

**Children's Place Association
and Its Affiliated Organizations**

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2021 and 2020

**Children’s Place Association
and Its Affiliated Organizations**
June 30, 2021 and 2020

Contents

Independent Auditor’s Report	1
Consolidated Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



1901 S. Meyers Road, Suite 500 / Oakbrook Terrace, IL 60181

P 630.282.9500 / F 630.282.9495

forvis.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Children's Place Association and Its Affiliated Organizations (collectively, the Association), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of June 30, 2021 and 2020, and the changes in their net assets and the cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

FORVIS,LLP

Oakbrook Terrace, Illinois
December 16, 2022

**Children's Place Association
and Its Affiliated Organizations**
Consolidated Statements of Financial Position
June 30, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 156,207	\$ 525,750
Accounts receivable	1,083,268	1,118,655
Interest receivable	151	1,458
Investments	1,915,237	1,436,469
Prepaid expenses	24,873	42,673
Deposits	196,560	236,994
Total current assets	3,376,296	3,361,999
Property and Equipment		
Land	271,110	271,110
Buildings and improvements	8,098,846	8,069,770
Furniture and fixtures	301,585	299,862
Equipment	918,737	613,713
Construction in progress	-	294,088
	9,590,278	9,548,543
Less accumulated depreciation	3,937,743	3,629,722
	5,652,535	5,918,821
Other Assets		
Investments held for deferred compensation plan	150,246	112,959
Total assets	\$ 9,179,077	\$ 9,393,779

Liabilities and Net Assets

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts payable	\$ 327,624	\$ 384,807
Line of credit	450,000	450,000
Current maturities of notes payable	38,829	47,276
Accrued payroll and payroll taxes	303,599	399,914
Refundable advances	520,442	289,539
Other accrued liabilities	83,469	133,391
	<u>1,723,963</u>	<u>1,704,927</u>
Long-Term Liabilities		
Deferred compensation plan liability	150,246	112,959
Notes payable, less current maturities	441,411	481,869
	<u>591,657</u>	<u>594,828</u>
Total liabilities	<u>2,315,620</u>	<u>2,299,755</u>
Net Assets		
Net Assets Without Donor Restrictions		
Undesignated	1,419,417	1,432,603
Net investment in property and equipment	5,172,295	5,389,676
	<u>6,591,712</u>	<u>6,822,279</u>
Total net assets without donor restrictions	<u>6,591,712</u>	<u>6,822,279</u>
Net Assets With Donor Restrictions	<u>271,745</u>	<u>271,745</u>
Total net assets	<u>6,863,457</u>	<u>7,094,024</u>
Total liabilities and net assets	<u>\$ 9,179,077</u>	<u>\$ 9,393,779</u>

**Children's Place Association
and Its Affiliated Organizations**
Consolidated Statements of Activities
Years Ended June 30, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions		
Revenue, gains and other support		
Revenue and grants from government agencies	\$ 5,510,866	\$ 6,755,379
Contributions for programs, restrictions met in current year	794,249	505,166
Special events	104,520	362,706
Investment income, net	468,591	(12,240)
Fees and other revenues	574,415	484,907
Net assets released from restrictions	-	408,453
Total revenue, gains and other support	7,452,641	8,504,371
Expenses		
Program services	6,164,885	7,276,921
Supporting services		
Management and general	860,953	902,964
Fundraising	657,370	532,354
Total supporting services	1,518,323	1,435,318
Total expenses	7,683,208	8,712,239
Change in Net Assets Without Donor Restrictions	(230,567)	(207,868)
Net Assets With Donor Restrictions		
Contributions	-	17,500
Net assets released from restrictions	-	(408,453)
Change in Net Assets With Donor Restrictions	-	(390,953)
Change in Net Assets	(230,567)	(598,821)
Net Assets, Beginning of Year	7,094,024	7,692,845
Net Assets, End of Year	\$ 6,863,457	\$ 7,094,024

**Children's Place Association
and Its Affiliate Organization**
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

Functional Expenses	Program Services				
	Child and Family Support	Child Thrive	West Humboldt Place	Foster Care	Early Learning Programs
Salaries	\$ 151,986	\$ 57,191	\$ 59,075	\$ 916,439	\$ 1,584,993
Employee benefits	17,878	4,001	6,729	102,578	183,209
Payroll taxes, etc.	14,547	5,474	5,654	87,712	151,699
Total salaries and related expenses	184,411	66,666	71,458	1,106,729	1,919,901
Professional fees, including nurses' salaries and related expenses of approximately \$611,065	5,092	9,705	-	134,932	132,979
Supplies	52,619	3,663	1,590	27,996	106,817
Telephone	20,704	518	10,370	23,330	18,579
Postage and shipping	752	40	-	1,139	873
Occupancy	78,042	7,176	41,333	136,242	110,806
Interest and bank service charges	2,412	2,022	-	8,087	8,087
Rental and maintenance of equipment	18	18	-	71	71
Printing and publications	10,302	552	-	15,594	11,959
Travel and transportation	1,151	1,133	2,705	59,524	6,585
Conference, conventions and meetings	-	-	-	300	-
Specific assistance to individuals	16,415	3	1,649	615,762	12,070
Membership dues	327	327	-	1,468	2,205
Insurance	2,436	2,204	13,760	61,246	22,920
Other expenses	925	902	41	3,646	5,360
Special event - cost of direct benefit to participants	130	-	-	-	-
Depreciation and amortization	18,808	-	249,002	3,346	31,927
Total expenses included in the expense section on the consolidated statement of activities	\$ 394,544	\$ 94,929	\$ 391,908	\$ 2,199,412	\$ 2,391,139

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

**Children's Place Association
and Its Affiliated Organizations**
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

Functional Expenses	Program Services				
	Residential Care	Child and Family Support	West Humboldt Place	Foster Care	Early Learning Programs
Salaries	\$ 606,803	\$ 171,945	\$ 59,824	\$ 811,206	\$ 1,534,438
Employee benefits	53,345	20,916	11,790	99,321	206,221
Payroll taxes, etc.	48,863	7,998	-	54,789	111,342
Total salaries and related expenses	709,011	200,859	71,614	965,316	1,852,001
Professional fees, including nurses' salaries and related expenses of approximately \$611,065	590,869	7,870	-	208,549	205,531
Supplies	38,277	16,229	3,083	28,371	82,649
Telephone	12,498	22,537	8,918	18,069	18,293
Postage and shipping	397	340	-	1,650	127
Occupancy	90,093	85,357	45,207	149,012	121,192
Interest and bank service charges	35	-	-	-	-
Rental and maintenance of equipment	8,264	8,264	-	8,264	8,264
Printing and publications	-	182	121	-	-
Travel and transportation	7,044	7,224	642	88,245	12,440
Conference, conventions and meetings	3,460	371	-	3,220	2,330
Specific assistance to individuals	882	2,814	2,147	508,087	10,431
Membership dues	697	-	-	127	713
Insurance	13,652	198	6,336	25,938	12,801
Other expenses	4,511	2,353	-	1,677	8,439
Depreciation and amortization	118,602	10,246	135,652	1,823	17,393
Total expenses included in the expense section on the consolidated statement of activities	\$ 1,598,292	\$ 364,844	\$ 273,720	\$ 2,008,348	\$ 2,352,604

Program Services			Supporting Services			
International	Total	Management and General	Fundraising	Total	Total	
\$ 238,322	\$ 3,422,538	\$ 254,709	\$ 295,919	\$ 550,628	\$ 3,973,166	
24,146	415,739	62,966	31,979	94,945	510,684	
22,208	245,200	94,375	32,255	126,630	371,830	
284,676	4,083,477	412,050	360,153	772,203	4,855,680	
23,714	1,036,533	295,010	71,787	366,797	1,403,330	
11,984	180,593	51,735	35,489	87,224	267,817	
5,439	85,754	10,276	4,981	15,257	101,011	
544	3,058	1,401	2,570	3,971	7,029	
1,129	491,990	18,195	1,272	19,467	511,457	
72	107	19,604	30,475	50,079	50,186	
-	33,056	8,264	-	8,264	41,320	
2,159	2,462	244	19,039	19,283	21,745	
42,292	157,887	8,264	1,689	9,953	167,840	
5,065	14,446	1,024	74	1,098	15,544	
289,626	813,987	1,954	127	2,081	816,068	
3,809	5,346	5,196	1,936	7,132	12,478	
7,471	66,396	29,433	949	30,382	96,778	
395	17,375	38,228	1,513	39,741	57,116	
738	284,454	2,086	300	2,386	286,840	
\$ 679,113	\$ 7,276,921	\$ 902,964	\$ 532,354	\$ 1,435,318	\$ 8,712,239	

Children's Place Association and its Affiliated Organizations
Consolidated Statements of Cash Flow
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ (230,567)	\$ (598,821)
Items not requiring (providing) cash		
Depreciation and amortization	308,816	286,840
Net realized and unrealized gains on investments	(469,279)	(1,402)
Changes in		
Accounts receivable	35,387	(250,294)
Pledges receivable	-	16,500
Interest receivable	1,307	-
Prepaid expenses	17,800	(4,908)
Deposits	40,434	(723)
Accounts payable	(57,183)	222,984
Accrued payroll and payroll taxes	(96,315)	93,704
Deferred compensation plan liability	37,287	2,198
Other accrued liabilities	(49,922)	26,125
Refundable advances	230,903	289,539
	(231,332)	81,742
Investing Activities		
Purchase of property and equipment	(42,530)	(103,384)
Proceeds from disposition of investments	62,474	23,578
Purchases of investments	(109,250)	-
	(89,306)	(79,806)
Financing Activities		
Net borrowings under line of credit	-	250,000
Payments on long-term notes payable	(48,905)	(46,504)
	(48,905)	203,496
Increase (Decrease) in Cash and Cash Equivalents	(369,543)	205,432
Cash and Cash Equivalents, Beginning of Year	525,750	320,318
Cash and Cash Equivalents, End of Year	\$ 156,207	\$ 525,750
Supplemental Cash Flow Information		
Interest Paid	\$ 15,650	\$ 16,271

**Children's Place Association
and Its Affiliated Organizations
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

Note 1: Description of Program and Supporting Services

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

Residential Care Program

The 10-bed residential center is a transitional home for children with serious or life-threatening conditions. When a child's illness or the illness or absence of a parent necessitate placement in the home, social work and nursing staff assess the child's needs and attempt to reunite the child with his/her family, or to find another permanent family for him/her. Approximately 30 children are served in the residence each year. This program ended as of June 30, 2020.

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.

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.

**Children's Place Association
and Its Affiliated Organizations
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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.

Note 2: 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 five Affiliated Organizations - The Children's Place Housing Corporation, The Children's Place Home Health 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, 1997, 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 five Affiliated Organizations that it controls through common management, board membership,

**Children's Place Association
and Its Affiliated Organizations
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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.

The Children's Place Home Health Corporation

The purpose of The Children's Place Home Health Corporation (Health Corporation) is to provide skilled nursing and ancillary services to children in programs of the Association. The Health Corporation charges the Association for the costs of the skilled nursing provided to the Association's 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 (the Foundation) raises the 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.

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

**Children's Place Association
and Its Affiliated Organizations**
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020, 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.

Pledges Receivable

Pledges receivable are unconditional promises to give and are recognized as revenues or gains in the period that the pledge is made and as net assets, decreases in liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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.

**Children’s Place Association
and Its Affiliated Organizations
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

Property and Equipment

Acquisitions of property and equipment in excess of \$500 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, 2021 and 2020.

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 –

**Children's Place Association
and Its Affiliated Organizations
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
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>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
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 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.

**Children's Place Association
and Its Affiliated Organizations
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

Income Taxes

The Association and its Affiliated Organizations is 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 is 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 statements of activities. The 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 3: 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, 2021, have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2021:

Grant	Term	Grant Amount	Earned Through 2021	Funding Available
HOPWA	January 1, 2021 - December 31, 2021	\$ 175,000	\$ 95,049	\$ 79,951
Howard Brown	March 1, 2021 - February 28, 2022	72,539	24,180	48,359
Illinois Criminal Justice - Child Thrive	February 1 2021 - January 31, 2022	541,946	46,806	495,140
Head Start	January 2021 - December 31, 2021	1,483,221	888,749	594,472
		<u>\$ 2,272,706</u>	<u>\$ 1,054,784</u>	<u>\$ 1,217,922</u>

**Children's Place Association
and Its Affiliated Organizations
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

Note 4: Line of Credit

The Association has a line of credit agreement that provides borrowing of up to \$450,000, under which \$450,000 was outstanding at June 30, 2021 and 2020. 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, 2021 and 2020). 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 5: Long-Term Debt

At June 30, 2021 and 2020, mortgage and term notes payable consist of the following:

	<u>2021</u>	<u>2020</u>
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	\$ 31,210
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	250,433	267,814
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	<u>218,588</u>	<u>230,121</u>
	480,240	529,145
Less current portion	<u>38,829</u>	<u>47,276</u>
	<u>\$ 441,411</u>	<u>\$ 481,869</u>

**Children's Place Association
and Its Affiliated Organizations
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 38,829
2023	220,991
2024	15,660
2025	15,660
2026	15,660
Thereafter	<u>173,440</u>
	<u>\$ 480,240</u>

Interest expense recognized in 2021 and 2020 was \$30,940 and \$35,166, respectively.

Note 6: 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:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 127,666
2023	127,666
2024	<u>53,194</u>
	<u>\$ 308,526</u>

Total rental expense on these leases for the years ended June 30, 2021 and 2020, was \$147,196 and \$155,989, respectively.

Note 7: Deferred Compensation Agreements

The Association has a deferred compensation arrangement with its executive director, which will provide benefits to the executive director upon retirement. The Association entered into a Section 457(b) deferred compensation arrangement effective December 1, 2008. Amounts contributed on an annual basis are at the discretion of the Association and will be invested in a portfolio determined by the executive director. Expense incurred by the Association for

**Children's Place Association
and Its Affiliated Organizations
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

contributions made to the deferred compensation arrangement totaled \$5,000 for each of the years ended June 30, 2021 and 2020. The value of the plan assets held by the Association for the deferred compensation plan was \$150,246 and \$112,959 at June 30, 2021 and 2020, respectively. The corresponding liability to the plan participant was \$150,246 and \$112,959 at June 30, 2021 and 2020, respectively.

Note 8: Net Assets

Net Assets With Donor Restrictions

At June 30, 2021 and 2020, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Restricted for purpose		
Early Learning Center and Family Care program	\$ 258,824	\$ 258,824
West Humboldt Place	<u>12,921</u>	<u>12,921</u>
	<u>\$ 271,745</u>	<u>\$ 271,745</u>

Net Assets Released From Restrictions

For the years ended June 30, 2021 and 2020, net assets were released from donor restrictions when payments were made satisfying the restricted purposes are as follows:

	<u>2021</u>	<u>2020</u>
Payments for Family Care services	\$ -	\$ 30,711
Payments for Early Learning Center services	-	298,442
Payments of Residential Program	<u>-</u>	<u>79,300</u>
	<u>\$ -</u>	<u>\$ 408,453</u>

**Children's Place Association
and Its Affiliated Organizations
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 156,207	\$ 525,750
Accounts receivable	1,083,268	1,118,655
Interest receivable	151	1,458
Investments	<u>1,915,237</u>	<u>1,436,469</u>
Total financial assets	3,154,863	3,082,332
Donor-imposed restrictions		
Restricted funds	<u>271,745</u>	<u>271,745</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,883,118</u>	<u>\$ 2,810,587</u>

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, 2021, 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

**Children's Place Association
and Its Affiliated Organizations**
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying 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, 2021 and 2020:

	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	<u>1,915,237</u>	<u>1,915,237</u>	<u>-</u>	<u>-</u>
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	<u>150,246</u>	<u>150,246</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,065,483</u>	<u>\$ 2,065,483</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred compensation plan liability	<u>\$ 150,246</u>	<u>\$ 150,246</u>	<u>\$ -</u>	<u>\$ -</u>

**Children's Place Association
and Its Affiliated Organizations**
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

	<u>Fair Value Measurements Using</u>			
	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
June 30, 2020				
Investments				
Mutual funds				
Large value	\$ 139,198	\$ 139,198	\$ -	\$ -
Global allocation	114,874	114,874	-	-
US allocation - 50-70% equity	249,299	249,299	-	-
Mid value	85,983	85,983	-	-
Tactical allocation	21,302	21,302	-	-
Intermediate core-plus bond	40,101	40,101	-	-
Nontraditional bond	40,467	40,467	-	-
Short term bond	73,165	73,165	-	-
Exchange traded funds	<u>672,080</u>	<u>672,080</u>	<u>-</u>	<u>-</u>
Total investments	<u>1,436,469</u>	<u>1,436,469</u>	<u>-</u>	<u>-</u>
Investments held for deferred compensation plan				
Mutual funds				
Government money market	427	427	-	-
Large growth	13,041	13,041	-	-
Large blend	19,844	19,844	-	-
Mid blend	7,965	7,965	-	-
Intermediate term bond	8,917	8,917	-	-
Short term bond	16,277	16,277	-	-
Exchange traded funds	<u>46,488</u>	<u>46,488</u>	<u>-</u>	<u>-</u>
Total investments held for deferred compensation plan	<u>112,959</u>	<u>112,959</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,549,428</u>	<u>\$ 1,549,428</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred compensation plan liability	<u>\$ 112,959</u>	<u>\$ 112,959</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Children's Place Association
and Its Affiliated Organizations
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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, 2021 and 2020.

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 anticipates using all of the proceeds to make eligible payments, and therefore, expects substantially all of the loan will be forgiven. 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. The PPP loans have been recorded as refundable advances (liability) on the consolidated statements of financial position as of June 30, 2021 and 2020. The Small Business Administration formally forgave the first PPP Loan on October 18, 2021, and forgave the second PPP Loan on January 5, 2022.

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, 2021 and 2020, has been included in other accrued liabilities on the consolidated statements of financial position.

Concentrations

Approximately 42% and 57% of the Association's revenues without donor restrictions for the years ended June 30, 2021 and 2020, respectively, were from one department of the state of Illinois.

Amounts due from this agency represent 7% and 18% of the total outstanding accounts receivable balance as of June 30, 2021 and 2020, respectively.

**Children's Place Association
and Its Affiliated Organizations**
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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.

Current Economic Conditions

The economic conditions as a result of a novel strain of coronavirus (COVID-19) and the incidence of COVID-19 continues to present difficult circumstances and challenges, which in some cases have resulted in unanticipated declines in interest rates on deposits and declines in value of other assets, and could result in declines in contributions, constraints on liquidity and difficulties obtaining financing. The consolidated financial statements have been prepared using values and information currently available to the Association. The related financial impact and duration cannot be reasonably estimated at this time.

Note 13: Future Change in Accounting Principle

Accounting for Leases

The FASB issued 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 16, 2022, which is the date the consolidated financial statements were available to be issued.

Subsequent to year end, the Association entered into a margin loan in March of 2022 for the amount of \$150,000.