

La Causa, Inc.

Financial Statements

December 31, 2022 and 2021

La Causa, Inc.

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December 31, 2022 and 2021

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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.

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.

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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
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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
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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
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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.