Children's Place Association and Its Affiliated Organizations

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

June 30, 2023 and 2022

Children's Place Association
and Its Affiliated Organizations
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June 30, 2023 and 2022

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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, 2023 and 2022, and the related consolidated statements of activities, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements 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.

Emphasis of Matter

As discussed in Note 5 to the consolidated financial statements, in 2023, the entity adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

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 the 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 GAAS. 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 December 12, 2024, on our consideration of Children's Place Association and Its Affiliated Organizations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Children's Place Association and Its Affiliated Organizations' 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 Children's Place Association and Its Affiliated Organizations' internal control over financial reporting and compliance.

Forvis Mazars, LLP

Chicago, Illinois
December 12, 2024

Children's Place Association
and Its Affiliated Organizations
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ 450,799	$ 262,269
Accounts receivable	1,094,639	1,935,202
Interest receivable	152	152
Investments	1,018,396	1,059,970
Prepaid expenses	32,205	22,159
Property and equipment, held for sale	193,737	-
Deposits	188,211	193,132
Total Current Assets	2,978,139	3,472,884
Property and Equipment		
Land	271,110	271,110
Buildings and improvements	6,879,715	8,097,154
Furniture and fixtures	244,296	301,585
Equipment	887,990	920,370
	8,283,111	9,590,219
Less accumulated depreciation	3,353,000	4,235,441
	4,930,111	5,354,778
Other Assets		
Right-of-use assets - operating leases	48,673	-
Total Assets	$ 7,956,923	$ 8,827,662

See Notes to Consolidated Financial Statements

	2023	2022
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 355,829	$ 504,407
Line of credit	400,000	200,000
Current maturities of notes payable	30,587	28,481
Current maturities of operating lease liabilities	38,800	-
Accrued payroll and payroll taxes	299,509	247,396
Margin loan	335,506	228,553
Other accrued liabilities	150,706	91,819
Total Current Liabilities	1,610,937	1,300,656
Long-Term Liabilities		
Deferred revenue	420,984	-
Notes payable, less current maturities	378,387	409,501
Total Long-Term Liabilities	799,371	409,501
Total Liabilities	2,410,308	1,710,157
NET ASSETS		
Net Assets Without Donor Restrictions		
Undesignated	917,435	1,778,354
Net investment in property and equipment	4,521,137	4,916,796
Total Net Assets Without Donor Restrictions	5,438,572	6,695,150
Net Assets With Donor Restrictions	108,043	422,355
Total Net Assets	5,546,615	7,117,505
Total Liabilities and Net Assets	$ 7,956,923	$ 8,827,662

Children's Place Association
and Its Affiliated Organizations
Consolidated Statements of Activities
Years Ended June 30, 2023 and 2022

	2023	2022
Net Assets Without Donor Restrictions		
Revenue, gains and other support		
Revenue and grants from government agencies	$ 5,353,209	$ 6,127,802
Contributions for programs, restrictions met in current year	605,852	437,650
Special events	361,871	414,957
Investment return, net	120,941	(134,866)
Fees and other revenues	491,854	608,759
Paycheck Protection Program loan	-	520,442
Net assets released from restrictions	314,312	17,890
Total revenue, gains and other support	7,248,039	7,992,634
Expenses		
Program services	6,233,322	6,139,938
Supporting services		
Management and general	1,659,836	984,627
Fundraising	611,459	764,631
Total Supporting Services	2,271,295	1,749,258
Total Expenses	8,504,617	7,889,196
Change in Net Assets Without Donor Restrictions	(1,256,578)	103,438
Net Assets With Donor Restrictions		
Contributions	-	168,500
Net assets released from restrictions	(314,312)	(17,890)
Change in Net Assets With Donor Restrictions	(314,312)	150,610
Change in Net Assets	(1,570,890)	254,048
Net Assets, Beginning of Year	7,117,505	6,863,457
Net Assets, End of Year	$ 5,546,615	$ 7,117,505

Children’s Place Association
and Its Affiliate Organization
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services			
	Child and Family Support Services	**Child Thrive**	**West Humboldt Place**	**Foster Care**
Functional Expenses				
Salaries	$ 156,337	$ 174,067	$ 179,799	$ 787,733
Employee benefits	20,889	4,217	7,093	89,238
Payroll taxes, etc.	11,076	12,631	13,047	57,647
Total Salaries and Related Expenses	188,302	190,915	199,939	934,618
Professional fees	11,386	183,711	201	140,700
Supplies	9,776	20,468	232	31,031
Telephone	470	235	862	2,217
Postage and shipping	66	24	-	361
Occupancy	33,551	6,111	10,308	17,259
Interest and bank service charges	-	-	-	-
Rental and maintenance of equipment	2,775	7,192	-	3,560
Printing and publications	-	-	-	-
Advertising and recruiting	-	-	-	-
Travel and transportation	-	3,571	187	40,702
Conference, conventions and meetings	-	-	-	2,000
Specific assistance to individuals	-	3,404	-	668,962
Membership dues	-	-	-	-
Insurance	3,387	3,927	9,957	23,607
Other expenses	1,539	758	47	2,168
Special event - cost of direct benefit to participants	-	-	-	4,376
Depreciation and amortization	13,397	-	230,652	4,730
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	$ 264,649	$ 420,316	$ 452,385	$ 1,876,291

See Notes to Consolidated Financial Statements

Program Services			Supporting Services			
Early Learning Programs	International	Total	Management and General	Fundraising	Total	Total
$ 1,623,961	$ 319,173	$ 3,241,070	$ 904,014	$ 360,836	$ 1,264,850	$ 4,505,920
189,529	10,076	321,042	269,078	47,164	316,242	637,284
118,711	24,378	237,490	102,825	27,940	130,765	368,255
1,932,201	353,627	3,799,602	1,275,917	435,940	1,711,857	5,511,459
119,377	4,765	460,140	113,056	24,123	137,179	597,319
194,117	10,728	266,352	53,511	12,869	66,380	332,732
7,121	-	10,905	54,270	1,109	55,379	66,284
168	357	976	572	420	992	1,968
56,997	17,275	141,501	21,669	16,661	38,330	179,831
30	1	31	16,062	32,108	48,170	48,201
10,767	3,423	27,717	(4,975)	3,630	(1,345)	26,372
-	48	48	-	-	-	48
500	-	500	360	206	566	1,066
1,330	10,116	55,906	31,228	313	31,541	87,447
11,061	-	13,061	1,849	-	1,849	14,910
6,950	396,671	1,075,987	38,131	583	38,714	1,114,701
-	500	500	140	3,200	3,340	3,840
22,856	7,191	70,925	33,866	4,838	38,704	109,629
2,444	7,986	14,942	23,681	21,681	45,362	60,304
600	5,895	10,871	499	53,778	54,277	65,148
33,535	1,044	283,358	-	-	-	283,358
$ 2,400,054	$ 819,627	$ 6,233,322	$ 1,659,836	$ 611,459	$ 2,271,295	$ 8,504,617

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, including nurses' salaries and related expenses of approximately $611,065	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 Affiliate Organization
Consolidated Statement of Cash Flows
Year Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	$ (1,570,890)	$ 254,048
Items not requiring (providing) cash		
Depreciation and amortization	283,358	297,757
Net realized and unrealized (gains) losses on investments	(100,560)	170,315
Forgiveness of Paycheck Protection Program loan	-	(520,442)
Noncash operating lease expense	107,854	-
Changes in		
Accounts receivable	840,563	(851,934)
Interest receivable	-	(1)
Prepaid expenses	(10,046)	2,714
Deposits	4,921	3,428
Accounts payable	(148,578)	176,783
Accrued payroll and payroll taxes	52,113	(56,203)
Other accrued liabilities	58,887	8,350
Operating lease liabilities	(117,727)	-
Deferred revenue	420,984	-
Net Cash Used in Operating Activities	(179,121)	(515,185)
Investing Activities		
Purchase of property and equipment	(52,428)	-
Proceeds from disposition of investments	176,327	740,976
Purchases of investments	(34,193)	(56,024)
Net Cash Provided by Investing Activities	89,706	684,952
Financing Activities		
Net repayments under line of credit	200,000	(250,000)
Payments on long-term notes payable	(29,008)	(42,258)
Margin loan proceeds	106,953	228,553
Net Cash Provided by (Used in) Financing Activities	277,945	(63,705)
Increase in Cash and Cash Equivalents	188,530	106,062
Cash and Cash Equivalents, Beginning of Year	262,269	156,207
Cash and Cash Equivalents, End of Year	$ 450,799	$ 262,269
Supplemental Cash Flows Information		
Interest Paid	$ 16,722	$ 13,026

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	2023	2022
Children's Place Association	$ 5,468,018	$ 6,702,814
The Children's Place Housing Corporation	51,184	83,395
Children's Place Community Living LLC	-	1,285
The Children's Place Foundation	485,666	392,100
The Children's Place International NFP	928,859	963,650
Total	$ 6,933,727	$ 8,143,244

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, 2023 and 2022, 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.

Property and Equipment, Held for Sale

Property and equipment, held for sale is carried at the lower of basis or estimated market value.

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:

	2023
Building and improvements	5 to 40 years
Furniture and fixtures	5 to 10 years
Equipment	3 to 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, 2023 and 2022.

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, 2023, have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2023:

Grant	Term	Grant Amount	Earned Through 2023	Funding Available
HOPWA	January 1, 2023 - December 31, 2023	$ 175,000	$ 91,131	$ 83,869
Illinois Criminal Justice - Child Thrive	February 1 2023 - January 31, 2024	574,342	532,182	42,160
Head Start	January 1, 2023 - December 31, 2023	1,426,664	985,841	440,823
		$ 2,176,006	$ 1,609,154	$ 566,852

Note 3. Line of Credit

The Association has a line of credit agreement that provides borrowing of up to $450,000, under which $400,000 and $200,000 was outstanding at June 30, 2023 and 2022, 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, 2025. Amounts drawn against the line of credit are payable on demand and bear interest at prime (8.25% and 3.25% at June 30, 2023 and 2022, respectively). 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, 2023 and 2022, mortgage and term notes payable consist of the following:

	2023	2022
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	$ 217,674	$ 232,651
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	191,300	205,331
	408,974	437,982
Less current portion	30,587	28,481
	$ 378,387	$ 409,501

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

Year Ending June 30	Amount
2022	$ 38,829
2024	30,587
2025	31,429
2026	32,317
2027	33,255
2028	32,658
Thereafter	248,728
	$ 408,974

Interest expense recognized in 2023 and 2022, was $16,722 and $13,428, respectively.

Note 5. Operating Leases

Change in Accounting Principle

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842).* This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.,* the comparatives under Accounting Standards Codification (ASC) 840 option.

The Association adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Association elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Association has lease agreements with nonlease components that relate to the lease components. The Association elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all leases. Also, the Association elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. The Association did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The cumulative effect of the changes made to our consolidated statement of financial position for the adoption of this standard was to recognize right-of-use assets – operating leases and operating lease liabilities of $156,527 as if July 1, 2022.

Accounting Policies

The Association determines if an arrangement is a lease or contains a lease at inception if the contract conveys the right to control the use of identified property, or equipment (an identified asset) for a period of time in exchange for consideration.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Association determines lease classification as operating or finance at the lease commencement date.

The Association combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings and office equipment.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Association has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Association is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Association has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Association has entered into the following lease arrangements:

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.

All Leases

The Association has no material related-party leases.

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

Quantitative Disclosures

The lease cost and other required information for the year ended June 30, 2023, are:

Lease costs		
Operating lease costs	$	110,485
Variable lease costs		22,530
Total lease costs	$	133,015
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	120,357
Right-of-use assets obtained in exchange for new lease liabilities		
Operating leases	$	156,527
Weighted average remaining lease term		
Operating leases		.42 years
Weighted average discount rate		
Operating leases		2.84%

Future minimum lease payments and reconciliation to the consolidated statement of financial position as of June 30, 2023, are as follows:

Fiscal Year		**Operating Leases**
2024	$	38,983
Less amounts representing interest		(183)
Lease liabilities	$	38,800

Note 6. 2022 Operating Leases

The Association leases office space and miscellaneous equipment 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 was $166,767.

Note 7. Margin Loan

In March of 2022, the Association entered into a margin loan agreement not to exceed $500,000. At June 30, 2023 and 2022, there was $335,506 and $228,533, respectively, borrowed against this margin loan. Interest is variable and is paid monthly. The interest rate as of June 30, 2023 and 2022, was 8.25% and 1.75%, respectively. 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, 2023 and 2022, net assets with donor restrictions are restricted for the following purposes or periods:

	2023	2022
Restricted for purpose		
Early Learning Center and Family Care program	$ 95,122	$ 339,367
Emergency Fund Assistance/Development	-	1,000
Child Thrive/Summer Camp	-	31,567
Supportive Housing	-	37,500
West Humboldt Place	12,921	12,921
	$ 108,043	$ 422,355

Net Assets Released From Restrictions

For the years ended June 30, 2023 and 2022, net assets were released from donor restrictions when payments were made satisfying the restricted purposes are as follows:

	2023	2022
Child Thrive/Summer Camp	$ -	$ 13,433
Early Learning Center services	244,245	4,457
Emergency Fund Assistance/Development	1,000	-
Child Thrive/Summer Camp	31,567	-
Supportive Housing	37,500	-
	$ 314,312	$ 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:

	2023	2022
Financial assets		
Cash and cash equivalents	$ 450,799	$ 262,269
Accounts receivable	1,094,639	1,935,202
Interest receivable	152	152
Investments	1,018,396	1,059,970
Total financial assets	2,563,986	3,257,593
Donor-imposed restrictions		
Restricted funds	108,043	422,355
Financial assets available to meet cash needs for general expenditures within one year	$ 2,455,943	$ 2,835,238

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, 2023, 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 tables present 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, 2023 and 2022:

	June 30, 2023			
		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)
Investments				
Mutual funds				
Large value				
Global allocation	$ 109,256	$ 109,256	$ -	$ -
US allocation - 50-70% equity	168,081	168,081	-	-
US allocation - 70-85% equity	47,093	47,093	-	-
Medium-term Bond	25,755	25,755	-	-
Large blend	322,181	322,181	-	-
Foreign large blend	151,365	151,365	-	-
Mid blend	149,985	149,985	-	-
Exchange traded funds	44,680	44,680	-	-
Total investments	$ 1,018,396	$ 1,018,396	$ -	$ -

	June 30, 2022			
	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)
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	$ -	$ -

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, 2023 and 2022.

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 for the year ended 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. Deferred Revenue – Employee Retention Credit

The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), and subsequent legislation, provides a refundable employee retention tax credit to eligible employers who meet either a gross receipts test or a government mandate test. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits. The Association determined they qualified for employee retention credits totaling approximately $420,984 related to the last three quarters in 2020, with certain credits being claimed under the government mandate test. The employee retention credit in the amount of $420,984 was received in June of 2023. The Association also applied for employee retention credits totaling $1,334,370 for the first three quarters in 2021 of which $914,093 was received in August of 2023.

Due to potential uncertainty whether the Association has established the connection between an order from an appropriate governmental authority and a full or partial suspension of the Association's operation, it is not reasonably assured that conditions related to these credits have been met. Therefore, the amount has been recorded as deferred revenue in the consolidated statement of financial position.

Laws and regulations concerning the employee retention credit are complex and subject to varying interpretation. If management becomes aware of additional information pertaining to eligibility, which could impact the Association conclusion it was eligible for the credits, the Association will consider such additional information and determine appropriate responsive steps. Additionally. these credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Association's claims to the employee retention credit, and it is not possible to determine the impact this would have on the Association.

Note 13. 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, 2023 and 2022, has been included in other accrued liabilities on the consolidated statements of financial position.

Concentrations

Approximately 37% and 36% of the Association's revenues without donor restrictions for the years ended June 30, 2023 and 2022, respectively, were from one department of the state of Illinois.

Amounts due from this agency represent 29% and 52% of the total outstanding accounts receivable balance as of June 30, 2023 and 2022, 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 14. Property and Equipment, Held for Sale

During fiscal year 2023, the Board of Directors approved a plan to sell certain property and equipment located at 3057-3059 W. Augusta Boulevard. In December of 2023, the Organization entered into a real estate contract to sell the property and equipment for approximately $700,000. The book value of the property and equipment recorded by the Organization is $193,737. The Organization sold the property and equipment in May of 2024 and recognized a gain on the sale.

Note 15. Subsequent Events

Subsequent events have been evaluated through December 12, 2024, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Children's Place Association
and Its Affiliated Organizations
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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	$ -	$ 95,766
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	-	91,131
U.S. Department of Health and Human Services				
Passed through the Start Early				
Head Start	93.600*	05CH011953/03 05CH011953	-	262,009
Early Head Start	93.600*	05CH011953/03 05CH011953	-	723,832
COVID-19 Head Start	93.600*	05HE001067-01-01 05HE00106701 C3	-	69,845
COVID-19 Head Start	93.600*	05HE001067-01-01 05HE00106701 C5	-	50,174
COVID-19 Head Start	93.600*	05HE001067-01-01 05HE00106701 C6	-	94,041
Total Assistance Listing Number 93.600 and Head Start Cluster			-	1,199,901
Passed through the Illinois Department of				
Children and Family Services				
Child Abuse and Neglect State Grants	93.669	1929679033	-	53,448
Passed through the AIDS Foundation of Chicago				
Title II/B of the Ryan White Act	93.917	7117/7118	-	41,881
Total U.S. Department of Health and Human Services			-	1,295,230
			$ -	$ 1,482,127

* Program was tested as a major program at June 30, 2023

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, 2023. 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.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of 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 Association's consolidated statement of financial position as of June 30, 2023, 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 12, 2024.

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 2023-001 that we consider to be a material weakness.

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.

Forvis Mazars, LLP

Chicago, Illinois
December 12, 2024

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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, 2023. 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, 2023.

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 2023-002. 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 2023-002 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.

Forvis Mazars, LLP

Chicago, Illinois
December 12, 2024

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

Section II – Financial Statement Findings

Reference Number	Finding
2023-001	**Account Reconciliations and Journal Entries (repeat finding – 2017-001, 2018-001, 2019-001, 2020-001, 2021-001, 2022-001)**

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.
- 1 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 $32,299
- An adjustment was identified to correct the overstatement of grant receivables and revenues in the amount of $710,728
- An adjustment was identified to correct the overstatement of prepaid insurance in the amount of $113,571
- Deferred revenue was not properly reconciled at year end and resulted in an adjustment to correct the overstatement in the amount of $49,000
- Capital assets are tracked on a spreadsheet and are not regularly reviewed and updated. The spreadsheet was not updated until June 2024.
- The net asset roll forward schedule tracking net assets with donor restrictions is not updated and reviewed on a regular basis. The roll forward schedule was not updated until October 2024
- Special event was not properly reclassed out of contribution revenue in the amount of $361,470
- Accounts payable was understated in the amount of $50,081
- Other revenue was not properly reviewed and resulted in an adjustment to correct the overstatement in the amount of $200,728

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.

Reference Number	**Finding**
	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.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2023-002	**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 – 05CH011953/03, 05CH011953
Award Periods – January 1, 2022 through December 31, 2023, and January 1, 2023 through December 31, 2024

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 15 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 – 3 reports were selected for testing and 2 of the reports were submitted beyond the fifteen-day requirement. The November 2022 report was due December 15, 2022, and was submitted December 27, 2022. The May 2023 report was due June 15, 2023, and was submitted June 28, 2023. 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, 2022-002

Recommendation – We recommend that the Association implement policies and procedures to ensure compliance with all reporting due dates and other requirements.

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.

Reference Number	Summary of Finding	Status
2022-001	**Account Reconciliations and Journal Entries** (repeat finding 2017-001, 2018-001, 2019-001, 2020-001, 2021-001) The preparation and review of certain financial account reconciliations and adjusting entries were not prepared and posted to the accounting records timely.	Repeated – See 2023-001. Staff turnover resulted in the repeat of this finding.
2022-002	**Reporting – Department of Health and Human Services, Head Start Cluster** (repeat finding 2017-004, 2018-004, 2019-003, 2020-003, 2021-003) Certain quarterly and monthly reports were not completed and submitted in accordance with required due dates.	Repeated – See 2023-002. Staff turnover resulted in the repeat of this finding.