



**ILLINOIS NETWORK OF CHILD CARE
RESOURCE AND REFERRAL AGENCIES**

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2025
(with summarized information for 2024)

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ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Illinois Network of Child Care Resource and Referral Agencies
Bloomington, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Illinois Network of Child Care Resource and Referral Agencies (INCCRRA), which comprise the statement of financial position as of June 30, 2025, 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 INCCRRA as of June 30, 2025, 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 INCCRRA 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 INCCRRA'S ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 INCCRRA'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 INCCRRA'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. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026, on our consideration of INCCRRA'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 INCCRRA'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 INCCRRA's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited INCCRRA's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 5, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sikich CPA LLC

Springfield, Illinois
January 22, 2026

FINANCIAL STATEMENTS

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES

STATEMENT OF FINANCIAL POSITION

June 30, 2025

(With Summarized Financial Information for June 30, 2024)

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,841,747	\$ 6,367,342
Accounts receivable, net	268,404	293,801
Other program receivables	126,955	83,113
Grants receivable	4,520,307	4,477,810
Prepaid expenses	610,351	530,707
	<hr/>	<hr/>
Total current assets	14,367,764	11,752,773
NONCURRENT ASSETS		
Furniture and equipment, net	717,001	797,791
Operating right-of-use asset, net	570,840	634,408
	<hr/>	<hr/>
Total noncurrent assets	1,287,841	1,432,199
	<hr/>	<hr/>
TOTAL ASSETS	\$ 15,655,605	\$ 13,184,972
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts and grants payable	\$ 4,025,939	\$ 2,977,966
Accrued liabilities	1,509,963	1,477,722
Deferred revenue	5,154,665	5,016,253
Refundable grant advances	1,866,489	179,793
Operating lease liability	334,581	204,453
	<hr/>	<hr/>
Total current liabilities	12,891,637	9,856,187
NONCURRENT LIABILITIES		
Operating lease liability	236,417	430,049
	<hr/>	<hr/>
Total noncurrent liabilities	236,417	430,049
NET ASSETS		
Without donor restrictions	2,527,551	2,898,736
	<hr/>	<hr/>
Total net assets	2,527,551	2,898,736
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 15,655,605	\$ 13,184,972
	<hr/>	<hr/>

See accompanying notes to financial statements.

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

(With Summarized Financial Information for the Year Ended June 30, 2024)

	Without Donor Restrictions	With Donor Restrictions	Total 2025	2024
REVENUES AND OTHER SUPPORT				
Government grants and contracts	\$ 193,904,474	\$ -	\$ 193,904,474	\$ 297,752,259
Private grants and contracts	2,334,955	-	2,334,955	2,194,426
Other income	5,792	-	5,792	17,740
Total revenues	196,245,221	-	196,245,221	299,964,425
OPERATING EXPENSES				
Program Expenses				
DHS Quality Programs	15,804,973	-	15,804,973	18,512,778
DHS Smart Start	159,090,827	-	159,090,827	260,250,068
DHS Birth to Five	-	-	-	16,018,369
ISBE PDG	-	-	-	283,912
ISBE Gateway Scholarships	693,770	-	693,770	595,557
ISBE GEER II	-	-	-	53,289
ISBE Birth to Five	16,391,317	-	16,391,317	-
Private Grant Birth to Five	19,666	-	19,666	190,748
City of Chicago Scholarships	1,874,946	-	1,874,946	1,666,353
Other	603,169	-	603,169	477,939
Total program services	194,478,668	-	194,478,668	298,049,013
Management and general	2,137,738	-	2,137,738	1,902,364
Total expenses	196,616,406	-	196,616,406	299,951,377
CHANGE IN NET ASSETS	(371,185)	-	(371,185)	13,048
NET ASSETS, BEGINNING OF YEAR	2,898,736	-	2,898,736	2,885,688
NET ASSETS, END OF YEAR	\$ 2,527,551	\$ -	\$ 2,527,551	\$ 2,898,736

See accompanying notes to financial statements.

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2025
(With Summarized Financial Information for the Year Ended June 30, 2024)

	DHS Quality Programs	DHS Smart Start	ISBE Birth to Five	ISBE Gateway Scholarships	Private Donations Birth to Five	City of Chicago Scholarships	Other	Total Program Expenses	Management and General Expense	2025 Total Expenses	2024 Total Expenses
EXPENSES											
Salaries and wages	\$ 4,103,905	\$ 1,650,530	\$ 8,785,771	\$ 45,905	\$ -	\$ 205,585	\$ 299,077	\$ 15,090,773	\$ 1,082,685	\$ 16,173,458	\$ 15,075,139
Payroll taxes	307,456	126,117	662,662	3,626	-	15,199	22,135	1,137,195	75,139	1,212,334	1,120,132
Employee benefits	1,175,862	433,559	2,304,794	12,356	-	60,043	14,589	4,001,203	176,060	4,177,263	3,637,294
Consultants	818,567	10,662,179	2,932,536	-	-	-	172,633	14,585,915	321,526	14,907,441	17,225,772
Supplies	267,856	97,170	87,457	-	-	120	1,670	454,273	34,937	489,210	637,159
Expensed equipment	(66,973)	2,980	39,171	-	-	-	465	(24,357)	105,162	80,805	208,375
Depreciation	78,388	26,633	46,931	-	-	-	11,230	163,182	10,758	173,940	172,739
Travel	51,224	166	270,001	-	-	905	7,312	329,608	113,283	442,891	442,668
Occupancy	273,655	106,324	560,167	-	-	-	-	940,146	79,059	1,019,205	990,782
Equipment rental	21,153	8,946	-	-	-	-	-	30,099	2,350	32,449	28,918
Scholarships	8,109,184	-	-	631,883	-	1,593,094	-	10,334,161	-	10,334,161	9,871,173
Training and education materials	145,057	-	86,555	-	17,105	-	4,143	252,860	-	252,860	253,862
Telephone	96,292	31,828	31,052	-	-	-	2,040	161,212	10,520	171,732	155,786
Postage and printing	123,751	6,860	136,452	-	996	-	1,113	269,172	7,205	276,377	234,179
Marketing	37,592	-	-	-	-	-	-	37,592	-	37,592	5,900
Conference - space and food	214,878	3,549	170,818	-	-	-	64,154	453,399	49,737	503,136	503,857
Stipends	3,819	-	270,190	-	1,565	-	170	275,744	-	275,744	248,771
Subscriptions	1,212	-	5,858	-	-	-	1,034	8,104	500	8,604	5,412
Insurance	-	-	-	-	-	-	-	-	68,467	68,467	48,589
Staff development grants	41,732	-	-	-	-	-	-	41,732	-	41,732	43,770
Net loss on equipment disposal	161	2,386	902	-	-	-	1,404	4,853	1	4,854	928
Direct client assistance to child care centers	-	145,931,600	-	-	-	-	-	145,931,600	-	145,931,600	249,036,686
Bank fees	202	-	-	-	-	-	-	202	349	551	3,486
TOTAL EXPENSES	\$ 15,804,973	\$ 159,090,827	\$ 16,391,317	\$ 693,770	\$ 19,666	\$ 1,874,946	\$ 603,169	\$ 194,478,668	\$ 2,137,738	\$ 196,616,406	\$ 299,951,377

See accompanying notes to financial statements.

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2025
(With Summarized Financial Information for June 30, 2024)

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (371,185)	\$ 13,048
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	173,940	172,739
Non-cash operating lease	64	(5,216)
Loss on disposal of furniture and equipment	4,854	928
Changes in assets and liabilities		
Accounts receivable	25,397	30,922
Other program receivables	(43,842)	17,499
Grants and contracts receivable	(42,497)	(3,647,496)
Prepaid expenses	(79,644)	(25,297)
Accounts and grants payable	1,047,973	1,926,541
Accrued liabilities	32,241	304,204
Due to funding source	-	(79,355)
Deferred revenue	138,412	1,473,044
Refundable grant advances	1,686,696	(212,674)
	<u>2,572,409</u>	<u>(31,113)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(98,004)</u>	<u>(338,894)</u>
	<u>(98,004)</u>	<u>(338,894)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	2,474,405	(370,007)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,367,342</u>	<u>6,737,349</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,841,747</u>	<u>\$ 6,367,342</u>

See accompanying notes to financial statements.

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2025
(With Summarized Financial Information for June 30, 2024)

1. SUMMARY OF ACTIVITIES

Summary of Activities

The Illinois Network of Child Care Resource and Referral Agencies (INCCRRA) is an Illinois not-for-profit corporation established in October of 1996. INCCRRA was established to promote and facilitate high quality early care and education for children, families, childcare providers, employers, and communities in Illinois through a coordinated effort; and to develop innovative and comprehensive public/private partnerships which advocate on behalf of children and families. Sources of revenues include both government and private grants and contracts.

INCCRRA administers the following programs:

DHS Quality Programs - support, expand and enhance existing statewide child care resource and referral services.

DHS Smart Start - Support child care programs in order to provide stable, predictable funding to support high quality child care and invest in the child care workforce.

Birth to Five - Statewide effort to bring local residents together to address the early childhood needs within each community.

Scholarships - provide scholarships to eligible child care workers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist in understanding INCCRRA's financial statements. The financial statements and notes are presentations of INCCRRA's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the USA (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

These financial statements are prepared on the accrual basis of accounting in accordance with U.S. GAAP, in which expenditures are recognized when incurred and revenue is recognized when performance obligations are met.

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

INCCRRA reports its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions:

Net assets that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions:

Net assets subject to donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by the actions of INCCRRA pursuant to those restrictions or maintained permanently by INCCRRA. INCCRRA had no net assets with donor restrictions as of June 30, 2025.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an initial maturity of three months or less.

Accounts Receivable, Other Program Receivables and Grants, and Contract Receivables

Accounts receivable consist primarily of educational expenses to be reimbursed by students participating in the GSP program (part of Gateways Workforce Support program). Accounts receivable are presented net of an allowance for credit losses of \$29,823 as of June 30, 2025. The allowance is based on a combination of specific circumstances, credit conditions, market conditions, reasonable and supportable forecasts of future economic conditions and the history of write-offs and collections. Receivables are written off when deemed uncollectible and sent to collections if significant. Recoveries of receivables previously written off are recorded when received. During the year ended June 30, 2025, no accounts receivable were written off.

Other program receivables consist of unspent funds from eligible day care centers that are to be returned to INCCRRA under the Child Care Restoration Grant programs.

Grants receivable, represent program expenses incurred that are eligible for reimbursement from the government and private organizations according to the terms specified in its grant and contract agreements. Management believes the grants, other program and contracts receivable are fully collectible and no allowance has been recorded.

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Government Grants and Contracts

A portion of INCCRRA's grant revenue is derived from cost-reimbursable federal, state and private grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when INCCRRA has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable grant advances in the Statement of Financial Position. As of June 30, 2025 INCCRRA had \$1,866,489 of refundable grant advances related to cost reimbursable grants that were unearned. In addition, INCCRRA had conditional grant awards of approximately \$70,000 that had not been received nor earned as the qualifying expenditures had not been incurred as of June 30, 2025. These awards are conditional upon incurring allowable expenditures under the grants.

Grant revenue is classified as income without donor restrictions unless the use of the income is limited by donor restrictions. If a restriction is fulfilled in the same time period in which the grant is received, the grant revenue is reported as net assets without donor restrictions.

Private Grants and Contract Revenue

Private grants and contract revenue is provided by various state and private sources for services provided under cost reimbursable agreements to administer a scholarship program, provide consulting and training and technical assistance and develop and implement strategies to promote nutrition and physical activity in early care and education state systems. The performance obligation is the delivery of services and direct and indirect costs as set in the agreements. Revenue is recognized each month for hours and expenses incurred for the month which is when INCCRRA satisfies the performance obligation. The contract is based on the reimbursement of expenses as detailed in the contracts.

Any performance obligations completed, but not yet reimbursed before year-end, are recognized as contract receivables and included in the accounts receivable line on the Statement of Financial Position. Contract revenue is billed for periodically as work progresses on each contract and is paid upon completion of contract activities. Some contracts are paid in advance of when the performance obligations are performed. Those amounts paid in advance are included as deferred revenue on the Statement of Financial Position.

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Significant Judgements

There are no significant judgments in the earning of revenues based on the point in time method of revenue recognition.

Disaggregation of Revenue

The following table provides disaggregation of revenue from contracts with customers based on the timing of the revenue recognition for the year ended June 30, 2025:

Revenue from contracts with customers

Recognized over time:

Private grants and contracts \$ 2,334,955

INCCRRA has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the demand for services, availability of contract funding, prompt payment from government and private sources as well as general economic conditions.

Contract Balances

The beginning and ending contract balances were as follows as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$ 268,404	\$ 293,801
Deferred revenue	5,154,665	5,016,253

Furniture and Equipment

Furniture and equipment acquisitions are capitalized at cost if purchased or fair value if contributed and depreciated over their estimated useful lives, generally three to seven years, using the straight-line method. Maintenance, repairs, and purchases of equipment items under \$500 are expensed as incurred. Items acquired under grants from federal or state sources are considered to be owned by INCCRRA while used in the programs for which they are purchased or in programs authorized in the future. However, the funding source has a reversionary interest in the furniture and equipment purchased with grant funds. Grantor approval is required to dispose of or transfer furniture and equipment purchased with grant funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

INCCRRA leases office space and equipment. INCCRRA determines if an arrangement is a lease at inception. As an accounting policy election, INCCRRA chose not to apply the standard to short-term leases (term of 12 months or less) from the statement of financial position for all classes of underlying assets. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position. INCCRRA does not have any financing leases.

ROU assets represent INCCRRA's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

INCCRRA's leases do not provide an implicit rate and therefore INCCRRA uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. INCCRRA's lease terms may include options to extend or terminate the lease when it is reasonably certain that INCCRRA will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

INCCRRA's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

INCCRRA's lease agreements contain lease and non-lease components, which are generally accounted for separately. INCCRRA accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, real estate taxes and insurance that are passed on from the lessor in proportion to the space leased, are recognized as expenses in the period in which the obligation for those payments was incurred.

Refundable Grant Advances

Funds received are refundable to the grantor if not used for the purpose specified or within the time period of the grant agreement. Any funds not spent when the grant periods expire are recorded as a liability to the Grantor.

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

INCCRRA is a not-for-profit organization and claims exemption from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of State laws. In addition, INCCRRA qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation. INCCRRA files various federal and state non-profit tax returns. INCCRRA is no longer subject to U.S. Federal or State examinations by tax authorities for tax years prior to 2021.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Expenses are recognized when they are incurred. The costs of providing various programs have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

Salaries and wages, payroll taxes, employee benefits as well as depreciation, supplies, occupancy and postage and printing are allocated to the programs based on estimated time spent in each program. Expenses specifically identifiable with a program are charged to that program. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of INCCRRA.

Prior-Year Summarized Comparative Information

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 U.S. GAAP. Accordingly, such information should be read in conjunction with INCCRRA's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Subsequent Events

INCCRRA has evaluated subsequent events through January 22, 2026, the date on which the financial statements were available for issuance and determined that there were no significant non-recognized events through that date.

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES
NOTES TO FINANCIAL STATEMENTS (Continued)

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following:

Cash and cash equivalents	\$ 8,841,747
Accounts and other program receivables, net	395,359
Grants and contracts receivable	<u>4,520,307</u>
 Total financial assets and liquidity resources	 <u>13,757,413</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 13,757,413</u>
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General expenditures are considered those not limited by or to be used to meet donor or other restrictions. INCCRRA maintains financial assets, consisting of cash and cash equivalents on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary.

INCCRRA also maintains a line of credit in the amount of \$500,000, which could be drawn upon in the event of an anticipated liquidity need. INCCRRA has pledged their financial assets as collateral for the line of credit. As of June 30, 2025, no amounts have been drawn against the line of credit.

4. CONCENTRATION OF CREDIT RISK FOR CASH DEPOSITS

INCCRRA maintains its bank accounts at three financial institutions. As of June 30, 2025, the carrying amount of INCCRRA's cash deposits held in banks was \$12,482,269. Uncollateralized bank balances in excess of FDIC limits was \$12,217,130. INCCRRA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents.

5. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at June 30, 2025:

	<u>June 30,</u> <u>2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2025</u>
Furniture and equipment	\$ 2,647,677	\$ 98,004	\$ (297,266)	\$ 2,448,415
Less: Accumulated depreciation	<u>(1,849,886)</u>	<u>(173,940)</u>	<u>292,412</u>	<u>(1,731,414)</u>
TOTAL	<u>\$ 797,791</u>	<u>\$ (75,936)</u>	<u>\$ (4,854)</u>	<u>\$ 717,001</u>

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES
NOTES TO FINANCIAL STATEMENTS (Continued)

6. LINE OF CREDIT

On February 28, 2025, INCCRRA renewed an unsecured line of credit agreement with a local bank for a term of one year and a \$500,000 limit. Interest is charged on advances at variable interest rate no less than 3.50 percent. There were no draws on the line of credit during the year ended June 30, 2025.

7. CONCENTRATION OF MAJOR SOURCE OF REVENUE

A material portion of INCCRRA's support and revenue is received from the Illinois Department of Human Services, Illinois State Board of Education, and the Illinois Department of Commerce and Economic Opportunity as pass through funding from the U.S. Department of Health and Human Services and as grant funding. Support from these sources was \$193,904,474 (99% of total revenue) for the year ended June 30, 2025. A significant reduction in the level of this support would have a significant effect on INCCRRA's operations.

8. EMPLOYEE BENEFIT PLANS

Cafeteria Plan - INCCRRA sponsors an elective Cafeteria Plan whereby all eligible employees may elect to deduct health and group term life insurance premiums, qualified medical expenses and dependent care expenses from their gross income for each payroll period as a pre-tax benefit.

Tax Sheltered Annuity - INCCRRA sponsors a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code that covers substantially all of its employees. The plan allows employees to make elective deferrals from their wages up to the maximum allowable by law. INCCRRA makes contributions to match eligible employees' elective deferral amounts up to 5% of gross income. INCCRRA paid \$620,820 in matching contributions for the plan during fiscal year 2025.

9. OPERATING RIGHT OF USE LEASE ASSETS

INCCRRA has operating leases for office space and equipment. INCCRRA's leases have remaining lease terms of 1 year to 3 years. For purposes of calculating operating lease liabilities, lease terms may be deemed to include options to extend the lease when it is reasonably certain that INCCRRA will exercise those options. The components of lease expense were:

Operating lease costs	\$ 341,944
Short-term lease cost	460,967
	<hr/>
TOTAL	<u>\$ 802,911</u>

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES
NOTES TO FINANCIAL STATEMENTS (Continued)

9. OPERATING RIGHT OF USE LEASE ASSETS (Continued)

The following table summarize supplemental cash flow information at June 30, 2025:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 341,881
Weighted average remaining lease term (years)	1.8
Weighted average discount rate	3.24%

Future minimum lease payments under non-cancellable operating leases as of June 30, 2025 were as follows:

2026	\$ 346,815
2027	222,015
2028	<u>17,703</u>
Total future undiscounted lease payments	586,533
Less: Interest	<u>(15,535)</u>
PRESENT VALUE OF LEASE LIABILITIES	<u><u>\$ 570,998</u></u>

SUPPLEMENTAL FINANCIAL INFORMATION

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Pass-through programs from:			
Illinois Department of Human Services:			
Child Care and Development Fund Cluster			
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596	FCSDI04953	<u>\$ 16,230,395</u>
Child Care and Development Block Grant	93.575	FCSDI05951	57,935,000
Child Care and Development Block Grant	93.575	FCSDI04953	<u>36,000</u>
Total ALN 93.575			<u>57,971,000</u>
Total Child Care and Development Fund Cluster			74,201,395 (M)
Pass-through program from:			
Illinois Public Health Institute:			
State Physical Activity and Nutrition Program	93.439	2024-600-394-114	<u>12,080</u>
Total U.S. Department of Health and Human Services			<u>74,213,475</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 74,213,475</u></u>

(M) Program was audited as a major program.

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2025

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Illinois Network of Child Care Resource and Referral Agencies (INCCRRA) and is presented in conformity with the accounting practices prescribed by the grantor, the Illinois Department of Human Services, which practices differ from generally accepted accounting principles. The schedule includes equipment purchases that would be capitalized and depreciated under generally accepted accounting principles. The schedule also excludes any change in the allowance for doubtful accounts for the GSP program, as well as any unallowed costs as determined by the funder. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

DESCRIPTION OF MAJOR FEDERAL PROGRAMS

The major federal program of INCCRRA was the Child Care and Development Fund Cluster (93.575 and 93.596).

The purpose of the Child Care and Development Fund Cluster is to increase the availability, affordability, and quality of child care services. Funds are used to subsidize child care for low-income families where the parents are working or attending training or educational programs, as well as activities to promote overall child care quality for children, regardless of subsidy receipt.

ADDITIONAL INFORMATION

INCCRRA did not receive any federal non-cash assistance, federal loans or federal insurance for the year ended June 30, 2025. In addition, INCCRRA did not pass through any federal grants to sub-recipients. INCCRRA has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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**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
Illinois Network of Child Care Resource and Referral Agencies
Bloomington, 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, the financial statements of Illinois Network of Child Care Resource and Referral Agencies (INCCRRA), which comprise the statement of financial position as of June 30, 2025, 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 January 22, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered INCCRRA’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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of INCCRRA’s internal control. Accordingly, we do not express an opinion on the effectiveness of INCCRRA’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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether INCCRRA'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 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*.

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.

Sikich CPA LLC

Springfield, Illinois
January 22, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Illinois Network of Child Care Resource and Referral Agencies
Bloomington, Illinois

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Illinois Network of Child Care Resource and Referral Agencies (INCCRRA) 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 INCCRRA's major federal programs for the year ended June 30, 2025. INCCRRA'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, INCCRRA 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, 2025.

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 INCCRRA 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 INCCRRA'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 INCCRRA'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 INCCRRA'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 INCCRRA'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 INCCRRA'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 INCCRRA'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 INCCRRA'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.

Sibich CPA LLC

Springfield, Illinois
January 22, 2026

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unmodified*

Internal control over financial reporting:
Material weakness(es) identified? yes no
Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? yes no
Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: *unmodified*

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

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.575 and 93.596	Child Care and Development Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$2,226,404

Auditee qualified as low-risk auditee? yes no

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2025

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None

ILLINOIS NETWORK OF CHILD CARE RESOURCE AND REFERRAL AGENCIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2025

Section IV - Summary Schedule of Prior Year Findings

None