

**THE DIFFERENCE PRINCIPLE, INC.  
AND AFFILIATES**

Milwaukee, Wisconsin

**Audited Consolidated Financial Statements**

December 31, 2022

(With Summarized Totals for the  
Year Ended December 31, 2021)

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**THE DIFFERENCE PRINCIPLE, INC.  
AND AFFILIATES**  
Milwaukee, Wisconsin

**Audited Consolidated Financial Statements**  
Year Ended December 31, 2022

(With Summarized Totals for the  
Year Ended December 31, 2021)

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## Independent Auditors' Report

Board of Directors  
The Difference Principle, Inc. and Affiliates  
Milwaukee, Wisconsin

### Report on the Audit of the Consolidated Financial Statements

#### **Opinion**

We have audited the accompanying consolidated financial statements of The Difference Principle, Inc. and Affiliates (a nonprofit organization) ("Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2022, and the changes in its consolidated net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted 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, including omissions, 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 consolidated financial statements.

## ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)***

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and consolidating statements of activities is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedules of revenues and expenses, statement of revenues and expenses for Milwaukee County contracts, reserve supplemental schedules and schedule of expenditures of federal awards and other contracts, as required by the *Wisconsin DHS Audit Guide*, are presented for purposes of additional analysis, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 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 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.

***Report on Summarized Comparative Information***

We have previously audited The Difference Principle, Inc. and Affiliates' consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated September 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

June 27, 2023  
Milwaukee, Wisconsin

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Consolidated Statements of Financial Position**  
December 31, 2022 and 2021

<b>ASSETS</b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Cash	\$ 383,553	\$ 306,974
Cash - restricted	---	4,313
Promises to give, net	---	12,500
Accounts receivable	1,723,111	1,960,157
Prepaid expenses	41,719	61,154
Security deposits	5,181	13,225
Right of use asset	1,054,972	---
Property and equipment, net	131,651	148,826
<b>Total assets</b>	<b>\$ 3,340,187</b>	<b>\$ 2,507,149</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 185,747	\$ 219,934
Due to Milwaukee County	355,446	500,094
Other payables	1,343	1,100
Accrued payroll and related liabilities	557,746	529,710
Operating lease liability	1,072,754	---
Notes payable	71,358	79,361
Line of credit	---	100,000
<b>Total liabilities</b>	<b>2,244,394</b>	<b>1,430,199</b>
<b>Net Assets:</b>		
Without donor restrictions	1,095,793	1,064,450
With donor restrictions	---	12,500
<b>Total net assets</b>	<b>1,095,793</b>	<b>1,076,950</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,340,187</b>	<b>\$ 2,507,149</b>

The accompanying notes to the consolidated financial statements  
are an integral part of these consolidated statements.

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Consolidated Statement of Activities**  
Year Ended December 31, 2022  
With Summarized Totals for the Year Ended December 31, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2022</u> <u>Total</u>	<u>2021</u> <u>Total</u>
<b>Support and Revenues:</b>				
<b>Exchange transactions:</b>				
Assessment income	\$ 1,805	\$ ---	\$ 1,805	\$ 300
Fee for service and purchase of service contracts	4,670,691	---	4,670,691	4,866,373
Program service revenue	12,638,658	---	12,638,658	10,464,417
Professional service revenue	25,376	---	25,376	---
Other income	142,168	---	142,168	85,809
<b>Total exchange transactions</b>	<u>17,478,698</u>	<u>---</u>	<u>17,478,698</u>	<u>15,416,899</u>
<b>Nonexchange transactions:</b>				
Contributions	147,939	---	147,939	202,416
Federal and state contracts	22,000	---	22,000	22,000
<b>Total nonexchange transactions</b>	<u>169,939</u>	<u>---</u>	<u>169,939</u>	<u>224,416</u>
Interest income	41	---	41	48
Rentals	9,284	---	9,284	7,380
Net assets released from restrictions	12,500	(12,500)	---	---
<b>Total support and revenues</b>	<u>17,670,462</u>	<u>(12,500)</u>	<u>17,657,962</u>	<u>15,648,743</u>
<b>Expenses:</b>				
Program services	15,457,086	---	15,457,086	13,702,176
Management and general	2,179,844	---	2,179,844	2,069,014
Fundraising	2,189	---	2,189	14,215
<b>Total expenses</b>	<u>17,639,119</u>	<u>---</u>	<u>17,639,119</u>	<u>15,785,405</u>
<b>Change in net assets</b>	31,343	(12,500)	18,843	(136,662)
<b>Net assets, beginning of year</b>	<u>1,064,450</u>	<u>12,500</u>	<u>1,076,950</u>	<u>1,213,612</u>
<b>Net assets, end of year</b>	<u>\$ 1,095,793</u>	<u>\$ ---</u>	<u>\$ 1,095,793</u>	<u>\$ 1,076,950</u>

The accompanying notes to the consolidated financial statements  
are an integral part of these consolidated statements.

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Consolidated Statement of Functional Expenses**

Year Ended December 31, 2022

With Summarized Totals for the Year Ended December 31, 2021

	<u>Supporting Services</u>			<u>2022 Total</u>	<u>2021 Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
<b>Expenses:</b>					
Salaries and wages	\$ 10,339,029	\$ 1,554,195	\$ ---	\$ 11,893,224	\$ 10,537,932
Employee benefits	1,285,637	187,490	---	1,473,127	1,427,842
Payroll taxes	804,219	116,846	---	921,065	831,017
Accounting and auditing	37,330	6,732	---	44,062	150,658
Client assistance	36,087	---	---	36,087	45,153
Consultation	326	6,184	---	6,510	61,511
Depreciation	12,481	4,694	---	17,175	20,395
Development and training	144,621	14,953	---	159,574	97,381
Drug testing	114,725	---	---	114,725	77,857
Dues and subscription	135,707	33,915	---	169,622	111,029
Educational materials	---	---	---	---	121
Equipment rental	84,398	43	---	84,441	76,339
GPS expense	846,132	---	---	846,132	810,098
House manager	10,900	---	---	10,900	10,000
Information technology	307,254	20,901	---	328,155	100,621
Insurance	72,623	3,261	---	75,884	73,422
Interest	757	1,682	---	2,439	1,530
Office supplies	112,434	36,873	---	149,307	139,629
Operating lease expense	120,473	59,723	---	180,196	---
Miscellaneous	12,720	15,262	2,189	30,171	60,279
Postage and shipping	11,060	1,120	---	12,180	10,020
Printing	18,159	3,157	---	21,316	21,978
Professional fees	94,405	35,310	---	129,715	101,422
Property taxes	---	---	---	---	3,730
Rent	131,278	---	---	131,278	377,188
Repairs and maintenance	77,440	17,406	---	94,846	179,105
Staff program supplies	---	---	---	---	3,551
Telephone	98,806	9,324	---	108,130	119,756
Travel	538,290	48,020	---	586,310	314,242
Utilities	9,795	2,753	---	12,548	21,599
<b>Total expenses</b>	<b>\$ 15,457,086</b>	<b>\$ 2,179,844</b>	<b>\$ 2,189</b>	<b>\$ 17,639,119</b>	<b>\$ 15,785,405</b>

The accompanying notes to the consolidated financial statements  
are an integral part of these consolidated statements.



**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Consolidated Statements of Cash Flows**  
Years Ended December 31, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 18,843	\$ (136,662)
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities</b>		
Depreciation	17,175	20,395
<b>Changes in operating accounts:</b>		
Accounts receivable	237,046	(178,089)
Promises to give, net	12,500	(12,500)
Prepaid expenses	19,435	(16,879)
Security deposits	8,044	(2,872)
Accounts payable	(34,187)	(120,075)
Operating lease asset and liability	17,782	---
Due to Milwaukee County	(144,648)	(103,802)
Other payables	243	---
Accrued payroll and related liabilities	28,036	91,266
	<b>180,269</b>	<b>(459,218)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	---	(13,807)
<b>Cash Flows from Financing Activities:</b>		
Principal payments on notes payable	(8,003)	(8,437)
Proceeds on line of credit	350,000	605,000
Repayments under line of credit	(450,000)	(505,000)
<b>Net cash provided (used) by financing activities</b>	<b>(108,003)</b>	<b>91,563</b>
<b>Net change in cash and restricted cash</b>	<b>72,266</b>	<b>(381,462)</b>
<b>Cash and restricted cash - Beginning of year</b>	<b>311,287</b>	<b>692,749</b>
<b>Cash and restricted cash - End of year</b>	<b>\$ 383,553</b>	<b>\$ 311,287</b>
<b>Reconciliation of Cash and Restricted Cash:</b>		
Cash	\$ 383,553	\$ 306,974
Net cash - restricted for unemployment claims	---	4,313
<b>Total cash and restricted cash</b>	<b>\$ 383,553</b>	<b>\$ 311,287</b>
<b>Supplementary Information:</b>		
<b>Interest paid</b>	<b>\$ 2,439</b>	<b>\$ 1,530</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	<b>\$ 162,414</b>	<b>\$ ---</b>

The accompanying notes to the consolidated financial statements  
are an integral part of these consolidated statements.

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Notes to Consolidated Financial Statements**  
December 31, 2022 and 2021

**1. Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements of the "Organization" include the accounts of The Difference Principle, Inc. ("The Difference Principle") and its affiliates JusticePoint, Inc. ("JusticePoint") and Sirona Recovery, Inc. ("Sirona Recovery"). All material intercompany transactions have been eliminated in the preparation of the consolidated financial statements.

**Nature of Operations**

The Difference Principle was organized in 2014 under the laws of the State of Wisconsin as a non-profit, non-stock corporation. The Difference Principle provides evidence-backed management and administrative services to its affiliates.

JusticePoint was organized in 2012 under the laws of the State of Wisconsin as a non-profit, non-stock corporation. JusticePoint is dedicated to the promotion of evidence-informed criminal justice programs, practices, and policies. The commitment to evidence-informed practices is firmly rooted in the belief that criminal justice outcomes can be improved through the use of collaboration, engagement, and the scientific method.

Sirona Recovery (formerly Starting Point, Inc.) was organized in 1975 under the laws of the State of Wisconsin as a non-profit, non-stock corporation. Sirona Recovery's purpose is to provide alcohol, tobacco and other drug prevention, intervention and referral counseling services for Ozaukee County, Wisconsin residents.

Sirona Recovery is involved in a variety of programs that provide prevention, intervention and referral services for alcohol, tobacco and other drug related issues.

**Program Services**

**Behavioral Health:** Sirona Recovery, Inc. serves individuals residing in Milwaukee, Dodge, Fond Du Lac, Ozaukee, Sheboygan, Washington, and Waukesha Counties seeking support and resources for their recovery, including access to treatment near their home, education and prevention, and assistance with finding a safe place to live.

**Housing:** Sirona Recovery's housing programming provides strengths-based case management and peer support services to empower members of our community on their path toward building and sustaining a more meaningful life.

**Court Services:** JusticePoint court services provide pretrial, court reminder, diversion, court alternatives, screening and cognitive behavioral programming to individuals in the criminal justice system in Minnesota and Wisconsin.

**Electronic Monitoring:** JusticePoint is a full-service provider of solution-focused electronic monitoring equipment for use in local justice systems.

**Difference Principle Program:** Provided employer of record services to the Minnesota Justice Research Center as well as logistical assistance to the Sober Justice Fund.

**Basis of Accounting**

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Notes to Consolidated Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation**

Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to classes of net assets as follows:

***Net assets without donor restrictions*** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

***Net assets with donor restrictions*** – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resource be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization does not have any restrictions that are required to be held in perpetuity.

**Use of Estimates**

The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

**Cash**

Cash consists of demand deposits with financial institutions.

**Accounts Receivable**

Receivables are recorded at contract value. Management estimates all accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts is considered necessary.

**Prepaid Items**

Prepaid items represent payments made by the Organization for which benefits extend beyond December 31.

**Property and Equipment**

The Organization capitalizes property and equipment purchases over \$5,000. Property and equipment is carried at cost. Depreciation is calculated using the straight-line method for financial reporting purposes at rates based on the estimated useful lives of the property and equipment from four to forty years.

Maintenance and repairs are expensed as incurred. Renewals and betterments that materially extend the lives of the assets are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are reduced, and any gain or loss is included in revenue.

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Notes to Consolidated Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**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.

**Revenue Recognition**

The Organization recognizes revenue based on the existence or absence of an exchange transaction. The Organization recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member.

Revenue from exchange transactions consists of the following:

- **Assessment income, Administrative fees and Other income** – recognized over a period of time as performance obligations are met
- **Fee for service and purchase of service contracts and program service fees** – recognized as performance obligations are met.

Revenue from non-exchange transactions consist of the following:

- **Contributions** – gifts received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.
- **Federal and state contracts** – Federal and state contracts are conditional upon the incurrence of allowable qualifying expenses. Revenue is recorded as allowable qualifying expenses are incurred.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on the functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, salaries and related expenses are allocated to functional activities based on the time spent in each area. Expenses specifically identifiable with an activity are charged to that activity. Other expenses not specifically identifiable with functions are allocated to functional activities using percentages based on actual experience.

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Notes to Consolidated Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization was incorporated under the nonprofit statutes of the State of Wisconsin and is not liable for Wisconsin income tax. Accordingly, no provision for income taxes has been provided.

The Organization has implemented accounting for uncertainty in income taxes in accordance with U.S. GAAP. This standard prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosures required. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

In management's opinion, the Organization has not taken any uncertain tax positions, and accordingly, has not reported a corresponding liability in the consolidated financial statements.

**Leases**

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right of use asset ("ROU") and operating lease liability on the Organization's consolidated statement of financial position.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a short-term basis.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to its leases.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Change in Accounting Principles**

**Leases**

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases* and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment with certain practical expedients available. The new standard establishes a right of use model that requires a lessee to record an ROU asset and a lease liability on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities.

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Notes to Consolidated Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**Change in Accounting Principles (Continued)**

**Leases (Continued)**

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 an operating lease liability of \$1,219,549, which represents the present value of the remaining operating lease payments of \$1,287,462, discounted using the risk-free rate of 1.37%, and a right of use asset of \$1,219,549 as of January 1, 2022. Results for years beginning prior to January 1, 2022 continue to be reported in accordance with the Organization's historical accounting treatment. The adoption of FASB ASC 842 had a material impact on the Organization's consolidated statement of financial position but did not have a material impact on the Organization's results of operations, cash flows or debt covenants. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**Subsequent Events**

Management has evaluated subsequent events for possible recognition or disclosure through the date the consolidated financial statements were available to be distributed (June 27, 2023). There were no subsequent events that required disclosure.

**2. Promises to Give**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. An allowance for uncollectible promises to give is determined based on experience. The allowance for uncollectible promises to give was \$0 for years ended December 31, 2022 and 2021. The total promises to give at December 31, 2022 and 2021 was \$0 and \$12,500, respectively.

**3. Property and Equipment**

Property and equipment consists of a building and office equipment and is summarized as follows at December 31:

	<u>2022</u>		<u>2021</u>
Land	\$ 39,600	\$	39,600
Building	75,514		75,514
Building improvements	8,429		8,429
Equipment	208,378		212,033
Leasehold improvements	6,276		6,276
Less: Accumulated depreciation	<u>(206,546)</u>		<u>(193,026)</u>
<b>Net Property and Equipment</b>	<b>\$ 131,651</b>	<b>\$</b>	<b>148,826</b>

The cost of property and equipment is capitalized and charged against income over their estimated useful lives utilizing the straight-line method of depreciation. Depreciation expense was \$17,175 and \$20,395 for the years ended December 31, 2022 and 2021, respectively.

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Notes to Consolidated Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**4. Notes Payable**

Notes payable consists of a note payable to Ozaukee County. Sirona Recovery makes monthly payments of \$730 including 1% interest. The final payment will be due June 1, 2031. The note is secured by a first real estate mortgage. The loan amount outstanding was \$71,358 and \$79,361 at December 31, 2022 and 2021, respectively. The following is the minimum principal payment due on the notes payable for the years ending December 31:

2023	\$	8,084
2024		8,165
2025		8,247
2026		8,330
2027		8,414
Thereafter		<u>30,118</u>
<b>Total</b>	<b>\$</b>	<b><u>71,358</u></b>

**5. Line of Credit**

JusticePoint has a line of credit in the amount of \$600,000 from Town Bank to enable it to meet expenses while awaiting grant disbursements. JusticePoint agreed to secure this line of credit with collateral defined as the inventory, chattel paper, accounts, equipment, general intangibles and fixtures of JusticePoint. The line matured on September 19, 2022 and accrued interest at 0.5 percentage point above index with a minimum rate of 3.75%. The line was renewed with a maturity date of September 19, 2023. The line accrues interest at 0.5 percentage point above the index with a minimum rate of 3.75%. The interest rate was 8.00% and 3.75% at December 31, 2022 and 2021, respectively. The line had an outstanding balance of \$0 and \$100,000 at December 31, 2022 and 2021, respectively. JusticePoint had interest expense of \$1,682 and \$1,081 for the years ended December 31, 2022 and 2021, respectively.

**6. Due to Milwaukee County**

JusticePoint has many fee-for-service and purchase of service contracts with Milwaukee County. Milwaukee County allows provider agencies to retain reserves funded by the County that are paid on the basis of a unit rate per unit of client service. JusticePoint is allowed to retain 5% of revenue received in excess of allowable costs incurred for contract periods paid on a unit rate basis. In a prior year, JusticePoint had revenues greater than the 5% allowed and therefore JusticePoint owes these funds back to the County. JusticePoint pays the County \$10,332 per month. The balance outstanding was \$355,446 and \$500,094 at December 31, 2022 and 2021, respectively. The following is the expected minimum principal payment due on the notes payable for the years ending December 31:

2023	\$	123,984
2024		123,984
2025		<u>107,478</u>
<b>Total</b>	<b>\$</b>	<b><u>355,446</u></b>



**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Notes to Consolidated Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**7. Leases**

The Organization has operating leases for office space in multiple locations. The Organization has remaining lease terms of 1 year to 3.25 years, some of which may include options to extend the leases for up to 6 years.

Operating lease expense for the year ended was \$180,196.

The weighted average remaining lease term as of December 31, 2022 was 6.81 years. The weighted average discount rate as of December 31, 2022 was 1.37%.

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

<b>Years Ending December 31,</b>		
2023	\$	170,490
2024		167,471
2025		171,459
2026		175,693
2027		180,114
Thereafter		259,821
<b>Total future minimum lease payments</b>		<u>1,125,048</u>
Less imputed interest		<u>(52,294)</u>
<b>Total</b>	<b>\$</b>	<b><u>1,072,754</u></b>

**8. Liquidity and Availability**

Financial assets available for general expenditure and other current contractual obligations, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position, comprise of the following at December 31:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Cash	\$ 383,553	\$ 306,974
Promises to give	---	12,500
Accounts receivable	<u>1,723,111</u>	<u>1,960,157</u>
<b>Total financial assets</b>	2,106,664	2,279,631
<b>Less amounts not available to be used within one year for general expenditures:</b>		
Assets pledged as collateral for line of credit	<u>---</u>	<u>(100,000)</u>
<b>Financial assets available to meet general expenditures within one year</b>	<u><b>\$ 2,106,664</b></u>	<u><b>\$ 2,179,631</b></u>

In addition to financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identifies the sources and uses of the Organization's cash.



**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Notes to Consolidated Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**9. Unemployment Reserve**

Sirona Recovery previously elected reimbursement financing under the provisions of Wisconsin unemployment compensation laws. Sirona Recovery had deposited funds in a depository account to meet state funding requirements. The required balance on deposit as of December 31, 2021 was \$4,313. This deposit was not available for the use of Sirona Recovery. During 2022, Sirona Recovery was notified by the State of Wisconsin they were no longer required to hold a balance on deposit and the account was closed.

**10. Concentrations**

JusticePoint received 37% and 43% of its total revenue from contracts with Milwaukee County for the years ended December 31, 2022 and 2021, respectively. JusticePoint received 25% and 24% of its total revenue from contracts with Ramsey County, Minnesota for the years ended December 31, 2022 and 2021, respectively.

Sirona Recovery received 75% and 79% of its total revenue from contracts with Milwaukee County for the years ended December 31, 2022 and 2021, respectively. Sirona Recovery received 11% and 12% of its revenue from contracts with Dodge County for the years ended December 31, 2022 and 2021, respectively.

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Organization maintains its cash with two financial institutions. The total cash balances of the Organization are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor, per bank. The Organization held cash throughout the year which, at times, may have exceeded the balance insured by the FDIC. The Organization monitors such credit risk and has not experienced any losses related to such risks.

**11. Net Assets with Donor Restrictions**

The Organization did not have any net assets with donor restriction at December 31, 2022.

Net assets with donor restriction are restricted for the following purposes or periods at December 31, 2021:

**Restricted for passage of time:**

Promises to give, net	\$ <u>12,500</u>
-----------------------	------------------

**12. Contingencies**

The Organization has received federal and state grants and contracts for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

**13. Reclassifications**

Certain reclassifications have been made to the 2021 consolidated financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**THE DIFFERENCE PRINCIPLE INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Consolidating Statement of Financial Position**  
December 31, 2022

	<u>The Difference Principle, Inc.</u>	<u>Sirona Recovery Inc.</u>	<u>Justice Point, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>					
Cash	\$ 77,570	\$ 109,243	\$ 196,740	\$ ---	\$ 383,553
<b>Receivables:</b>					
Intercompany receivable	1,040,914	---	---	(1,040,914)	---
Accounts receivable	35,574	242,211	1,445,326	---	1,723,111
<b>Total receivables</b>	<u>1,076,488</u>	<u>242,211</u>	<u>1,445,326</u>	<u>(1,040,914)</u>	<u>1,723,111</u>
Prepaid expenses	2,938	18,719	20,062	---	41,719
Security deposits	1,509	---	3,672	---	5,181
Right of use asset	639,099	7,047	408,826	---	1,054,972
Property and equipment, net	1,556	106,277	23,818	---	131,651
<b>Total assets</b>	<u>\$ 1,799,160</u>	<u>\$ 483,497</u>	<u>\$ 2,098,444</u>	<u>\$ (1,040,914)</u>	<u>\$ 3,340,187</u>
 <b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,754	\$ 11,126	\$ 172,867	\$ ---	\$ 185,747
Due to Milwaukee County	---	---	355,446	---	355,446
Other payables	---	---	1,343	---	1,343
Accrued payroll and related liabilities	75,144	118,481	364,121	---	557,746
Intercompany payable	---	340,040	700,874	(1,040,914)	---
Operating lease liability	649,180	7,177	416,397	---	1,072,754
Notes payable	---	71,358	---	---	71,358
<b>Total liabilities</b>	<u>726,078</u>	<u>548,182</u>	<u>2,011,048</u>	<u>(1,040,914)</u>	<u>2,244,394</u>
<b>Net Assets:</b>					
Without donor restrictions (deficiency)	<u>1,073,082</u>	<u>(64,685)</u>	<u>87,396</u>	<u>---</u>	<u>1,095,793</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,799,160</u>	<u>\$ 483,497</u>	<u>\$ 2,098,444</u>	<u>\$ (1,040,914)</u>	<u>\$ 3,340,187</u>

See Independent Auditors' Report.

**THE DIFFERENCE PRINCIPLE INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Consolidating Statement of Financial Position**  
December 31, 2021

<b>ASSETS</b>	<b>The Difference Principle, Inc.</b>	<b>Sirona Recovery Inc.</b>	<b>Justice Point, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
Cash	\$ 103,485	\$ 77,803	\$ 125,686	\$ ---	\$ 306,974
Cash - restricted	---	4,313	---	---	4,313
<b>Receivables:</b>					
Intercompany receivable	705,982	---	15,529	(721,511)	---
Promises to give, net	12,500	---	---	---	12,500
Accounts receivable	49,819	602,471	1,307,867	---	1,960,157
<b>Total receivables</b>	<b>768,301</b>	<b>602,471</b>	<b>1,323,396</b>	<b>(721,511)</b>	<b>1,972,657</b>
Prepaid expenses	832	20,971	39,351	---	61,154
Security deposits	9,553	---	3,672	---	13,225
Property and equipment, net	4,667	110,068	34,091	---	148,826
<b>Total assets</b>	<b>\$ 886,838</b>	<b>\$ 815,626</b>	<b>\$ 1,526,196</b>	<b>\$ (721,511)</b>	<b>\$ 2,507,149</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,068	\$ 21,255	\$ 196,611	\$ ---	\$ 219,934
Due to Milwaukee County	---	---	500,094	---	500,094
Other payables	---	---	1,100	---	1,100
Accrued payroll and related liabilities	72,740	130,261	326,709	---	529,710
Intercompany payable	---	587,102	134,409	(721,511)	---
Notes payable	---	79,361	---	---	79,361
Line of credit	---	---	100,000	---	100,000
<b>Total liabilities</b>	<b>74,808</b>	<b>817,979</b>	<b>1,258,923</b>	<b>(721,511)</b>	<b>1,430,199</b>
<b>Net Assets:</b>					
Without donor restrictions (deficiency)	799,530	(2,353)	267,273	---	1,064,450
With donor restrictions	12,500	---	---	---	12,500
<b>Total net assets (deficiency)</b>	<b>812,030</b>	<b>(2,353)</b>	<b>267,273</b>	<b>---</b>	<b>1,076,950</b>
<b>Total liabilities and net assets</b>	<b>\$ 886,838</b>	<b>\$ 815,626</b>	<b>\$ 1,526,196</b>	<b>\$ (721,511)</b>	<b>\$ 2,507,149</b>

See Independent Auditors' Report.

**THE DIFFERENCE PRINCIPLE INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Consolidating Statement of Activities**  
Year Ended December 31, 2022

	<u>The Difference Principle, Inc.</u>	<u>Sirona Recovery Inc.</u>	<u>Justice Point, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTION:</b>					
<b>Support and Revenues:</b>					
<b>Exchange transactions:</b>					
Assessment income	\$ ---	\$ 1,805	\$ ---	\$ ---	\$ 1,805
Administrative fee	1,794,579	---	---	(1,794,579)	---
Fee for service and purchase of service contracts	164,414	4,043,806	462,471	---	4,670,691
Program service revenue	---	---	12,638,658	---	12,638,658
Professional service revenue	395,819	---	---	(370,443)	25,376
Other income	78,590	14,585	48,993	---	142,168
<b>Total exchange transactions</b>	<u>2,433,402</u>	<u>4,060,196</u>	<u>13,150,122</u>	<u>(2,165,022)</u>	<u>17,478,698</u>
<b>Nonexchange transactions:</b>					
Contributions	42	147,171	726	---	147,939
Federal and state contracts	---	22,000	---	---	22,000
<b>Total nonexchange transactions</b>	<u>42</u>	<u>169,171</u>	<u>726</u>	<u>---</u>	<u>169,939</u>
Interest income	---	6	35	---	41
Rentals	---	9,284	---	---	9,284
Net assets released from restrictions	12,500	---	---	---	12,500
<b>Total support and revenues</b>	<u>2,445,944</u>	<u>4,238,657</u>	<u>13,150,883</u>	<u>(2,165,022)</u>	<u>17,670,462</u>
<b>Expenses:</b>					
Salaries and wages	1,622,473	2,617,576	7,653,175	---	11,893,224
Employee benefits	195,564	377,791	899,772	---	1,473,127
Payroll taxes	121,949	220,316	578,800	---	921,065
Accounting and auditing	3,882	9,999	30,181	---	44,062
Administrative fee	---	397,966	1,396,613	(1,794,579)	---
Client assistance	---	10,987	25,100	---	36,087
Consultation	6,510	---	---	---	6,510
Depreciation	3,111	3,791	10,273	---	17,175
Development and training	7,126	22,584	129,864	---	159,574
Drug testing	---	3,787	110,938	---	114,725
Dues and subscription	28,124	38,934	102,564	---	169,622
Equipment rental	---	18,255	66,186	---	84,441
GPS expense	---	8,017	838,115	---	846,132
House manager	---	10,900	---	---	10,900
Information technology	10,780	5,928	311,447	---	328,155
Insurance	3,778	35,326	36,780	---	75,884
Interest	---	757	1,682	---	2,439
Office supplies	28,911	17,761	102,635	---	149,307
Operating lease expense	62,866	60,688	56,642	---	180,196
Miscellaneous	5,526	11,840	12,805	---	30,171
Postage and shipping	1,068	1,904	9,208	---	12,180
Printing	2,047	4,825	14,444	---	21,316
Professional fees	2,250	169,096	328,812	(370,443)	129,715
Rent	---	107,587	23,691	---	131,278
Repairs and maintenance	18,090	22,227	54,529	---	94,846
Telephone	9,677	30,259	68,194	---	108,130
Travel	35,907	82,679	467,724	---	586,310
Utilities	2,753	9,209	586	---	12,548
<b>Total expenses</b>	<u>2,172,392</u>	<u>4,300,989</u>	<u>13,330,760</u>	<u>(2,165,022)</u>	<u>17,639,119</u>
<b>Change in net assets without donor restriction</b>	273,552	(62,332)	(179,877)	---	31,343
<b>Net assets without donor restriction, beginning of year</b>	799,530	(2,353)	267,273	---	1,064,450
<b>Net assets (deficiency) without donor restriction, end of year</b>	<u>\$ 1,073,082</u>	<u>\$ (64,685)</u>	<u>\$ 87,396</u>	<u>\$ ---</u>	<u>\$ 1,095,793</u>
<b>NET ASSETS WITH DONOR RESTRICTION:</b>					
Amounts released from restriction	(12,500)	---	---	---	(12,500)
<b>Change in net assets with donor restriction</b>	<u>(12,500)</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(12,500)</u>
<b>Net assets with donor restriction, beginning of year</b>	12,500	---	---	---	12,500
<b>Net assets with donor restriction, end of year</b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

See Independent Auditors' Report.

**THE DIFFERENCE PRINCIPLE INC. AND AFFILIATES**

Milwaukee, Wisconsin

**Consolidating Statement of Activities**

Year Ended December 31, 2021

	<u>The Difference Principle, Inc.</u>	<u>Sirona Recovery Inc.</u>	<u>Justice Point, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTION:</b>					
<b>Support and Revenues:</b>					
<b>Exchange transactions:</b>					
Assessment income	\$ ---	\$ 300	\$ ---	\$ ---	\$ 300
Administrative fee	1,499,595	---	---	(1,499,595)	---
Fee for service and purchase of service contracts	103,039	4,300,873	462,461	---	4,866,373
Program service revenue	---	---	10,464,417	---	10,464,417
Professional service revenue	406,750	---	---	(406,750)	---
Other income	64,143	853	20,813	---	85,809
<b>Total exchange transactions</b>	<u>2,073,527</u>	<u>4,302,026</u>	<u>10,947,691</u>	<u>(1,906,345)</u>	<u>15,416,899</u>
<b>Nonexchange transactions:</b>					
Contributions	12,600	177,184	132	---	189,916
Federal and state contracts	---	22,000	---	---	22,000
<b>Total nonexchange transactions</b>	<u>12,600</u>	<u>199,184</u>	<u>132</u>	<u>---</u>	<u>211,916</u>
Interest income	6	3	39	---	48
Rentals	---	7,380	---	---	7,380
Net assets released from restrictions	---	68,821	100,000	---	168,821
<b>Total support and revenues</b>	<u>2,086,133</u>	<u>4,577,414</u>	<u>11,047,862</u>	<u>(1,906,345)</u>	<u>15,805,064</u>
<b>Expenses:</b>					
Salaries and wages	1,252,966	2,776,304	6,508,662	---	10,537,932
Employee benefits	138,875	424,761	864,206	---	1,427,842
Payroll taxes	99,579	218,400	513,038	---	831,017
Accounting and auditing	39,487	36,329	74,842	---	150,658
Administrative fee	---	410,703	1,088,892	(1,499,595)	---
Client assistance	---	31,383	13,770	---	45,153
Consultation	42,813	18,698	---	---	61,511
Depreciation	3,111	3,926	13,358	---	20,395
Development and training	21,866	19,765	55,750	---	97,381
Drug testing	---	2,941	74,916	---	77,857
Dues and subscription	44,838	27,932	38,259	---	111,029
Educational materials	---	121	---	---	121
Equipment rental	---	18,932	57,407	---	76,339
GPS expense	---	---	810,098	---	810,098
House manager	---	10,000	---	---	10,000
Information technology	31,606	144	68,871	---	100,621
Insurance	5,752	26,712	40,958	---	73,422
Interest	---	408	1,122	---	1,530
Office supplies	38,587	22,774	78,268	---	139,629
Miscellaneous	13,780	14,065	32,434	---	60,279
Postage and shipping	3,817	2,339	3,864	---	10,020
Printing	4,362	12,224	5,392	---	21,978
Professional fees	14,438	218,156	275,578	(406,750)	101,422
Property taxes	---	3,730	---	---	3,730
Rent	43,777	270,951	62,460	---	377,188
Repairs and maintenance	32,604	15,855	130,646	---	179,105
Staff program supplies	---	3,551	---	---	3,551
Telephone	25,872	35,632	58,252	---	119,756
Travel	32,877	56,387	224,978	---	314,242
Utilities	3,749	13,140	4,710	---	21,599
<b>Total expenses</b>	<u>1,894,756</u>	<u>4,696,263</u>	<u>11,100,731</u>	<u>(1,906,345)</u>	<u>15,785,405</u>
<b>Change in net assets without donor restriction</b>	191,377	(118,849)	(52,869)	---	19,659
<b>Net assets without donor restriction, beginning of year</b>	766,587	113,027	165,177	---	1,044,791
Transfer of assets	(158,434)	3,469	154,965	---	---
<b>Net assets (deficiency) without donor restriction, end of year</b>	<u>\$ 799,530</u>	<u>\$ (2,353)</u>	<u>\$ 267,273</u>	<u>\$ ---</u>	<u>\$ 1,064,450</u>
<b>NET ASSETS WITH DONOR RESTRICTION:</b>					
Contributions	12,500	---	---	---	12,500
Amounts released from restriction	---	(68,821)	(100,000)	---	(168,821)
<b>Change in net assets with donor restriction</b>	<u>12,500</u>	<u>(68,821)</u>	<u>(100,000)</u>	<u>---</u>	<u>(156,321)</u>
<b>Net assets with donor restriction, beginning of year</b>	<u>---</u>	<u>68,821</u>	<u>100,000</u>	<u>---</u>	<u>168,821</u>
<b>Net assets with donor restriction, end of year</b>	<u>\$ 12,500</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 12,500</u>

See Independent Auditors' Report.

**THE DIFFERENCE PRINCIPLE INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Schedule of Revenues and Expenses by Program - Sirona Recovery, Inc.**

Year Ended December 31, 2022

With Summarized Totals for the Year Ended December 31, 2021

	Program Services		Total Program Services	Management and General	Fundraising	2022 Total	2021 Total
	Behavioral Health	Housing					
<b>Support and Revenues:</b>							
<b>Exchange transactions:</b>							
Assessment income	\$ 1,805	\$ ---	\$ 1,805	\$ ---	\$ ---	\$ 1,805	\$ 300
Other income	14,585	---	14,585	---	---	14,585	853
<b>Fee for service and purchase of service contracts:</b>							
Milwaukee County	2,908,555	268,937	3,177,492	---	---	3,177,492	3,575,930
Dodge County	460,838	---	460,838	---	---	460,838	535,423
Marathon County	193,322	---	193,322	---	---	193,322	13,203
Ozaukee County	212,154	---	212,154	---	---	212,154	176,317
<b>Total fee for service and purchase of service contracts</b>	<b>3,774,869</b>	<b>268,937</b>	<b>4,043,806</b>	<b>---</b>	<b>---</b>	<b>4,043,806</b>	<b>4,300,873</b>
<b>Total exchange transactions:</b>	<b>3,791,259</b>	<b>268,937</b>	<b>4,060,196</b>	<b>---</b>	<b>---</b>	<b>4,060,196</b>	<b>4,302,026</b>
<b>Nonechange transactions:</b>							
Contributions	45,035	101,000	146,035	25	1,111	147,171	177,184
Federal and state contracts	22,000	---	22,000	---	---	22,000	22,000
<b>Total nonechange transactions:</b>	<b>67,035</b>	<b>101,000</b>	<b>168,035</b>	<b>25</b>	<b>1,111</b>	<b>169,171</b>	<b>199,184</b>
Interest income	---	---	---	6	---	6	3
Rentals	9,284	---	9,284	---	---	9,284	7,380
<b>Total support and revenues</b>	<b>3,867,578</b>	<b>369,937</b>	<b>4,237,515</b>	<b>31</b>	<b>1,111</b>	<b>4,238,657</b>	<b>4,508,593</b>
<b>Expenses:</b>							
Salaries and wages	2,381,265	236,217	2,617,482	94	---	2,617,576	2,776,304
Employee benefits	352,692	25,095	377,787	4	---	377,791	424,761
Payroll taxes	198,821	21,481	220,302	14	---	220,316	218,400
Accounting and auditing	7,632	876	8,508	1,491	---	9,999	36,329
Administrative fee	363,632	34,334	397,966	---	---	397,966	410,703
Client assistance	5,570	5,417	10,987	---	---	10,987	31,383
Consultation	---	---	---	---	---	---	18,698
Depreciation	3,791	---	3,791	---	---	3,791	3,926
Development and training	19,881	2,199	22,080	504	---	22,584	19,765
Drug testing	3,787	---	3,787	---	---	3,787	2,941
Dues and subscription	34,810	3,776	38,586	348	---	38,934	27,932
Educational materials	---	---	---	---	---	---	121
Equipment rental	16,594	1,661	18,255	---	---	18,255	18,932
GPS expense	8,017	---	8,017	---	---	8,017	---
House manager	10,900	---	10,900	---	---	10,900	10,000
Information technology	5,430	476	5,906	22	---	5,928	144
Insurance	31,828	3,874	35,702	(376)	---	35,326	26,712
Interest	757	---	757	---	---	757	408
Office supplies	16,328	1,077	17,405	356	---	17,761	22,774
Operating lease expense	53,597	7,091	60,688	---	---	60,688	---
Miscellaneous	2,687	162	2,849	7,455	1,536	11,840	14,065
Postage and shipping	1,711	54	1,765	139	---	1,904	2,339
Printing	3,780	474	4,254	571	---	4,825	12,224
Professional fees	152,934	15,925	168,859	237	---	169,096	218,156
Property taxes	---	---	---	---	---	---	3,730
Rent	93,714	13,873	107,587	---	---	107,587	270,951
Repairs and maintenance	22,002	225	22,227	---	---	22,227	15,855
Staff program supplies	---	---	---	---	---	---	3,551
Telephone	27,337	2,918	30,255	4	---	30,259	35,632
Travel	78,786	2,839	81,625	1,054	---	82,679	56,387
Utilities	8,777	432	9,209	---	---	9,209	13,140
<b>Total expenses</b>	<b>3,907,060</b>	<b>380,476</b>	<b>4,287,536</b>	<b>11,917</b>	<b>1,536</b>	<b>4,300,989</b>	<b>4,696,263</b>
<b>Change in net assets</b>	<b>\$ (39,482)</b>	<b>\$ (10,539)</b>	<b>\$ (50,021)</b>	<b>\$ (11,886)</b>	<b>\$ (425)</b>	<b>\$ (62,332)</b>	<b>\$ (187,670)</b>

See Independent Auditors' Report.

**THE DIFFERENCE PRINCIPLE INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Schedule of Revenues and Expenses by Program - Justice Point, Inc.**  
Year Ended December 31, 2022  
With Summarized Totals for the Year Ended December 31, 2021

	<u>Program Services</u>		<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
	<u>Court Services</u>	<u>Electronic Monitoring</u>					
<b>Support and Revenues:</b>							
<b>Exchange transactions:</b>							
<b>Fee for service contracts:</b>							
Milwaukee County	\$ 462,471	\$ ---	\$ 462,471	\$ ---	\$ ---	\$ 462,471	\$ 462,461
<b>Program service revenue:</b>							
Milwaukee County	4,426,609	---	4,426,609	---	---	4,426,609	4,214,985
Adams County	99,229	---	99,229	---	---	99,229	92,825
Bloomington	56,479	---	56,479	---	---	56,479	---
City of Milwaukee	487,000	---	487,000	---	---	487,000	486,345
Clark County	89,399	---	89,399	---	---	89,399	---
Dodge County	276,045	---	276,045	---	---	276,045	262,123
Electronic monitoring	---	1,017,708	1,017,708	---	---	1,017,708	1,029,173
Rock County	485,998	---	485,998	---	---	485,998	419,736
Portage	309,596	---	309,596	---	---	309,596	295,430
Racine	382,956	---	382,956	---	---	382,956	365,318
Ramsey County	3,250,888	---	3,250,888	---	---	3,250,888	2,621,657
Sawyer County	333,105	---	333,105	---	---	333,105	164,063
State Department of Corrections	1,236,492	117,605	1,354,097	---	---	1,354,097	413,559
St. Croix County	---	---	---	---	---	---	25,384
Washington County	69,549	---	69,549	---	---	69,549	73,819
<b>Total program service revenue</b>	<b>11,503,345</b>	<b>1,135,313</b>	<b>12,638,658</b>	<b>---</b>	<b>---</b>	<b>12,638,658</b>	<b>10,464,417</b>
Other income	2,858	---	2,858	6,030	40,105	48,993	20,813
<b>Total exchange transactions</b>	<b>11,968,674</b>	<b>1,135,313</b>	<b>13,103,987</b>	<b>6,030</b>	<b>40,105</b>	<b>13,150,122</b>	<b>10,947,691</b>
<b>Nonexchange transactions:</b>							
Contributions	---	---	---	---	726	726	132
<b>Total nonexchange transactions</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>726</b>	<b>726</b>	<b>132</b>
Interest income	---	---	---	5	30	35	39
<b>Total support and revenues</b>	<b>11,968,674</b>	<b>1,135,313</b>	<b>13,103,987</b>	<b>6,035</b>	<b>40,861</b>	<b>13,150,883</b>	<b>10,947,862</b>
<b>Expenses:</b>							
Salaries and wages	7,004,295	636,128	7,640,423	12,752	---	7,653,175	6,508,662
Employee benefits	848,196	49,876	898,072	1,700	---	899,772	864,206
Payroll taxes	529,066	48,754	577,820	980	---	578,800	513,038
Accounting and auditing	25,163	3,465	28,628	1,553	---	30,181	74,842
Administrative fee	1,143,234	253,379	1,396,613	---	---	1,396,613	1,088,892
Client assistance	25,100	---	25,100	---	---	25,100	13,770
Depreciation	6,523	2,011	8,534	1,739	---	10,273	13,358
Development and training	112,855	9,330	122,185	7,679	---	129,864	55,750
Drug testing	47,026	63,912	110,938	---	---	110,938	74,916
Dues and subscription	80,928	13,203	94,131	8,433	---	102,564	38,259
Equipment rental	60,433	5,710	66,143	43	---	66,186	57,407
GPS expense	98,431	739,684	838,115	---	---	838,115	810,098
Information technology	298,704	2,105	300,809	10,638	---	311,447	68,871
Insurance	32,717	4,015	36,732	48	---	36,780	40,958
Interest	---	---	---	1,682	---	1,682	1,122
Office supplies	85,439	7,797	93,236	9,399	---	102,635	78,268
Operating lease expense	56,067	575	56,642	---	---	56,642	---
Miscellaneous	2,657	6,938	9,595	2,557	653	12,805	32,434
Postage and shipping	5,019	4,177	9,196	12	---	9,208	3,864
Printing	12,727	1,076	13,803	641	---	14,444	5,392
Professional fees	155,158	138,581	293,739	35,073	---	328,812	275,578
Rent	23,691	---	23,691	---	---	23,691	62,460
Repairs and maintenance	46,875	7,433	54,308	221	---	54,529	130,646
Telephone	53,548	14,233	67,781	413	---	68,194	58,252
Travel	107,274	346,617	453,891	13,833	---	467,724	224,978
Utilities	586	---	586	---	---	586	4,710
<b>Total expenses</b>	<b>10,861,712</b>	<b>2,358,999</b>	<b>13,220,711</b>	<b>109,396</b>	<b>653</b>	<b>13,330,760</b>	<b>11,100,731</b>
<b>Change in net assets</b>	<b>\$ 1,106,962</b>	<b>\$ (1,223,686)</b>	<b>\$ (116,724)</b>	<b>\$ (103,361)</b>	<b>\$ 40,208</b>	<b>\$ (179,877)</b>	<b>\$ (152,869)</b>

See Independent Auditors' Report.

**THE DIFFERENCE PRINCIPLE INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Schedule of Revenues and Expenses by Program - The Difference Principle, Inc.**  
Year Ended December 31, 2022  
With Summarized Totals for the Year Ended December 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
<b>Support and Revenues:</b>					
<b>Exchange transactions:</b>					
Administrative fee	\$ ---	\$ 1,794,579	\$ ---	\$ 1,794,579	\$ 1,499,595
Fee for service contracts	164,414	---	---	164,414	103,039
Professional service revenue	---	395,819	---	395,819	406,750
Other income	---	78,590	---	78,590	64,143
<b>Total exchange transactions</b>	<b>164,414</b>	<b>2,268,988</b>	<b>---</b>	<b>2,433,402</b>	<b>2,073,527</b>
<b>Nonexchange transactions:</b>					
Contributions	42	---	---	42	25,100
<b>Total nonexchange transactions</b>	<b>42</b>	<b>---</b>	<b>---</b>	<b>42</b>	<b>25,100</b>
Interest income	---	---	---	---	6
<b>Total support and revenues</b>	<b>164,456</b>	<b>2,268,988</b>	<b>---</b>	<b>2,433,444</b>	<b>2,098,633</b>
<b>Expenses:</b>					
Salaries and wages	81,124	1,541,349	---	1,622,473	1,252,966
Employee benefits	9,778	185,786	---	195,564	138,875
Payroll taxes	6,097	115,852	---	121,949	99,579
Accounting and auditing	194	3,688	---	3,882	39,487
Consultation	326	6,184	---	6,510	42,813
Depreciation	156	2,955	---	3,111	3,111
Development and training	356	6,770	---	7,126	21,866
Dues and subscription	2,990	25,134	---	28,124	44,838
Information technology	539	10,241	---	10,780	31,606
Insurance	189	3,589	---	3,778	5,752
Office supplies	1,793	27,118	---	28,911	38,587
Operating lease expense	3,143	59,723	---	62,866	---
Miscellaneous	276	5,250	---	5,526	13,780
Postage and shipping	99	969	---	1,068	3,817
Printing	102	1,945	---	2,047	4,362
Professional fees	2,250	---	---	2,250	14,438
Rent	---	---	---	---	43,777
Repairs and maintenance	905	17,185	---	18,090	32,604
Telephone	770	8,907	---	9,677	25,872
Travel	2,774	33,133	---	35,907	32,877
Utilities	---	2,753	---	2,753	3,749
<b>Total expenses</b>	<b>113,861</b>	<b>2,058,531</b>	<b>---</b>	<b>2,172,392</b>	<b>1,894,756</b>
<b>Change in net assets</b>	<b>\$ 50,595</b>	<b>\$ 210,457</b>	<b>\$ ---</b>	<b>\$ 261,052</b>	<b>\$ 203,877</b>

See Independent Auditors' Report.



**THE DIFFERENCE PRINCIPLE INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Schedule of Revenues and Expenses for DHS Contracts - Sirona Recovery, Inc.**  
Year Ended December 31, 2022

	Access Point	Recovery Support Coordination	Comprehensive Community Support	St. Anthony	United House	Chronic Homeless Case Management	Pathways to Permanent Housing	Intensive Supervision Services	Crisis Intervention	Total
<b>Revenue:</b>										
Milwaukee County	\$ 87,420	\$ 1,393,818	\$ 1,427,317	\$ 50,000	\$ 109,228	\$ 56,250	\$ 53,459	\$ ---	\$ ---	\$ 3,177,492
Marathon County	---	---	---	---	---	---	---	193,322	---	193,322
Ozaukee County	---	---	---	---	---	---	---	---	30,000	30,000
Heartland Housing	---	---	---	100,000	---	---	---	---	---	100,000
Contributions	---	---	---	---	175	575	250	---	26,622	27,622
Other income	---	---	26	---	---	---	---	---	---	26
United Way	---	---	---	---	---	---	---	---	15,377	15,377
<b>Total revenue</b>	<b>87,420</b>	<b>1,393,818</b>	<b>1,427,343</b>	<b>150,000</b>	<b>109,403</b>	<b>56,825</b>	<b>53,709</b>	<b>193,322</b>	<b>71,999</b>	<b>3,543,839</b>
<b>Expenses:</b>										
Salaries and wages	39,030	860,250	939,078	109,563	60,898	38,748	27,007	104,642	30,464	2,209,680
Employee benefits	3,045	98,155	148,498	11,885	4,189	6,552	2,469	16,742	453	291,988
Payroll taxes	3,262	72,622	78,050	9,838	5,435	3,701	2,507	8,576	3,189	187,180
Accounting and auditing	54	2,589	3,344	413	245	170	49	281	134	7,279
Administrative fee	7,573	123,145	137,601	13,903	9,930	5,518	4,983	32,221	6,151	341,025
Client assistance	---	4,822	315	---	395	227	4,795	---	---	10,554
Depreciation	---	1,328	---	---	---	---	---	---	---	1,328
Development and training	105	6,316	7,125	1,142	660	481	62	1,201	218	17,310
Drug testing	---	---	---	---	---	---	---	149	---	149
Dues and subscription	155	10,359	13,713	1,220	1,816	697	42	800	1,333	30,135
Equipment rental	---	5,742	6,886	797	413	300	151	643	612	15,544
Information technology	42	1,831	2,316	244	133	99	---	199	85	4,949
Insurance	352	10,693	13,090	1,776	947	642	509	1,389	637	30,035
Office supplies	41	5,062	4,062	260	223	236	357	706	1,330	12,277
Operating lease expense	---	29,086	24,511	---	7,091	---	---	---	---	60,688
Miscellaneous	---	---	---	---	---	15	---	---	293	308
Postage and shipping	7	173	1,041	29	15	11	---	42	168	1,486
Printing	3	1,484	1,467	133	145	88	108	---	463	3,891
Professional fees	28,964	61,851	9,147	612	14,956	227	130	19,055	17,954	152,896
Rent	---	---	72,588	---	---	---	13,873	---	---	87,153
Repairs and maintenance	141	13,059	5,516	---	225	---	---	---	682	19,623
Telephone	273	10,581	11,547	1,055	1,304	290	269	1,007	1,245	27,571
Travel	258	33,674	31,181	61	2	2,693	83	5,669	52	73,673
Utilities	---	1,777	2,534	---	337	---	95	---	1,500	6,243
<b>Total expenses</b>	<b>83,305</b>	<b>1,354,599</b>	<b>1,513,610</b>	<b>152,931</b>	<b>109,359</b>	<b>60,695</b>	<b>57,489</b>	<b>193,322</b>	<b>67,655</b>	<b>3,592,965</b>
<b>Change in net assets</b>	<b>\$ 4,115</b>	<b>\$ 39,219</b>	<b>\$ (86,267)</b>	<b>\$ (2,931)</b>	<b>\$ 44</b>	<b>\$ (3,870)</b>	<b>\$ (3,780)</b>	<b>\$ ---</b>	<b>\$ 4,344</b>	<b>\$ (49,126)</b>

See Independent Auditors' Report.

**THE DIFFERENCE PRINCIPLE INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Reserve Supplemental Schedule - Sirona Recovery, Inc. - Comprehensive Community Support**  
Year Ended December 31, 2022

1. Total units of service	66,504
2. Allowable expenses for rate-based service	\$ 1,513,610
3. Total revenue for rate-based service	\$ 1,427,343
4. Excess revenue (deficiency) over expenses to be applied to revenue	\$ (86,267)
5. Calculation of reserve and amounts due to purchasers:	

	Revenue From Purchaser	Purchaser's Share of Total Revenue	Purchaser's Share of Excess (Deficiency)	5% Cap on Excess Reserves	Amount Due to Purchaser
Milwaukee County	\$ 1,427,317	100.00%	\$ (86,265)	\$ 71,366	\$ ---

See Independent Auditors' Report

**THE DIFFERENCE PRINCIPLE INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Reserve Supplemental Schedule - Sirona Recovery, Inc. - Recovery Support Coordination**  
Year Ended December 31, 2022

1. Total units of service	81,596
2. Allowable expenses for rate-based service	\$ 1,354,599
3. Total revenue for rate-based service	\$ 1,393,818
4. Excess revenue (deficiency) over expenses to be applied to revenue	\$ 39,219
5. Calculation of reserve and amounts due to purchasers:	

	Revenue From Purchaser	Purchaser's Share of Total Revenue	Purchaser's Share of Excess (Deficiency)	5% Cap on Excess Reserves	Amount Due to Purchaser
Milwaukee County	\$ 1,393,818	100.00%	\$ 39,219	\$ 69,691	\$ ---

See Independent Auditors' Report



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE CONSOLIDATED  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
AND THE WISCONSIN DEPARTMENT OF HEALTH SERVICES AUDIT GUIDE**

To the Board of Directors of  
The Difference Principle, Inc. and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Wisconsin DHS Audit Guide, the consolidated financial statements of The Difference Principle, Inc. and Affiliates (a nonprofit organization) ("Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 27, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the Wisconsin DHS Audit Guide.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Wisconsin DHS Audit Guide in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 27, 2023  
Milwaukee, Wisconsin

**THE DIFFERENCE PRINCIPLE, INC.**  
Milwaukee, Wisconsin

**Schedule of Expenditures of Federal Awards and Other Contracts**  
Year Ended December 31, 2022

Contractor Pass-Through Contractor Program Name	Contract #	Federal Assistance Listing Number	Fee for Service Revenue	Purchase of Service Expenditures	Federal Expenditures
<b>Wisconsin Department of Health Services:</b>					
<b>Passed through Milwaukee County Department of Health and Human Services</b>					
Pathways to Permanent Housing	40-22350-500c	N/A	\$ ---	\$ 53,459	\$ ---
Chronic Homeless Case Management	40-22350-500	N/A	---	56,250	---
Recovery Support Coordination ("RSC")	BHS-FFS893-032022	N/A	1,393,818	---	---
Comprehensive Community Services ("CCS")	BHS-FFS893-032022	N/A	1,427,317	---	---
Access Point	BHS-FFS893-032022	N/A	87,420	---	---
Supportive Housing - St. Anthony's	40-22350-500	N/A	---	50,000	---
Supportive Housing - United House	40-22350-500	N/A	---	109,228	---
<b>Total Milwaukee County Department of Health and Human Services</b>			2,908,555	268,937	---
<b>Passed through Ozaukee County Department of Human Services</b>					
Substance Abuse Prevention and Treatment Block Grant	Unknown	93.959	---	---	22,000
<b>Passed through Dodge County</b>					
Opioid Treatment Center Programming	Unknown	N/A	409,783	---	---
Medically Assisted Treatment and Prevention Services	Unknown	N/A	51,056	---	---
<b>Total Dodge County</b>			460,839	---	---
<b>Passed through Marathon County</b>					
Intensive Support Services	Unknown	N/A	---	193,322	---
<b>Total Wisconsin Department of Health Services</b>			3,369,394	462,259	22,000
<b>Wisconsin Department of Justice:</b>					
<b>Passed through Ozaukee County, Department of Human Services</b>					
Treatment Alternatives and Diversion	Unknown	N/A	182,153	---	---
<b>Passed through Milwaukee County</b>					
Treatment Alternatives and Diversion	2022-TD-01/02-17003	N/A	462,471	---	---
<b>Total Wisconsin Department of Justice</b>			644,624	---	---
<b>Ozaukee County:</b>					
Crisis Intervention	Unknown	N/A	30,000	---	---
<b>Total Expenditures</b>			\$ 4,044,018	\$ 462,259	\$ 22,000

See Independent Auditors' Report and  
Notes to Schedule of Expenditures of Federal Awards and Other Contracts

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Notes to Schedule of Expenditures of Federal Awards and Other Contracts**  
December 31, 2022

**1. Basis of Presentation**

The accompanying "Schedule of Expenditures of Federal Awards and Other Contracts" ("the Schedule") includes the federal award and fee for service and purchase of service activity of the Organization under programs of the federal and state government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of the Wisconsin DHS Audit Guide.

**2. Summary of Significant Accounting Policies**

The Organization is considered a contractor and not a subrecipient in the programs with no federal assistance listing number provided on the Schedule.

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

The Organization did not disburse any funds to subrecipients for the year ended December 31, 2022.

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

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

There were no prior year findings.



**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**

Milwaukee, Wisconsin

**Schedule of Findings and Responses**

Year Ended December 31, 2022

**Section I. Summary of Auditors' Results**

**Consolidated Financial Statements**

- |   |            |
|---|------------|
| 1. Type of auditors' report issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP: | Unmodified |
| 2. Internal control over financial reporting:   |            |
| A. Significant deficiency(ies) identified?  | None noted |
| B. Material weaknesses identified?  | No         |
| 3. Noncompliance material to the consolidated financial statements?   | None noted |

**DHS Awards**

- |   |            |
|---|------------|
| 4. Internal control over major program:                           |            |
| A. Significant deficiency(ies) identified?                        | None noted |
| B. Material weaknesses identified?                                | No         |
| 5. Any audit findings disclosed that are required to be reported? | No         |
| 6. Identification of major DHS program(s):                        |            |
| Recovery Support Coordination                                     |            |
| Marathon County - Intensive Support Services                      |            |

**Section II. Financial Statement Findings**

No matters were reported

**Section III. DHS Award Findings**

No matters were reported

**THE DIFFERENCE PRINCIPLE, INC. AND AFFILIATES**  
Milwaukee, Wisconsin

**Schedule of Findings and Responses**  
Year Ended December 31, 2022  
(Continued)

**Section IV. Other Issues**

- |   |  |
|---|--|
| 1. Does the auditors' report or the notes to the consolidated financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?  | No   |
| 2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the <i>Wisconsin DHS Audit Guide</i> :<br><br>Department of Health Services | No   |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?   | Yes  |
| 4. Name and signature of partner  | <hr style="width: 25%; margin-left: auto; margin-right: 0;"/> Brian J. Mechenich |
| 5. Date of Report   | June 27, 2023  |