

La Causa, Inc. Board of Directors

Wednesday June 4th, 2025, 11:30pm – 1:30pm

Meeting Minutes

Present: Scott Sanders, Eddie Jimenez, Erico Ortiz, Gus Hernandez, Nilda Cintrón-Cortez, Derek Parker, Oscar Tovar

Absent: Ken Little, Joy Rivera, Bob Kotecki, Robert Buttermore

Staff: Aracelly Bonilla

After lunch which began at 11:30, the meeting was called to order at 12:11pm by Luis Ayala, who assumed board chair responsibilities in the absence of Bob Kotecki, who had a last minute family emergency and could not attend. Quorum was established and the meeting proceeded. Luis requested a motion to approve the previous meeting minutes from March 5th, and Scott Sanders, so moved and seconded by Gus Hernandez.

Luis Ayala gave a brief introduction of Oscar Tovar, La Causa's newest board member and had Oscar say a few words. Oscar thanked the board for the nomination and provided a high level summary of his work at the city of Milwaukee's Mayor's office.

FY 2024 Financial Results

La Causa's financial audit was completed by Baker Tilly (external auditing firm) at the beginning of May and approved by the finance and audit committee during the May 21st meeting. Ryan Lay – engagement principal and partner – presented results to the board.

Ryan Lay, gave brief introductions of each team member's responsibility involved in the audit.

Engagement team



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Ryan then provided a high-level summary of auditor responsibilities

Responsibilities

Auditor responsibilities



Conducted audit in accordance with Generally Accepted Auditing Standards, *Government Auditing Standards (GAS)*, and Uniform Guidance and *State Single Audit Guidelines*.



Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.



Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Organization's internal control over financial reporting.



Understanding internal controls and performing appropriate procedures based upon our risk assessment.



Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.

Management responsibilities

The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities including:

- Appropriateness and quality of accounting policies and practices
- Fair presentation of financial statements
- Going concern assessment
- Identifying government programs and ensuring compliance with federal and state regulations

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Ryan also provided a brief explanation of opinions and general statements of how the audit was conducted in adherence to Generally Accepted Accounting Principles (GAAP).

Ryan then spoke to the opinion rendered by Baker Tilly, but before spoke about the meaning of each opinion. Baker Tilly – as a result of auditing fiscal year 2024 – rendered an unmodified opinion with no findings, to the financial position of La Causa Inc. Ryan stated how Aracelly Bonilla (CFO) and her team did an excellent job of compiling and presenting financial data. Also, mentioned how impressive it is for a team, that's relatively new, perform such tasks and receive an unmodified opinion with no findings.

Ryan Lay, mentioned that despite having no findings where financial restatement was required, there is a section where Baker Tilly will render recommendations based on observations of duties and internal controls. The two following recommendations came as a result of the FY2024 audit:

- Segregation of Duties: Ryan spoke to the need for segregation among the CFO and her staff. In short, to minimize the CFO from having too much access and combating financial overreach
- Asbestos accrual: Ryan did not recommend an amount, but mentioned this accrual should be revisiting considering it hasn't been reviewed in a few years.

After a brief high-level presentation, Ryan Lay presented summarized financial results for La Causa, Inc.

Summary of financial information

Summarized statements of financial position (000's)

	2024	2023
Assets		
Current assets	\$ 6,291	\$ 5,814
Property and equipment	13,135	13,763
Other assets	284	268
Total Assets	\$ 19,710	\$ 19,845
Liabilities and Net Assets		
Current liabilities	\$ 2,645	\$ 2,701
Long-term liabilities	6,251	6,580
Total Liabilities	8,896	9,281
Without donor restrictions	10,648	10,428
With donor restrictions	166	136
Total Net Assets	10,814	10,564
Total Liabilities and Net Assets	\$ 19,710	\$ 19,845

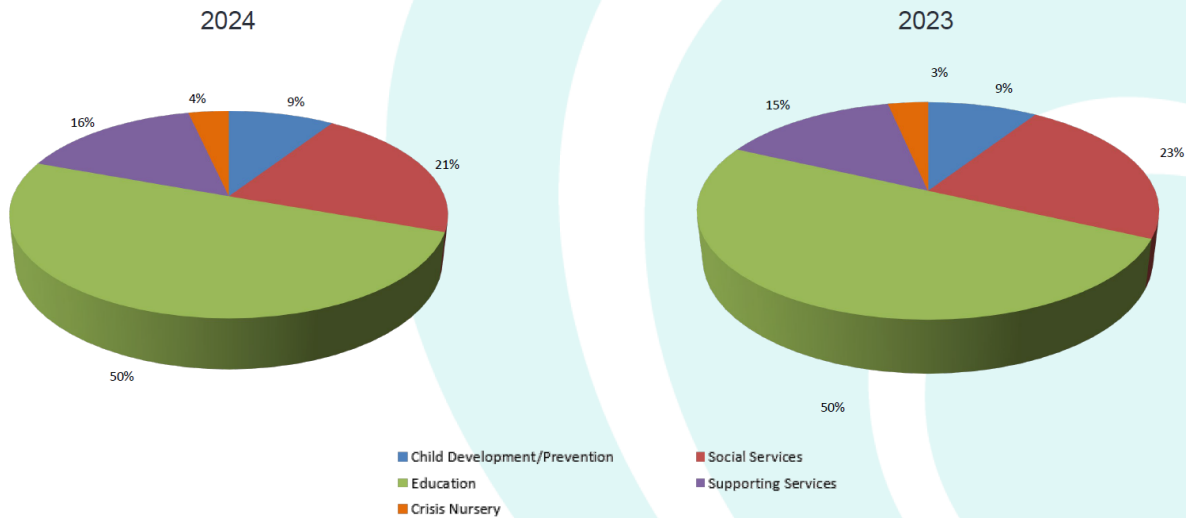
Summary of financial information

Summarized statements of activities (000's)

	2024	2023
Public Support and Revenue		
Government grants	\$ 7,385	\$ 8,007
Fees for services	6,618	6,309
Child care and program fees	1,479	1,153
Donations (including United Way)	586	491
Other	163	325
Total Public Support and Revenue	16,231	16,285
Expenses		
Program	13,447	13,886
Supporting services	2,534	2,395
Total Expenses	15,981	16,281
Change in Net Assets	\$ 250	\$ 4

Summary of financial information

Expenses by functional category (000's)



Only mention with respect to expenses by functional category was to note the consistent framework of spend between both fiscal years.

Summary of financial information

Revenue and expenses by program (000's)

	Child Development / Prevention	Crisis Nursery	Social Services	Education
Revenue	\$ 2,054,549	\$ 548,044	\$ 3,048,107	\$ 10,189,454
Expenses	1,829,524	703,615	3,948,093	9,063,889
Net Income (Loss)	\$ 225,025	\$ (155,571)	\$ (899,986)	\$ 1,125,565

Main theme of this slide was to show how social services has and continues to be a struggle for the company. Ryan also spoke about how ESSER funds, help inflate results for education. However, those government funds will not be present going forward and La Causa may have exposure to the losses in social services.

Ryan Lay concluded the presentation with Q&A, of which a few questions centered around the asbestos accrual and how to improve that method. Lastly, a few questions circled around long-term debt and main factors comprising it.

Ryan Lay was excused and the meeting proceeded with Aracelly Bonilla's presentation of Q1 financials.

Q1 2025 Financial Summary

- Unfavorable revenue variance driven principally by Social Services and Early Education:
 - Social Services revenue shortfall driven by lower billing utilization, primarily due to staffing vacancies impacting service delivery
 - Early Education shortfall attributable to the delay in launching two planned classrooms, which has deferred expected revenue; both are now projected to open in May
- Overall expense favorability is driven by lower than anticipated labor costs - predominantly in social services

Revenue	YTD Actual	YTD Budget	\$ Var Fav/(Unfav)	% Var Fav/(Unfav)
Charter School	\$ 2,332,466	\$ 2,204,668	\$ 127,798	5.8%
Social Services	718,690	1,229,869	(511,179)	-41.6%
Early Education	497,466	569,944	(72,478)	-12.7%
Crisis Nursery	67,737	55,568	12,169	21.9%
Other	46,149	80,850	(34,701)	-42.9%
Total	\$ 3,662,508	\$ 4,140,899	\$ (478,391)	-11.6%

Expense	YTD Actual	YTD Budget	\$ Var Fav/(Unfav)	% Var Fav/(Unfav)
Charter School	\$ 2,065,058	\$ 2,106,861	\$ 41,803	2.0%
Social Services	979,247	1,203,592	224,345	18.6%
Early Education	493,816	545,099	51,283	9.4%
Crisis Nursery	175,356	211,346	35,990	17.0%
Other	76,703	86,882	10,179	11.7%
Total	\$ 3,790,180	\$ 4,153,780	\$ 363,600	8.8%

Surplus/(Deficit)	YTD Actual	YTD Budget	\$ Var Fav/(Unfav)	% Var Fav/(Unfav)
Charter School	\$ 267,408	\$ 97,807	\$ 169,601	173.4%
Social Services	(260,557)	26,277	(286,834)	-1091.6%
Early Education	3,650	24,845	(21,195)	-85.3%
Crisis Nursery	(107,619)	(155,778)	48,159	30.9%
Other	(30,554)	(6,032)	(24,522)	-406.5%
Total	\$ (127,672)	\$ (12,881)	\$ (114,791)	-891.2%

Aracelly mainly focused on continued struggles in social services and how this division was the principal driver of the company's deficit. She also mentioned the loss of our partnership with the Next Door Foundation, thus causing a funding loss of roughly \$300K for this fiscal year. Eddie Jimenez started to ask questions, but deferred to the president's summary.

In addition to deficit/(surplus) discussion, Aracelly also spoke to La Causa's cash position through Q1 of fiscal 2025. Despite losses in social services, La Causa maintains a healthy cash position and the ability to fund operations in the absence of funding losses.

Cash Flow Projections

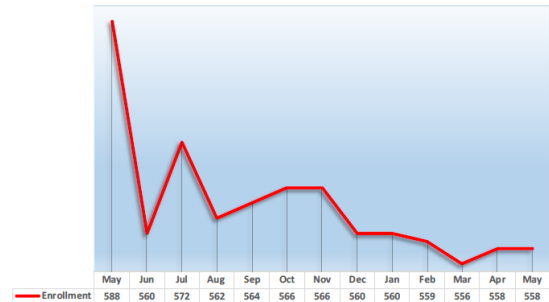
- We have four cash reserve accounts: Reserve 1, Reserve 2, Reserve 3 & Scholarship
- Expected cash includes monthly billing for services provided
- Monthly expenses include salaries, benefits, operational expenses
- The expected cash payments are for MPS reimbursements for programs like Title I, MPS contract payments and gala revenue

As of 03/31/2025	
Cash Reserves	\$ 2,404,455
Operating Account	2,940,111
Total Current Cash	\$ 5,344,566
Mid Year Projection	
Billing for Services	\$ 1,231,047
Expected Cash Payments	1,353,345
Total Cash Influx	\$ 2,584,392
Operational Expenses	\$ 4,321,371
Total Expenses	\$ 4,321,371
Ending Cash Balance	\$ 3,607,587

Luis Ayala presented summarized enrollment results for both Early Education and Charter School. He opened the presentation with mentions of showing rolling 12-month numbers to give the board a better feel for how seasonality impacts enrollment. Moreover, he mentioned how you can see how decreases for charter school are quantified.

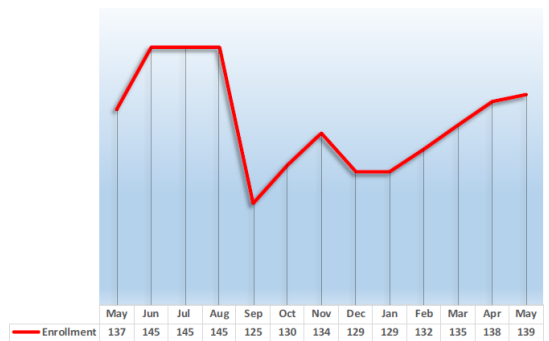
Charter School

- Rolling 12-month enrollment depiction
- Historically, charter school has seen declines of 12%-15% from one academic year to the other
 - Comparison from May 2024 – May 2025, reveals a decline of 5%, hence mitigating erosion
- The loss of 6 students from Nov – Dec, was driven by families moving out of state: NV, TN, CT, Mexico & Nicaragua
- Greater focus on grass roots measures to improve enrollment, e.g., Telemundo commercials and neighborhood canvassing



Early Education & Child-Care

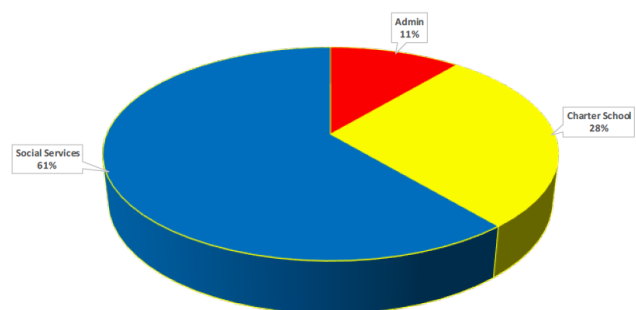
- Year over year comparison yields a slight increase of 1.5% from May 2024 – May 2025
- Prior projections of reaching 137 by May 2025 have been exceeded
- Two additional classrooms have been opened and are fully functional – As a result, expectation is to reach full capacity by year-end
- As a cost measure, all positions have been frozen
 - Only exception is an additional worker during our high-peak summer season



Luis Ayala shifted the focus to agency wide vacancies and presented the latest results.

Agency Vacancies

- Agency wide vacancies stand at 18 through May 2025
- **Administration:**
 - Facilities worker and most recently an HR recruiting specialist
- **Social Services:**
 - Principally in Youth CCS + two clinician positions in our Third Shift Crisis Mobile division
 - TCM supervisor (as of the end of June)
- **Charter school:**
 - Two para-professional positions
 - Two speech language pathologist (full-time + part-time)
 - Computer science teacher
- **Early Education** and **Crisis Nursery** positions have been put on hold
- Most recent agency-wide turnover rate, May 2025 = 1%-2%
 - This is driven exclusively by Social Services, whose turnover rate = 5%, driven by recent resignations



Main presentation point was that – unsurprisingly – the majority of vacancies were driven by social services, particularly given billing issues, it makes sense that most openings were specific to that division.

No questions were raised.

Luis Ayala provided general updates for the agency.

Other Agency Updates

- **Early Education:**
 - Lost our early HeadStart partnership with the Next-door Foundation, creating revenue loss of roughly (\$321K)
 - Mitigated by expanding capacity and opening two additional classrooms, which increases capacity
 - Projected to be at near full capacity by year-end
 - Despite partnership revenue loss of (\$321K), full-year projections has Early Education at a slight surplus position, due to cost austerity measures
- **Social Services:**
 - Continued deficits driven by labor shortages – moreover, departures have seen an increase over the past few months
 - Majority of staff are over case load, creating a burden on our delivery system
 - Directors – Jacob and Karen – are now taking cases to help lighten staff loads
 - *Mitigating factors:*
 - Restructuring plan in place, where social services will have two program administrators overseeing Youth and Adult respectively – thus eliminating a coordinator position and realizing cost savings
 - Ironwood building has an accepted offer of \$1.8M, with a close date of August. This will create savings, through the elimination of depreciation, insurance and maintenance contracts
 - In conversations with the county to possibly end our contractual obligation with the REACH program – thus eliminating cases and increasing focus on Youth CCS
- **Funding:**
 - Monitoring “Child Care Counts” funding, to expire June 2025 for Early Education. \$500M allocated in Governor Evers executive budget for CCC, pending legislature approval
 - Signed as sponsors to state congress for funding advocacy with Milwaukee Coalition on Housing and Homelessness and UnidosUS regarding Crisis Nursery and Charter School

Luis Ayala spoke in detail about the partnership loss of Next Door Foundation and how it impacted La Causa’s financial position. But also mentioned, all parents enrolled in the Early Head Start program (administered through Next Door), decided to stay and keep their kids in La Causa. Eddie Jimenez asked the main reason for the dissolution of the partnership and Luis Ayala responded that Next Door viewed La Causa too risky, given the amount of infractions committed over the course of the past two years. However, he also assured Mr. Jimenez of the 5 star accreditation rating La Causa has received and is anticipated to receive going forward. He also stated that La Causa can partner with other organizations for Early Head Start, but said, it’s probably best to remain solo for now.

Scott Sanders asked how viable of an offer was received to sell social services and Luis responded that nothing has given indication of a faulty offer. The initial sale that fell through in December of 2024 was driven by lack of approval by the Greendale common council and this time the council had preliminarily approved the purpose of the building. Luis also mentioned that the buyer was operating in good faith and proceeding with all necessary paperwork and deadlines. Mr. Sanders asked to be kept abreast any progress toward the sale.

Luis Ayala adjourned the meeting at 1:19pm