

La Causa, Inc. Board of Directors

Wednesday June 5, 2024, 11:30pm – 1:30pm

Meeting Minutes

Present: Scott Sanders, Bob Kotecki, Nicole Druckrey, Ryan Lay (Baker Tilly), Nilda Cintron-Cortez, Joy Rivera, Eddie Jimenez, Bob Buttermore, Ken Little, Erico Ortiz, Gus Hernandez

Staff: Aracelly Bonilla

The meeting was called to order at 12:05pm by Bob Kotecki and quorum was established. Bob requested a motion to approve the previous meeting minutes and Scott Sanders so moved and seconded by Nicole Druckrey.

Bob Kotecki welcomed Gus Hernandez to the board of directors and gave a brief summary of his experience and how the two shared history during their time at Associated Bank.

Luis Ayala made an official introduction of Aracelly Bonilla as La Causa's new CFO. Luis provided a brief history of Aracelly's experience as a financial professional and welcomed her to the board and company

Financial Update

Aracelly presented financial results through Q1 (YTD March).

Q1 Financial Summary

- Unfavorable revenue variance driven principally by Social Services:

- Lack of client engagement, e.g., if client refuses treatment, we cannot bill
- Decrease in enrollments – new employees can only carry half of caseload for a few months. When we experience high turnover, we can never get to a full employee caseload
- Clients can choose agencies and due to a historical lack of market presence, La Causa is not being chosen at an accelerated rate
- The deficit has seen consistent slight decreases in both February and March (directionally improving)

- Other revenue variances driven by Crisis Nursery and Admin, due predominantly to timing of grants and city contracts and when they're recognized

- Expense favorability is attributable to lower than anticipated labor costs, as a result of vacancies

Revenue	Q1 Actual	Q1 Budget	\$ Var Fav/(Unfav)	% Var Fav/(Unfav)
Charter School	\$ 2,352,667	\$ 2,359,138	\$ (6,471)	-0.3%
Social Services	801,204	1,382,354	(581,150)	-42.0%
Early Education	494,386	478,270	16,116	3.4%
Crisis Nursery	62,890	112,879	(49,989)	-44.3%
Other	7,692	82,749	(75,057)	-90.7%
Total	\$ 3,718,839	\$ 4,415,390	\$ (696,551)	-15.8%

Expense	Q1 Actual	Q1 Budget	\$ Var Fav/(Unfav)	% Var Fav/(Unfav)
Charter School	\$ 2,279,413	\$ 2,329,684	\$ (50,271)	-2.2%
Social Services	1,048,283	1,331,712	(283,429)	-21.3%
Early Education	430,602	483,037	(52,435)	-10.9%
Crisis Nursery	170,147	178,327	(8,180)	-4.6%
Other	83,681	250,302	(166,621)	-66.6%
Total	\$ 4,012,126	\$ 4,573,062	\$ (560,936)	-12.3%
Surplus / (Deficit)	\$ (293,287)	\$ (157,672)	\$ (135,615)	86.0%

Aracelly mentioned that La Causa's Q1 loss was driven primarily by struggles in social services. In closing, crisis nursery also adds to the loss for timing reasons – as these losses will hopefully be mitigated through fundraising, year-end campaigns and gala efforts.

Ryan Lay – partner Baker Tilly – presented La Causa's official 2023 financial audited results. He started the presentation by assuring the board that the finance and audit committee had reviewed results and voted unanimously to accept the results.

2023 Year-End Audit Presentation

Ryan Lay (Engagement partner) introduced himself as the principal for La Causa during this audit. He also introduced the rest of the team supporting the audit. Ryan also mentioned the presentation would be condensed as the more comprehensive version was discussed during the last finance and audit committee meeting.

Engagement team



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Ryan went on to provide a high-level summary of the agenda including:

- Audit results and opinions.
- Audit suggestions.
- Summary of financial information

Ryan Lay went on to provide explanations around results and opinions:

This summary provided a segway into the actual opinion rendered for this audit for both government auditing standards and state single guidelines:

Audit results and our opinions

- Report in accordance with *Government Auditing Standards*
 - Unmodified opinion with no findings
- Report in accordance with Uniform Guidance and the *State Single Audit Guidelines*
 - Unmodified opinion with no findings

Ryan explained this is the highest and cleanest level of opinion one can achieve, which means nothing was found that would materially alter La Causa's financial statements. He added that Sylvia and her team should be commended for a job well done and continuous excellence of gaining unmodified opinions.

Ryan ended his portion of the presentation by outlining responsibilities around communication for both the audit team and La Causa management. He reiterated that the audit was conducted in accordance with generally accepted auditing standards, government auditing standards, uniform guidance, and the state single audit guidelines.

Ryan Lay continued by providing insight into estimates on financials. He detailed the following estimates affecting financials:

- Valuation of allowance for grants and pledges receivables
- Estimate of depreciable lives
- Valuation for asset retirement obligation
- Allocation of expenses

He mentioned there were no significant changes to estimates and that disclosures were neutral, consistent, and clear.

Ryan addressed how the audit team and La Causa interacted and itemized the following points:

- No difficulties, disagreements, or significant issues with management
- Related party transactions
- Noted no non-compliance with laws and regulations.

- No fraud identified.
- Supplemental information
- No involvement of other independent accounting firms
- Management did not identify any going concern indicators.
- No consultations required outside the engagement team.
- No proposed audit adjustments

He followed up by stating that Baker Tilly is an independent firm and outlined the different services they provide:

- Assembly of the financial statements
- Preparation of tax returns
- Data entry of the auditee section of the data collection form
- Maintenance of depreciation schedules based on information provided by management.

Ryan offered their only suggestion of the audit, which was segregation of duties. He made mention this suggestion was offered in the past, whereas the current CFO (Sylvia Zapata) has too much access to systems and could give rise to a weak internal control system and potential fraud.

Luis Ayala added they were aware of this and have placed multi levels of review to prevent such manipulation of financial information. Moreover, they both mentioned the lack of staff caused Sylvia to perform multiple duties. He also added that with the addition of Aracelly Bonilla (New CFO), an accounting manager and payroll specialist, the company will be better positioned to appropriately segregate duties.

Ryan presented a high-level summary of the financial statements:

Summary of financial information

Summarized statements of financial position (000's)

	2023	2022
Assets		
Current assets	\$ 5,814	\$ 6,775
Property and equipment	13,763	14,149
Other assets	268	262
Total Assets	\$ 19,845	\$ 21,186
Liabilities and Net Assets		
Current liabilities	\$ 2,701	\$ 3,360
Long-term liabilities	6,580	7,266
Total Liabilities	9,281	10,626
Without donor restrictions	10,428	10,415
With donor restrictions	136	145
Total Net Assets	10,564	10,560
Total Liabilities and Net Assets	\$ 19,845	\$ 21,186

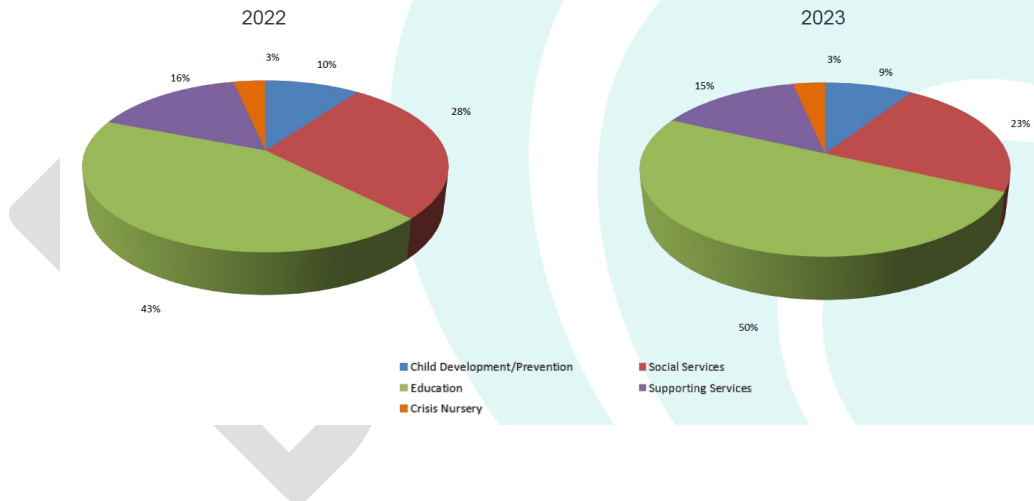
Summary of financial information

Summarized statements of activities (000's)

	2023	2022
Public Support and Revenue		
Government grants	\$ 8,007	\$ 8,362
Fees for services	6,309	5,976
Child care and program fees	1,153	1,016
Donations (including United Way)	491	333
Other	325	387
Total Public Support and Revenue	16,285	16,074
Expenses		
Program	13,886	13,056
Supporting services	2,395	2,427
Total Expenses	16,281	15,483
Change in Net Assets	\$ 4	\$ 591

Summary of financial information

Expenses by functional category (000's)



Summary of financial information

Revenue and expenses by program (000's)

	Child Development / Prevention	Crisis Nursery	Social Services	Education
Revenue	\$ 1,782,403	\$ 660,119	\$ 3,910,793	\$ 9,698,471
Expenses	1,827,895	658,022	4,295,919	9,118,433
Net Income (Loss)	\$ (45,492)	\$ 2,097	\$ (385,126)	\$ 580,038

Financial presentation yielded no commentary or questions from the board.

Resolution(s)

Bob Kotecki requested a motion to approve the resolutions to accept the FY2023 audit and its opinion. Scott Sanders approved, and Luis Ayala seconded.

Agency Overview

Luis Ayala provided an enrollment overview for both charter school and early education.

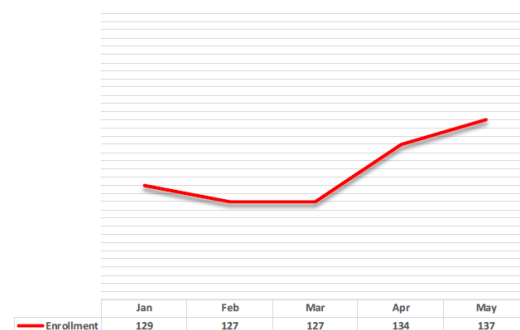
Charter School

- Charter school has seen a 5% enrollment drop compared to prior year, which outpaces decreases at the district level by roughly 2.7 percentage points
- Enrollment has remained relatively consistent at 588 with the primary reason for departures being families moving out of the district or state. We are not seeing much in terms of students absorbed by competing schools



Early Education & Child-Care

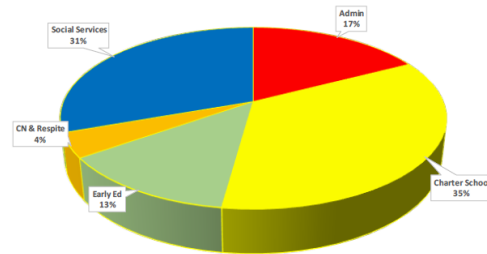
- Enrollment has increased nearly 9% driven by:
 - Increased focus on new staff training
 - Moving kids into preschool room at age 3, as opposed to waiting for summer – thus creating space for more enrollment
- Childcare count dollars continue through June of 2025 in addition to the reinstatement of the youngstar bonus program, which increased from 26% to 30%. In short, Q1 operated at a surplus, as a result of state funding stabilization



Luis highlighted how charter school enrollment decreased consistently over the past 5-6 years and this is the first time in a while that enrollment would appear to be flat year over year, i.e. mitigating erosion.

Agency Wide Vacancies

- Currently 23 open positions
- Increased traction on teacher positions in charter school
- Payroll position scheduled to be filled
- Continued interviews in social services



Social Services

- New business potentials RFP:
 - 3rd Shift Mobile Crisis – providing crisis response to anyone age 6-60, who is experiencing a mental health crisis during 3rd shift hours
 - Children Long-Term Support (CLTS) – derivative of CCS, where existing employees can provide both situational and long-term support of mental health and developmental disability needs
 - Coordinated Special Care (CSC) – Youth with more intense, chronic and complex behavioral challenges
 - Suicide Intervention (SI) – Youth with high acuity risk of self harm and/or suicide
- Currently in talks with the county to get relief on some of the labor/staffing requirements for our recovery support program
 - Eliminate the mandate of requiring a full-time manager position, thus decreasing cost
- Possible revenue enhancement opportunity through the county for 2024
 - Converting eligible staff from billing at a bachelor's educational level rate to a masters (which is 50% higher)
 - One employee has already converted and three additional are in process of taking exams

Luis, reiterated that social services is a division of concern, where the lack of hiring, low county rates and lower than anticipated enrollment continues to drag down results. There has been a focus on assessing individual programs and ensuring their performance could be improved and financial results reversed.

Other Agency Updates

- Preliminary state-wide testing results reveals the following:
 - Material percentage improvement among English learners and economically disadvantaged students
 - Resulting in removing both groups from a Targeted Support & Improvement classification
 - Students with disabilities remains a challenging area and test scores have declined year over year
 - Overall testing score among our core base of Latino students increased nearly 4 ppts
- Board Updates:
 - Meeting with American Family Insurance as potential for board participation
 - Met with Dr. Jacki Black, Director for Hispanic Initiatives and Diversity & Inclusion at Marquette University
- MPS Superintendent Keith Posley resigns, effective June 30th
 - Financial consultants have been hired at MPS to investigate financial reporting
 - We've been assured – through our liaison – that payments, (student counts, ESSER, title) – should not be impacted
 - Floating payments prior to MPS reimbursement has a negative cash flow impact
 - Contingency plan: exploratory meetings with UWM as a potential charter partner

Biggest discussion point during this portion of the presentation was focused around recent struggles within MPS. The state department infractions of not properly reporting financials, missing deadlines and the appearance of a material labor exodus. Luis assured the board that conversations were being had weekly to ensure no disruption to our financial payments and that operations would continue between MPS and La Causa. Erico Ortiz asked a few questions regarding Bosley's resignation and what we

thought the impact would be. Luis answered that La Causa does not anticipate any deviations from our normal relationship.

Luis ended the meeting by talking about exploratory meetings with UWM as a precautionary meet and greet with the director of charter schools. Luis explained that La Causa still has 2 years left on its contract with MPS and obviously nothing would be done prior – in part to avoid penalties. Luis mentioned the meeting being scheduled for some time during the summer between UWM, La Causa and Luis. Bob Kotecki and others agreed with the approach.

Resolutions:

Bob asked for a motion to accept La Causa's 2023 audited financial results presented by Baker Tilly. Scott Sanders accepted and Gus Hernandez second the motion

The meeting was adjourned 1:27pm