

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

Single Audit Reports

June 30, 2020



Children’s Place Association and Its Affiliated Organizations

June 30, 2020

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**Children's Place Association
and Its Affiliated Organizations**
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Grant 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	\$ -	\$ 47,657
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	-	228,902
U.S. Department of Health and Human Services				
Passed through the Ounce of Prevention Head Start	93.600*	05CH8456/05 05CH8456/06	-	273,584
Early Head Start	93.600*	05CH8456/05 05CH8456/06	-	899,686
Total Head Start Cluster			-	1,173,270
Passed through the Illinois Department of Children and Family Services Child Abuse and Neglect State Grants	93.669	1929679030	-	50,198
Passed through the City of Chicago Department of Public Health Title I/A of the Ryan White Act	93.914	73148	-	22,767
HIV Emergency Relief Project Grants - Ryan White HIV/AIDS Program	93.914	110216	-	48,001
Total Assistance Listing # 93.14			-	70,768
Passed through the AIDS Foundation of Chicago Title II/B of the Ryan White Act	93.917	7117/7118	-	45,208
Total U.S. Department of Health and Human Services			-	1,339,444
Total Federal Expenditures			\$ -	\$ 1,616,003

* Program was tested as a major program at June 30, 2020

**Children's Place Association
and Its Affiliated Organizations**
Notes to Schedule of Expenditures of Federal Awards
June 30, 2020

Notes to Schedule

1. 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, 2020. 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.
2. 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. The Association has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. No federal loan programs are administered by the Association at June 30, 2020. The Association did not receive any noncash financial assistance and there was no insurance in effect related to federal programs.

**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, 2020, 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 November 12, 2021.

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 2020-001 that we consider to be a material weakness.

Board of Directors
Children's Place Association and
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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 determination of financial statement amounts. 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.

BKD, LLP

Oakbrook Terrace, Illinois
November 12, 2021

Report on Compliance for Each 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 Each 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 each of the Association's major federal programs for the year ended June 30, 2020. 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 each of the Association's major federal programs 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
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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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which 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 2020-002 and 2020-003. Our opinion on its 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

Board of Directors
Children's Place Association and
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deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003 that we consider to be material weaknesses.

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, 2020, and have issued our report thereon, dated November 12, 2021, 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.

BKD, LLP

Oakbrook Terrace, Illinois
November 12, 2021

**Children's Place Association
and Its Affiliated Organizations
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
 Significant deficiency(ies)? Yes None reported
 Material weakness(es)? Yes No

3. Noncompliance considered material to the consolidated financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
 Significant deficiency(ies)? Yes None reported
 Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

7. The Association's major program is:

Cluster/Program	Assistance Listing Number
Head Start	93.600

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The Association 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, 2020

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2020-001	<p>Account Reconciliations and Journal Entries (repeating finding – 2017-001, 2018-001, 2019-001)</p> <p><i>Criteria or Specific Requirement</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"> • Bank and investment reconciliations do not have a documented review and approval. • Grant receivables and revenue were not completely reconciled at year end and adjustments were identified to correct the overstatement of revenue in the amount of \$133,693 and the understatement of receivables in the amount of \$1,045. • Capital assets were not reconciled as part of year end close-out procedures and had a difference from the supporting detail in the amount of approximately \$10,000. In addition, adjusting entry in the amount of \$83,189 was identified during testing to record additional construction in progress and accounts payable. • An adjustment of \$1,514 was identified correcting a deposit account. • An adjustment of \$6,785 was identified to reclass amounts from prepaid expenses to receivables. • Accrued payroll and payroll taxes liabilities were not properly reconciled and adjustment identified to correct the overstatement in the amount of \$272,253. • Other accrued liabilities were not properly reconciled and adjustment identified to correct the understatement in the amount of \$32,454. • Deferred revenue not reconciled at year end and resulted in an adjustment to correct overstatement in the amount of \$135,238.

**Children’s Place Association
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Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

**Reference
Number**

Finding

- The net asset rollforward schedule was not prepared as part of the year-end close procedures.
- Ending net assets were not reconciled as part of year-end procedures and resulted in a proposed audit entry in the amount of \$39,377.
- Intercompany activity was not properly reconciled and resulted in an adjustment in the amount of \$107,891.
- Adjustment identified to correct the overstatement of bad debt expense in the amount of \$68,475.
- The schedule of expenditures of federal awards was not reconciled as part of year-end procedures and resulted in changes when reviewed during the audit.
- Adjustment identified but not recorded for impact of various adjustments listed above in the amount of \$97,751.

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.

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

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

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

**Children’s Place Association
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Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2020-002	<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 – 05CH8456-04 and 05CH8456-05 Award Periods – January 1, 2018 through December 31, 2019, and January 1, 2019 through December 31, 2020</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> – For 12 of 40 disbursements selected for testing, the employee’s time 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> <p><i>Repeat Finding</i> – Yes; 2018-002, 2019-002</p>

**Children’s Place Association
and Its Affiliated Organizations
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

**Reference
Number**

Finding

Recommendation – We recommend that management fully document performance of employee activity by a knowledgeable supervisor on a monthly basis.

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 – 05CH8456-04 and 05CH8456-05
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 quarterly and monthly reports were not completed and submitted in accordance with the required due dates.

Context – We noted that for 4 monthly reports out of 4 selected for testing were not submitted by the required due dates. The reports were properly supported and completed but after the due date established by the pass-through grantor. 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

**Children’s Place Association
and Its Affiliated Organizations**
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

**Reference
Number**

Finding

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 monthly reports.

**Children’s Place Association
and Its Affiliated Organizations
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020**

Reference Number	Summary of Finding	Status
2019-001	<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 2020-001. Staff turnover resulted in the repeat of this finding.</p>
2019-002	<p>Cost Allocation Process</p> <p>For 13 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 2020-002. Staff turnover resulted in the repeat of this finding.</p>
2019-003	<p>Reporting</p> <p>Certain quarterly and monthly reports were not completed and submitted in accordance with required due dates.</p>	<p>Repeated – See 2020-003. Staff turnover resulted in the repeat of this finding.</p>
2018-001	<p>Account Reconciliation and Journal Entries</p> <p>The preparation and review of certain financial entries were not prepared and posted to the accounting records timely.</p>	<p>Repeated – See 2020-001. Staff turnover resulted in the repeat of this finding.</p>
2018-002	<p>Cost Allocation Process</p> <p>For 24 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 2020-002. Staff turnover resulted in the repeat of this finding.</p>
2018-004	<p>Reporting</p> <p>Certain quarterly and monthly reports were not completed and submitted in accordance with required due dates.</p>	<p>Repeated – See 2020-003. Staff turnover resulted in the repeat of this finding</p>