

Children's Place Association and Its Affiliated Organizations

Single Audit Reports

June 30, 2021

Children’s Place Association and Its Affiliated Organizations

June 30, 2021

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**Children's Place Association
and Its Affiliated Organizations**
Schedule of Expenditures of Federal Awards
June 30, 2021

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	\$ -	\$ 32,493
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	-	207,356
U.S. Department of Health and Human Services				
Passed through the Ounce of Prevention Head Start	93.600*	05CH011953/01 05CH8456/06	-	414,209
Early Head Start	93.600*	05CH011953/01 05CH8456/06	-	892,499
Total Head Start Cluster			-	1,306,708
Passed through the Illinois Department of Children and Family Services Child Abuse and Neglect State Grants	93.669	1929679031	-	51,202
Passed through the AIDS Foundation of Chicago Title II/B of the Ryan White Act	93.917	7117/7118	-	59,318
Total U.S. Department of Health and Human Services			-	1,417,228
Total Federal Expenditures			\$ -	\$ 1,657,077

**Children's Place Association
and Its Affiliated Organizations**
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

Notes to Schedule

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, 2021. 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 the Consolidated Financial Statements Performed
in Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with 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, the consolidated financial statements of Children's Place Association and Its Affiliated Organizations (Association) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, 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 16, 2022.

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 have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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

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 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

The Association's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on it.

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,LLP

Oakbrook Terrace, Illinois
December 16, 2022

Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

We have audited Children's Place Association and Its Affiliated Organizations' (Association) compliance with the types of compliance requirements described 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, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Association's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Association's compliance.

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

Opinion on the Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003. Our opinion on the major federal program is not modified with respect to these matters.

The Association's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Association's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

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. *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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003 that we consider to be material weaknesses.

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

The Association's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Association's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Association as of and for the year ended June 30, 2021, and have issued our report thereon, dated December 16, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

FORVIS,LLP

Oakbrook Terrace, Illinois
December 16, 2022

**Children's Place Association
and Its Affiliated Organizations**
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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
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93.600	Head Start
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8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee? Yes No

**Children’s Place Association
and Its Affiliated Organizations**
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section II – Financial Statement Findings

Reference Number	Finding
2021-001	<p>Account Reconciliations and Journal Entries (repeat finding – 2017-001, 2018-001, 2019-001, 2020-001)</p> <p><i>Criteria</i> – 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.</p> <p><i>Condition</i> – 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.</p> <p>The following issues were noted:</p> <ul style="list-style-type: none"> • Investment reconciliations do not have a documented review and approval • 3 out of 3 manual adjusting journal entries selected for testing did not have a documented review by an independent member of management • An adjustment was identified to correct the overstatement of cash in the amount of \$130,940 • An adjustment was identified to correct the understatement of grant receivables in the amount of \$130,296 and the overstatement of grant revenues in the amount of \$358,224. An additional adjustment was identified to correct the understatement of another grant’s receivable in the amount of \$2,643 • Other assets were not properly reconciled as part of year end procedures and resulted in an adjustment in the amount of \$46,834 • An adjustment was identified to correct the overstatement of prepaid insurance in the amount of \$101,946 • Benefit liabilities and related liabilities were not reconciled at year end and resulted in an adjustment to correct understatement of benefit expense and overstatement of liabilities in the amount of \$442,684 • Accrued expense accounts were not reconciled as part of year end procedures and an adjustment was identified to correct accrued expense debit balances in the amount of \$13,292

**Children’s Place Association
and Its Affiliated Organizations
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

**Reference
Number**

Finding

- Notes payable was not reconciled as part of year end procedures and resulted in an adjustment correcting the overstatement of notes payable in the amount of \$129,569
- Accrued payroll was not recorded as of fiscal year end and resulted in an adjustment to correct the understatement in the amount of \$180,965
- Accrued vacation was not adjusted as of fiscal year end and resulted in an adjustment to correct the overstatement in the amount of \$102,229
- Credit card transactions were all recorded to other expenses rather than the correct account based on the type of transaction and resulted in an expense reclass in the amount of \$136,301
- Credit card transactions for May and June 2021 were not properly accrued and resulted in an adjustment in the amount of \$3,746
- Contributions were recorded within the special events general ledger account and resulted in a reclass adjusting entry in the amount of \$106,583
- Capital assets are tracked on a spreadsheet and are not regularly reviewed and updated. The spreadsheet was not updated until October 2022. In addition, an adjustment was identified to record capital asset additions (equipment) in the amount of \$36,877
- The net asset rollforward schedule is not updated and reviewed on a regular basis. The rollforward schedule was not updated until October 2022
- An unknown difference was identified most likely relating to prior year activity not properly recorded in the amount of \$37,867

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

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

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

**Children’s Place Association
and Its Affiliated Organizations**
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

**Reference
Number**

Finding

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

**Children’s Place Association
and Its Affiliated Organizations
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2021-002	<p>Cost Allocation Process</p> <p>Major Program – Head Start Assistance Listing Number – 93.600 Federal Agency – U.S. Department of Health and Human Services Pass-Through Entity – Ounce of Prevention Grant Numbers – 05CH011953/01 and 05CH8456/06 Award Periods – January 1, 2019 through December 31, 2020, and January 1, 2020 through December 31, 2021</p> <p><i>Criteria or Specific Requirement</i> – An organization’s system of internal control should include policies and procedures to ensure that charges to federal awards are allowable and properly incurred as part of the federal program.</p> <p><i>Condition</i> – Management establishes a cost allocation plan for certain indirect and administrative personnel costs based upon anticipated time to be incurred by the federal program. Throughout the grant period, actual time incurred is reviewed by management and adjustments to the grant will be made if needed. In testing personnel salary and wage expense charged to the program we were unable to examine documentation of a formal review and approval by management of the process taking place as evidenced by management signature.</p> <p><i>Questioned Costs</i> – None.</p> <p><i>Context</i> –The Association prepares monthly spreadsheets that includes the detail and the allocation of expenses. The spreadsheet is reviewed and signed off each month by the Chief Financial Officer. For 3 of the 5 months selected for testing, the signed copies were not available for review. These months were in the first part of the fiscal year. For 14 of 60 disbursements selected for testing, the employee’s time or the nonpayroll invoice was allocated and we were unable to examine documentation of performance of the review and approval process. A nonstatistical sampling methodology was used to select the sample.</p> <p><i>Effect</i> – Certain costs may not have been reasonably allocated and the grant may have been charged for unauthorized costs.</p> <p><i>Cause</i> – Staff turnover and lack of formal policies and procedures resulted in the issue noted above.</p>

**Children’s Place Association
and Its Affiliated Organizations**
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

**Reference
Number**

Finding

Repeat Finding – Yes; 2018-002, 2019-002, 2020-002

Recommendation – We recommend that management fully document performance of employee activity by a knowledgeable supervisor on a monthly basis. Monthly reports should be properly signed and retained for evidence of the review.

Views of Responsible Officials and Planned Corrective Actions – Concur. The new CFO is reviewing all allocations and applying the approved methodology to the current year budget in the accounting system.

2020-003

Reporting

Major Program – Head Start

Assistance Listing Number – 93.600

Federal Agency – U.S. Department of Health and Human Services

Pass-Through Entity – Ounce of Prevention

Grant Numbers – 05CH011953/01 and 05CH8456/06

Award Periods – January 1, 2019 through December 31, 2020, and January 1, 2020 through December 31, 2021

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

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

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

Questioned Costs – None.

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

**Children’s Place Association
and Its Affiliated Organizations**
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

**Reference
Number**

Finding

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

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

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

**Children’s Place Association
and Its Affiliated Organizations**
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Summary of Finding	Status
2020-001	<p>Account Reconciliations and Journal Entries</p> <p>The preparation and review of certain financial account reconciliations and adjusting entries were not prepared and posted to the accounting records timely.</p>	<p>Repeated – See 2021-001. Staff turnover resulted in the repeat of this finding.</p>
2020-002	<p>Cost Allocation Process – Department of Health and Human Services, Head Start Cluster</p> <p>For 12 out of 40 disbursements selected for testing, the employee’s time was allocated and support was not available showing the review and approval process.</p>	<p>Repeated – See 2021-002. Staff turnover resulted in the repeat of this finding.</p>
2020-003	<p>Reporting – Department of Health and Human Services, Head Start Cluster</p> <p>Certain quarterly and monthly reports were not completed and submitted in accordance with required due dates.</p>	<p>Repeated – See 2021-003. Staff turnover resulted in the repeat of this finding.</p>