THE BABY FOLD

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Baby Fold
Normal, Illinois

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of The Baby Fold, 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 referred to above present fairly, in all material respects, the financial position of The Baby Fold as of June 30, 2023, and the changes in its net assets and its cash flows for the years 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Baby Fold 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 The Baby Fold's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS 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 The Baby Fold'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 The Baby Fold'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.

Report on Summarized Comparative Information

We have previously audited The Baby Fold's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
The Baby Fold

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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. Such 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.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2024 on our consideration of The Baby Fold'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 Baby Fold'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 Baby Fold's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Peoria, Illinois
June 6, 2024

THE BABY FOLD
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	(Memorandum Only) 2022
ASSETS		
Cash and Cash Equivalents	$ 2,238,858	$ 2,044,139
Accounts Receivable	2,071,826	1,431,147
Food Inventory	7,646	10,920
Prepaid Expenses	269,051	272,041
Investment Securities, at Fair Value	10,850,334	10,251,960
Grain Inventories, at Fair Value	66,657	27,959
Investments in Real Estate	426,715	426,715
Investments Held in Trust by Others, at Fair Value	4,148,403	4,036,789
Cash Value of Life Insurance	4,960	4,960
Land, Buildings, and Equipment, Net	8,346,541	8,857,486
Right-of-Use Asset - Operating	1,427,097	-
Total Assets	$ 29,858,088	$ 27,364,116
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 434,559	$ 46,132
Line of Credit	2,500,000	1,250,000
Loan Payable Under Paycheck Protection Program	723,287	1,150,502
Accrued Expenses	753,049	879,399
Lease Liability - Operating	1,437,356	-
Pension Payable	962,227	1,306,157
Deferred Revenue – Annuity Contracts	35,531	40,310
Deferred Revenue – Program	193,658	57,551
Total Liabilities	7,039,667	4,730,051
NET ASSETS		
Without Donor Restrictions:	13,744,246	14,017,475
With Donor Restrictions	9,074,175	8,616,590
Total Net Assets	22,818,421	22,634,065
Total Liabilities and Net Assets	$ 29,858,088	$ 27,364,116

See accompanying Notes to Financial Statements.

THE BABY FOLD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			Total (Memorandum Only)
	Without Donor Restrictions	With Donor Restrictions	Total 2023	2022
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	$ 1,227,427	$ 42,258	$ 1,269,685	$ 1,091,955
Fees from Governmental Agencies	13,702,685	-	13,702,685	11,716,093
Grants from Governmental Agencies	3,294,440	-	3,294,440	3,114,769
Net Investment Income (Loss)	974,408	307,213	1,281,621	(2,086,952)
In-Kind Contributions	55,093	-	55,093	29,147
Forgiveness of Debt - PPP	-	-	-	527,755
Other	582,134	111,614	693,748	348,382
Net Assets Released from Restrictions	3,500	(3,500)	-	-
Total Revenue, Gains, and Other Support	19,839,687	457,585	20,297,272	14,741,149
EXPENSES				
Program Services:				
Hammitt School	1,169,225	-	1,169,225	1,538,146
Hammitt High School	2,788,042	-	2,788,042	2,848,689
Hammitt Challenges	5,442,755	-	5,442,755	5,418,871
Performance Foster Care and Special Needs Adoption	1,813,054	-	1,813,054	1,440,743
Specialized Foster Care	525,466	-	525,466	418,435
Adoption Preservation	2,197,004	-	2,197,004	1,832,106
Healthy Start	140,240	-	140,240	163,237
Intact Family Services	687,191	-	687,191	601,315
Adoption Preservation Respite	138,606	-	138,606	160,857
Community Schools	155,411	-	155,411	162,941
Choices	26,217	-	26,217	181,297
Healthy Families Illinois	395,146	-	395,146	323,455
Prevention Initiative	349,768	-	349,768	312,049
Care Connection	461,479	-	461,479	188,533
Total	16,289,604	-	16,289,604	15,590,674
Support Services:				
Management and General	2,922,717	-	2,922,717	2,299,316
Public Relations	1,131,470	-	1,131,470	790,564
Total	4,054,187	-	4,054,187	3,089,880
Total Expenses	20,343,791	-	20,343,791	18,680,554
INCREASE (DECREASE) IN NET ASSETS	(504,104)	457,585	(46,519)	(3,939,405)
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	230,875	-	230,875	673,314
TOTAL CHANGES IN NET ASSETS	(273,229)	457,585	184,356	(3,266,091)
Net Assets – Beginning of Year	14,017,475	8,616,590	22,634,065	25,900,156
NET ASSETS – END OF YEAR	$ 13,744,246	$ 9,074,175	$ 22,818,421	$ 22,634,065

See accompanying Notes to Financial Statements.

THE BABY FOLD
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Program Services								
	Hammitt School	Hammitt High School	Hammitt Challenges	Performance Foster Care and Special Needs Adoption	Specialized Foster Care	Adoption Preservation	Healthy Start	Intact Family Services	Adoption Preservation Respite
Salaries and Wages	$ 767,615	$ 2,034,536	$ 3,685,721	$ 766,704	$ 240,030	$ 1,406,926	$ 82,167	$ 428,774	$ 82,507
Group insurance	86,667	199,065	401,589	67,293	25,692	193,280	4,195	36,399	8,990
Pensions	3,801	24,695	32,096	1,832	1,874	6,994	550	2,452	929
Social Security and Medicare Tax	56,434	148,197	266,473	55,757	17,401	99,978	6,064	31,228	5,988
Unemployment Compensation Taxes	-	-	-	-	-	-	-	-	-
Workers' Compensation Insurance	19,839	26,208	48,580	6,688	3,420	20,553	877	4,439	1,345
Professional Liability Insurance	8,685	5,249	6,731	3,482	4,036	11,981	1,136	412	1,300
Employee Medical	1,048	3,345	6,323	1,592	44	1,475	-	1,964	920
Auditing and Legal Fees	-	-	-	-	-	-	-	-	-
Administrative Consultants	-	-	-	-	-	-	-	-	-
Technology Supplies and Services	12,526	19,175	34,935	5,177	2,315	15,267	1,332	3,397	934
Office Supplies and Expense	624	1,620	6,794	3,268	307	6,316	402	5,130	95
Telephone	6,064	10,703	15,248	12,602	5,039	36,183	1,810	7,496	1,684
Printing	-	200	-	-	-	-	-	-	-
Postage	998	1,708	2,751	1,112	399	1,144	-	410	83
Office Equipment Rental	1,042	3,009	19,036	3,241	1,149	2,101	10	656	62
Subscriptions	433	845	879	-	-	-	-	-	-
Rent	-	-	84,185	49,386	29,128	66,377	-	76,086	-
Utilities	6,454	26,081	141,421	5,307	4,050	48,406	7,408	14	1,748
Buildings and Grounds Supplies	2,262	3,401	28,839	1,370	209	1,483	95	502	86
Maintenance of Buildings and Grounds	30,025	31,810	216,081	13,235	4,265	17,134	2,008	1,888	344
Equipment Repairs	1,011	298	7,073	-	-	463	51	-	13
Property Insurance	12,761	17,055	19,356	8,670	3,809	22,034	1,652	729	378
Travel	5,191	5,334	15,010	45,317	12,362	78,173	1,918	15,568	1,177
Auto Insurance	4,372	3,141	3,009	9,865	6,294	15,403	1,191	383	87
Conference and Convention Expense	8,242	7,610	12,709	254	125	29,250	2,075	-	380
Program Supplies	17,179	14,554	60,116	28,402	182	9,607	6,573	3,124	14,142
In-Kind Supplies, Services, and Capital	-	-	-	-	-	-	-	-	-
Intact Flex Fund	-	-	-	-	-	-	-	22,801	-
Specific Assistance	-	-	-	21,504	441	996	130	9,500	-
Medical Supplies	300	397	2,098	-	-	-	-	-	-
Food	36,786	51,935	44,112	-	-	-	-	-	-
Kitchen Service Supplies	1,292	5,287	8,297	-	-	-	-	-	-
Professional Consultants	15,689	13,888	33,335	41,483	3,774	11,962	2,310	8,166	-
Student Stipend	-	349	112	-	-	-	-	-	-
Foster Home Care	-	-	-	589,393	136,193	-	-	-	10,083
Festival Expenses	-	-	-	-	-	-	-	-	-
Dues	837	-	1,341	-	-	-	1,121	-	-
Board of Trustees Expense	-	-	-	-	-	-	-	-	-
Interest Expense	19,873	21,970	37,952	7,293	4,722	18,101	2,460	1,741	631
Bad Debt Expense	-	-	-	-	-	-	-	-	-
Miscellaneous	(379)	4,757	1,040	-	-	(1)	7,885	-	-
Depreciation Expense	41,554	101,620	199,513	62,827	18,206	75,418	4,820	23,932	4,700
Total	1,169,225	2,788,042	5,442,755	1,813,054	525,466	2,197,004	140,240	687,191	138,606
Allocation of Management Cost to Program Cost	201,341	529,316	976,997	201,124	60,304	388,577	20,942	111,907	23,813
Total Expenses	$ 1,370,566	$ 3,317,358	$ 6,419,752	$ 2,014,178	$ 585,770	$ 2,585,581	$ 161,182	$ 799,098	$ 162,419

See accompanying Notes to Financial Statements.

THE BABY FOLD
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Program Services						Support Services			Total Expenses	
	Community Schools	Choices	Healthy Families Illinois	Prevention Initiative	Care Connection	Total Program Services	Management and General	Public Relations	Total Support Services	2023	2022
Salaries and Wages	$ 122,581	$ 17,818	$ 267,512	$ 247,118	$ 321,481	$ 10,471,490	$ 1,409,067	$ 531,747	$ 1,940,814	$ 12,412,304	$ 11,530,481
Group insurance	3,137	4,267	14,594	28,399	49,215	1,122,782	92,699	40,191	132,890	1,255,672	949,083
Pensions	589	(162)	1,205	2,384	1,686	80,925	12,263	2,383	14,646	95,571	447,434
Social Security and Medicare Tax	9,250	1,398	19,545	17,773	22,400	757,886	101,814	38,694	140,508	898,394	879,459
Unemployment Compensation Taxes	-	-	-	-	-	-	4,873	-	4,873	4,873	-
Workers' Compensation Insurance	2,690	342	3,569	2,453	2,225	143,228	5,151	1,744	6,895	150,123	169,058
Professional Liability Insurance	862	41	2,277	1,343	235	47,770	-	-	-	47,770	34,585
Employee Medical	-	-	1,205	110	167	18,193	60,362	120	60,482	78,675	58,664
Auditing and Legal Fees	-	-	-	-	-	-	78,765	-	78,765	78,765	178,420
Administrative Consultants	-	-	-	-	-	-	221,645	-	221,645	221,645	86,090
Technology Supplies and Services	124	112	1,878	2,082	13,076	112,330	323,354	51,019	374,373	486,703	436,174
Office Supplies and Expense	173	1	748	360	1,270	27,108	84,576	4,083	88,659	115,767	112,277
Telephone	1,944	359	5,052	3,245	4,359	111,788	15,606	2,091	17,697	129,485	128,055
Printing	-	-	-	-	-	200	1,502	101,085	102,587	102,787	33,134
Postage	143	46	341	-	-	9,135	1,642	5,631	7,273	16,408	14,990
Office Equipment Rental	15	4	588	31	45	30,989	5,340	2,919	8,259	39,248	37,337
Subscriptions	-	-	-	-	-	2,157	8,276	763	9,039	11,196	9,365
Rent	-	-	5,055	-	3,716	313,933	115,019	51,002	166,021	479,954	359,033
Utilities	1,071	2	5,312	1,664	3,125	252,063	7,119	23,425	30,544	282,607	186,596
Buildings and Grounds Supplies	438	2	662	1,197	1,269	41,815	3,662	42,438	46,100	87,915	44,912
Maintenance of Buildings and Grounds	111	312	2,070	927	322	320,532	48,856	11,809	60,665	381,197	438,914
Equipment Repairs	39	9	65	23	124	9,169	(661)	-	(661)	8,508	23,001
Property Insurance	836	129	6,179	-	4,073	97,661	64,917	3,216	68,133	165,794	116,100
Travel	1,078	105	7,808	3,237	10,262	202,540	12,614	18,740	31,354	233,894	209,136
Auto Insurance	-	228	2,776	-	1,232	47,981	4,066	223	4,289	52,270	39,721
Conference and Convention Expense	1,069	-	3,716	2,485	3,263	71,178	8,878	21,252	30,130	101,308	127,033
Program Supplies	3,749	-	7,253	1,100	1,231	167,212	-	-	-	167,212	181,257
In-Kind Supplies, Services, and Capital	-	-	-	-	-	-	-	48,738	48,738	48,738	8,487
Intact Flex Fund	-	-	-	-	-	22,801	-	-	-	22,801	36,219
Specific Assistance	-	-	695	321	-	33,587	-	-	-	33,587	23,385
Medical Supplies	-	-	-	-	-	2,795	-	-	-	2,795	2,280
Food	-	-	-	-	-	132,833	-	-	-	132,833	151,015
Kitchen Service Supplies	-	-	-	-	-	14,876	-	-	-	14,876	9,135
Professional Consultants	-	-	5,811	7,591	633	144,642	-	-	-	144,642	125,484
Student Stipend	-	-	-	-	-	461	-	-	-	461	(92)
Foster Home Care	-	-	-	-	-	735,669	-	-	-	735,669	521,350
Festival Expenses	-	-	-	-	-	-	-	76,396	76,396	76,396	68,359
Dues	-	-	2,338	1,941	-	7,578	71,997	1,372	73,369	80,947	80,084
Board of Trustees Expense	-	-	-	-	-	-	1,023	-	1,023	1,023	462
Interest Expense	251	302	3,494	231	-	119,021	10,969	8,466	19,435	138,456	29,741
Bad Debt Expense	-	-	-	-	-	-	98,209	-	98,209	98,209	-
Miscellaneous	-	-	9,814	11,713	-	34,829	20,931	22,767	43,698	78,527	61,789
Depreciation Expense	5,261	902	13,584	12,040	16,070	580,447	28,183	19,156	47,339	627,786	732,547
Total	155,411	26,217	395,146	349,768	461,479	16,289,604	2,922,717	1,131,470	4,054,187	20,343,791	18,680,554
Allocation of Management Cost to Program Cost	30,758	3,657	68,549	65,472	90,662	2,773,419	(2,908,643)	135,224	(2,773,419)	-	-
Total Expenses	$ 186,169	$ 29,874	$ 463,695	$ 415,240	$ 552,141	$ 19,063,023	$ 14,074	$ 1,266,694	$ 1,280,768	$ 20,343,791	$ 18,680,554

See accompanying Notes to Financial Statements.

THE BABY FOLD
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 184,356	$ (3,266,091)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	627,786	732,547
Net (Gain) Loss on Investments, Realized and Unrealized	(641,593)	2,141,692
Gain on Extinguishment of Debt - PPP	-	(527,755)
Net Unrealized (Gain) Loss on Trust Held by Others	(111,614)	171,215
Noncash Lease Expense	10,259	-
Pension-Related Changes Other than Net Periodic Pension Cost	(230,875)	(673,314)
(Increase) Decrease in Assets:		
Accounts Receivable	(640,679)	148,725
Inventories, Food and Grain	(35,424)	1,686
Prepaid Expenses	2,990	(27,831)
Pledges Receivable	-	9,290
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	262,077	(398,820)
Pension Payable	(113,055)	(272,510)
Deferred Revenue – Annuity Contracts	(4,779)	(4,779)
Deferred Revenue – Program	136,107	(41,237)
Net Cash Used by Operating Activities	(554,444)	(2,007,182)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	(598,885)	(645,634)
Proceeds from Sale of Investment Securities	642,104	1,227,839
Purchase of Property and Equipment	(116,841)	(495,379)
Net Cash Provided (Used) by Investing Activities	(73,622)	86,826
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Borrowings on Line of Credit	1,250,000	1,250,000
Principal Payments on Loan Payable	(427,215)	(295,843)
Net Cash Provided by Financing Activities	822,785	954,157
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	194,719	(966,199)
Cash and Cash Equivalents – Beginning of Year	2,044,139	3,010,338
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 2,238,858	$ 2,044,139

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Baby Fold (the Organization) is a nonprofit organization whose mission embodies Christian principles to help families and children develop the hope, courage, and love they need to become whole and healthy. Their vision is to transform children's lives by being the premier provider of mental health, education, and family services.

Financial Statement Presentation

The financial statements separately identify the net assets of the Organization according to the legal restrictions placed on the assets by donors as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported in the statements of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions and the related gains and investment income that are met in the same year as received are reported as revenues without donor restrictions. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Contributions of assets other than cash are recorded at their estimated fair value in the period received.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial 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.

A significant portion of the Organization's revenue is derived from cost-reimbursable state contracts and grants. These grants and contracts are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Advance payments on grants are recorded as refundable advances until funds have been expended.

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and as a result of such, audit adjustments could be required. The Organization is not aware of any material additional liabilities that governmental agencies have requested to be returned.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as all highly liquid instruments with an original maturity of three months or less.

Accounts Receivable

Accounts receivable represent amounts due from state and federal agencies for services provided under various grant contracts and amounts due from local governmental entities for tuition. Accounts receivable are stated at the invoice amount, net of accounts determined to be uncollectible and specifically written off.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Payments of accounts receivable are applied to the specific invoices or amounts billed to awarding agencies.

Investment Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at fair value in the statement of financial position and realized and unrealized gains and losses are reflected in the statement of activities.

Grain Inventories

Grain inventories, considered to be investment assets of the Organization, are stated at fair value.

Investment in Real Estate

Investment in real estate is carried at cost or estimated fair value at the date of receipt.

Land, Buildings, and Equipment

Physical assets acquired with a unit cost in excess of $2,500 are capitalized as fixed assets. Items with a unit cost below this threshold is expensed in the year purchased. Buildings and equipment are stated at cost or at its estimated fair value at date of donation, if received as a gift, less accumulated depreciation. Depreciation is provided over the following estimated useful lives of the respective assets on a straight-line basis:

Buildings and Improvements	10 to 35 Years
Office Furniture and Equipment	5 to 10 Years
Transportation Equipment	3 to 5 Years

Impairment of Long-Lived Assets

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. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred Revenue

Deferred revenue – annuity contracts is recorded as a liability when the contribution is received. This revenue will be recognized as income upon the death of the annuitant. Payments to the annuitant are reported as an expense of the Without Donor Restricted Investment Fund when paid. Deferred revenue – program is excess program revenue received for which related expense has not been incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Organization is a nonprofit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization does not believe it has taken any uncertain tax positions and, accordingly, has not recorded any reserves for uncertain tax positions.

Prior Year Summarized 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 the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the Statement of Financial Position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022, and have elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available. The Organizations have elected to adopt the package of practical expedients available in the year of adoption.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, a lease liability and ROU asset of $1,318,864, which represents the present value of the remaining operating lease payments, discounted using a risk-free discount rate.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statement of financial position.

Individual lease contracts may not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. The discount rate is used for computing the present value of the lease liability, when applicable.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Subsequent Events

Management evaluated subsequent events through June 6, 2024, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and Cash Equivalents	$ 2,238,858
Operating Investments	1,776,159
Accounts Receivables	2,071,826
Total, End of Year	$ 6,086,843

The net assets with donor restrictions are not included above as they are not considered available for general expenditure. The Organization's operating investments of $1,776,159 at June 30, 2023 are included in Note 3. Although the Organization does not intend to spend from the investment portfolio, these amounts could be made available if necessary. Additionally, as part of the liquidity management plan, as the need arises, the Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

NOTE 3 INVESTMENT SECURITIES

Investment securities are presented in the financial statements at fair value. The following reflects the cost and fair value of investment securities at June 30, 2023:

	Cost	Fair Value
Corporate Bonds	$ 289,076	$ 256,368
Corporate Stock	3,128,602	4,509,215
U.S. Government Securities	804,921	734,589
Mutual Funds	4,662,063	4,295,631
Exchange Traded Funds	451,095	915,922
Alternative Investments	223,919	138,609
Total, End of Year	$ 9,559,676	$ 10,850,334

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2023:

Interest	$ 26,908
Dividends	392,783
Net Realized/Unrealized Gain on Investments	641,593
Investment Gain from Securities	1,061,284
Net Farm Rental Income	300,542
Investment Fees	(80,205)
Net Investment Gain	$ 1,281,621

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Accordingly, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could be material in amount in relation to the carrying value of investments.

NOTE 4 INVESTMENTS IN REAL ESTATE

The Organization has acquired real estate as beneficiary under various wills and trusts established by individuals. The following reflects the real estate holdings:

Description	Fair Value at Date of Gift	Estimated Fair Value at June 30, 2023
Mary J. Cornell – 160 Acres	$ 56,000	$ 1,920,000
Alta Johnston – 229 Acres	114,500	3,114,400
Rosetta Fox Courtney – 112 Acres	55,730	819,231
Irene Blum – 80 Acres	200,485	1,296,000
Total	$ 426,715	$ 7,149,631

NOTE 5 INVESTMENTS HELD IN TRUST BY OTHERS

The Organization receives cash distributions from the trusts listed below. In accordance with the trust agreements, the principal is generally retained by the trust in perpetuity with the income being distributed periodically.

The following values for each trust represent the Organization's share of the fair value of the trust at June 30, 2023 as provided by the outside fiscal agent:

James B. Kennedy Trust	$	773,217
O. V. Douglass Trust		141,298
Charles Ockerman Trust		407,561
Bessie Row trust		46,964
Nina Bozarth Trust		386,940
Maude Scranton Trust		388,818
Genevieve Moyer Trust		833,265
Thomas Campbell Trust		1,170,340
Total Investments Held in Trust by Others	$	4,148,403

The income from these trusts for the year has been included as other revenue in the statement of activities as both revenue without donor restrictions in the Investment Fund and revenue with donor restrictions in the Endowment Fund as follows:

Cash Distributions (Without Donor Restrictions)	$	178,467
Increase in Fair Value (With Donor Restrictions)		111,614
Total	$	290,081

NOTE 6 FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A significant portion of Organization's investments are held through limited partnerships and commingled funds for which fair value is estimated using net asset values (NAV) reported by fund managers as a practical expedient for fair value measurements. GAAP allows such NAV measured investments to be excluded from the categories in the fair value hierarchy.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Common Stock, Exchange Traded Funds and Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. Government Securities and Corporate Bonds: Valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type.

Alternative Investments: Valued based on information provided by the manager of the various funds, developed utilizing net asset value, prices or quotes of similar assets of liabilities, or other discounted cash flow models.

Grain Inventories: Valued by an investment manager based on an active elevator grain price.

Investments Held in Trust by Others: These are valued by a third-party trustee and consist of a variety of investments. Since the lowest level of input that is significant to the fair value measurement must be used for determination and the Organization is restricted from being able to redeem the investments, they are not considered to be traded on an active market and, therefore, are classified as Level 3.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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.

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Assets at Fair Value as of June 30, 2023				
	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Common Stock	$ 4,509,215	$ -	$ -	$ -	$ 4,509,215
U.S. Government Securities	-	734,589	-	-	734,589
Mutual Funds	4,295,631	-	-	-	4,295,631
Corporate Bonds	-	256,368	-	-	256,368
Exchange Traded Funds	915,922	-	-	-	915,922
Alternative Investments	-	-	-	138,609	138,609
Grain Inventories	66,657	-	-	-	66,657
Investments Held in Trust by Others	-	-	4,148,403	-	4,148,403
Total Assets at Fair Value	$ 9,787,425	$ 990,957	$ 4,148,403	$ 138,609	$ 15,065,394

The venture capital fund, which is invested primarily in privately held companies, has an expected life of approximately seven years.

NOTE 7 LAND, BUILDINGS, AND EQUIPMENT

The following is a summary of land, buildings, and equipment at June 30, 2023:

	Cost	Accumulated Depreciation	Book Value	Current Year Depreciation
Land and Improvements	$ 803,946	$ 214,511	$ 589,435	$ 6,444
Buildings and Improvements	18,425,231	10,756,475	7,668,756	520,488
Construction in Progress	1,580	-	1,580	-
Equipment:				
Office Furniture, Data Processing and Other Equipment	1,137,027	1,051,442	85,585	92,396
Audio Visual and Miscellaneous Tools and Equipment	59,242	58,057	1,185	3,177
Transportation Equipment	124,277	124,277	-	5,281
Total	$ 20,551,303	$ 12,204,762	$ 8,346,541	$ 627,786

NOTE 8 LINE OF CREDIT

The Organization entered into a $2,750,000 revolving line of credit agreement with U.S. Bank. The agreement is secured by all investments of the Organization held at the bank and will remain open as long as the assets remain with U.S. Bank. As a result of this arrangement, amounts drawn against the line of credit are due at the time that the assets are withdrawn from the bank. The line bears an interest rate of 7.25%. The line of credit had an outstanding balance of $2,500,000 at June 30, 2023.

NOTE 9 LOAN PAYABLE UNDER PAYROLL PROTECTION PROGRAM

In April 2020, the Organization received a loan from a bank in the amount of $1,974,100 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over 24 weeks deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in May 2021 principal and interest payments will be required through the maturity date in May 2022.

On September 24, 2021, Organization received partial forgiveness of the PPP Loan in the amount of $527,755. At June 30, 2023, there was $723,287 remaining on the loan. The term loan bears an annual interest rate of 1%, is unsecured and guaranteed by the U.S. and requires monthly principal and interest payments of $33,693. The loan matures on May 6, 2025, at which time all remaining principal and interest is owed.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 are as follows:

	Held in Perpetuity	Purpose Restrictions
Robert Thomas	$ 14,425	$ -
Alta W. Johnston	114,500	-
Catharine Bell	260,163	-
Friends of the Fold	5,256	-
Charles Prussner	20,000	-
Luella E. Schultze	2,000	-
Dora Myers	11,484	-
Jean and William Hammitt	25,000	-
Robert W. Braun, Sr. Bright Futures Endowed Fund	37,208	-
Christian Life Fund	136,940	-
Investments Held in Trust by Others (Note 5)	4,148,403	-
Supporting Early Intervention for Family Stability	765,086	-
Ed Scharf Endowment Fund	3,625,468	(91,758)
Total Restricted Net Assets	$ 9,165,933	$ (91,758)

NOTE 11 PENSION PLANS

The Organization has a noncontributory, defined benefit pension plan covering all employees who met certain eligibility requirements. The Plan provides benefits based on the highest consecutive three-year average salary. The Organization's funding policy is to make an annual contribution in accordance with the actuarial computation provided by the plan's actuary. Effective July 1, 2009, this plan was frozen and no new employees were allowed to enter the Plan.

The Organization also has a 403(b) plan to which employees may contribute. The board of directors determines annually if any matching contributions will be made by the Organization. During 2023, the Organization matched the lesser of 50% of the amount of employee contributions or 2% of employee wages. Additionally, the Organization contributed, on a quarterly basis, 1% of wages for employees with 10 to 14 years of service and 2% of wages for employees with 15 years of service or more.

The amount charged to expense for the Organization's retirement plans includes $207,490 of defined benefit pension cost, $147,691 for matching the employees' contributions to their 403(b) Plan, and $61,815 in nonelective additional contributions for the 403(b) Plan.

The Organization uses a June 30 measurement date for the defined benefit pension plan.

Net pension cost for the Organization's defined benefit pension plan consisted of the following components for the year ended June 30, 2023:

Interest Cost	$ 133,131
Expected Return on Plan Assets	(104,421)
Recognition of Net Loss	51,794
Net Pension Cost, Before Recognizing Settlements	80,504
Amount of Recognized Loss Due to Settlements	46,441
Net Pension Cost, After Recognizing Settlements	$ 126,945

Weighted-Average Assumptions Used to Determine Net Pension Cost:	
Discount Rate	4.57%
Expected Long-Term Rate of Return	7.00%
Rate of Compensation Increase	N/A

NOTE 11 PENSION PLANS (CONTINUED)

The following sets forth the plan's funded status and the amounts recognized in the financial statements at June 30, 2023:

Projected Benefit Obligation	$ (2,732,110)
Adjusted Fair Value of Plan Assets	1,769,883
Funded Status	$ (962,227)
Weighted-Average Assumptions Used to Determine Benefit Obligations:	
Discount Rate	5.07%
Rate of Compensation Increase	N/A
Employer Contributions	$ 240,000
Benefits Paid	$ 103,092

The accumulated benefit obligation was $2,732,110 at June 30, 2023.

Plan Assets

The following table summarizes plan assets measured at fair value on June 30, 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

Asset Category	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash and Cash Equivalents	$ 42,855	$ -	$ -	$ 42,855
Mutual Funds	1,727,028	-	-	1,727,028
Total	$ 1,769,883	$ -	$ -	$ 1,769,883

The Organization's target asset allocation as of June 30, 2023, by asset category, is as follows:

Asset Category	
Equity Securities	15 – 70%
Fixed Income Securities	30 – 75%
Cash and Cash Equivalents	0 – 25%

The Organization's investment policy includes various guidelines and procedures designed to provide that assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges (shown above) by major asset categories.

NOTE 11 PENSION PLANS (CONTINUED)

Plan Assets (Continued)

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is periodically reviewed by the Organization and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

Contributions

The Baby Fold expects to contribute $2,732,110 to the pension plan in fiscal year 2024.

Estimated Future Benefit Payments

The following benefit payments which reflect expected future service, as appropriate, are expected to be paid:

Year Ending June 30,	Amount
2024	$ 134,841
2025	246,145
2026	130,970
2027	134,196
2028	143,020
2029-2032	1,292,744

Reconciliation of items not yet reflected in net periodic benefit cost:

	July 1, 2022	Reclassified as Net Periodic Benefit Cost	Amounts Arising During Period	June 30, 2023
Net Loss (Credit)	$ 725,006	$ 98,235	$ (329,110)	$ 494,131

Estimated effect in next fiscal year - items not yet reflected in net periodic benefit cost:

	July 1, 2023	Estimated Amounts to be Reclassified as Net Periodic Benefit Cost
Net Loss	$ 494,131	$ 98,235

No plan assets are expected to be returned to the employer during the July 1, 2023 to June 30, 2024 fiscal year.

NOTE 11 PENSION PLANS (CONTINUED)

The discount rate and expected rate of return on plan assets are critical assumptions which significantly affect pension accounting. Even relatively small changes in these rates would significantly change the recorded pension expense and accrued liability. Management believes the discount rate and expected rate of return on plan assets used in determining its year-end pension accounting are reasonable based on currently available information. However, it is at least reasonably possible that these assumed rates will be revised in the near term, based on future events and changes in circumstances.

Subsequent to June 30, 2023, the Organization offered participants a lump sum buy out option. Participants who accepted the option were paid out in March 2024. The Organization then purchased an annuity to cover future benefits due to the participants remaining on the plan in March 2024.

NOTE 12 ENDOWMENTS

The Baby Fold’s endowments consist of funds established to support a variety of programs at the Organization. Its endowments consist of donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of The Baby Fold has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity:

- The original value of the initial gift amounts donated to the endowment,
- The original value of subsequent gift amounts donated to the endowment, and
- Any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 12 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible impact 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

Return Objectives and Risk Parameters

The Organization has adopted investment policies for endowment assets that attempt to provide conservative earnings potential while reducing risk.

Spending Policy

The Organization spends endowment earnings in accordance with the directives of the donor. If no directive exists, the board of directors, implements the spending policy through such actions as budget review and approval, review and approval of monthly financial statements, and review and assessment of investment performance.

It is the goal of the Organization to grow the investment accounts at an average annual return in excess of corresponding benchmarks, over a market cycle, keeping the level of risk consistent with a nonprofit organization having a long-term investment philosophy. The Organization targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints, with the exception of any specific endowment funds whose agreements include different guidelines.

Strategies Employed for Achieving Objectives

The Organization invests funds in a manner expected to maintain appropriate diversification among investment styles within the equity and fixed income allocations according to the investment policy.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted			
Endowment Funds	$ -	$ 8,770,462	$ 8,770,462
Accumulated Gain	-	303,713	303,713
Total Endowment Funds	$ -	$ 9,074,175	$ 9,074,175

NOTE 12 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives (Continued)

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets – Beginning of Year	$ -	$ 8,616,590	$ 8,616,590
Investment Return:			
Net Investment Gain	-	307,213	307,213
Net Appreciation (Realized and Unrealized)	-	111,614	111,614
Total Investment Return	-	418,827	418,827
Contributions	-	42,258	42,258
Appropriation of Endowment Assets for Expenditure Per Spending Policy	3,500	(3,500)	-
Expenditures	(3,500)	-	(3,500)
Endowment Net Assets – End of Year	$ -	$ 9,074,175	$ 9,074,175

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023, funds with original gift values of $3,625,468, fair values of $3,533,709 and deficiencies of $91,759 were reported in net assets with donor restrictions.

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Organization is the beneficiary under various wills and trust agreements. The total amount receivable will be recorded when clear title is established, and the proceeds are measurable.

NOTE 14 LEASES – ASC 842

The Organization entered into several long-term lease agreements for buildings, equipment and vehicles. The leases have terms expiring through the year ending June 30, 2028. The following table provides quantitative information concerning the Organization's leases for the year ended June 30, 2023:

Operating Lease Costs	$	502,857
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	$	492,598
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$	1,888,256
Weighted-Average Remaining Lease Term - Operating Leases		4
Weighted-Average Discount Rate - Operating Leases		2.73%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

Year Ending June 30,		Amount
2024	$	490,406
2025		369,980
2026		313,186
2027		287,955
2028		49,500
Undiscounted Cash Flows		1,511,027
Less: Imputed Interest		(73,671)
Total Present Value	$	1,437,356
Short-Term Lease Liability	$	462,055
Long-Term Lease Liability		975,301
Total	$	1,437,356

NOTE 15 CONCENTRATIONS

The Organization receives a substantial amount of its support from state government. If a significant reduction in the level of this support were to occur, it would have an adverse effect on the Organization's programs and activities.

The Organization maintains its cash and investment accounts with several banks. At June 30, 2023, cash balances were insured by the Federal Deposit Insurance Corporation up to $250,000 per depositor per bank. At times, balances in these accounts may exceed federal limits.

THE BABY FOLD
SCHEDULE OF SUPPORT AND REVENUE
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)
(SEE INDEPENDENT AUDITORS' REPORT)

	Without Donor Restrictions	With Donor Restrictions	Total All Funds 2023	Total (Memorandum Only) 2022
PUBLIC SUPPORT AND REVENUE				
Public Support (Contributions):				
Contributions:				
Churches	$ 183,245	$ -	$ 183,245	$ 81,847
Nonchurch Organizations	31,484	-	31,484	27,793
Corporate	91,996	-	91,996	110,642
Individuals	706,231	5,000	711,231	512,253
Foundations	128,154	-	128,154	138,258
Bequests	81,817	37,208	119,025	225,452
Campaign	-	50	50	-
United Way	4,500	-	4,500	(4,290)
Total Public Support and Revenue	1,227,427	42,258	1,269,685	1,091,955
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES				
Hammitt School Tuition	674,305	-	674,305	995,071
Hammitt High School Tuition	3,509,661	-	3,509,661	2,868,987
Hammitt Training and Consultation Fees	3,100	-	3,100	1,450
State and Federal Meals Reimbursement	83,287	-	83,287	111,338
Challenges Tuition	5,561,448	-	5,561,448	4,839,081
Adoption Preservation	2,227,442	-	2,227,442	2,051,628
Foster Care	2,643,491	-	2,643,491	1,730,647
Healthy Start	934,002	-	934,002	886,612
Adoption Preservation Respite	132,996	-	132,996	176,529
Community Schools	85,000	-	85,000	116,366
Intact Family Services	628,501	-	628,501	788,567
Choices	11,380	-	11,380	46,989
Care Connection	502,512	-	502,512	217,597
Total Fees and Grants from Governmental Agencies	16,997,125	-	16,997,125	14,830,862
OTHER REVENUE				
Fundraising Events	253,404	-	253,404	304,506
Net Investment Income	974,408	307,213	1,281,621	(2,086,952)
Earnings and Distributions from Estates in Trust	178,467	111,614	290,081	(24,030)
In-Kind Contributions	55,093	-	55,093	29,147
Forgiveness of Debt - PPP	-	-	-	527,755
Miscellaneous	150,263	-	150,263	67,906
Total Other Revenue	1,611,635	418,827	2,030,462	(1,181,668)
Total Support and Revenue	$ 19,836,187	$ 461,085	$ 20,297,272	$ 14,741,149

THE BABY FOLD
SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE
YEAR ENDED JUNE 30, 2023
(OPERATING FUND)
(SEE INDEPENDENT AUDITORS' REPORT)

	Hammitt School	Hammitt High School	Hammitt Challenges	Performance Foster Care and Special Needs Adoption	Specialized Foster Care	Adoption Preservation	Healthy Start	Intact Family Services	Adoption Preservation Respite	Community Schools	Choices	Healthy Families Illinois	Prevention Initiative	Care Connection	Total
PUBLIC SUPPORT AND REVENUE															
Public Support:															
Contributions:															
Churches	$ 100	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 250	$ -	$ -	$ -	$ -	$ 350
Nonchurch Organizations	500	-	-	-	-	-	500	458	-	-	-	-	-	-	1,458
Corporate	4	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,004
Individuals	486	-	34	-	-	-	-	-	-	-	-	-	-	-	520
Foundations	2,500	-	-	-	-	-	25,000	-	-	-	-	-	-	-	27,500
United Way	-	-	-	-	-	-	-	-	-	-	-	4,500	-	-	4,500
Total Public Support	3,590	1,000	34	-	-	-	25,500	458	-	250	-	4,500	-	-	35,332
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES															
Hammitt School Tuition	674,305	-	-	-	-	-	-	-	-	-	-	-	-	-	674,305
Hammitt High School Tuition	-	3,509,661	-	-	-	-	-	-	-	-	-	-	-	-	3,509,661
Hammitt Training and Consultation Fees	3,100	-	-	-	-	-	-	-	-	-	-	-	-	-	3,100
State and Federal Meals Reimbursement	11,381	28,868	43,038	-	-	-	-	-	-	-	-	-	-	-	83,287
Challenges Tuition	-	-	5,561,448	-	-	-	-	-	-	-	-	-	-	-	5,561,448
Adoption Preservation	-	-	-	-	-	2,227,442	-	-	-	-	-	-	-	-	2,227,442
Foster Care	-	-	-	2,298,563	344,928	-	-	-	-	-	-	-	-	-	2,643,491
Healthy Start - Health Department	-	-	-	-	-	-	92,310	-	-	69,698	-	-	-	-	162,008
Healthy Start - DHS	-	-	-	-	-	-	-	-	-	-	-	373,351	-	-	373,351
Healthy Start - ISBE	-	-	-	-	-	-	-	-	-	-	-	-	398,643	-	398,643
Adoption Preservation Respite	-	-	-	-	-	-	-	-	132,996	-	-	-	-	-	132,996
Community Schools	-	-	-	-	-	-	-	-	-	85,000	-	-	-	-	85,000
Intact Family Services	-	-	-	-	-	-	-	628,501	-	-	-	-	-	-	628,501
Choices	-	-	-	-	-	-	-	-	-	-	11,380	-	-	-	11,380
Care Connection	-	-	-	-	-	-	-	-	-	-	-	-	-	502,512	502,512
Total Fees and Grants from Governmental Agencies	688,786	3,538,529	5,604,486	2,298,563	344,928	2,227,442	92,310	628,501	132,996	154,698	11,380	373,351	398,643	502,512	16,997,125
OTHER REVENUE															
In-Kind Contributions	-	4,120	14,284	27,130	-	690	4,955	2,194	-	1,720	-	-	-	-	55,093
Miscellaneous	-	-	-	-	-	2,895	22	-	-	-	-	-	-	142,346	145,263
Total Other Revenue	-	4,120	14,284	27,130	-	3,585	4,977	2,194	-	1,720	-	-	-	142,346	200,356
Total Support and Revenue	$ 692,376	$ 3,543,649	$ 5,618,804	$ 2,325,693	$ 344,928	$ 2,231,027	$ 122,787	$ 631,153	$ 132,996	$ 156,668	$ 11,380	$ 377,851	$ 398,643	$ 644,858	$ 17,232,813

THE BABY FOLD
SCHEDULE OF EARNINGS ON INVESTED ASSETS —
INVESTMENT FUND (WITHOUT DONOR RESTRICTIONS)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

INVESTMENT INCOME FROM REAL ESTATE		
Income from Farms and Rental Property	$ 353,979	
Less:		
Farm and Rental Expenses	(38,412)	
Farm Management Fees	(15,025)	
Net Investment Income from Real Estate		$ 300,542
INVESTMENT INCOME FROM SECURITIES		
Interest — U.S. Government securities	18,054	
Interest — Corporate Bonds	8,854	
Dividends — Corporate Stock	392,783	
Total Interest and Dividends	419,691	
Net Realized and Unrealized Gain	641,593	
Less: Investment Fees	(80,205)	
Net Investment Income from Securities		981,079
NET INVESTMENT GAIN		$ 1,281,621

THE BABY FOLD
RESIDENTIAL TREATMENT CENTER, FOSTER FAMILY CARE, AND ADOPTION PROGRAMS STATISTICS (UNAUDITED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Days of Care
FOSTER FAMILY CARE PROGRAM	
Children Placed by Department of Children and Family Services on a Long-Term Basis	37,996

INDEPENDENT AUDITORS' 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*

Board of Directors
The Baby Fold
Peoria, 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 The Baby Fold, 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, and have issued our report thereon dated June 6, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Baby Fold'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 The Baby Fold's internal control. Accordingly, we do not express an opinion on the effectiveness of The Baby Fold'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.

Board of Directors
The Baby Fold

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Baby Fold'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Peoria, Illinois
June 6, 2024