

LA CAUSA, INC.

Milwaukee, Wisconsin

FINANCIAL STATEMENTS
Including Independent Auditors' Report
As of and For the Years Ended
December 31, 2011 and 2010

LA CAUSA, INC.

TABLE OF CONTENTS As of and For the Years Ended December 31, 2011 and 2010

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 16

INDEPENDENT AUDITORS' REPORT

Board of Directors
La Causa, Inc.
Milwaukee, Wisconsin

We have audited the accompanying statements of financial position of La Causa, Inc. as of December 31, 2011 and 2010, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of La Causa, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of La Causa, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Causa, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 19, 2012 on our consideration of La Causa, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
April 19, 2012

LA CAUSA, INC.

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2011 and 2010

ASSETS		
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 633,079	\$ 183,618
Grants receivable	1,089,812	1,198,582
Other accounts receivable	16,453	6,754
Pledges receivable - current portion	70,624	219,202
Prepaid expenses	59,016	57,509
Property held for sale	39,510	-
Total Current Assets	<u>1,908,494</u>	<u>1,665,665</u>
PROPERTY AND EQUIPMENT	<u>6,999,400</u>	<u>7,390,141</u>
OTHER ASSETS		
Pledges receivable, less current portion	3,418	2,957
Restricted cash	743,691	601,160
Other long-term assets	40,119	48,968
Total Other Assets	<u>787,228</u>	<u>653,085</u>
TOTAL ASSETS	<u>\$ 9,695,122</u>	<u>\$ 9,708,891</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 392,169	\$ 439,514
Due to Milwaukee County	835,199	-
Accrued liabilities	479,667	470,248
Deferred revenue	1,788,813	2,202,224
Obligation under capital lease - current portion	43,661	67,096
Long-term debt - current portion	447,991	491,280
Total Current Liabilities	<u>3,987,500</u>	<u>3,670,362</u>
LONG-TERM LIABILITIES		
Obligation under capital lease, less current portion	27,272	70,932
Asset retirement liability	54,682	54,682
Long-term debt, less current portion	4,316,402	4,746,296
Total Long-Term Liabilities	<u>4,398,356</u>	<u>4,871,910</u>
Total Liabilities	<u>8,385,856</u>	<u>8,542,272</u>
NET ASSETS		
Unrestricted	437,463	253,768
Temporarily restricted	871,803	912,851
Total Net Assets	<u>1,309,266</u>	<u>1,166,619</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,695,122</u>	<u>\$ 9,708,891</u>

See accompanying notes to financial statements.

LA CAUSA, INC.

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT						
Government grants	\$ 8,711,776	\$ -	\$ 8,711,776	\$ 8,287,136	\$ -	\$ 8,287,136
United Way	54,066	54,069	108,135	103,534	53,532	157,066
Donations	452,939	94,047	546,986	404,151	375,275	779,426
Fundraising	158,262	-	158,262	60,138	-	60,138
Net assets released from restrictions	189,164	(189,164)	-	592,079	(592,079)	-
Total Public Support	9,566,207	(41,048)	9,525,159	9,447,038	(163,272)	9,283,766
REVENUE						
Private pay clients	118,758	-	118,758	85,990	-	85,990
Fees for services	6,394,733	-	6,394,733	5,901,554	-	5,901,554
Miscellaneous	108,006	-	108,006	59,215	-	59,215
Gain on sale of property and equipment	4,531	-	4,531	-	-	-
Total Revenue	6,626,028	-	6,626,028	6,046,759	-	6,046,759
Total Public Support and Revenue	16,192,235	(41,048)	16,151,187	15,493,797	(163,272)	15,330,525
EXPENSES						
Program	15,569,413	-	15,569,413	14,401,340	-	14,401,340
Supporting services	439,127	-	439,127	410,257	-	410,257
Total Expenses	16,008,540	-	16,008,540	14,811,597	-	14,811,597
CHANGE IN NET ASSETS	183,695	(41,048)	142,647	682,200	(163,272)	518,928
NET ASSETS - Beginning of Year	253,768	912,851	1,166,619	(428,432)	1,076,123	647,691
NET ASSETS - END OF YEAR	\$ 437,463	\$ 871,803	\$ 1,309,266	\$ 253,768	\$ 912,851	\$ 1,166,619

See accompanying notes to financial statements.

LA CAUSA, INC.

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 142,647	\$ 518,928
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	535,842	512,639
Amortization	5,849	10,963
Gain on sale of property and equipment	(4,531)	-
Contributions restricted for capital campaign	(94,047)	-
Change in interest rate swaps	-	(68,118)
Provision for bad debts	9,466	-
Changes in assets and liabilities		
Grants receivable	108,770	(163,943)
Other accounts receivable	(19,165)	2,045
Pledges receivable	20,000	(128,473)
Prepaid expenses	(1,507)	10,703
Other long-term assets	3,000	2,244
Accounts payable	(47,345)	(12,879)
Accrued liabilities	9,419	100,138
Deferred revenue	(413,411)	591,710
Due to Milwaukee County	835,199	-
Net Cash Flows from Operating Activities	1,090,186	1,375,957
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in restricted cash	(142,531)	(91,283)
Purchases of property and equipment	(169,933)	(458,695)
Proceeds from sale of property and equipment	10,986	-
Net Cash Flows from Investing Activities	(301,478)	(549,978)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt and capital leases	(561,411)	(794,612)
Receipt of capital campaign gifts	222,164	85,000
Proceeds from long-term debt	-	67,251
Net Cash Flows from Financing Activities	(339,247)	(642,361)
Net Change in Cash and Cash Equivalents	449,461	183,618
CASH AND CASH EQUIVALENTS - Beginning of Year	183,618	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 633,079	\$ 183,618
 Supplemental cash flow disclosures:		
Cash paid for interest	\$ 216,216	\$ 321,524
 Noncash investing and financing activities:		
Vehicle obtained through debt	\$ 21,133	\$ -

See accompanying notes to financial statements.

LA CAUSA, INC.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2011

	Child Development / Prevention	Social Services	Education	Total Program	Supporting Services	Total
Payroll	\$ 1,929,584	\$ 2,331,581	\$ 3,313,938	\$ 7,575,103	\$ 855,798	\$ 8,430,901
Fringe benefits	361,297	352,341	512,219	1,225,857	227,472	1,453,329
Payroll taxes	<u>198,732</u>	<u>232,140</u>	<u>325,332</u>	<u>756,204</u>	<u>76,695</u>	<u>832,899</u>
Total payroll, taxes and fringes	2,489,613	2,916,062	4,151,489	9,557,164	1,159,965	10,717,129
Administrative	41,973	224,124	96,115	362,212	64,172	426,384
Fundraising	1,321	-	13,950	15,271	45,344	60,615
Supplies	131,471	41,826	435,752	609,049	63,715	672,764
Occupancy	197,127	184,068	360,930	742,125	100,505	842,630
Equipment	15,264	46,696	79,756	141,716	4,987	146,703
Financing	1,390	144	110,089	111,623	120,758	232,381
Other	579	(1,073)	(516)	(1,010)	(1,597)	(2,607)
Professional services	107,094	812,673	226,516	1,146,283	109,256	1,255,539
Purchased services	<u>313,851</u>	<u>155,890</u>	<u>613,176</u>	<u>1,082,917</u>	<u>38,243</u>	<u>1,121,160</u>
Total operating costs	3,299,683	4,380,410	6,087,257	13,767,350	1,705,348	15,472,698
Depreciation	105,223	1,956	360,380	467,559	68,283	535,842
Allocation of supporting services	<u>409,341</u>	<u>416,941</u>	<u>508,222</u>	<u>1,334,504</u>	<u>(1,334,504)</u>	<u>-</u>
Total Expenses	<u>\$ 3,814,247</u>	<u>\$ 4,799,307</u>	<u>\$ 6,955,859</u>	<u>\$ 15,569,413</u>	<u>\$ 439,127</u>	<u>\$ 16,008,540</u>

See accompanying notes to financial statements.

LA CAUSA, INC.

STATEMENT OF FUNCTIONAL EXPENSES (concluded) For the Year Ended December 31, 2010

	Child Development / Prevention	Social Services	Education	Total Program	Supporting Services	Total
Payroll	\$ 2,160,564	\$ 1,715,080	\$ 3,147,840	\$ 7,023,484	\$ 875,060	\$ 7,898,544
Fringe benefits	383,959	240,368	464,038	1,088,365	186,800	1,275,165
Payroll taxes	<u>202,689</u>	<u>156,668</u>	<u>286,523</u>	<u>645,880</u>	<u>69,364</u>	<u>715,244</u>
Total payroll, taxes and fringes	2,747,212	2,112,116	3,898,401	8,757,729	1,131,224	9,888,953
Administrative	36,213	143,008	92,870	272,091	76,460	348,551
Fundraising	1,260	-	8,085	9,345	1,313	10,658
Supplies	102,207	36,737	252,624	391,568	76,608	468,176
Occupancy	205,877	170,659	295,193	671,729	104,834	776,563
Equipment	22,750	54,392	118,930	196,072	7,270	203,342
Financing	2,969	218	163,372	166,559	103,738	270,297
Other	3,059	(58)	9,482	12,483	(13,527)	(1,044)
Professional services	98,327	775,128	260,223	1,133,678	97,090	1,230,768
Purchased services	<u>394,364</u>	<u>116,796</u>	<u>589,443</u>	<u>1,100,603</u>	<u>2,091</u>	<u>1,102,694</u>
Total operating costs	3,614,238	3,408,996	5,688,623	12,711,857	1,587,101	14,298,958
Depreciation	94,220	1,956	321,169	417,345	95,294	512,639
Allocation of supporting services	<u>491,304</u>	<u>302,224</u>	<u>478,610</u>	<u>1,272,138</u>	<u>(1,272,138)</u>	<u>-</u>
Total Expenses	<u>\$ 4,199,762</u>	<u>\$ 3,713,176</u>	<u>\$ 6,488,402</u>	<u>\$ 14,401,340</u>	<u>\$ 410,257</u>	<u>\$ 14,811,597</u>

See accompanying notes to financial statements.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and For the Years Ended December 31, 2011 and 2010

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

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

Principles of Presentation

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

Cash and Cash Equivalents

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

Accounts Receivable

The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of grants and other accounts receivable. When an account is deemed uncollectible, the account is written off against the allowance. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. Accounts receivable are shown net of an allowance for doubtful accounts of \$44,571 and \$54,037 as of December 31, 2011 and 2010, respectively.

Pledges Receivable

Pledges made to the Organization are recorded in the year the pledge is made. Amounts that are expected to be collected after one year have been discounted at 0.25% and 3.25% at December 31, 2011 and 2010 respectively, and are reflected in the financial statements at their net present value. The Organization discounts pledges based on the prime rate at December 31. The Organization has elected to record bad debts relating to pledges receivable using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

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 \$1,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Depreciation is provided on a straight line basis over the estimated useful lives of the assets.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and For the Years Ended December 31, 2011 and 2010

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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

The Organization is actively marketing a property that is reflected as property held for sale on the statements of financial position and has a net book value of \$39,510. The listing price exceeds the carrying value and the Organization does not anticipate incurring any losses on the sale.

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 \$54,682 was recorded at December 31, 2011 and 2010.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Restricted Cash

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

	<u>2011</u>	<u>2010</u>
Charter School expansion	\$ 49,739	\$ 78,656
Charter School scholarships	323,504	366,504
Crisis Nursery expansion	<u>370,448</u>	<u>156,000</u>
Total Restricted Cash	<u>\$ 743,691</u>	<u>\$ 601,160</u>

During 2009, the Organization received a contribution of \$351,000 that is restricted for scholarships. According to the agreement, the Organization can temporarily use the cash for operations but is required to use the entire gift for scholarships prior to the end of 2015/2016 school year. Any amount that is not spent on scholarships is required to be returned to the donor in 2016. The Organization reviewed other contributions received from the donor and has elected to restrict the cash for unused scholarships from other similar gifts. At December 31, 2011 and 2010, the Organization has only used these funds for scholarships.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and For the Years Ended December 31, 2011 and 2010

NOTE 1 - Summary of Significant Accounting Policies (continued)

Other Long-Term Assets

Other long-term assets include security deposits and capitalized loan fees, which are being amortized to expense over the life of the debt agreement. Accumulated amortization of capitalized loan fees as of December 31, 2011 and 2010 was \$17,416 and \$11,567, respectively.

Deferred Revenue

Deferred grant revenue consists of cash received from grants that is not fully earned. The revenue will be recognized in subsequent years when the expenses are incurred. If a funding source requests deferred revenue be returned, the requested amount is shown as due to the specific funding source on the statements of financial position. In 2011 and 2010, Milwaukee County requested \$835,199 and \$0, respectively, be returned. The Organization is currently investigating the request.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

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

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

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Tax-Exempt Status

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

Revenue Recognition

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

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

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and For the Years Ended December 31, 2011 and 2010

NOTE 1 - Summary of Significant Accounting Policies (continued)

In-Kind Contributions

Donations of supplies, equipment, buildings, and other usable items are recorded at their estimated fair value. During 2011 and 2010, in-kind donations amounted to \$228,856 and \$163,850, respectively, and are reflected in the financial statements.

The Organization uses the services of volunteers when and where appropriate to reduce labor costs, improve community involvement, provide training situations and encourage parental involvement. Volunteer hours utilized in 2011 and 2010 are not reflected in the financial statements as it is not possible to accurately establish a value for these hours and they generally do not require specialized skills.

Supporting Services

The Organization includes fundraising expenses within their supporting services classification on the statements of activities. Fundraising expenses totaled \$78,193 and \$25,008 for the years ended December 31, 2011 and 2010, respectively.

Expense Allocation

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

Fair Value of Financial Instruments

Pledges receivable are recorded at their net present value based on discounted cash flows and the carrying value approximates fair value.

Long-term debt is recorded at historical cost.

For the year ended December 31, 2011, there have been no changes in the application of valuation methods applied to similar assets and liabilities.

The estimated carrying and fair values of the Organization's financial instruments are as follows:

	2011		2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Pledges receivable	\$ 74,042	\$ 74,042	\$ 222,159	\$ 222,159
Financial liabilities:				
Variable rate debt	\$ 2,891,950	\$ 2,891,950	\$ 3,128,002	\$ 3,128,002
Fixed rate debt	\$ 1,872,443	\$ 1,490,517	\$ 2,109,574	\$ 2,109,574

The Organization's variable and fixed rate debt is recorded at historical cost. Fair value for fixed rate debt was estimated using an interest rate of 5.31%, a rate the Organization could refinance the debt as of December 31, 2011 and 2010. The fair value of variable rate debt is estimated based on current rates with the same remaining maturities.

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and For the Years Ended December 31, 2011 and 2010

NOTE 1 - Summary of Significant Accounting Policies (continued)

Estimates

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

Reclassification

For comparability, certain 2010 amounts have been reclassified to conform with classifications adopted in 2011. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

The Organization has evaluated subsequent events through April 19, 2012, which is the date that the financial statements were issued.

NOTE 2 - Pledges Receivable

Pledges receivable as of December 31 consist of the following:

	2011	2010
Less than one year	\$ 70,624	\$ 219,202
One to five years	5,000	5,000
Total Pledge Receivables	75,624	224,202
Less: Discount to present value	(1,582)	(2,043)
Net Pledge Receivables	\$ 74,042	\$ 222,159

NOTE 3 - Property and Equipment

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

	Depreciable Lives	2011	2010
Land	N/A	\$ 190,580	\$ 197,934
Buildings and improvements	5-40 yrs.	8,866,077	9,162,216
Vehicles	3-5 yrs.	147,455	216,566
Equipment	3-7 yrs.	1,115,134	1,073,616
Capital leases	3-5 yrs.	464,200	1,581,483
Construction in progress	N/A	1,000	1,000
Property not in use	39 yrs.	-	7,099
Total Property and Equipment		10,784,446	12,239,914
Less: Accumulated depreciation		3,785,046	4,849,773
Net Property and Equipment		\$ 6,999,400	\$ 7,390,141

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and For the Years Ended December 31, 2011 and 2010

NOTE 4 - Long-Term Debt

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

	2011	2010
<p>On December 1, 2000, the Redevelopment Authority of the City of Milwaukee issued \$4,940,000 in variable rate demand revenue bonds. The proceeds of the bonds were used to finance the construction of a new operating facility. The bonds are secured by a letter of credit issued by U.S. Bank in accordance with the reimbursement agreement between the Organization and the bank. The bond is serviced by Associated Bank. In conjunction with the reimbursement agreement, the Organization has agreed to a number of financial, transactional and conditional debt covenants.</p> <p>The bonds are secured with a first mortgage on the land and building constructed with the proceeds. The interest rate is variable (.60% at December 31, 2011) and interest is paid monthly. Principal payments are due annually on December 1 of each year for nine (9) years, with final payment due December 1, 2020.</p>	\$ 1,985,000	\$ 2,175,000
<p>Note payable, bank, interest rate of 5.31%, principal and interest are payable in monthly installments of \$14,591 beginning January 1, 2011, a final payment equal to all unpaid principal and accrued interest is due on December 15, 2017, collateralized by real estate at 809 West Greenfield Avenue, 522 - 524 West Walker Street, 1427 South 8th Street, 1412 South 8th Street, 1414 South 8th Street, 1313 South 8th Street, 1662 South 3rd Street, 234 - 236 West Mitchell Street, 804 West Greenfield Avenue, 735 - 739 West Greenfield Avenue, 228 West Mitchell Street, 832 West Greenfield Avenue, and 1655 South 2nd Street, Milwaukee, Wisconsin. In the event the Organization pays the outstanding balance before December 2017, the bank may enforce a prepayment penalty. The note payable was refinanced in 2010 and the above terms reflect the current agreement.</p>	1,726,933	1,807,975

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and For the Years Ended December 31, 2011 and 2010

NOTE 4 - Long-Term Debt (continued)

	2011	2010
<p>Various vehicle loans payable for the purchase of four (4) automobiles and bus transports with interest rates ranging from 1.9% to 6.9% interest. Principal and interest are payable in various monthly installments with the original maturities no longer than 60 months. The longest vehicle loan payable matures in 2016. All notes are collateralized by the vehicles.</p>	\$ 42,632	\$ 43,268
<p>Note payable, interest rate of 7.12%, principal and interest are payable in monthly installments of \$503 beginning December 14, 2007, a final payment equal to all unpaid principal and accrued interest is due on November 14, 2012, collateralized by real estate at 1630 South 3rd Street, Milwaukee, Wisconsin.</p>	65,007	66,299
<p>Note payable, nonprofit agency, 5.75% interest rate at December 31, 2011 and 2010. On the fifth (2014) and tenth (2019) year anniversary of the note, the interest rate will change to the lesser of a) the greater of the sum of the yield to maturity of a U.S. Treasury obligation with an equal remaining maturity date plus 1.75% or 5%, or b) other interest rates as determined by the lender in its sole discretion being offered to new borrowers on loans of similar size, duration and risk. Principal and interest are payable in 180 monthly installments of \$8,304, with a final payment equal to all unpaid principal and accrued interest due in May 2024, collateralized by real estate at 136 W. Greenfield Avenue, Milwaukee, Wisconsin.</p>	906,950	953,002
<p>Note payable, nonprofit agency, 6.50% interest rate. Principal and interest are payable in 35 monthly installments of \$3,831, with a final payment equal to all unpaid principal and accrued interest due in October 2012, collateralized by real estate at 1655-1683 S. 2nd Street, Milwaukee, Wisconsin.</p>	37,871	79,702
<p>Note payable, nonprofit agency, 3.00% interest rate. Principal and interest are payable in 36 monthly installments of \$20,994 beginning January 2010. A final payment was made in June 2011.</p>	-	112,330
Totals	4,764,393	5,237,576
Less: Current portion	447,991	491,280
Long-Term Portion	\$ 4,316,402	\$ 4,746,296

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and For the Years Ended December 31, 2011 and 2010

NOTE 4 - Long-Term Debt (continued)

The Series 2000 variable bonds can be called on a weekly basis by the bondholder. The Organization has a remarketing agreement with the underwriter that provides for a "best efforts" remarketing of the Series 2000 bonds. The Organization anticipates that any bonds put back would be resold; however, there can be no guarantee that these bonds can or will be remarketed. The Series 2000 bonds are secured by a letter of credit in the amount of \$2,207,178, which expires January 2013. Principal requirements on long-term debt for years ending after December 31, 2011 are as follows:

2012	\$ 447,991
2013	357,108
2014	370,478
2015	377,889
2016	392,803
2017 and thereafter	<u>2,818,124</u>
Total	<u>\$ 4,764,393</u>

The Organization is subject to certain restrictions and covenants related to their debt. As of December 31, 2011, the Organization was in compliance with or obtained waivers for all of the established covenants.

Interest charged to expense incurred on the long-term debt, line of credit and capital leases was \$216,216 and \$321,524 for the years ended December 31, 2011 and 2010, respectively, and is included in financing on the statements of functional expenses.

NOTE 5 - Capital Lease

The Organization has capital lease agreements for the use of a telephone system and office equipment. The lease agreements expire on various dates. The capitalized cost of the leases at December 31, 2011 and 2010 was \$464,200 and \$1,581,483, respectively. Amortization expense on capital leases is included with depreciation expense. Accumulated amortization was \$346,783 and \$1,416,754 as of December 31, 2011 and 2010, respectively.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2011:

2012	\$ 47,780
2013	16,320
2014	<u>13,600</u>
Total Future Minimum Lease Payments	77,700
Less: Amount representing interest	<u>(6,767)</u>
Present Value of Future Minimum Lease Payments	70,933
Less: Current portion	<u>(43,661)</u>
Long-Term Capital Lease Obligation	<u>\$ 27,272</u>

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and For the Years Ended December 31, 2011 and 2010

NOTE 6 - Operating Leases

The Organization has operating lease agreements for the rental of office property and vehicles. Rent expense on the operating leases was \$171,530 and \$161,741 for the years ended December 31, 2011 and 2010, respectively. The Organization also received approximately \$70,000 of donated rent during the years ended December 31, 2011 and 2010, respectively.

The following is a schedule of future minimum lease payments under operating leases as of December 31, 2011:

2012	\$ 161,534
2013	2,497
2014	<u>832</u>
Total	<u>\$ 164,863</u>

NOTE 7 - Line of Credit

The Organization has a line of credit for \$750,000 with Associated Bank. Interest is payable at prime plus 1.5% (3.75% at December 31, 2011) and the line expires on August 15, 2012. At December 31, 2011 and 2010 the line did not have an outstanding balance. The line of credit is collateralized by properties located at 735-739, 804, 809 and 832 West Greenfield Avenue, 1313, 1412, 1414 and 1427 South 8th Street, 1643-1687 South 2nd Street, 1662 South 3rd Street, 228 West Mitchell Street, 522-524 West Walker Street, 234-236 West Mitchell Street, Milwaukee, Wisconsin 53204.

The Organization is subject to certain restrictions and covenants related to the line of credit. As of December 31, 2011, the Organization was in compliance with the established covenants.

NOTE 8 - Pension Plans

The Organization provides retirement benefits for all eligible employees who have enrolled in a 403(b) retirement savings plan. The Organization can contribute up to 5% of regular salary to the retirement plan. The Organization has not contributed to the plan in 2011 or 2010.

NOTE 9 - Net Assets

Temporarily restricted net assets at December 31 are composed of:

	<u>2011</u>	<u>2010</u>
Capital campaign - Charter School	\$ 98,279	\$ 78,656
Time restricted	69,572	275,691
Scholarships	323,504	366,504
Capital campaign - Crisis Nursery	380,448	156,000
Other purpose restricted	<u>-</u>	<u>36,000</u>
Totals	<u>\$ 871,803</u>	<u>\$ 912,851</u>

LA CAUSA, INC.

NOTES TO FINANCIAL STATEMENTS As of and For the Years Ended December 31, 2011 and 2010

NOTE 10 - Concentrations

Approximately all of the government grants and fees for services revenue on the statements of activities are from federal, state, and local government contracts in 2011 and 2010. The receivables from government contracts amounted to \$1,035,743 and \$1,145,050 at December 31, 2011 and 2010, respectively.

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

NOTE 11 - Commitments and Contingencies

Financial Awards From Grantors

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

NOTE 12 - Litigation

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