Children's Place Association and Its Affiliated Organizations

Independent Auditor's Report, Consolidated Financial Statements and Supplementary Information

June 30, 2022 and 2021

Children's Place Association
and Its Affiliated Organizations
June 30, 2022 and 2021

Contents

FORVIS

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Independent Auditor's Report

Board of Directors
Children's Place Association
and Its Affiliated Organizations
Chicago, Illinois

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Children's Place Association and Its Affiliated Organizations, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Children's Place Association and Its Affiliated Organizations as of June 30, 2022 and 2021, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statement section of our report. We are required to be independent of Children's Place Association and Its Affiliated Organizations 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 opinion.

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 Children's Place Association and Its Affiliated Organizations' ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, 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 Children's Place Association and Its Affiliated Organizations' 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 Children's Place Association and Its Affiliated Organizations ' 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.

FORVIS, LLP

Oakbrook Terrace, Illinois
December 21, 2023

Children's Place Association
and Its Affiliated Organizations
Consolidated Statements of Financial Position
June 30, 2022 and 2021

Assets

	2022	2021
Current Assets		
Cash and cash equivalents	$ 262,269	$ 156,207
Accounts receivable	1,935,202	1,083,268
Interest receivable	152	151
Investments	1,059,970	1,915,237
Prepaid expenses	22,159	24,873
Deposits	193,132	196,560
Total current assets	3,472,884	3,376,296
Property and Equipment		
Land	271,110	271,110
Buildings and improvements	8,097,154	8,098,846
Furniture and fixtures	301,585	301,585
Equipment	920,370	918,737
	9,590,219	9,590,278
Less accumulated depreciation	4,235,441	3,937,743
	5,354,778	5,652,535
Other Assets		
Investments held for deferred compensation plan	-	150,246
Total assets	$ 8,827,662	$ 9,179,077

Liabilities and Net Assets

	2022	2021
Current Liabilities		
Accounts payable	$ 504,407	$ 327,624
Line of credit	200,000	450,000
Current maturities of notes payable	28,481	38,829
Accrued payroll and payroll taxes	247,396	303,599
Margin loan	228,553	-
Refundable advances	-	520,442
Other accrued liabilities	91,819	83,469
Total current liabilities	1,300,656	1,723,963
Long-Term Liabilities		
Deferred compensation plan liability	-	150,246
Notes payable, less current maturities	409,501	441,411
	409,501	591,657
Total liabilities	1,710,157	2,315,620

Net Assets

	2022	2021
Net Assets Without Donor Restrictions		
Undesignated	1,778,354	1,419,417
Net investment in property and equipment	4,916,796	5,172,295
Total net assets without donor restrictions	6,695,150	6,591,712
Net Assets With Donor Restrictions	422,355	271,745
Total net assets	7,117,505	6,863,457
Total liabilities and net assets	$ 8,827,662	$ 9,179,077

Children's Place Association
and Its Affiliated Organizations
Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

	2022	2021
Net Assets Without Donor Restrictions		
Revenue, gains and other support		
Revenue and grants from government agencies	$ 6,127,802	$ 5,510,866
Contributions for programs, restrictions met in current year	437,650	794,249
Special events	414,957	104,520
Investment return, net	(134,866)	468,591
Fees and other revenues	608,759	574,415
Paycheck Protection Program loan	520,442	-
Net assets released from restrictions	17,890	-
Total revenue, gains and other support	7,992,634	7,452,641
Expenses		
Program services	6,139,938	6,164,885
Supporting services		
Management and general	984,627	860,953
Fundraising	764,631	657,370
Total supporting services	1,749,258	1,518,323
Total expenses	7,889,196	7,683,208
Change in Net Assets Without Donor Restrictions	103,438	(230,567)
Net Assets With Donor Restrictions		
Contributions	168,500	-
Net assets released from restrictions	(17,890)	-
Change in Net Assets With Donor Restrictions	150,610	-
Change in Net Assets	254,048	(230,567)
Net Assets, Beginning of Year	6,863,457	7,094,024
Net Assets, End of Year	$ 7,117,505	$ 6,863,457

Children's Place Association
and Its Affiliate Organization
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services			
	Child and Family Support Services	**Child Thrive**	**West Humboldt Place**	**Foster Care**
Functional Expenses				
Salaries	$ 164,349	$ 93,267	$ 96,338	$ 990,988
Employee benefits	19,089	8,211	13,811	115,100
Payroll taxes, etc.	11,806	6,700	6,921	71,190
Total salaries and related expenses	195,244	108,178	117,070	1,177,278
Professional fees	4,081	13,829	180	55,096
Supplies	62,325	4,339	1,883	33,160
Telephone	4,662	1,788	4,202	9,655
Postage and shipping	(65)	73	-	138
Occupancy	77,407	7,118	40,997	135,134
Interest and bank service charges	-	-	-	-
Rental and maintenance of equipment	7,700	3,715	-	6,073
Printing and publications	-	-	-	-
Travel and transportation	304	-	-	9,733
Conference, conventions and meetings	-	-	-	-
Specific assistance to individuals	-	-	-	581,427
Membership dues	-	-	-	-
Insurance	2,759	2,496	15,586	69,373
Other expenses	1,407	1,372	62	5,546
Special event - cost of direct benefit to participants	-	-	-	-
Depreciation and amortization	18,131	-	240,037	3,226
Total expenses included in the expense section on the consolidated statement of activities	$ 373,955	$ 142,908	$ 420,017	$ 2,085,839

Program Services			Supporting Services			
Early Learning Programs	International	Total	Management and General	Fundraising	Total	Total
$ 1,713,926	$ 297,531	$ 3,356,399	$ 512,675	$ 437,387	$ 950,062	$ 4,306,461
199,067	34,557	389,835	59,546	50,801	110,347	500,182
123,123	21,374	241,114	36,829	31,421	68,250	309,364
2,036,116	353,462	3,987,348	609,050	519,609	1,128,659	5,116,007
60,309	18,919	152,414	247,247	66,313	313,560	465,974
126,521	4,420	232,648	10,626	20,038	30,664	263,312
14,763	1,592	36,662	7,135	1,799	8,934	45,596
(50)	191	287	998	210	1,208	1,495
109,905	1,024	371,585	16,501	1,154	17,655	389,240
-	674	674	19,417	10,438	29,855	30,529
7,761	3,018	28,267	21,460	2,632	24,092	52,359
-	-	-	94	339	433	433
160	1,466	11,663	1,876	2,860	4,736	16,399
784	-	784	-	-	-	784
564	293,663	875,654	309	-	309	875,963
-	500	500	300	1,096	1,396	1,896
25,961	14,543	130,718	24,960	940	25,900	156,618
8,154	44	16,585	14,333	2,877	17,210	33,795
-	671	671	6,573	133,795	140,368	141,039
30,778	1,306	293,478	3,748	531	4,279	297,757
$ 2,421,726	$ 695,493	$ 6,139,938	$ 984,627	$ 764,631	$ 1,749,258	$ 7,889,196

Children's Place Association
and Its Affiliated Organizations
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			
	Child and Family Support Services	Child Thrive	West Humboldt Place	Foster Care
Functional Expenses				
Salaries	$ 151,986	$ 57,191	$ 59,075	$ 916,439
Employee benefits	17,878	4,001	6,729	102,578
Payroll taxes, etc.	14,547	5,474	5,654	87,712
Total salaries and related expenses	184,411	66,666	71,458	1,106,729
Professional fees, including nurses' salaries and related expenses of approximately $611,065	5,092	9,705	-	134,932
Supplies	52,619	3,663	1,590	27,996
Telephone	20,704	518	10,370	23,330
Postage and shipping	752	40	-	1,139
Occupancy	78,042	7,176	41,333	136,242
Interest and bank service charges	2,412	2,022	-	8,087
Rental and maintenance of equipment	18	18	-	71
Printing and publications	10,302	552	-	15,594
Travel and transportation	1,151	1,133	2,705	59,524
Conference, conventions and meetings	-	-	-	300
Specific assistance to individuals	16,415	3	1,649	615,762
Membership dues	327	327	-	1,468
Insurance	2,436	2,204	13,760	61,246
Other expenses	925	902	41	3,646
Special event - cost of direct benefit to participants	130	-	-	-
Depreciation and amortization	18,808	-	249,002	3,346
Total expenses included in the expense section on the consolidated statement of activities	$ 394,544	$ 94,929	$ 391,908	$ 2,199,412

Program Services			Supporting Services			
Early Learning Programs	International	Total	Management and General	Fundraising	Total	Total
$ 1,584,993	$ 275,149	$ 3,044,833	$ 474,108	$ 404,484	$ 878,592	$ 3,923,425
183,209	30,670	345,065	55,473	45,740	101,213	446,278
151,699	26,334	291,420	45,377	38,713	84,090	375,510
1,919,901	332,153	3,681,318	574,958	488,937	1,063,895	4,745,213
132,979	15,343	298,051	190,872	46,446	237,318	535,369
106,817	3,732	196,417	8,971	16,917	25,888	222,305
18,579	4,192	77,693	5,175	5,142	10,317	88,010
873	99	2,903	404	1,626	2,030	4,933
110,806	1,032	374,631	16,636	1,163	17,799	392,430
8,087	-	20,608	20,218	-	20,218	40,826
71	-	178	177	-	177	355
11,959	1,352	39,759	5,524	22,255	27,779	67,538
6,585	10	71,108	270	130	400	71,508
-	915	1,215	-	-	-	1,215
12,070	314,505	960,404	27	-	27	960,431
2,205	4,793	9,120	3,269	2,436	5,705	14,825
22,920	12,839	115,405	22,036	830	22,866	138,271
5,360	29	10,903	8,589	1,891	10,480	21,383
-	604	734	-	69,046	69,046	69,780
31,927	1,355	304,438	3,827	551	4,378	308,816
$ 2,391,139	$ 692,953	$ 6,164,885	$ 860,953	$ 657,370	$ 1,518,323	$ 7,683,208

Children's Place Association and its Affiliated Organizations

Consolidated Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	$ 254,048	$ (230,567)
Items not requiring (providing) cash		
Depreciation and amortization	297,757	308,816
Net realized and unrealized (gains) losses on investments	170,315	(469,279)
Forgiveness of Paycheck Protection Program loan	(520,442)	-
Changes in		
Accounts receivable	(851,934)	35,387
Interest receivable	(1)	1,307
Prepaid expenses	2,714	17,800
Deposits	3,428	40,434
Accounts payable	176,783	(57,183)
Accrued payroll and payroll taxes	(56,203)	(96,315)
Deferred compensation plan liability	-	37,287
Other accrued liabilities	8,350	(49,922)
Refundable advances	-	230,903
Net cash used in operating activities	(515,185)	(231,332)
Investing Activities		
Purchase of property and equipment	-	(42,530)
Proceeds from disposition of investments	740,976	62,474
Purchases of investments	(56,024)	(109,250)
Net cash provided by (used in) investing activities	684,952	(89,306)
Financing Activities		
Net repayments under line of credit	(250,000)	-
Payments on long-term notes payable	(42,258)	(48,905)
Margin loan proceeds	228,553	-
Net cash used in financing activities	(63,705)	(48,905)
Increase (Decrease) in Cash and Cash Equivalents	106,062	(369,543)
Cash and Cash Equivalents, Beginning of Year	156,207	525,750
Cash and Cash Equivalents, End of Year	$ 262,269	$ 156,207
Supplemental Cash Flows Information		
Interest Paid	$ 13,026	$ 15,650

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Children's Place Association (the Association) was incorporated on April 10, 1989, in the State of Illinois under the *General Not-For-Profit Corporation Act of Illinois*. The mission of the Association is to build a secure and hopeful today so children facing health issues and poverty succeed tomorrow. The Association’s four Affiliated Organizations - The Children’s Place Housing Corporation, The Children’s Place Foundation, The Children’s Place International NFP and Children’s Place Community Living LLC were incorporated under the *Illinois General Not-For-Profit Corporation Act* in 1996, 1999, 2008 and 2011, respectively, to support the Association and its programs.

The Association is the only agency of its kind in the Midwest and serves children from the greater Chicago metropolitan area. The Association’s revenues are derived primarily from various governmental agencies and the Association’s accounts receivables consist of amounts due primarily from the State of Illinois. The Association’s fiscal year ends on June 30. Significant accounting policies followed by the Association are presented below.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Association and its Affiliated Organizations that it controls through common management, board membership, and economic interest. Inter-organization transactions and balances have been eliminated in consolidation. The Affiliated Organizations of the Association are as follows:

The Children's Place Housing Corporation

The purpose of The Children’s Place Housing Corporation (Housing Corporation) is to own all real property for the Association and any other of its Affiliated Organizations. The Housing Corporation charges a fee to the Association for the Association’s use of the properties in running its programs.

Children's Place Community Living LLC

The purpose of Children’s Place Community Living LLC is to own and operate a facility to provide supportive housing for 13 low-income families living with disabilities or chronic illness. The name of this facility is West Humboldt Place.

The Children's Place Foundation

The Children’s Place Foundation (Foundation) raises funds for the Association and its Affiliated Organizations. It also manages the Association’s investments. The Foundation charges a fee to the Association and related organizations for its fundraising and fund management activities.

The Children's Place International NFP

Children's Place International advances equitable access to health, education and opportunity so children and youth can grow to contribute their gifts to their communities, communities and the world.

The following summarizes revenue by the organizations:

Organization	2022	2021
Children's Place Association	$ 6,702,814	$ 5,852,593
The Children's Place Housing Corporation	83,395	-
Children's Place Community Living LLC	1,285	25,918
The Children's Place Foundation	392,100	1,123,219
The Children's Place International NFP	963,650	450,911
Total	$ 8,143,244	$ 7,452,641

Description of Program and Supporting Services

The following programs and supporting services are included in the accompanying consolidated financial statements:

Child and Family Support Services

Child and Family Support Services strengthens health compromised families in their efforts to remain together, by providing services such as supportive housing, counseling, case management, summer camp, and support groups. Approximately 69 individuals from 29 families in the community are served in Child and Family Support Services. Nine very low income and health compromised families live in subsidized apartments owned by the Housing Corporation or leased by the Association. Thirteen additional families currently live in West Humboldt Place.

Child Thrive

Child Thrive aims to reduce the impact of long-term systemic racism and inequality by empowering the neighborhood to develop collaborative strategies that improve daily living conditions, increase resilience in youth, strengthen the social fabric and enhance health and safety for all.

West Humboldt Place

The West Humboldt Place is a 13-unit apartment building offering supportive housing for families challenged by serious illness and homelessness.

Foster Care Program - Specialized Traditional Adoption

The Foster Care Program addresses the needs of children unable to return to their birth families and in need of a foster or adoptive home. The goal of the Foster Care Program is to see that every child grows up in a stable and loving family. To that end, staff works to reunite children with their birth families whenever possible and assist their foster families in adopting them if parental rights are terminated. Approximately 80 children are served in foster care each year.

Early Learning Programs

The Early Learning Center serves 133 children from infancy through age five in a center-based and a home-based early childhood education program. Priority is given to children from very low-income families where either the child or parent or both are living with a serious health condition.

International Program

Children's Place International partners with front line organizations to provide health, nutrition, and education to approximately 4,400 individuals in Haiti, Kenya, Tanzania, and Zambia.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Association's program strategy through the office of the executive director; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of the Association; and manage the financial and budgetary responsibilities of the Association.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations and to organize and manage the Association's special events.

Use of Estimates

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

Cash Equivalents

The Association considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. At June 30, 2022 and 2021, cash equivalents consist of interest earning money market accounts. The Association maintains its cash and cash equivalents on deposit with various financial institutions and investment companies, which at times may exceed federally insured limits.

Accounts Receivable

Accounts receivable are uncollateralized funding source obligations, which are generally paid within 30 days from the billing date. Accounts receivable are stated at the invoice amount.

Payments of accounts receivable are generally applied to the specific invoices identified on the funding source's remittance advice or, in some cases, to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific funding source accounts and the aging of accounts receivable. If actual collections are lower than historical experience, management's estimates of the recoverability of recorded amounts due the Association could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

Investments

Investments are carried at fair value with gains and losses included in the consolidated statements of activities. Donated securities are recorded at market value on the date received or at nominal value when the market value is not readily available.

Net Investment Return

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Acquisitions of property and equipment in excess of $5,000 and expenditures that materially increase the value of the assets or prolong their useful lives are capitalized.

The Association depreciates its property and equipment on the straight-line method over the following estimated useful lives:

Building and improvements	5 - 40 years
Furniture and fixtures	5 - 10 years
Equipment	3 - 10 years

Long-Lived Asset Impairment

The Association evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Association either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Association overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.,* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Revenue and Grants From Government Agencies

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Association and its Affiliated Organizations are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Association and its Affiliated Organizations are subject to federal income tax on any unrelated business taxable income.

The Association and its Affiliated Organizations file tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on salaries, square footage and other methods.

Note 2: Conditional Grant Commitments

The Association receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Association are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2022, have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2022:

Grant	Term	Grant Amount	Earned Through 2022	Funding Available
HOPWA	January 1, 2022 - December 31, 2022	$ 241,150	$ 131,775	$ 109,375
Illinois Criminal Justice - Child Thrive	February 1 2022 - January 31, 2023	530,654	358,170	172,484
Head Start	January 1, 2022 - December 31, 2022	1,396,500	990,698	405,802
		$ 2,168,304	$ 1,480,643	$ 687,661

Note 3: Line of Credit

The Association has a line of credit agreement that provides borrowing of up to $450,000, under which $200,000 and $450,000 was outstanding at June 30, 2022 and 2021, respectively. The line of credit agreement is dated May 5, 2019, has an auto renewal where on the May 5 anniversary date, the maturity date is automatically extended for a period of one year unless the lender gives notice at least 30 days prior to anniversary date. The agreement was renewed until May 5, 2023. Amounts drawn against the line of credit are payable on demand and bear interest at prime (3.25% at June 30, 2022 and 2021). The line of credit is collateralized by substantially all of the Association's assets.

While the line of credit is due within one year of the issuance date of these consolidated financial statements, the Association utilizes the financing for long-term operating purposes and does not expect to have liquid funds available to repay the balance upon maturity. Management's intention is to renew the line of credit on comparable terms at or near the maturity date and management believes it is probable such renewal would be successful.

Note 4: Long-Term Debt

At June 30, 2022 and 2021, mortgage and term notes payable consist of the following:

	2022	2021
Illinois Housing Development Authority, term note, monthly payments of $1,608, including interest at 1.00% per year, due in December 2021, secured by property on Augusta Boulevard in Chicago, Illinois	$ -	$ 11,219
Illinois Housing Development Authority, term note, monthly payments of $1,305, noninterest bearing, due in June 2037, secured by mortgage on West Humboldt Place property	232,651	250,433
Illinois Facilities Fund, term note, monthly payments of $2,101; interest at 5.625% per year through January 31, 2023. Starting February 1, 2023, through maturity date of May 1, 2033, fixed interest rate equal to the greater the sum of the yield to maturity plus 2.00% or 5.00%; secured by mortgage on property on Humboldt Boulevard in Chicago, Illinois	205,331	218,588
	437,982	480,240
Less current portion	28,481	38,829
	$ 409,501	$ 441,411

Future maturities of the mortgage and term notes are as follows:

Year Ending June 30	Amount
2023	$ 28,481
2024	30,589
2025	31,429
2026	32,317
2027	33,255
Thereafter	281,911
	$ 437,982

Interest expense recognized in 2022 and 2021 was $13,428 and $30,940, respectively.

Note 5: Operating Leases

The Association leases office space, miscellaneous equipment and rental apartments under operating leases expiring in various years through 2024. Under the Association's lease for office space, the Association is also liable for its proportionate share of real estate taxes, assessments and other operating costs.

Future minimum lease payments under these leases are as follows:

Year Ending June 30	Amount
2023	$ 130,592
2024	5,738
	$ 136,330

Total rental expense on these leases for the years ended June 30, 2022 and 2021, was $166,767 and $147,196, respectively.

Note 6: Deferred Compensation Agreements

The Association had a deferred compensation arrangement with its former executive director, which provided benefits to the executive director upon retirement. Amounts were contributed on an annual basis at the discretion of the Association and were invested in a portfolio determined by the executive director. During fiscal year 2022, the executive director retired and all amounts were paid as agreed. Expense incurred by the Association for contributions made to the deferred compensation arrangement totaled $5,000 for each of the years ended June 30, 2022 and 2021. The value of the plan assets held by the Association for the deferred compensation plan was $0 and $150,246 at June 30, 2022 and 2021, respectively. The corresponding liability to the plan participant was $0 and $150,246 at June 30, 2022 and 2021, respectively.

Note 7: Margin Loan

In March of 2022, the Association entered into a margin loan agreement not to exceed $500,000. At June 30, 2022, there was $228,533 borrowed against this margin loan. Interest is variable and is paid monthly. The interest rate as of June 30, 2022, was 1.75%. The margin loan is collateralized by substantially all of the Association's investments.

Note 8: Net Assets

Net Assets With Donor Restrictions

At June 30, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes or periods:

	2022	2021
Restricted for purpose		
Early Learning Center and Family Care program	$ 339,367	$ 258,824
Emergency Fund Assistance/Development	1,000	-
Child Thrive/Summer Camp	31,567	-
Supportive Housing	37,500	-
West Humboldt Place	12,921	12,921
	$ 422,355	$ 271,745

Net Assets Released From Restrictions

For the years ended June 30, 2022 and 2021, net assets were released from donor restrictions when payments were made satisfying the restricted purposes are as follows:

	2022	2021
Child Thrive/Summer Camp	$ 13,433	$ -
Early Learning Center services	4,457	-
	$ 17,890	$ -

Note 9: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, comprise the following:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 262,269	$ 156,207
Accounts receivable	1,935,202	1,083,268
Interest receivable	152	151
Investments	1,059,970	1,915,237
Total financial assets	3,257,593	3,154,863
Donor-imposed restrictions		
Restricted funds	422,355	271,745
Financial assets available to meet cash needs for general expenditures within one year	$ 2,835,238	$ 2,883,118

The Association is substantially supported by grants and contributions without donor restrictions. The Association manages its liquidity following these guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. As part of the Association's liquidity management plan, the Association invests in cash and cash equivalents. Another part of the Plan is the approval of the annual budget in June every year. The Association forecasts its future cash flows and monitors its liquidity monthly and monitors its reserves quarterly. During the year ended June 30, 2022, the level of liquidity and reserves was managed within the policy requirements.

Note 10: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
Investments				
Mutual funds				
Global allocation	$ 100,214	$ 100,214	$ -	$ -
US allocation - 50-70% equity	150,110	150,110	-	-
US allocation - 70-85% equity	40,528	40,528	-	-
Intermediate core-plus bond	37,266	37,266	-	-
Short-term bond	160,919	160,919	-	-
Large blend	269,689	269,689	-	-
Foreign large blend	132,528	132,528	-	-
Mid blend	127,762	127,762	-	-
Exchange traded funds	40,954	40,954	-	-
Total investments	$ 1,059,970	$ 1,059,970	$ -	$ -

	Total Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021				
Investments				
Mutual funds				
Large value	$ 190,352	$ 190,352	$ -	$ -
Global allocation	145,591	145,591	-	-
US allocation - 50-70% equity	241,318	241,318	-	-
US allocation - 70-85% equity	83,848	83,848	-	-
Mid value	130,492	130,492	-	-
Tactical allocation	27,597	27,597	-	-
Intermediate core-plus bond	40,719	40,719	-	-
Nontraditional bond	41,248	41,248	-	-
Short term bond	75,679	75,679	-	-
Exchange traded funds	938,393	938,393	-	-
Total investments	1,915,237	1,915,237	-	-
Investments held for deferred compensation plan				
Mutual funds				
Government money market	1,278	1,278	-	-
Large growth	8,767	8,767	-	-
Large blend	13,686	13,686	-	-
Large value	13,471	13,471	-	-
Mid blend	12,088	12,088	-	-
Intermediate term bond	9,055	9,055	-	-
Short term bond	16,826	16,826	-	-
Exchange traded funds	75,075	75,075	-	-
Total investments held for deferred compensation plan	150,246	150,246	-	-
Total assets	$ 2,065,483	$ 2,065,483	$ -	$ -
Deferred compensation plan liability	$ 150,246	$ 150,246	$ -	$ -

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There were no level 3 investments as of June 30, 2022 and 2021.

Note 11: Refundable Advance – *Paycheck Protection Program* (PPP) Loan

On May 13, 2020, the Association received a PPP loan established by the *Coronavirus Aid, Relief, and Economic Security Act* in the amount of $289,539. On January 23, 2021, the Association received a second PPP loan established by the *Coronavirus Aid, Relief, and Economic Security Act* in the amount of $230,903. The Association has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification (ASC) Topic 958-605, *Revenue Recognition*.

Under ASC Topic 958-605, revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements, incurring eligible expenditures, and the forgiveness application has been submitted and approved. The Association used all of the proceeds to make eligible payments. The Small Business Administration formally forgave the first PPP loan on October 18, 2021, and forgave the second PPP loan on January 5, 2022. The PPP loans have been recorded as revenue on the consolidated statements of financial position as of June 30, 2022. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required.

Note 12: Significant Estimates and Concentrations

Liability for Excess Revenues

The liability for excess revenues is based on management’s assessment of the estimated amounts due to funding sources for program revenues in excess of program expenses. If actual excess revenues are higher than the historical experience, management’s estimates of the amounts due from the Association could be adversely affected. A liability of $45,650 as of June 30, 2022 and 2021, has been included in other accrued liabilities on the consolidated statements of financial position.

Concentrations

Approximately 38% and 42% of the Association’s revenues without donor restrictions for the years ended June 30, 2022 and 2021, respectively, were from one department of the state of Illinois.

Amounts due from this agency represent 52% and 7% of the total outstanding accounts receivable balance as of June 30, 2022 and 2021, respectively.

Investments

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Note 13: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases,* the long-awaited standard on lease accounting. Under the new standard, lessees will now be required to recognize substantially all leases on the statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Association expects to first apply the ASU during its fiscal year ending June 30, 2023. The impact of applying the ASU has not yet been determined.

Note 14: Subsequent Events

Subsequent events have been evaluated through December 21, 2023, which is the date the consolidated financial statements were available to be issued.

The Association determined that it was eligible and applied for the employee retention credits of approximately $1,736,062, in which $1,335,077 was collected in June and August of 2023.

Supplementary Information

Children's Place Association
and Its Affiliated Organizations
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Passed through the Illinois State Board of Education				
Child and Adult Care Food Program	10.558	15-016-056N-00	$ -	$ 78,091
U.S. Department of Housing and Urban Development				
Passed through the City of Chicago				
Department of Public Health				
Housing Opportunities for People with AIDS	14.241	92314	-	131,775
U.S. Department of Health and Human Services				
Passed through the Start Early				
Head Start	93.600*	05CH011953/01 05CH8456/06	-	192,878
Early Head Start	93.600*	05CH011953/01 05CH8456/06	-	797,820
COVID-19 Head Start	93.600*	05HE001067-01-01 05HE00106701 C5	-	24,852
COVID-19 American Rescue Plan - Head Start	93.600*	05HE001067-01-01 05HE00106701 C6	-	37,865
Total Head Start Cluster			-	1,053,415
Passed through the Illinois Department of				
Children and Family Services				
Child Abuse and Neglect State Grants	93.669	1929679031	-	51,483
HIV Emergency Relief Project Grants - Ryan White HIV/AIDS Program	93.914	110216	-	48,360
Passed through the AIDS Foundation of Chicago				
Title II/B of the Ryan White Act	93.917	7117/7118	-	57,745
Total U.S. Department of Health and Human Services			-	1,211,003
Total Federal Expenditures			$ -	$ 1,420,869

* Program was tested as a major program at June 30, 2022

Children's Place Association and Its Affiliated Organizations

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Children's Place Association and Its Affiliated Organizations (Association) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Association.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The Association has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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*

Independent Auditor's Report

Board of Directors
Children's Place Association and
Its Affiliated Organizations
Chicago, Illinois

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 (*Government Auditing Standards*), the consolidated financial statements of Children's Place Association and Its Affiliated Organizations (Association) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 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 December 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Board of Directors
Children's Place Association and
Its Affiliated Organizations

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's consolidated financial statements are free of 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*.

Association's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on the response.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oakbrook Terrace, Illinois
December 21, 2023

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Children's Place Association and
Its Affiliated Organizations
Chicago, Illinois

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Children's Place Association and Its Affiliated Organizations' (Association)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended June 30, 2022. The Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Association is responsible for preparing a corrective action plan to address the audit finding included in our auditor's report. The Association's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Association is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Association's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Oakbrook Terrace, Illinois
December 21, 2023

Children's Place Association
and Its Affiliated Organizations
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:
   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. Internal control over financial reporting:

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

   Material weakness(es) identified? ☒ Yes ☐ No
3. Noncompliance material to the consolidated financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards programs:

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

   Material weakness(es) identified? ☒ Yes ☐ No
5. Type of auditor's report issued on compliance for the major federal program:
   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☒ Yes ☐ No
7. Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
93.600	Head Start Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.
9. Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

Children's Place Association
and Its Affiliated Organizations
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II – Financial Statement Findings

Reference Number	Finding
2022-001	**Account Reconciliations and Journal Entries (repeat finding – 2017-001, 2018-001, 2019-001, 2020-001, 2021-001)**

Criteria – An organization's system of internal control should include policies and procedures to provide management with reasonable assurance that financial reporting throughout the year is complete and accurate and in accordance with accounting principles generally accepted in the United States of America.

Condition – We noted instances where preparation and review of certain financial account reconciliations and adjusting entries were not prepared and posted to the accounting records timely.

The following issues were noted:

- Investment reconciliations do not have a documented review and approval. An adjustment was identified to correct investments in the amount of $162,949
- 3 out of 3 manual adjusting journal entries selected for testing did not have a documented review by an independent member of management
- An adjustment was identified to correct the overstatement of cash in the amount of $99,783
- An adjustment was identified to correct the understatement of grant receivables in the amount of $767,961 and the understatement of grant revenues in the amount of $779,337.
- Other assets were not properly reconciled as part of year end procedures and resulted in an adjustment in the amount of $9,827
- An adjustment was identified to correct the overstatement of prepaid insurance in the amount of $62,586
- Other liabilities were not reconciled at year end and resulted in an adjustment to correct understatement in the amount of $70,610
- Deferred revenue was not properly reconciled at year end and resulted in an adjustment to correct the overstatement in the amount of $52,190
- Accrued payroll was not recorded as of fiscal year end and resulted in an adjustment to correct the understatement in the amount of $121,024

Reference Number	**Finding**

- Accrued vacation was not adjusted as of fiscal year end and resulted in an adjustment to correct the overstatement in the amount of $80,084
- Credit card payable was not properly reconciled and resulted in adjustment to correct the overstatement in the amount of $45,891
- Lease expenses not properly reconciled and recorded in different accounts resulting in reclassification entry in the amount of $56,397
- Capital assets are tracked on a spreadsheet and are not regularly reviewed and updated. The spreadsheet was not updated until October 2023. Adjustments were identified to correct the understatement of depreciation expense in the amount of $3,885 and the understatement of capital assets in the amount of $117,721
- Interagency expense accounts were not reconciled and resulted in an adjustment correcting the overstatement in the amount of $22,675
- Beginning net assets was not properly reconciled and resulted in an adjustment in the amount of $171,508
- The net asset rollforward schedule tracking net assets with donor restrictions is not updated and reviewed on a regular basis. The rollforward schedule was not updated until November 2023

Cause – Staff turnover and not having established policies and procedures resulted in the issues noted above.

Effect or potential effect – Delays in preparing and reviewing reconciliations and corresponding journal entry adjustments to the accounting records may result in inaccurate financial reporting which could adversely affect management's analysis and decision-making process for the Association.

Recommendation – We recommend that management follow established policies and procedures for interim accounting and financial reporting. Account balances should be reconciled and adjusted in a timely manner throughout the fiscal year to ensure management is providing accurate financial information.

Views of Responsible Officials and Planned Corrective Actions – Concur. The Association has since hired a new Chief Financial Officer who reviewed the performance of the department and replaced staff where needed. The Association added another Accountant to increase the capacity of the department.

Children's Place Association
and Its Affiliated Organizations
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2022-002	**Reporting**

Major Program – Head Start
Assistance Listing Number – 93.600
Federal Agency – U.S. Department of Health and Human Services
Pass-Through Entity – Start Early
Grant Numbers – 05CH011953/01, 05CH8456/06, 05HE001067-01-01, 05HE00106701
Award Periods – January 1, 2021 through December 31, 2022, and January 1, 2022 through December 31, 2023

Criteria or Specific Requirement – The Association has reporting requirements under its contract with the pass-through grantor, where the pass-through grantor requires reports to be submitted within 20 days of month end.

Condition – In testing the contract reporting requirements between the Association and the pass-through entity, we noted that the required reports were not completed and submitted in accordance with the required due dates or that the submission date of the reports were not available for review.

Context – 6 reports were selected for testing and 2 of the reports were submitted beyond the twenty-day requirement. The other 4 selected for testing did not have evidence of when the reports were submitted and were unable to determine if they were submitted on time. A nonstatistical sampling methodology was used to select the sample.

Questioned Costs – None.

Effect – Reporting requirements were not met in accordance with the requirements stipulated under the Association's contract with the pass-through grantor.

Cause – Staff turnover and lack of formal policies and procedures resulted in the issue noted above.

Repeat Finding – Yes; 2017-004, 2018-004, 2019-003, 2020-003, 2021-003

Recommendation – We recommend that the Association implement policies and procedures to ensure compliance with all reporting due dates and other requirements. The Association should also retain copies of all reports including the formal sign off and review.

Views of Responsible Officials and Planned Corrective Actions – Concur. The Association has hired a Grant Administrator whose responsibility is to ensure timely submission of the reports, including implementing procedures to ensure the final reports with the documented review and approval are retained.

Children's Place Association
and Its Affiliated Organizations
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
2021-001	**Account Reconciliations and Journal Entries** The preparation and review of certain financial account reconciliations and adjusting entries were not prepared and posted to the accounting records timely.	Repeated – See 2022-001. Staff turnover resulted in the repeat of this finding.
2021-002	**Cost Allocation Process – Department of Health and Human Services, Head Start Cluster** For 12 out of 40 disbursements selected for testing, the employee's time was allocated and support was not available showing the review and approval process.	Corrective action was taken.
2021-003	**Reporting – Department of Health and Human Services, Head Start Cluster** Certain quarterly and monthly reports were not completed and submitted in accordance with required due dates.	Repeated – See 2022-002. Staff turnover resulted in the repeat of this finding.