Education Stabilization Fund	84.425D	Unavailable	<u>785,776</u>
Total U.S. Department of Education			<u>1,212,934</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, 2022

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Passed through Wraparound Milwaukee:			
Wraparound	93.243	Unavailable	\$ 18,583
Wraparound, Treatment Foster Homes	93.243	Unavailable	4,232
Wraparound, Expansion	93.243	Unavailable	27,560
Wraparound, Performance Case Rate	93.243	Unavailable	1,454
CCS CORE / CCS Youth	93.243	Unavailable	38,707
Passed through Milwaukee County Department of Human Services:			
Recovery Support Coordination	93.243	Unavailable	20,604
Targeted Case Management	93.243	Unavailable	42,842
Treatment Services	93.243	Unavailable	559
Comprehensive Community Services	93.243	Unavailable	39,530
Mobile Crisis Team Expansion	93.243	Unavailable	78
Total ALN 93.243			<u>194,149</u>
Passed through Wisconsin Department of Children and Families:			
State Crisis Nursery	93.558	Unavailable	<u>219,672</u>
Passed through Next Door Foundation:			
Early Head Start	93.600	Unavailable	<u>373,374</u>
Total Head Start Cluster			<u>373,374</u>
Passed through Wraparound Milwaukee:			
Wraparound	93.645	Unavailable	65,632
Wraparound, Treatment Foster Homes	93.645	Unavailable	14,945
Wraparound, Expansion	93.645	Unavailable	97,335
Wraparound, Performance Case Rate	93.645	Unavailable	5,134
CCS CORE / CCS Youth	93.645	Unavailable	136,703
Total ALN 93.645			<u>319,749</u>
Passed through Wisconsin Department of Children and Families:			
Treatment Foster Homes	93.658	Unavailable	<u>259,577</u>
Passed through Milwaukee County Department of Human Services:			
Recovery Support Coordination	93.788	Unavailable	17,956
Targeted Case Management	93.788	Unavailable	37,336
Treatment Services	93.788	Unavailable	487
Comprehensive Community Services	93.788	Unavailable	34,450
Mobile Crisis Team Expansion	93.788	Unavailable	68
Total ALN 93.788			<u>90,297</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, 2022

Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass Through Grantor's Number	Federal Expenditures
Passed through Wraparound Milwaukee:			
Wraparound	93.778	Unavailable	\$ 358,197
Wraparound, Treatment Foster Homes	93.778	Unavailable	81,565
Wraparound, Expansion	93.778	Unavailable	531,226
Wraparound, Performance Case Rate	93.778	Unavailable	28,022
CCS CORE / CCS Youth	93.778	Unavailable	746,079
Passed through Milwaukee County Department of Human Services:			
Recovery Support Coordination	93.778	Unavailable	296,070
Targeted Case Management	93.778	Unavailable	615,615
Treatment Services	93.778	Unavailable	8,035
Comprehensive Community Services	93.778	Unavailable	568,031
Mobile Crisis Team Expansion	93.778	Unavailable	1,114
Total Medicaid Cluster			3,233,954
Passed through Milwaukee County Department of Human Services:			
Recovery Support Coordination	93.958	Unavailable	1,076
Targeted Case Management	93.958	Unavailable	2,237
Treatment Services	93.958	Unavailable	29
Comprehensive Community Services	93.958	Unavailable	2,064
Mobile Crisis Team Expansion	93.958	Unavailable	4
Passed through Wraparound Milwaukee:			
Wraparound	93.958	Unavailable	16,125
Wraparound, Treatment Foster Homes	93.958	Unavailable	3,672
Wraparound, Expansion	93.958	Unavailable	23,915
Wraparound, Performance Case Rate	93.958	Unavailable	1,261
CCS CORE / CCS Youth	93.958	Unavailable	33,587
Total ALN 93.958			83,970
Passed through Milwaukee County Department of Human Services:			
Recovery Support Coordination	93.959	Unavailable	23,045
Targeted Case Management	93.959	Unavailable	47,918
Treatment Services	93.959	Unavailable	625
Comprehensive Community Services	93.959	Unavailable	44,214
Mobile Crisis Team Expansion	93.959	Unavailable	87
Passed through Wraparound Milwaukee:			
Wraparound	93.959	Unavailable	787
Wraparound, Treatment Foster Homes	93.959	Unavailable	179
Wraparound, Expansion	93.959	Unavailable	1,167
Wraparound, Performance Case Rate	93.959	Unavailable	62
CCS CORE / CCS Youth	93.959	Unavailable	1,638
Total ALN 93.959			119,722
Total U.S. Department of Health and Human Services			4,894,464
Total Expenditures of Federal Awards			\$ 6,960,681

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, 2022

<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			
Passed through Wraparound Milwaukee:			
Wraparound	437.0700	Unavailable	\$ 1,622
Wraparound, Treatment Foster Homes	437.0700	Unavailable	369
Wraparound, Expansion	437.0700	Unavailable	2,406
Wraparound, Performance Case Rate	437.0700	Unavailable	127
CCS CORE / CCS Youth	437.0700	Unavailable	3,379
Total State ID 437.0700			<u>7,903</u>
Wraparound	437.3413	Unavailable	24,974
Wraparound, Treatment Foster Homes	437.3413	Unavailable	5,687
Wraparound, Expansion	437.3413	Unavailable	37,039
Wraparound, Performance Case Rate	437.3413	Unavailable	1,954
CCS CORE / CCS Youth	437.3413	Unavailable	52,019
Total State ID 437.3413			<u>121,673</u>
Wraparound	437.561	Unavailable	246
Wraparound, Treatment Foster Homes	437.561	Unavailable	56
Wraparound, Expansion	437.561	Unavailable	365
Wraparound, Performance Case Rate	437.561	Unavailable	19
CCS CORE / CCS Youth	437.561	Unavailable	512
Total State ID 437.561			<u>1,198</u>
Total Wisconsin Department of Children and Families			<u>130,774</u>
Wisconsin Department of Health Services			
Passed through Milwaukee County Department of Human Services:			
Recovery Support Coordination	435.535	Unavailable	54,986
Targeted Case Management	435.535	Unavailable	114,331
Treatment Services	435.535	Unavailable	1,492
Comprehensive Community Services	435.535	Unavailable	105,494
Mobile Crisis Team Expansion	435.535	Unavailable	207
Total State ID 435.535			<u>276,510</u>
Passed through Wraparound Milwaukee:			
Wraparound	435.561	Unavailable	2,753
Wraparound, Treatment Foster Homes	435.561	Unavailable	627
Wraparound, Expansion	435.561	Unavailable	4,083
Wraparound, Performance Case Rate	435.561	Unavailable	215
CCS CORE / CCS Youth	435.561	Unavailable	5,734
Total State ID 435.561			<u>13,412</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, 2022

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>State ID Number</u>	<u>Pass Through Grantor's Number</u>	<u>State Expenditures</u>
Passed through Wraparound Milwaukee:			
Wraparound	435.568	Unavailable	\$ 983
Wraparound, Treatment Foster Homes	435.568	Unavailable	224
Wraparound, Expansion	435.568	Unavailable	1,458
Wraparound, Performance Case Rate	435.568	Unavailable	77
CCS CORE / CCS Youth	435.568	Unavailable	2,048
Total State ID 435.568			<u>4,790</u>
Passed through Various Agencies:			
Treatment Services	435.570150	Unavailable	<u>3,987</u>
Total Wisconsin Department of Health Services			<u>298,699</u>
Wisconsin Department of Public Instruction			
Passed through Milwaukee Public Schools:			
Student Achievement Guarantee in Education	255.504	Unavailable	<u>580,223</u>
Total Expenditures of State Awards			<u>\$ 1,009,696</u>

La Causa, Inc.

Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2022

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, 2022. 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 \$923,368 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 \$5,954,610 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, 2022 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, 2022.

La Causa, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

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 J. Lay

Ryan Lay, CPA

Date of the report

May 16, 2023

La Causa, Inc.

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022

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, 2022

	Child Development / Prevention	Crisis Nursery	Social Services	Education	Program Total	Supporting Services	Total
Public Support							
Government grants	\$ 762,295	\$ 460,558	\$ 4,399,676	\$ 1,616,241	\$ 7,238,770	\$ -	\$ 7,238,770
United Way	36,267	28,245	-	-	64,512	-	64,512
Donations	-	159,564	-	3,800	163,364	26,670	190,034
Special events	134	-	-	25,993	26,127	110,070	136,197
Total public support	<u>798,696</u>	<u>648,367</u>	<u>4,399,676</u>	<u>1,646,034</u>	<u>7,492,773</u>	<u>136,740</u>	<u>7,629,513</u>
Revenue							
Child care and program fees	980,785	-	1,420	33,436	1,015,641	-	1,015,641
Fees for services	-	-	436,765	6,740,412	7,177,177	-	7,177,177
Miscellaneous	-	-	-	34,500	34,500	217,372	251,872
Total revenue	<u>980,785</u>	<u>-</u>	<u>438,185</u>	<u>6,808,348</u>	<u>8,227,318</u>	<u>217,372</u>	<u>8,444,690</u>
Total public support and revenue	<u>1,779,481</u>	<u>648,367</u>	<u>4,837,861</u>	<u>8,454,382</u>	<u>15,720,091</u>	<u>354,112</u>	<u>16,074,203</u>
Expenses							
Payroll, taxes and fringe benefits	1,182,607	414,160	3,430,192	4,133,648	9,160,607	1,662,879	10,823,486
Operations	169,890	18,388	265,609	1,141,003	1,594,890	135,247	1,730,137
Office and occupancy	148,764	63,793	280,952	889,633	1,383,142	697,902	2,081,044
Depreciation	44,950	26,614	268,187	319,196	658,947	189,281	848,228
Allocation of supporting services	331,180	102,437	732,283	1,147,625	2,313,525	(2,313,525)	-
Total expenses	<u>1,877,391</u>	<u>625,392</u>	<u>4,977,223</u>	<u>7,631,105</u>	<u>15,111,111</u>	<u>371,784</u>	<u>15,482,895</u>
Less disallowed costs	<u>4,357</u>	<u>-</u>	<u>-</u>	<u>17,098</u>	<u>21,455</u>	<u>290,549</u>	<u>312,004</u>
Total allowed expenses	<u>1,873,034</u>	<u>625,392</u>	<u>4,977,223</u>	<u>7,614,007</u>	<u>15,089,656</u>	<u>81,235</u>	<u>15,170,891</u>
Net revenues (expenses)	<u>\$ (93,553)</u>	<u>\$ 22,975</u>	<u>\$ (139,362)</u>	<u>\$ 840,375</u>	<u>\$ 630,435</u>	<u>\$ 272,877</u>	<u>\$ 903,312</u>

La Causa, Inc.

Schedule of Revenue and Allowable Costs by Milwaukee County Contract
Year Ended December 31, 2022

	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
Public Support								
Milwaukee County fee for service	\$ 1,259,189	\$ 860,278	\$ 413,736	\$ 111,947	\$ 1,047,332	\$ -	\$ 867,338	\$ 4,559,820
Milwaukee County cost reimbursement	9,673	-	64	-	-	1,557	-	11,294
State of Wisconsin	-	-	-	259,577	-	-	-	259,577
Other	-	1,420	1,420	2,832	-	-	-	5,672
Total public support	1,268,862	861,698	415,220	374,356	1,047,332	1,557	867,338	4,836,363
Expenses								
Payroll, taxes and fringe benefits	895,813	583,549	338,991	170,707	867,641	1,291	572,200	3,430,192
Purchased services	77,839	55,418	29,461	24,499	140,480	-	53,159	380,856
Professional services	18	1,627	-	108,660	268	-	1,960	112,533
Telephone	37,375	10,034	8,359	2,377	14,562	60	15,127	87,894
Rental fees	526	-	-	156	-	-	-	682
Staff training and conferences	142	217	-	1,126	1,804	-	166	3,455
Depreciation	70,160	44,504	26,240	11,764	-	-	45,991	198,659
Allocation of supporting services	187,642	120,923	71,184	32,750	192,935	206	126,643	732,283
Other	11,634	-	17	9	10,763	-	7,357	29,780
Total expenses	1,281,149	816,272	474,252	352,048	1,228,453	1,557	822,603	4,976,334
Less disallowed costs	-	-	-	-	-	-	-	-
Total allowable expenses	1,281,149	816,272	474,252	352,048	1,228,453	1,557	822,603	4,976,334
Net revenues (expenses)	\$ (12,287)	\$ 45,426	\$ (59,032)	\$ 22,308	\$ (181,121)	\$ -	\$ 44,735	\$ (139,971)
Units of service, if applicable	35,222	122,572	N/A	N/A	10,527	N/A	33,833	N/A

La Causa, Inc.Reserve Supplementary Schedule
Year Ended December 31, 2022**Program: Care Coordination Wraparound Milwaukee**

1. Total units of service	35,222
2. Allowable expenses for rate-based service	\$ 1,271,476
3. Total revenue for rate-based service	\$ 1,259,189
4. Excess (deficiency) revenue over expenses	\$ (12,287)
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	\$ 491,624	39.00 %	\$ (4,798)	\$ 24,581	\$ -
Reach	729,105	58.00	(7,114)	36,445	-
CC - Incentive	36,000	3.00	(351)	1,800	-
Performance Case Rate	2,460	-	(24)	123	-
	-	-	-	-	-
Total 2022 Activity	\$ 1,259,189	100.00 %	\$ (12,287)	\$ 62,949	\$ -

Allowable expenses for rate-based service differs from the Schedule of Revenue and Allowable Costs by Milwaukee County Contract by \$9,673 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, 2022

Program: Treatment Foster Homes

1. Total units of service	Not applicable
2. Allowable expenses for rate-based service	\$ 352,048
3. Total revenue for rate-based service	\$ 446,139
4. Excess (deficiency) revenue over expenses	\$ 94,091
5. Calculation of reserve and amounts due to purchaser	\$ 71,783

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	\$ 133,413	30.00 %	\$ 28,137	\$ 6,671	\$ 21,466
State of Wisconsin	309,351	69.00	65,242	15,468	49,774
Program Fees	3,375	1.00	712	169	543
	-	-	-	-	-
Total 2022 activity	\$ 446,139	100.00 %	\$ 94,091	\$ 22,308	\$ 71,783

La Causa, Inc.Reserve Supplementary Schedule
Year Ended December 31, 2022**Program: CCS Youth Services**

1. Total units of service	10,527
2. Allowable expenses for rate-based service	\$ 1,228,543
3. Total revenue for rate-based service	\$ 1,047,332
4. Excess (deficiency) revenue over expenses	\$ (181,121)
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)
CCS CORE	\$ 617,863	59.00 %	\$ (106,850)	\$ 30,893	\$ -
CCS Youth	406,127	39.00 %	(70,234)	20,306	-
CORE Program	23,342	2.00 %	(4,037)	1,167	-
	-	-	-	-	-
Total 2022 Activity	\$ 1,047,332	100.00 %	\$ (181,121)	\$ 52,366	\$ -

La Causa, Inc.Reserve Supplementary Schedule
Year Ended December 31, 2022**Program: Comprehensive Community Services**

1. Total units of service	33,833
2. Allowable expenses for rate-based service	\$ 822,603
3. Total revenue for rate-based service	\$ 894,744
4. Excess (deficiency) revenue over expenses	\$ 72,141
5. Calculation of reserve and amounts due to purchaser	\$ 27,406

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	\$ 818,863	92.00 %	\$ 66,024	\$ 40,943	\$ 25,081
Milwaukee County TS	11,584	1.00	934	579	355
Other TS	4,112	0.00	330	204	126
WATTS	60,185	7.00	4,853	3,009	1,844
	-	-	-	-	-
Total 2022 Activity	\$ 894,744	100.00 %	\$ 72,141	\$ 44,735	\$ 27,406

La Causa, Inc.Reserve Supplementary Schedule
Year Ended December 31, 2022**Program: Targeted Case Management**

1. Total units of service	122,572
2. Allowable expenses for rate-based service	<u>\$ 816,272</u>
3. Total revenue for rate-based service	<u>\$ 880,123</u>
4. Excess (deficiency) revenue over expenses	<u>\$ 63,851</u>
5. Calculation of reserve and amounts due to purchaser	<u>\$ 19,845</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	\$ 880,123	100.00 %	\$ 63,851	\$ 44,006	\$ 19,845
	-	-	-	-	-
Total 2022 Activity	\$ 880,123	100.00 %	\$ 63,851	\$ 44,006	\$ 19,845