



Children's Place Association and Its Affiliated Organizations

Single Audit Reports

June 30, 2023



**Children’s Place Association
and Its Affiliated Organizations
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June 30, 2023**

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

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture				
Passed through the Illinois State Board of Education Child and Adult Care Food Program	10.558	15-016-056N-00	\$ -	\$ 95,766
U.S. Department of Housing and Urban Development				
Passed through the City of Chicago Department of Public Health Housing Opportunities for People with AIDS	14.241	92314	-	91,131
U.S. Department of Health and Human Services				
Passed through the Start Early Head Start	93.600*	05CH011953/03 05CH011953	-	262,009
Early Head Start	93.600*	05CH011953/03 05CH011953	-	723,832
COVID-19 Head Start	93.600*	05HE001067-01-01 05HE00106701 C3	-	69,845
COVID-19 Head Start	93.600*	05HE001067-01-01 05HE00106701 C5	-	50,174
COVID-19 Head Start	93.600*	05HE001067-01-01 05HE00106701 C6	-	94,041
Total Assistance Listing Number 93.600 and Head Start Cluster			-	1,199,901
Passed through the Illinois Department of Children and Family Services Child Abuse and Neglect State Grants	93.669	1929679033	-	53,448
Passed through the AIDS Foundation of Chicago Title II/B of the Ryan White Act	93.917	7117/7118	-	41,881
Total U.S. Department of Health and Human Services			-	1,295,230
			\$ -	\$ 1,482,127

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

**Children's Place Association
and Its Affiliated Organizations
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Children's Place Association and Its Affiliated Organizations (Association) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Association.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Children's Place Association and Its Affiliated Organizations (Association) (a nonprofit organization), which comprise the Association's consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon, dated December 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Association's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

**Chicago, Illinois
December 12, 2024**

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

Opinion on the Major Federal Program

We have audited Children's Place Association and Its Affiliated Organizations' (Association)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended June 30, 2023. The Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

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

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a material weakness.

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

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

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

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, 2023, and have issued our report thereon, dated December 12, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

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

Forvis Mazars, LLP

**Chicago, Illinois
December 12, 2024**

**Children's Place Association
and Its Affiliated Organizations
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:
 Unmodified Qualified Adverse Disclaimer
2. Internal control over financial reporting:
 Significant deficiency(ies) identified? Yes None reported
 Material weakness(es) identified? Yes No
3. Noncompliance material to the consolidated financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:
 Significant deficiency(ies) identified? Yes None reported
 Material weakness(es) identified? Yes No
5. Type of auditor's report issued on compliance for the major federal program:
 Unmodified Qualified Adverse Disclaimer
6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? Yes No
7. Identification of the major federal program:

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

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

Section II – Financial Statement Findings

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

**Reference
Number**

Finding

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

The following issues were noted:

- Investment reconciliations do not have a documented review and approval.
- 1 out of 3 manual adjusting journal entries selected for testing did not have a documented review by an independent member of management
- An adjustment was identified to correct the overstatement of cash in the amount of \$32,299
- An adjustment was identified to correct the overstatement of grant receivables and revenues in the amount of \$710,728
- An adjustment was identified to correct the overstatement of prepaid insurance in the amount of \$113,571
- Deferred revenue was not properly reconciled at year end and resulted in an adjustment to correct the overstatement in the amount of \$49,000
- Capital assets are tracked on a spreadsheet and are not regularly reviewed and updated. The spreadsheet was not updated until June 2024
- The net asset roll forward schedule tracking net assets with donor restrictions is not updated and reviewed on a regular basis. The roll forward schedule was not updated until October 2024
- Special event was not properly reclassified out of contribution revenue in the amount of \$361,470
- Accounts payable was understated in the amount of \$50,081

Other revenue was not properly reviewed and resulted in an adjustment to correct the overstatement in the amount of \$200,728

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

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

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

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

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2023-002	<p>Reporting</p> <p>Major Program – Head Start Assistance Listing Number – 93.600 Federal Agency – U.S. Department of Health and Human Services Pass-Through Entity – Start Early Grant Numbers – 05CH011953/03, 05CH011953 Award Periods – January 1, 2022 through December 31, 2023, and January 1, 2023 through December 31, 2024</p> <p><i>Criteria or Specific Requirement</i> – The Association has reporting requirements under its contract with the pass-through grantor, where the pass-through grantor requires reports to be submitted within 15 days of month end.</p> <p><i>Condition</i> – 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.</p> <p><i>Context</i> – 3 reports were selected for testing and 2 of the reports were submitted beyond the fifteen-day requirement. The November 2022 report was due December 15, 2022, and was submitted December 27, 2022. The May 2023 report was due June 15, 2023, and was submitted June 28, 2023. A nonstatistical sampling methodology was used to select the sample.</p> <p><i>Questioned Costs</i> – None.</p> <p><i>Effect</i> – Reporting requirements were not met in accordance with the requirements stipulated under the Association’s contract with the pass-through grantor.</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; 2017-004, 2018-004, 2019-003, 2020-003, 2021-003, 2022-002</p> <p><i>Recommendation</i> – We recommend that the Association implement policies and procedures to ensure compliance with all reporting due dates and other requirements.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – Concur. The Association has hired a Grant Administrator whose responsibility is to ensure timely submission of the reports.</p>

**Children’s Place Association
and Its Affiliated Organizations
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023**

Reference Number	Summary of Finding	Status
2022-001	<p>Account Reconciliations and Journal Entries (repeat finding 2017-001, 2018-001, 2019-001, 2020-001, 2021-001)</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 2023-001. Staff turnover resulted in the repeat of this finding.</p>
2022-002	<p>Reporting – Department of Health and Human Services, Head Start Cluster (repeat finding 2017-004, 2018-004, 2019-003, 2020-003, 2021-003)</p> <p>Certain quarterly and monthly reports were not completed and submitted in accordance with required due dates.</p>	<p>Repeated – See 2023-002. Staff turnover resulted in the repeat of this finding.</p>