CAROLE ROBERTSON
CENTER FOR LEARNING

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
(Including Reports Required by
OMB's Uniform Guidance)

June 30, 2023
And for the Year Then Ended

(With Summarized Comparative Totals
For the Year Ended June 30, 2022)

Carole Robertson Center for Learning

Annual Financial Report

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D&A
Desmond &Ahern, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
Carole Robertson Center for Learning
Chicago, IL

Opinion
We have audited the accompanying financial statements of Carole Robertson Center for Learning (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Carole Robertson Center for Learning as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Carole Robertson Center for Learning and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Carole Robertson Center for Learning's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Carole Robertson Center for Learning's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Carole Robertson Center for Learning's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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.

Supplementary Information (cont.)
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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024, on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information
Carole Robertson Center for Learning's 2022 financial statements had previously been audited by another firm and expressed an unmodified audit opinion on those audited financial statements in their report dated March 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Desmond & Ahern, Ltd

March 21, 2024
Chicago, IL

CAROLE ROBERTSON CENTER FOR LEARNING
STATEMENT OF FINANCIAL POSITION
June 30, 2023 (with comparative totals for June 30, 2022)

	2023	2022
Assets		
Cash and equivalents	$ 2,138,188	$ 7,548,773
Investments	4,782,789	-
Accounts receivable	6,972,931	5,076,392
Parent fees receivable, net	14,123	44,167
Prepaid expenses	407,737	478,775
Total current assets	14,315,768	13,148,107
Property and Equipment		
Land	1,800,000	1,800,000
Building and leasehold improvements	7,368,716	7,095,361
Furniture and equipment	490,707	476,337
Computer and software	136,211	136,211
Vehicles	38,295	38,295
Less accumulated depreciation	(5,480,783)	(5,165,775)
Net property and equipment	4,353,146	4,380,429
Other Assets		
Restricted Cash	125,228	126,502
Financing lease right-of-use assets	167,369	229,471
Operating lease right-of-use assets	559,820	-
Total other assets	852,417	355,973
Total Assets	$ 19,521,331	$ 17,884,509
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,508,284	$ 1,473,387
Accrued expenses	612,443	144,833
Accrued payroll and related	1,213,500	745,663
Financing lease liability - current portion	65,568	59,561
Operating lease liability - current portion	73,297	-
Total current liabilities	3,473,092	2,423,444
Other Liabilities		
Financing lease liability - net of current portion	105,053	173,299
Operating lease liability - net of current portion	495,347	-
Total other liabilities	600,400	173,299
Total Liabilities	4,073,492	2,596,743
Net Assets		
Without donor restrictions	12,417,235	13,139,075
With donor restrictions	3,030,604	2,148,691
Total net assets	15,447,839	15,287,766
Total Liabilities and Net Assets	$ 19,521,331	$ 17,884,509

See independent auditor's report and notes to financial statements.

CAROLE ROBERTSON CENTER FOR LEARNING
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023 (with summarized comparative totals for June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Public Support and Revenue				
Government grants and contracts	$ 35,510,211	$ -	$ 35,510,211	$ 27,263,328
Contributions	577,805	2,088,661	2,666,466	1,709,333
Program fees	360,886	-	360,886	156,427
Special events, net	198,636	-	198,636	230,908
Donated goods and services	26,780	-	26,780	68,227
Investment income, net	82,789	-	82,789	(4,368)
Interest income	47,702	-	47,702	2,558
Miscellaneous income	-	-	-	39,224
Other revenue (Note 12)	-	-	-	1,135,844
Releases from restrictions	1,206,748	(1,206,748)	-	-
Total Public Support and Revenue	38,011,557	881,913	38,893,470	30,601,481
Expenses				
Program services				
Infant/Toddler	19,760,282	-	19,760,282	13,156,453
Early childhood	9,199,336	-	9,199,336	7,254,897
School age and youth	3,389,655	-	3,389,655	1,510,676
Community programming	635,370	-	635,370	401,111
Total Program expenses	32,984,643	-	32,984,643	22,323,137
Management and general	5,359,803	-	5,359,803	4,552,028
Fundraising	388,951	-	388,951	309,705
Total Expenses	38,733,397	-	38,733,397	27,184,870
Change in Net Assets	(721,840)	881,913	160,073	3,416,611
Net Assets, Beginning of Year	13,139,075	2,148,691	15,287,766	11,871,155
Net Assets, End of Year	$ 12,417,235	$ 3,030,604	$ 15,447,839	$ 15,287,766

See independent auditor's report and notes to financial statements.

CAROLE ROBERTSON CENTER FOR LEARNING
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023 (with summarized comparative totals for June 30, 2022)

	Infant/ Toddler	Early Childhood	School Age and Youth	Community Programming	Total Program Services	Management and General	Fundraising	2023 Total	2022 Total
Functional Expenses									
Salaries and wages	$ 7,700,058	$ 7,174,535	$ 1,100,259	$ 398,976	$ 16,373,828	$ 1,003,592	$ 198,609	$ 17,576,029	$ 13,177,802
Fringe benefits and related taxes	992,897	860,879	213,646	60,824	2,128,246	1,108,026	32,993	3,269,265	2,265,389
	8,692,955	8,035,414	1,313,905	459,800	18,502,074	2,111,618	231,602	20,845,294	15,443,191
Bad debt	-	-	-	-	-	658,934	-	658,934	74,418
Depreciation and amortization	101,594	7,611	72,436	-	181,641	193,476	750	375,867	378,016
Equipment and technology	255,677	80,285	148,615	-	484,577	37,612	-	522,189	367,453
Event expense	278	267	-	-	545	29,407	9,862	39,814	81,828
Food and milk purchases	428,777	364,317	416,095	-	1,209,189	18,071	-	1,227,260	786,612
Insurance and fees	31,859	79,954	27,883	16,776	156,472	90,560	560	247,592	308,925
Miscellaneous	-	-	-	-	-	44,489	-	44,489	2,005
Occupancy and related	78,309	31,262	19,910	4,657	134,138	1,049,180	2,409	1,185,727	1,298,492
Office related	35,967	5,076	23,380	12,114	76,537	88,257	1,966	166,760	314,374
Pass-through grants	7,872,326	8,680	-	-	7,881,006	-	-	7,881,006	4,357,712
Professional fees	1,034,784	356,065	825,353	7,115	2,223,317	816,959	77,029	3,117,305	1,634,435
Program and other supplies	1,106,427	217,570	442,528	128,280	1,894,805	118,165	61,469	2,074,439	1,681,145
Scholarship and family assistance	684	-	636	-	1,320	2,543	-	3,863	60
Staff development	87,363	9,136	82,819	4,263	183,581	48,400	2,975	234,956	344,254
Travel and meetings	33,282	3,699	16,095	2,365	55,441	52,132	329	107,902	111,949
Total Expenses	$ 19,760,282	$ 9,199,336	$ 3,389,655	$ 635,370	$ 32,984,643	$ 5,359,803	$ 388,951	$ 38,733,397	$ 27,184,869

See independent auditor's report and notes to financial statements.

CAROLE ROBERTSON CENTER FOR LEARNING
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023 (with comparative totals for June 30, 2022)

	2023	2022
Reconciliation of Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Change in net assets	$ 160,073	$ 3,416,611
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	375,867	378,016
Net realized and unrealized investment (gains) losses	(40,929)	-
Noncash lease expense	5,435	-
Loss on disposal of fixed assets	-	16,781
Other gain (Note 12)	-	(1,135,844)
(Increase) decrease in assets		
Accounts receivable	(1,896,539)	307,415
Parent fees receivable	30,044	63,777
Prepaid expenses	71,038	(352,491)
Increase (decrease) in liabilities		
Accounts payable	34,897	610,015
Accrued expenses	935,447	381,117
Net cash provided by operating activities	(324,667)	3,685,397
Cash Flows from Investing Activities		
Purchases of equipment	(287,723)	(183,520)
Purchases of investments	(5,700,105)	-
Sales of investments	958,245	-
Proceeds from acquisition	-	283,577
Net cash provided by (used in) investing activities	(5,029,583)	100,057
Cash Flows from Financing Activities		
Payments on financing lease	(57,609)	(65,568)
Payments on long-term debt	-	(933,289)
Payments on Paycheck Protection Program loan	-	(1,261,137)
Net cash (used in) financing activities	(57,609)	(2,259,994)
Net (decrease) increase in cash and equivalents	(5,411,859)	1,525,460
Cash and equivalents, beginning of year	7,675,275	6,149,815
Cash and equivalents, end of year	$ 2,263,416	$ 7,675,275
Reconciliation to Cash and Equivalents		
Cash and equivalents	$ 2,138,188	$ 7,548,773
Restricted cash	125,228	126,502
Cash and equivalents, end of year	$ 2,263,416	$ 7,675,275
Supplemental Information		
Cash paid for interest	$ 7,959	$ 39,419
Cash paid for taxes	$ -	$ -

See independent auditor's report and notes to financial statements.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

Carole Robertson Center for Learning (the "Organization"), an Illinois non-for-profit, was established to provide comprehensive child and family development programs to educate, enrich, and empower children and families. The Organization serves Chicago families with the vision that every child and family create pathways to lead productive, fulfilling lives. The Organization is supported primarily through government grants and contracts, public and foundation contributions, and program service fees.

Effective July 31, 2021, the Carole Robertson Center for Learning entered into a an asset transfer and assumption of liabilities agreement with Albany Park Community Center (APCC). Under the terms of the agreement, APCC agreed to transfer all of the assets and liabilities to Carole Robertson Center for Learning. The Organization continues to provide early educational services in Albany Park under the name "Carole Robertson Center for Learning at Albany Park." All financial activity of APCC has been consolidated with the Organization.

Tax Exempt Status

Carole Robertson Center for Learning was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). Carole Robertson Center for Learning qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The tax-exempt purpose of Carole Robertson Center for Learning and the nature in which it operates is described above. The Organization continues to operate in compliance with its tax-exempt purpose. Carole Robertson Center for Learning's annual informational and income tax returns filed with the federal and state governments are subject to examination by the Internal Revenue Service for three years after filing.

The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2023.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities in accordance with the accounting principles generally accepted in the United States of America ("GAAP").

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Basis of Presentation
As required by the generally accepted accounting principles for Not-for-Profit accounting, the Organization is required to report information regarding its financial position and activities according to two classes:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including restricted gifts whose donor-imposed restrictions were met during the year.

With Donor Restrictions – Net assets subject to donor-imposed restrictions which will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained perpetually by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift is to be held in perpetuity and that only the income be made available for programs. As of June 30, 2023, the Organization has $125,228 of net assets with donor restrictions perpetual in nature.

Use of Estimates
The preparation of 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 financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Equivalents
Cash and equivalents consist of bank deposits in federally insured accounts. The accounts, at times, may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents. No cash was paid for interest or taxes during the year ended June 30, 2023.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Restricted Cash
The Organization received funds from the Wallace Foundation during October 2011 that are to be held in perpetuity. The agreement requires the funds and earnings on the funds to be maintained in U.S. Treasury Bills, FDIC insured certificates of deposit, a checking or savings account, or money market mutual funds. Funds are maintained in a money market fund. As of June 30, 2023, the balance consists of $125,000 in cash plus $228 in cumulative interest earned. Due to requirement to hold funds in perpetuity, the Organization includes restricted cash as a long-term asset.

Investments
Investments are carried at fair value. The fair market value of investments is based on quoted market prices. Dividends, interest, realized, and unrealized gains and losses are reflected in the statement of activities.

Prepaid Expense
Prepaid expense is an expense that has been paid for in advance but not yet incurred such as insurance and other monthly subscriptions.

Property and Equipment
Property and equipment are stated at cost. Acquisitions of property and equipment in excess of $5,000 and those items which substantially increase the useful lives of existing assets, are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of 5 - 30 years. Depreciation and amortization amounted to $372,558 for the year ended June 30, 2023.

Accounts Receivable
Account receivables consist of both unconditional promises to give by donors and amounts due from governmental agencies for services. Unconditional promises to give are recorded in the year the promises are made, either unrestricted, or restricted for the subsequent period. Amounts due from governmental agencies are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Accounts and grants receivable are carried net an allowance for doubtful accounts. The Organization records an allowance for doubtful accounts based on specifically identified amounts that are not certain to be collected. Management has deemed no allowance for doubtful accounts to be necessary as of June 30, 2023.

Parent Fees Receivable
Accounts receivable consists of amounts due from parents for program service fees. Parent fees receivable are stated at the amount management expects to collect for contracted services and fees. Parent fees receivable are considered past due after thirty days. The Organization evaluates collectability of receivables based on historical trends and market conditions. The Organization has recorded an allowance for uncollectible receivables of $50,000 as of June 30, 2023.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Refundable Advance
Refundable advances represent government payments which have been received, but for which the prescribed conditions of service have not been met. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization did not record any refundable advances from government agencies as of June 30, 2023.

Support and Revenue
Contributions – The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a 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 statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending June 30, 2023 no such gifts of land, buildings, or equipment were received.

Governmental Gants and Contracts – Government grants and contracts are recognized when promised or earned. Revenue is earned when eligible expenditures, as defined in each grant; contract or other allowable cost manual are made. Any cash received for revenue not yet earned is considered to be deferred revenue. Revenue earned but not yet paid to the Organization is included in accounts receivable. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such review reduces expenditures allowable under these grants or contracts, the Organization records the disallowance at the time the final assessment is made.

As a qualified childcare provider in the State of Illinois, the Organization accepts children that qualify for free or reduced childcare, as determined by the State of Illinois Department of Human Services. Childcare subsidies are considered revenue from contracts with customers and is recognized as an exchange transaction. The Organization bills the state of Illinois, Illinois Action for Children or the City of Chicago Department of Family Services monthly for children in the subsidy program based on the days attended on a fee for service basis and no funds are received in advance. Revenue is recognized over the month or other agreed upon contract term as the customers are simultaneously receiving and consuming the benefits of the service.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Governmental Grants and Contracts (cont.) – Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. These expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Management does not anticipate any adjustments for the revenue shown for the year ended June 30, 2023.

Program fees – Program services fees are considered revenue from contract with customers and are recognized as exchange transactions. Program service fees represent parent co-payments related to state determined childcare funding for extended day care of education services during the agreed upon contract period. The Program service fees also include amounts received from other entities to provide program related services. Revenue is recognized over the month or other agreed upon contract term as the customers are simultaneously receiving and consuming the benefits of the service. Private pay or co-pay fees received in advance of the contract period are included as deferred revenues. There are no contract assets or liabilities at the year ended June 30, 2023.

Special Events – Special event revenue for tickets is recorded as deferred revenue when received and recognized as earned when the underlying event occurs.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended June 30, 2023, the Organization received $23,780 of donated professional services meeting these criteria. Value techniques and inputs for donated professional services are based on current rates for similar services.

There are also a substantial number of volunteers who donate a significant amount of their time towards the activities of the Organization, the value of which are not recognized in the financial statements due to not meeting the donated services recognition requirements.

In-Kind Contributions

The Organization may receive in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. For the year ended June 30, 2023, the Organization received $3,000 of donations as such. Value techniques and inputs for donated nonfinancial assets are based on estimated wholesale value of similar products.

Certain Vulnerabilities and Concentrations

The Organization's total public support and revenue for the year ended June 30, 2023 amounted to $38,893,470. Of this amount, 73% was received from two government agencies. This funding source also represents 68% of accounts receivable at June 30, 2023.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Functional Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and benefits which are allocated on the basis of estimates of time.

Comparative Financial Statement Disclosure
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Reclassifications
Certain amounts from prior year financial statements have been reclassified within the summarized comparative total to conform to current year presentation.

Subsequent Events
Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through March 21, 2024, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Adoption of New Accounting Standard
Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases and existing capital leases as financing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Adoption of New Accounting Standard (cont.)
As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 (a) an operating lease liability of $637,318, which represents the present value of the remaining lease payments of $712,203, discounted using the risk-free discount rate of 2.88%, and (b) a right-of-use asset of $637,318.

Note 2 – Financial Assets and Liquidity Resources

The Organization regularly monitors the availability of resources to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-months period, the Organization considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at year-end:	
Cash and cash equivalents	$ 2,138,188
Investments	4,782,789
Contributions receivable	6,972,931
Parent fees receivable	64,123
Total financial assets available within one year	13,958,031
Less net assets with donor restrictions	(3,030,604)
Less allowance for doubtful accounts	(50,000)
Total financial assets available within one year	$ 10,877,427
Additional liquidity resources:	
Available line of credit	$ 4,000,000

The Organization provides various program services from which it receives city, state and federal reimbursement as well as contributions from individual, corporation and foundation donors; and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general operating purposes.

The Organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future.

Note 2 – Financial Assets and Liquidity Resources (cont.)

To manage liquidity, the Organization defers expenses to the extent practicable and draws upon available lines of credit as needed to meet cash flow needs. During the year ended June 30, 2023 the level of liquidity and reserves was managed within the policy requirements.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 3 – Investments

Investments consist of the following at June 30, 2023:

Mutual funds - money markets	$	1,059,275
Mutual funds - equities		1,480
Fixed income - treasury bonds		3,722,034
Total investments	$	4,782,789

A summary of investment income for the year ended June 30, 2023 is as follows:

Interest and dividends	$	44,491
Unrealized loss on investments		36,808
Realized gain on sales of investments		4,121
Investment fees and expenses		(2,631)
Net investment income	$	82,789

Note 4 – Fair Value Measurements

Generally Accepted Accounting Principles defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date.

Generally Accepted Accounting Principles establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

<u>Note 4 – Fair Value Measurements (cont.)</u>

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other 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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Based on the inputs used in the valuation methods, the Organization is required to provide the following information according to the fair value hierarchy. The fair value ranks the quality and reliability of the information used to determine fair values.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following description of the valuation methodologies used for the Organization's financial instruments measured at fair value. There have been no changes to in the methodologies used as of June 30, 2023.

The following is a description of the valuation methodologies used for assets measured at fair value:

Money markets: Approximate fair value due to the short maturity of these instruments.

Equities and mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Treasury Bonds: Bonds issued by the U.S. Treasury, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Federal National Mortgage Association. The fair values of U.S. treasury bonds are based on quoted market prices in active markets and are included in the Level 1 fair value hierarchy. The market for U.S. treasury bonds is an actively traded market given the high level of daily trading volume. The fair values of U.S. agency bonds are determined using the spread above the risk-free yield curve.

Note 4 – Fair Value Measurements (cont.)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds - money markets	$ 1,059,275	$ -	$ -	$ 1,059,275
Mutual funds - equities	1,480	-	-	1,480
Fixed income - treasury bonds	3,722,034	-	-	3,722,034
Total investments	$ 4,782,789	$ -	$ -	$ 4,782,789

Note 5 – Property and Equipment

Property and equipment consisted of the following at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Land	$ 1,800,000	$ -	$ 1,800,000
Building and leasehold improvements	3,650,341	3,718,375	7,368,716
Furniture and equipment	296,807	193,900	490,707
Computer and software	136,211	-	136,211
Vehicles	38,295	-	38,295
Total property and equipment	5,921,654	3,912,275	9,833,929
Less accumulated depreciation	(2,573,202)	(2,907,581)	(5,480,783)
Net property and equipment	$ 3,348,452	$ 1,004,694	$ 4,353,146

A portion of the property and equipment are donor restricted as of June 30, 2023. See Note 7.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Such assets would be written down to the fair market value of the asset. No such impairment is believed to have occurred as of June 30, 2023.

Note 6 – Line of Credit

The Organization has a $4,000,000 line of credit with a bank maturing June 30, 2024. Interest rate at the bank's reference or the Daily Bloomberg Short-Term Bank Yield index (BSBY) rate plus 2.25%. The effective interest rate at June 30, 2023 was 8.09%. The line of credit is secured by all real and personal property, both intangible and tangible, of the Organization. There was no outstanding balance at June 30, 2023.

Note 7 – Donor Restricted Net Assets

Donor restricted net assets as of June 30, 2023 also include the property and expansion of its two sites, as discussed in Note 5. At the time of expansion, grants funding a portion of the cost required the sites to be used for day care operation for 30 years. As such, the Organization reclassifies a portion of the donor restricted net assets to net assets without donor restriction each year as the time restriction expires. Additionally, donor restricted net assets include program grants which are restricted by the donor either for a specific time period and/or a specific purpose.

Net assets with donor restrictions consist of the following as of June 30, 2023:

Facility Expansion	
3701 W. Odgen	$ 617,964
2929 W. 19th Street	386,730
	1,004,694
Program and Operations	
Education	835,074
Sustainability fund	750,000
Apprenticeships	111,490
Future periods	60,000
Other program grants	144,118
	1,900,682
Perpetual in Nature	
Restricted cash	125,228
	$ 3,030,604

Net assets released from donor restrictions consist of the following as of June 30, 2023:

Facility expansion	$ 123,946
Program and operations	1,082,802
	$ 1,206,748

Note 7 – Donor Restricted Net Assets (cont.)

Restricted Facilities
The Organization has used various funding sources for construction and other improvements to the locations at 2929 W. 19th Street, Chicago, Illinois ("2929") and at 3701 W. Ogden Avenue, Chicago, Illinois ("3701").

The Organization received Empowerment Zone Grants from the United States Department of Housing and Urban Development for both 2929 and 3701 as the facilities were located in an approved empowerment zone. Each location received a grant of $1,500,000 which contained various limitations as to use of funds, costs allowed, reporting requirements, employment obligations, minority and women-owned business participation and insurance requirements. Under the terms of the grant, the constructed structures are to provide day care services for a period of thirty years.

A Community Services Block Grant was received for 2929 and 3701 and paid for a portion of the project costs so long as the Organization maintained certain minority and women-owned business participation, required the contractor's labor force for the project to be made up of no less than fifty percent Chicago residents, as well as other reporting requirements.

As a result of the requirements to maintain the sites operating as day care facilities for a period of thirty years, management has recorded the facilities as donor restricted and release restrictions as time elapses.

Perpetual in Nature Net Assets
The Organization held $125,228 in restricted cash equivalents at June 30, 2023 as a perpetual in nature restricted net asset for funds received from the Wallace Foundation during October 2011. During each fiscal year, the funds may be withdrawn and used solely to support activities that help to ensure the quality of programs or the stability of the Organization. Any sums drawn from the account are to be repaid as of the close of the fiscal year following the year in which they were drawn.

The Organization accounts for endowment net assets by preserving the fair value of the original donation as of the gift date to the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Organization classifies as endowment net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund, and (4) net appreciation/(depreciation) on each fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual in nature restricted net assets is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Note 7 – Donor Restricted Net Assets (cont.)

Perpetual in Nature Net Assets (cont.)
The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

It is the policy of the Organization to manage the endowment fund in a manner that will, at a minimum, preserve and maintain the real purchasing power of the principal while allowing for annual distributions to the operating budget. The Organization's investment policies, in association with the grant agreement, specify that funds be maintained in U.S. Treasury Bills or an FDIC-insured certificate of deposit, checking or savings account or a money market mutual fund that is registered under the Investment Organization Act of 1940. The Board of Directors meets regularly to ensure that the objectives of the investment policy are being met, and that the strategies used to meet the objectives are in accordance with the investment policy.

Endowment net asset composition by type as of June 30, 2023:

	Without Restrictions	Restricted for Programs	Perpetual in Nature	Total
Endowment net assets, beginning of year	$ -	$ 1,502	$ 125,000	$ 126,502
Appropriation of endowment assets for expenditure	-	(1,274)	-	(1,274)
Endowment net assets, end of year	$ -	$ 228	$ 125,000	$ 125,228

Note 8 – Special Events

Special events held by the Organization consisted of the following for the year ended June 30, 2023:

Sponsorship and donations	$ 190,296
Tickets	8,140
Auction	50,110
Direct benefit	(49,910)
Net special event revenues	$ 198,636

Note 9 – Leases

The Organization assesses whether an arrangement qualified as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of twelve months or less are not recorded on the statement of financial position.

Beginning on January 1, 2020, the Organization entered into a new leased space for its operations that will expire on December 31, 2029. The lease has escalating monthly rental payments with scheduled increases each January ranging from $6,666 to $8,698. The lease also calls for a proportional share of the property taxes and common area maintenance to be paid.

The Organization entered into equipment leases in 2021 that will expire March 31, 2026. The leases qualify as financing or capital leases and call for monthly payments of $5,464.

The leases provide for minimum annual rental payments and the Organization is also liable for its proportionate share of increases, if any.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of June 30, 2023:

	Operating	Finance
Leases		
Right-of-use asset	$ 559,820	$ 167,369
Lease liability - net of current	$ 495,347	$ 105,053
Lease liability - current	73,297	65,568
Total lease liability	$ 568,644	$ 170,621

<u>Note 9 – Leases (cont.)</u>

The following summarizes the weight average remaining lease term and discount rate as of June 30, 2023:

Weighted Average Remaining Lease Term	
Operating lease	78 Months
Finance lease	33 Months
Weighted Average Discount Rate	
Operating lease	2.88%
Finance lease	3.94%

The Organization has made the election afforded in the guidance under ASC Topic 842 which allows the use of the risk-free discount rate for these leases, which is based on the borrowing rate for the United States Federal Government for a period comparable to the lease terms.

The maturities of operating lease liabilities are as follows for the years ending June 30:

	Operating	Finance
2024	$ 88,721	$ 65,568
2025	91,382	65,568
2026	94,124	49,176
2027	96,947	-
2028	99,856	-
Thereafter	155,037	-
Total minimum lease payments	626,067	180,312
Less amount representing interest	(57,423)	(9,691)
Present value of lease liability	$ 568,644	$ 170,621

The Organization recorded lease expenses consisting of the following for the year ended June 30, 2023:

Operating lease expenses	$ 94,960
Variable lease expenses	64,158
Total operating lease expense	$ 159,118
Finance lease amortization	$ 60,861
Finance lease interest expense	7,959
Total finance lease expense	$ 68,820

Note 9 – Leases (cont.)

The following summarizes cash flow information related to the leases for the year ended June 30, 2023:

	Operating	Finance
Cash paid for amounts included in the measurement of lease liability		
Operating cash flows from lease	$ 86,136	$ 7,959
Financing cash flows from lease	$ -	$ 57,609
Right-of-use asset obtained in exchange for lease liability	$ 637,318	$ 228,231

Note 10 – Retirement Plan

The Organization has a 401(k) Plan which covers eligible employees. To be eligible an employee must have six months of service and be at least 18 years of age. The Organization may make a discretionary contribution to the plan on behalf of the covered employees. During the year ended June 30, 2023, the Organization contributed $278,216 that was included in accrued expenses.

Note 11 – Conditional Grants

Conditional grants are grants that include a specific condition in order to earn the revenue. Conditional grants are not recorded in revenue until the condition of the grant is met (generally, when the service is provided). During fiscal year 2021, the Organization was awarded a new grant directly from the Office of Head Start that is expected to total approximately $20 million over the next five years.

Note 12 – Albany Park Transaction

On July 31, 2021, the Organization entered into an asset purchase agreement to assume the assets and liabilities of Albany Park Community Center (APCC). As a result of this transaction, the assets and liabilities of APCC were assessed and recorded at fair value on the books of the during the fiscal year 2022 which resulted in a gain of $1,135,844 for the year ended June 30, 2022.

Reports Required by
OMB's Uniform Guidance

CAROLE ROBERTSON CENTER FOR LEARNING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Contract Number	Pass-through to Subrecipients		Disbursements or Expenditures
U.S. Department of Health and Human Services					
Head Start	93.600	N/A	$ 3,937,443		$ 22,903,421
Head Start - American Rescue Plan Act	93.600	N/A	646,614		1,752,693
Total Head Start			4,584,057	(1)	24,656,114
Passed through Illinois Department of Human Services					
Temporary Assistance for Needy Families	93.558	FCSBR05172	-		56,293
Temporary Assistance for Needy Families	93.558	FCSBR06086	-		20,656
Total Temporary Assistance for Needy Families			-		76,949
Passed through Illinois Department of Human Services					
Maternal, Infant, and Early Childhood Home Visting Grant	93.870	FCSBS06559	-		223,916
Passed through Illinois Action for Children					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	V00249	-		219,363
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	V00249	-		136,119
Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund			-		355,482
Total U.S. Department of Health and Human Services			4,584,057		25,312,461
U.S. Department of Agriculture					
Passed through Illinois State Board of Education					
Child and Adult Food Care Program	10.558	23N1199	-		667,188
Total U.S. Department of Agriculture			-		667,188
U.S. Department of the Treasury					
Passed through Illinois Department of Human Services					
Coronavirus State and Local Fiscal Recovery Funds	21.027	FCSBR05172	-		27,130
Coronavirus State and Local Fiscal Recovery Funds	21.027	FCSBR06086	-		12,296
Total Coronavirus State and Local Fiscal Recovery Funds			-		39,426
Passed through Illinois Department of Human Services					
Coronavirus Relief Fund	21.019	4100160385	-		133,407
Passed through Cook County					
Coronavirus Relief Fund	21.019	1205-NT897C3-02			11,124
Total Coronavirus Relief Fund			-		144,531
Total U.S. Department of Treasury			-		183,957
U.S. Department of Education					
Passed through from Illinois State Board of Education					
Twenty-First Century Community Learning Centers	84.287	S287C220013	-		142,734
Total U.S. Department of Education			-		142,734
Total Expenditures of Federal Awards			$ 4,584,057		$ 26,306,340

(1) Major Programs

See accompanying notes to schedule of federal awards.

CAROLE ROBERTSON CENTER FOR LEARNING
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "SEFA") includes the Federal award activity of Carole Robertson Center for Learning under programs of the federal government for the year June 30, 2023. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because this schedule presents only a selected portion of the operations of Carole Robertson Center for Learning, it is not intended to and does not present the financial position, changes in net assets or cash flows of Carole Robertson Center for Learning.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis on 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 SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

Note 3 – Subrecipients

Carole Robertson Center for Learning provided $4,584,057 of Federal awards to sub-recipients during the year ended June 30, 2023.

Note 4 – Other Matters

Amount of non-cash assistance	None
Amount of insurance	None
Amount of loans or loan guarantees	None

D&A

Desmond &Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Carole Robertson Center for Learning
Chicago, IL

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, the financial statements of Carole Robertson Center for Learning, which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carole Robertson Center for Learning's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carole Robertson Center for Learning's internal control. Accordingly, we do not express an opinion on the effectiveness of Carole Robertson Center for Learning'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 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 the 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 identified certain deficiencies 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 Carole Robertson Center for Learning's financial statements are free from 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*.

Carole Robertson Center for Learning's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Carole Robertson Center for Learning's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Carole Robertson Center for Learning response was not subjected to the other auditing procedures applied in the audit of the 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Desmond & Ahern, Ltd

March 21, 2024
Chicago, IL

D&A
Desmond &Ahern, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Carole Robertson Center for Learning
Chicago, IL

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Carole Robertson Center for Learning'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 each of Carole Robertson Center for Learning's major federal programs for the year ended June 30, 2023. The Carole Robertson Center for Learning's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Carole Robertson Center for Learning's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). 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 Carole Robertson Center for Learning 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 each major federal program. Our audit does not provide a legal determination of Carole Robertson Center for Learning's compliance with the compliance requirements referred to above.

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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 Carole Robertson Center for Learning'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 Carole Robertson Center for Learning'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 generally accepted auditing standards, *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 Carole Robertson Center for Learning's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Carole Robertson Center for Learning'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 Carole Robertson Center for Learning'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 Carole Robertson Center for Learning'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.

Report on 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Desmond & Ahern, Ltd.

March 21, 2024
Chicago, IL

CAROLE ROBERTSON CENTER FOR LEARNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

<u>Section I – Summary of Auditor's Results</u>

<u>Financial Statements</u>
Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness identified?	X	yes		no
• Significant deficiencies identified that are not considered to be material weaknesses?		yes	X	no
Noncompliance material to financial statements noted?		yes	X	no

<u>Federal Awards</u>
Internal control over major programs:

• Material weakness identified?		yes	X	no
• Significant deficiencies identified that are not considered to be material weakness?		yes	X	no

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516 (a)?		yes	X	no

Certification of Major Programs

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start

Dollar threshold used to distinguish between type A and type B Programs: $779,945

Auditee qualified as low-risk auditee?		yes	X	no

CAROLE ROBERTSON CENTER FOR LEARNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

Section II – Financial Statement Findings

Finding 2023-001: Preparation of Financial Statements in Accordance with GAAP (Material Weakness)

Condition: During fiscal year 2023, year-end close out and reconciliations of various financial statement elements were not accurately prepared and reviewed on a timely basis, resulting in additional adjusting journal entries that were required as part of the audit.

Criteria: Management is responsible for maintaining a system of internal controls over the preparation of financial statements including all required footnotes that are free of material errors and are in accordance with generally accepted accounting principles (GAAP). This includes preparing and/or thoroughly reviewing GAAP based financial statements to ensure they are free of material misstatement, retaining documentation of entries made and maintaining proper internal controls to ensure reconciliations are completed, maintained and accurate.

Cause: The individuals responsible for performing and reviewing the closing process did not properly reconcile accounts accurately or in a timely manner in accordance with generally accepted accounting principles (GAAP).

Effect: Material journal entries related to receivables, revenue, and expenses were proposed and recorded during the audit.

Recommendation: We recommend that as part of its internal control over the preparation of financial statements, the Center should implement a comprehensive preparation and/or review procedures to ensure that the financial statements, are complete and accurate. Further, the Center should ensure proper procedures are in place for completing and retaining documentation related to financial statement items.

Management's Response: Management concurs that material weaknesses in internal controls over financial reporting existed in both the design and operation as of June 30, 2023. New comprehensive policies and procedures were implemented to ensure complete, accurate, and timely preparation and review of financial statements. These policies and procedures include reconciliations of significant balance sheet accounts occurring occur monthly, while other accounts will be reconciled quarterly. A monthly checklist has been created to track the reconciliations. The reconciliations will be prepared by the Controller and reviewed by the Fiscal Compliance Officer or CFO. Any adjustments that are needed will be recorded in the current period before financial statements are shared with management and the Board of Directors.

Comprehensive review of financial statements includes completing and retaining documentation related to financial statement items to ensure financial statements are prepared in accordance with GAAP and free from material misstatement.

Repeat Finding: No

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Federal Award Findings and Questioned Costs (Prior Year)

Finding 2022-001: Internal Control Over Allowable Costs/Costs Principles (Significant Deficiency)

Condition: The Center uses the Time Recording module of its Human Resources Information System (HRIS) to allocate gross wages for all employees. Management asserts that the HRIS is populated with labor allocations reflect of program benefit for each employee and four times during each fiscal year, Management re-evaluates labor allocation for potential changes. During fiscal year 2022, spreadsheets were used, outside of HRIS data tables, for tracking labor allocations. The use of spreadsheets did not provide for a consistent documented procedure that could be effectively tested to demonstrate that a system of internal controls was in place to provide reasonable assurance changes to allocations were supported, accurate and allowable.

Recommendation: Management should review the written fiscal policy and procedures as it relates to the allocation of salaries and ensure that what is documented is reflective of internal controls and processes in place to provide reasonable assurance that the charges are accurate, allowable and properly allocated and incorporated into the official records of the Center. We recommend that the HIRS Time Recording module be used to maintain records of daily entries for exempt staff. The reporting capability of the HIRS should be the only source used to generate the calculation of wage allocations entered into the general ledgers. The allocation reviews performed throughout the year of program benefit assigned to each position should be documented and approved such that there is the ability to track determinations and related support.

Current Status: The Organization hired an outside consultant to provide additional oversight and expertise to produce accurate financial statements. The finding was note repeated in the current fiscal year.

CAROLE ROBERTSON CENTER
for Learning

Educating, enriching, and empowering children and families.

CORRECTIVE ACTION PLAN
YEAR ENDING JUNE 30. 2023

Finding 2023-001:
Financial statement elements were not accurately prepared and reviewed on a timely basis, resulting in additional adjusting journal entries that were required as part of the audit.

Corrective Actions Taken or Planned:
The Carole Robertson Center for Learning has implemented enhanced internal controls to ensure that financial statements are free of material misstatements and are in accordance with generally accepted account principles. Reconciliations of significant balance sheet accounts will occur monthly, while other accounts will be reconciled quarterly. A monthly checklist has been created to track the reconciliations. The reconciliations will be prepared by the Controller and reviewed by the Fiscal Compliance Officer or CFO. Any adjustments that are needed will be recorded in the current period before financial statements are shared with management or the board. This will ensure the accuracy of monthly financial statements and will make sure that year-end adjustments will be minimal.

Name of contact person: Paul DiCaro, Fiscal Compliance Officer.
The corrections were implemented in February 2024.

Paul DiCaro

Paul DiCaro, Fiscal Compliance Officer