

**THE BABY FOLD**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2019**



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**THE BABY FOLD  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2019**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>5</b>
<b>SCHEDULE OF FUNCTIONAL EXPENSES</b>	<b>7</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>9</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>10</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF SUPPORT AND REVENUE</b>	<b>25</b>
<b>SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE</b>	<b>27</b>
<b>SCHEDULE OF EARNINGS ON INVESTED ASSETS — INVESTMENT     FUND (WITHOUT DONOR RESTRICTIONS)</b>	<b>30</b>
<b>RESIDENTIAL TREATMENT CENTER, FOSTER FAMILY CARE, AND     ADOPTION PROGRAMS STATISTICS (UNAUDITED)</b>	<b>31</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Baby Fold  
Normal, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Baby Fold, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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, 2019, 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.

**Report on Summarized Comparative Information**

We have previously audited The Baby Fold's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**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 on pages 26 through 32 is presented for purposes of additional analysis and is not a required part of the financial statements. The 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 included on page 31 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.

**Emphasis of a Matter – Adoption of New Standard**

As discussed in Note 1 to the financial statements, The Baby Fold adopted a recently issued accounting standard relating to the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Our opinion is not modified with respect to this matter.



**CliftonLarsonAllen LLP**

Peoria, Illinois  
November 18, 2019

**THE BABY FOLD**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**  
(WITH COMPARATIVE TOTALS FOR 2018)

<b>ASSETS</b>	Without Donor Restrictions			With Donor Restrictions	Total 2019	Total (Memorandum Only) 2018
	Operating	Investment	Total			
Cash and Cash Equivalents	\$ 3,419,304	\$ 960,097	\$ 4,379,401	\$ 858,626	\$ 5,238,027	\$ 1,473,763
Accounts Receivable	2,024,021	-	2,024,021	-	2,024,021	1,276,213
Pledge Receivable	-	-	-	16,990	16,990	26,715
Food Inventory	5,942	-	5,942	-	5,942	4,961
Prepaid Expenses	183,444	7,220	190,664	-	190,664	136,639
Investment Securities, at Fair Value	-	5,076,113	5,076,113	3,963,796	9,039,909	7,671,508
Grain Inventories, at Fair Value	-	100,345	100,345	-	100,345	48,635
Investments in Real Estate	-	376,201	376,201	114,500	490,701	735,018
Investments Held in Trust by Others, at Fair Value	-	-	-	3,827,288	3,827,288	3,753,516
Cash Value of Life Insurance	-	4,960	4,960	-	4,960	4,960
Land, Buildings, and Equipment, Net	9,003,938	-	9,003,938	-	9,003,938	8,709,277
Total Assets	\$ 14,636,649	\$ 6,524,936	\$ 21,161,585	\$ 8,781,200	\$ 29,942,785	\$ 23,841,205

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2019**  
(WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restrictions			With Donor Restrictions	Total 2019	Total (Memorandum Only) 2018
	Operating	Investment	Total			
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 180,076	\$ -	\$ 180,076	\$ -	\$ 180,076	\$ 584,075
Line of Credit	-	-	-	-	-	1,100,000
Accrued Expenses	3,656,473	21,588	3,678,061	-	3,678,061	899,670
Pension Payable	2,402,833	-	2,402,833	-	2,402,833	2,153,294
Deferred Revenue – Annuity Contracts	-	53,329	53,329	-	53,329	59,259
Deferred Revenue – Program	19,192	-	19,192	-	19,192	9,972
Total Liabilities	<u>6,258,574</u>	<u>74,917</u>	<u>6,333,491</u>	<u>-</u>	<u>6,333,491</u>	<u>4,806,270</u>
<b>NET ASSETS</b>						
Without Donor Restrictions:						
Undesignated	8,378,075	-	8,378,075	-	8,378,075	6,139,861
Designated for Investment by Organization’s By-Laws	-	6,450,019	6,450,019	-	6,450,019	7,968,093
With Donor Restrictions	-	-	-	8,781,200	8,781,200	4,926,981
Total Net Assets	<u>8,378,075</u>	<u>6,450,019</u>	<u>14,828,094</u>	<u>8,781,200</u>	<u>23,609,294</u>	<u>19,034,935</u>
Total Liabilities and Net Assets	<u>\$ 14,636,649</u>	<u>\$ 6,524,936</u>	<u>\$ 21,161,585</u>	<u>\$ 8,781,200</u>	<u>\$ 29,942,785</u>	<u>\$ 23,841,205</u>

See accompanying Notes to Financial Statements.

**THE BABY FOLD  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

	Without Donor Restrictions			With Donor Restrictions	Total 2019	Total (Memorandum Only) 2018
	Operating	Investment	Total			
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>						
Contributions	\$ 328,356	\$ 874,417	\$ 1,202,773	\$ 3,837,366	\$ 5,040,139	\$ 1,381,405
Fees from Governmental Agencies	11,530,559	-	11,530,559	-	11,530,559	10,601,401
Grants from Governmental Agencies	3,196,571	-	3,196,571	-	3,196,571	2,008,395
Net Investment Income	-	3,732,088	3,732,088	-	3,732,088	1,026,134
In-Kind Contributions	36,360	-	36,360	-	36,360	38,257
Other	134,264	439,687	573,951	73,772	647,723	518,427
Release from Restrictions	56,919	-	56,919	(56,919)	-	-
Total Revenue, Gains, and Other Support	15,283,029	5,046,192	20,329,221	3,854,219	24,183,440	15,574,019
<b>EXPENSES</b>						
Program Services:						
Residential Treatment Center	-	-	-	-	-	205,537
Hammitt School	1,828,174	-	1,828,174	-	1,828,174	2,156,382
Hammitt High School	2,814,873	-	2,814,873	-	2,814,873	2,135,712
Hammitt Challenges	3,976,319	-	3,976,319	-	3,976,319	3,263,715
Performance Foster Care and Special Needs Adoption	1,020,527	-	1,020,527	-	1,020,527	1,228,591
Specialized Foster Care	752,074	-	752,074	-	752,074	817,009
QIC Target	93,639	-	93,639	-	93,639	149,478
Adoption Preservation	1,781,454	-	1,781,454	-	1,781,454	1,551,992
Healthy Start	256,861	-	256,861	-	256,861	216,642
Intact Family Services	308,148	-	308,148	-	308,148	216,748
Adoption Preservation Respite	129,879	-	129,879	-	129,879	100,072
Community Schools	130,443	-	130,443	-	130,443	120,083
Choices	314,152	-	314,152	-	314,152	378,767
Healthy Families Illinois	269,235	-	269,235	-	269,235	164,748
Prevention Initiative	165,999	-	165,999	-	165,999	-
Care Connection	4,571	-	4,571	-	4,571	-
Total	13,846,348	-	13,846,348	-	13,846,348	12,705,476

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	Without Donor Restrictions			With Donor Restrictions	Total 2019	Total (Memorandum Only) 2018
	Operating	Investment	Total			
<b>EXPENSES (CONTINUED)</b>						
Support Services:						
Management and General	\$ 2,070,308	\$ 81,242	\$ 2,151,550	\$ -	\$ 2,151,550	\$ 2,285,395
Public Relations	-	651,890	651,890	-	651,890	635,743
Total	<u>2,070,308</u>	<u>733,132</u>	<u>2,803,440</u>	<u>-</u>	<u>2,803,440</u>	<u>2,921,138</u>
 Total Expenses	 <u>15,916,656</u>	 <u>733,132</u>	 <u>16,649,788</u>	 <u>-</u>	 <u>16,649,788</u>	 <u>15,626,614</u>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	 (633,627)	 4,313,060	 3,679,434	 3,854,219	 7,533,653	 (52,595)
 <b>TRANSFERS IN (OUT)</b>						
Operating Fund from Investment Fund	5,831,134	(5,831,134)	-	-	-	-
 <b>PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST</b>	 (209,294)	 -	 (209,294)	 -	 (209,294)	 217,869
 <b>CONTINGENCY LOSS</b>	 (2,750,000)	 -	 (2,750,000)	 -	 (2,750,000)	 -
 <b>TOTAL CHANGES IN NET ASSETS</b>	 2,238,214	 (1,518,074)	 720,140	 3,854,219	 4,574,359	 165,274
 Net Assets – Beginning of year	 <u>6,139,861</u>	 <u>7,968,093</u>	 <u>14,107,954</u>	 <u>4,926,981</u>	 <u>19,034,935</u>	 <u>18,869,661</u>
 <b>NET ASSETS – END OF YEAR</b>	 <u>\$ 8,378,075</u>	 <u>\$ 6,450,019</u>	 <u>\$ 14,828,094</u>	 <u>\$ 8,781,200</u>	 <u>\$ 23,609,294</u>	 <u>\$ 19,034,935</u>

See accompanying Notes to Financial Statements.



**THE BABY FOLD**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	Program Services									
	Hammitt School	Hammitt High School	Hammitt Challenges	Performance Foster Care and Special Needs Adoption	Specialized Foster Care	QIC Target	Adoption Preservation	Healthy Start	Intact Family Services	Adoption Preservation Respite
Salaries and Wages	\$ 1,231,826	\$ 1,928,309	\$ 2,698,091	\$ 529,690	\$ 349,345	\$ 61,707	\$ 1,150,195	\$ 168,552	\$ 211,594	\$ 70,860
Group insurance	84,419	148,135	164,410	30,538	29,760	4,426	96,966	7,104	5,433	1,832
Pensions	70,202	101,008	126,682	26,240	18,185	1,528	54,952	8,373	9,462	3,157
Social Security and Medicare Tax	91,994	138,526	195,532	39,562	23,878	3,592	82,456	12,217	15,557	5,247
Unemployment Compensation Taxes	2,347	870	2,980	14,328	2,032	308	2,082	102	531	504
Workers' Compensation Insurance	22,614	35,199	46,989	9,387	6,168	102	21,768	3,152	3,492	1,228
Professional Liability Insurance	7,354	4,888	6,049	3,740	3,695	834	6,220	1,091	417	260
Employee Medical	3,816	4,959	8,534	868	137	-	956	130	113	35
Auditing and Legal Fees	-	-	-	-	-	-	-	-	-	-
Administrative Consultants	-	-	-	-	-	-	-	-	-	-
Technology Supplies and Services	25,865	25,537	44,495	10,982	8,281	1,021	20,017	1,503	2,445	719
Office Supplies and Expense	5,953	4,651	12,331	1,949	244	123	8,027	292	298	47
Telephone	6,586	6,992	8,375	12,037	7,048	855	30,555	4,000	1,635	1,078
Printing	-	-	-	-	-	-	-	-	-	-
Postage	1,676	770	444	1,464	847	-	-	-	171	-
Office Equipment Rental	2,259	2,395	9,714	1,182	370	-	93	-	115	22
Subscriptions	44	44	-	-	-	-	-	-	-	-
Rent	-	-	30,000	37,694	27,452	-	16,419	-	5,974	-
Utilities	19,695	25,908	65,219	4,488	2,727	1,722	18,036	4,700	763	1,318
Buildings and Grounds Supplies	7,247	10,108	33,924	608	160	344	1,609	461	78	171
Maintenance of Buildings and Grounds	47,658	31,430	98,183	12,117	3,475	1,029	20,537	5,306	2,965	500
Equipment Repairs	16,422	6,050	37,128	1,684	1,631	310	6,322	1,257	669	141
Property Insurance	4,206	4,948	5,576	2,832	1,204	941	5,229	665	241	108
Travel	9,938	9,104	12,576	31,121	19,297	9,030	118,369	5,258	12,694	335
Auto Insurance	3,972	2,156	2,413	7,498	6,270	1,329	12,393	940	340	133
Conference and Convention Expense	15,032	7,087	18,003	231	2,495	249	19,686	5,662	24	78
Program Supplies	36,582	27,647	53,779	9,679	216	483	25,394	21,332	1,550	27,215
Specific Assistance	-	-	-	6,080	372	-	1,140	-	21,638	-
Medical Supplies	70	63	170	-	-	-	-	-	-	-
Food	27,216	35,870	28,385	-	-	-	-	-	-	-
Kitchen Service Supplies	1,075	1,684	6,614	-	-	-	-	-	-	-
Professional Consultants	1,264	1,354	23,226	34,138	46,626	-	4,282	-	6,832	-
Student Stipend	-	11,225	4,297	-	-	-	-	-	-	-
Foster Home Care	-	-	-	181,924	185,214	-	33	-	-	14,127
Festival Expenses	-	-	-	-	-	-	-	-	-	-
Dues	624	644	943	-	-	-	-	1,167	-	-
Board of Trustees Expense	-	-	-	-	-	-	-	-	-	-
Interest Expense	9,042	7,423	10,882	2,783	2,012	134	6,577	979	456	20
Miscellaneous	1,140	(274)	248	267	2	-	-	(36)	-	-
Depreciation Expense	70,036	230,163	220,127	5,416	2,931	3,572	51,141	2,654	2,661	744
<b>Total</b>	<b>1,828,174</b>	<b>2,814,873</b>	<b>3,976,319</b>	<b>1,020,527</b>	<b>752,074</b>	<b>93,639</b>	<b>1,781,454</b>	<b>256,861</b>	<b>308,148</b>	<b>129,879</b>
Allocation of Management Cost to Program Cost	283,019	441,400	614,711	123,133	82,565	8,720	274,703	37,954	47,955	15,404
<b>Total Expenses</b>	<b>\$ 2,111,193</b>	<b>\$ 3,256,273</b>	<b>\$ 4,591,030</b>	<b>\$ 1,143,660</b>	<b>\$ 834,639</b>	<b>\$ 102,359</b>	<b>\$ 2,056,157</b>	<b>\$ 294,815</b>	<b>\$ 356,103</b>	<b>\$ 145,283</b>

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	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	2019	2018
Salaries and Wages	\$ 95,729	\$ 208,197	\$ 169,003	\$ 120,196	\$ 3,848	\$ 8,997,142	\$ 1,102,646	\$ 362,035	\$ 1,464,681	\$ 10,461,823	\$ 9,736,170
Group insurance	1,618	23,743	14,254	6,757	-	619,395	69,191	12,350	81,541	700,936	800,811
Pensions	4,191	12,292	6,376	4,495	90	447,233	32,840	17,392	50,232	497,465	505,907
Social Security and Medicare Tax	7,125	14,923	11,728	7,886	111	650,334	76,658	27,158	103,816	754,150	708,238
Unemployment Compensation Taxes	143	123	510	47	-	26,907	2,298	145	2,443	29,350	125,285
Workers' Compensation Insurance	1,749	4,130	2,675	2,509	75	161,237	18,335	5,728	24,063	185,300	168,462
Professional Liability Insurance	515	342	1,312	1,695	-	38,412	-	-	-	38,412	58,536
Employee Medical	77	-	619	-	-	20,244	30,885	535	31,420	51,664	20,509
Auditing and Legal Fees	-	-	-	-	-	-	186,400	-	186,400	186,400	153,431
Administrative Consultants	-	-	-	-	-	-	90,756	3,277	94,033	94,033	80,997
Technology Supplies and Services	971	1,147	2,868	2,974	-	148,825	142,537	17,338	159,875	308,700	305,058
Office Supplies and Expense	51	338	2,205	632	-	37,141	38,225	1,475	39,700	76,841	59,257
Telephone	1,720	5,071	4,702	1,683	-	92,337	18,126	3,388	21,514	113,851	105,746
Printing	-	-	-	-	-	-	295	25,255	25,550	25,550	31,084
Postage	308	308	(195)	-	-	5,793	1,415	4,298	5,713	11,506	15,228
Office Equipment Rental	-	73	22	7	-	16,252	2,756	5,278	8,034	24,286	22,216
Subscriptions	-	-	-	-	-	88	498	1,868	2,366	2,454	1,521
Rent	-	9,757	12,419	-	-	139,715	132,000	-	132,000	271,715	302,606
Utilities	-	943	2,099	1,447	-	149,065	17,472	9,858	27,330	176,395	188,298
Buildings and Grounds Supplies	-	891	692	176	-	56,469	9,133	453	9,586	66,055	37,110
Maintenance of Buildings and Grounds	-	1,246	1,926	1,756	-	228,128	29,348	5,959	35,307	263,435	190,984
Equipment Repairs	663	799	778	228	-	74,082	945	546	1,491	75,573	61,521
Property Insurance	266	264	1,962	-	-	28,442	40,429	911	41,340	69,782	58,095
Travel	555	16,415	13,283	4,176	-	262,151	12,119	3,401	15,520	277,671	231,883
Auto Insurance	-	1,288	2,248	-	-	40,980	3,803	(26)	3,777	44,757	33,306
Conference and Convention Expense	4,615	4,919	4,972	695	-	83,748	16,594	2,207	18,801	102,549	63,160
Program Supplies	10,147	720	3,866	5,033	447	224,090	-	1,050	1,050	225,140	175,204
Specific Assistance	-	-	-	74	-	29,304	-	-	-	29,304	15,838
Medical Supplies	-	-	-	-	-	303	-	-	-	303	542
Food	-	-	-	-	-	91,471	-	-	-	91,471	78,235
Kitchen Service Supplies	-	-	-	-	-	9,373	-	-	-	9,373	8,232
Professional Consultants	-	-	-	2,236	-	119,958	-	-	-	119,958	111,643
Student Stipend	-	-	-	-	-	15,522	-	-	-	15,522	6,507
Foster Home Care	-	-	-	-	-	381,298	-	-	-	381,298	516,668
Festival Expenses	-	-	-	-	-	-	-	98,984	98,984	98,984	80,141
Dues	-	-	1,394	1,292	-	6,064	29,079	1,748	30,827	36,891	36,842
Board of Trustees Expense	-	-	-	-	-	-	3,224	-	3,224	3,224	3,389
Interest Expense	-	972	1,457	-	-	42,737	9,025	2,963	11,988	54,725	28,484
Miscellaneous	-	-	-	-	-	1,347	18,095	25,103	43,198	44,545	37,610
Depreciation Expense	-	5,251	6,060	5	-	600,761	16,423	11,213	27,636	628,397	461,860
<b>Total</b>	<b>130,443</b>	<b>314,152</b>	<b>269,235</b>	<b>165,999</b>	<b>4,571</b>	<b>13,846,348</b>	<b>2,151,550</b>	<b>651,890</b>	<b>2,803,440</b>	<b>16,649,788</b>	<b>15,626,614</b>
Allocation of Management Cost to Program Cost	21,032	48,846	40,206	29,427	1,233	2,070,308	(2,151,550)	81,242	(2,070,308)	-	-
<b>Total Expenses</b>	<b>\$ 151,475</b>	<b>\$ 362,998</b>	<b>\$ 309,441</b>	<b>\$ 195,426</b>	<b>\$ 5,804</b>	<b>\$ 15,916,656</b>	<b>\$ -</b>	<b>\$ 733,132</b>	<b>\$ 733,132</b>	<b>\$ 16,649,788</b>	<b>\$ 15,626,614</b>

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 4,574,359	\$ 165,274
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	628,397	461,860
Net Gain on Investments, Realized and Unrealized	(3,305,439)	(628,833)
Net Unrealized Gain on Trust Held by Others	(73,772)	(30,260)
Contributions Restricted for Long-Term Investment	(3,837,366)	(113,667)
Pension-Related Changes Other than Net Periodic Pension Cost	209,294	(217,869)
(Increase) Decrease in Assets:		
Accounts Receivable	(747,808)	133,941
Inventories, Food and Grain	(52,691)	7,011
Prepaid Expenses	(54,025)	(29,265)
Pledges Receivable	9,725	26,465
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	2,374,392	365,634
Pension Payable	40,245	78,739
Deferred Revenue – Annuity Contracts	(5,930)	(6,519)
Deferred Revenue – Program	9,220	5,257
Net Cash Provided (Used) by Operating Activities	(231,400)	217,768
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investment Securities	(3,849,434)	(2,040,366)
Proceeds from Sale of Investment Securities	2,677,553	5,220,873
Proceeds from Sale of Real Estate Investments	3,353,236	-
Purchase of Property and Equipment	(923,058)	(3,668,500)
Net Cash Provided (Used) by Investing Activities	1,258,297	(487,993)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Long-Term Investment	3,837,366	113,667
Net Borrowings (Payments) on Line of Credit	(1,100,000)	300,000
Net Cash Provided by Financing Activities	2,737,366	413,667
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,764,264	143,442
Cash and Cash Equivalents – Beginning of Year	1,473,763	1,330,321
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$ 5,238,027	\$ 1,473,763
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 54,725	\$ 28,484

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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.

**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 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.

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.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Subsequent Events**

Management evaluated subsequent events through November 18, 2019, 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	\$ 4,379,401
Operating Investments	5,076,113
Accounts Receivables	2,024,021
Total, End of Year	\$ 11,479,535

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 \$5,076,113 at June 30, 2019 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, 2019:

	Cost	Fair Value
Corporate Bonds	\$ 388,794	\$ 397,767
Corporate Stock	2,402,255	3,437,101
U.S. Government Securities	691,016	706,233
Mutual Funds	3,358,798	4,276,091
Alternative Investments	105,000	222,717
Total, End of Year	\$ 6,945,863	\$ 9,039,909

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 INVESTMENT SECURITIES (CONTINUED)**

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2019:

Interest	\$ 30,728
Dividends	266,244
Net Realized/Unrealized Gain on Investments	<u>196,520</u>
Investment Gain from Securities	493,492
Net Farm Rental Income	233,449
Realized Gain on Sale of Farm Land	3,108,919
Investment Fees	<u>(103,772)</u>
Net Investment Income	<u><u>\$ 3,732,088</u></u>

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:

<u>Description</u>	<u>Fair Value at Date of Gift</u>	<u>Estimated Fair Value at June 30, 2019</u>
Mary J. Cornell – 160 Acres	\$ 56,000	\$ 1,284,000
Eva Casey – 132 Acres	63,986	1,099,824
Alta Johnston – 229 Acres	114,500	2,009,475
Rosetta Fox Courtney – 112 Acres	55,730	562,873
Irene Blum – 80 Acres	<u>200,485</u>	<u>872,000</u>
Total	<u><u>\$ 490,701</u></u>	<u><u>\$ 5,828,172</u></u>

The Organization sold three pieces of farm land in the fiscal year ending June 30, 2019 which resulted in a realized gain of \$3,108,919 on 435 acres sold.



**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019 as provided by the outside fiscal agent:

James B. Kennedy Trust	\$ 822,454
O. V. Douglass Trust	141,546
Charles Ockerman Trust	318,061
Bessie Row trust	47,478
Nina Bozarth Trust	372,071
Maude Scranton Trust	384,401
Genevieve Moyer Trust	647,421
Thomas Campbell Trust	1,093,856
Total Investments Held in Trust by Others	<u>\$ 3,827,288</u>

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)	\$ 129,906
Increase in Fair Value (With Donor Restrictions)	<u>73,772</u>
Total	<u>\$ 203,678</u>

**NOTE 6 FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States of America establish 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.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 (NAVs) 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 asset's 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, 2019.

*Common Stock 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.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019:

	Assets at Fair Value as of June 30, 2019				Total
	Level 1	Level 2	Level 3	NAV Practical Expedient	
Common Stock	\$ 3,437,101	\$ -	\$ -	\$ -	\$ 3,437,101
U.S. Government Securities	-	706,233	-	-	706,233
Mutual Funds	4,276,091	-	-	-	4,276,091
Corporate Bonds	-	397,767	-	-	397,767
Alternative Investments	-	-	-	222,717	222,717
Grain Inventories	100,345	-	-	-	100,345
Investments Held in Trust by Others	-	-	3,827,288	-	3,827,288
Total Assets at Fair Value	<u>\$ 7,813,537</u>	<u>\$ 1,104,000</u>	<u>\$ 3,827,288</u>	<u>\$ 222,717</u>	<u>\$ 12,967,542</u>

The following table sets forth a summary of changes in fair value of the Organization's Level 3 assets for the year ended June 30, 2019:

	Investments Held in Trust by Others
Balance – Beginning of Year	\$ 3,753,516
Increase in Fair Value, Net	73,772
Balance – End of Year	<u>\$ 3,827,288</u>

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, 2019:

	Cost	Accumulated Depreciation	Book Value	Current Year Depreciation
Land and Improvements	\$ 767,557	\$ 175,583	\$ 591,974	\$ 7,599
Buildings and Improvements	17,204,812	9,349,099	7,855,713	463,032
Equipment:				
Office Furniture, Data Processing, and Other Equipment	1,162,053	653,188	508,865	131,532
Audio Visual and Miscellaneous Tools and Equipment	65,181	47,990	17,191	4,069
Transportation Equipment	403,243	373,048	30,195	22,165
Total	<u>\$ 19,602,846</u>	<u>\$ 10,598,908</u>	<u>\$ 9,003,938</u>	<u>\$ 628,397</u>

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8 LINE OF CREDIT**

The Organization entered into a \$2,000,000 revolving line of credit agreement with the State Farm Bank, F.S.B. Amounts drawn against the line of credit are due on September 30, 2020 and bear interest at 100 basis points over the Federal Home Loan Bank of Chicago's three-month Community Investment Program Rate. At June 30, 2019, \$0 was drawn on the 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 4.5%. At June 30, 2019, \$-0- was drawn on the line of credit.

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

The following grants and contributions have been donor restricted for investment in perpetuity with income earned available to support operations.

Permanently Restricted:

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
Christian Life Fund	119,740
Investments Held in Trust by Others (Note 4)	3,827,288
Supporting Early Intervention for Family Stability	755,876
Ed Scharf Endowment Fund	3,625,468
Total Permanently Restricted Assets	<u>\$ 8,781,200</u>

**NOTE 10 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 BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 10 PENSION PLANS (CONTINUED)**

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 2019, 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 \$125,144 of defined benefit pension cost, \$132,624 for matching the employees' contributions to their 403(b) Plan, and \$80,816 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, 2019:

Interest Cost	\$ 158,733
Expected Return on Plan Assets	(140,903)
Recognition of Net Loss	<u>107,314</u>
Net Pension Cost, Before Recognizing Settlements	125,144
Amount of Recognized Loss Due to Settlements	<u>115,101</u>
Net Pension Cost, After Recognizing Settlements	<u><u>\$ 240,245</u></u>

Weighted-Average Assumptions Used to Determine

Net Pension Cost:

Discount Rate	4.10%
Expected Long-Term Rate of Return	7.75%
Rate of Compensation Increase	N/A

The following sets forth the plan's funded status and the amounts recognized in the financial statements at June 30, 2019:

Projected Benefit Obligation	\$ (4,277,476)
Adjusted Fair Value of Plan Assets	<u>1,874,643</u>
Funded Status	<u><u>\$ (2,402,833)</u></u>

Weighted-Average Assumptions Used to Determine

Benefit Obligations:

Discount Rate	3.40%
Rate of Compensation Increase	N/A

Employer Contributions	<u><u>\$ 200,000</u></u>
Benefits Paid	<u><u>\$ 408,429</u></u>

The accumulated benefit obligation was \$4,277,476 at June 30, 2019.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 10 PENSION PLANS (CONTINUED)**

**Plan Assets**

The following table summarizes plan assets measured at fair value on June 30, 2019, 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	\$ 379,496	\$ -	\$ -	\$ 379,496
Mutual Funds	1,001,670	-	-	1,001,670
Total	<u>\$ 1,381,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,381,166</u>

At June 30, 2019, the pension plan trust includes a liability in the amount of \$493,477 representing funds due to the Organization for benefit payments made by the Plan Sponsor. The adjusted fair value of the plan assets is \$1,789,595 at June 30, 2019.

The Organization's target asset allocation as of June 30, 2019, by asset category, is as follows:

<u>Asset Category</u>	
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.

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 \$240,000 to the pension plan in fiscal year 2020.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 10 PENSION PLANS (CONTINUED)**

**Estimated Future Benefit Payments**

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 429,235
2021	279,453
2022	350,970
2023	255,521
2024	276,333
2025-2029	843,346

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

	<u>July 1, 2018</u>	<u>Reclassified as Net Periodic Benefit Cost</u>	<u>Amounts Arising During Period</u>	<u>June 30, 2019</u>
Net Loss (Credit)	\$ 1,265,397	\$ 107,314	\$ 316,608	1,474,691

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

	<u>July 1, 2019</u>	<u>Estimated Amounts to be Reclassified as Net Periodic Benefit Cost</u>
Net Loss	\$ 1,474,691	\$ 132,524

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.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11 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 generally accepted accounting principles, 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 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.

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 designates the spending or retention of endowment earnings.



**THE BABY FOLD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 11 ENDOWMENTS (CONTINUED)**

**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, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 8,781,200	\$ 8,781,200
Board-Designated Endowment Funds	-	-	-
Total Endowment Funds	<u>\$ -</u>	<u>\$ 8,781,200</u>	<u>\$ 8,781,200</u>

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets – Beginning of Year	\$ -	\$ 4,870,062	\$ 4,870,062
Net Appreciation (Realized and Unrealized)	-	73,772	73,772
Total Investment Return	-	73,772	73,772
Contributions	-	3,837,366	3,837,366
Endowment Net Assets – End of Year	<u>\$ -</u>	<u>\$ 8,781,200</u>	<u>\$ 8,781,200</u>

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

The Organization leases office equipment and a building under various operating lease agreements which expire at various times through fiscal year ending June 30, 2024. The total minimum lease payments as of June 30, 2019 are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 173,175
2021	166,656
2022	156,786
2023	88,066
2024	57,440
Total	<u>\$ 642,123</u>

The total rental expense reflected in the schedule of functional expenses is \$271,715 for the year ended June 30, 2019.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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.

The Organization was a defendant in a legal action arising out of the normal course of its operations in 2011. In January 2019, a confidential, no-fault, good-faith settlement was negotiated with the plaintiff estate, and with the liability insurer for the Organization. As a result, a contingency loss in the amount of \$2,750,000 was recorded in the Organization's statement of activities during the year ended June 30, 2019, and included in accrued expenses on the statement of financial position as of June 30, 2019.

**NOTE 13 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 the majority of its cash accounts in one commercial bank. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Total cash held by this bank was \$3,556,252 at June 30, 2019.

**THE BABY FOLD**  
**SCHEDULE OF SUPPORT AND REVENUE**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Without Donor Restrictions			With Donor Restrictions	Total All Funds 2019	Total (Memorandum Only) 2018
	Operating	Investment	Total			
<b>PUBLIC SUPPORT AND REVENUE</b>						
Public Support (Contributions):						
Contributions:						
Churches	\$ 9,131	\$ 88,242	\$ 97,373	\$ -	\$ 97,373	\$ 92,612
Nonchurch Organizations	7,513	9,307	16,820	-	16,820	17,188
Corporate	8,456	60,182	68,638	-	68,638	61,078
Individuals	70,691	320,303	390,994	7,898	398,892	380,195
Foundations	80,500	25,400	105,900	-	105,900	94,519
Bequests	-	370,983	370,983	3,625,468	3,996,451	357,809
Campaign	-	-	-	204,000	204,000	113,667
QIC-AG	102,094	-	102,094	-	102,094	175,795
United Way	49,971	-	49,971	-	49,971	88,542
Total Public Support and Revenue	328,356	874,417	1,202,773	3,837,366	5,040,139	1,381,405
<b>FEES AND GRANTS FROM GOVERNMENTAL AGENCIES</b>						
Residential Purchase of Service	-	-	-	-	-	(6,927)
Residential Medicaid Purchase of Service	-	-	-	-	-	(1,175)
Hammitt School Tuition	1,894,184	-	1,894,184	-	1,894,184	2,158,770
Hammitt High School Tuition	3,071,974	-	3,071,974	-	3,071,974	2,334,702
Hammitt Training and Consultation Fees	16,685	-	16,685	-	16,685	79,833
State and Federal Meals Reimbursement	64,590	-	64,590	-	64,590	60,446
Challenges Tuition	4,481,564	-	4,481,564	-	4,481,564	3,593,982
Adoption Preservation	2,265,616	-	2,265,616	-	2,265,616	1,843,429
Foster Care	1,439,636	-	1,439,636	-	1,439,636	1,782,903
Healthy Start	793,454	-	793,454	-	793,454	68,956
Adoption Preservation Respite	137,501	-	137,501	-	137,501	96,010
Community Schools	150,000	-	150,000	-	150,000	75,258
Intact Family Services	389,302	-	389,302	-	389,302	250,861
Choices	16,836	-	16,836	-	16,836	82,575
Healthy Families Illinois	-	-	-	-	-	190,173
Care Connection	5,788	-	5,788	-	5,788	-
Total Fees and Grants from Governmental Agencies	14,727,130	-	14,727,130	-	14,727,130	12,609,796

**THE BABY FOLD**  
**SCHEDULE OF SUPPORT AND REVENUE (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**  
(WITH COMPARATIVE TOTALS FOR 2018)  
(SEE INDEPENDENT AUDITORS' REPORT)

	Without Donor Restrictions			With Donor Restrictions	Total All Funds 2019	Total (Memorandum Only) 2018
	Operating	Investment	Total			
<b>OTHER REVENUE</b>						
Fundraising Events	\$ -	\$ 304,690	\$ 304,690	\$ -	\$ 304,690	\$ 280,906
Net Investment Income	-	3,732,088	3,732,088	-	3,732,088	1,026,134
Earnings and Distributions from Estates in Trust	-	129,906	129,906	73,772	203,678	162,225
In-Kind Contributions	36,360	-	36,360	-	36,360	38,257
Miscellaneous	134,264	5,091	139,355	-	139,355	75,296
Total Other Revenue	<u>170,624</u>	<u>4,171,775</u>	<u>4,342,399</u>	<u>73,772</u>	<u>4,416,171</u>	<u>1,582,818</u>
 Total Support and Revenue	<u>\$ 15,226,110</u>	<u>\$ 5,046,192</u>	<u>\$ 20,272,302</u>	<u>\$ 3,911,138</u>	<u>\$ 24,183,440</u>	<u>\$ 15,574,019</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE**  
**YEAR ENDED JUNE 30, 2019**  
**(OPERATING FUND)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Hammitt School	Hammitt High School	Hammitt Challenges	Performance Foster Care and Special Needs Adoption	Specialized Foster Care
<b>PUBLIC SUPPORT AND REVENUE</b>					
Public Support:					
Contributions:					
Churches	\$ -	\$ 6,053	\$ -	\$ -	\$ -
Nonchurch Organizations	-	100	-	-	-
Corporate	796	3,100	-	-	-
Individuals	2,639	24,631	10,100	126	(2,177)
Foundations	2,500	42,500	-	10,000	-
QIC -AG	-	-	-	-	-
United Way	-	-	-	-	-
Total Public Support	<u>5,935</u>	<u>76,384</u>	<u>10,100</u>	<u>10,126</u>	<u>(2,177)</u>
<b>FEES AND GRANTS FROM GOVERNMENTAL AGENCIES</b>					
Hammitt School Tuition	1,894,184	-	-	-	-
Hammitt High School Tuition	-	3,071,974	-	-	-
Hammitt Training and Consultation Fees	16,685	-	-	-	-
State and Federal Meals Reimbursement	18,163	22,076	24,351	-	-
Challenges Tuition	-	-	4,481,564	-	-
Adoption Preservation	-	-	-	-	-
Foster Care	-	-	-	904,283	535,353
Healthy Start - Health Department	-	-	-	-	-
Healthy Start - DHS	-	-	-	-	-
Healthy Start - ISBE	-	-	-	-	-
Adoption Preservation Respite	-	-	-	-	-
Community Schools	-	-	-	-	-
Intact Family Services	-	-	-	-	-
Choices	-	-	-	-	-
Care Connection	-	-	-	-	-
Total Fees and Grants from Governmental Agencies	<u>1,929,032</u>	<u>3,094,050</u>	<u>4,505,915</u>	<u>904,283</u>	<u>535,353</u>
<b>OTHER REVENUE</b>					
In-Kind Contributions	3,735	2,850	-	9,665	-
Miscellaneous	17,360	24,572	35,137	19,232	5,434
Total Other Revenue	<u>21,095</u>	<u>27,422</u>	<u>35,137</u>	<u>28,897</u>	<u>5,434</u>
Total Support and Revenue	<u>\$ 1,956,062</u>	<u>\$ 3,197,856</u>	<u>\$ 4,551,152</u>	<u>\$ 943,306</u>	<u>\$ 538,610</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**  
**(OPERATING FUND)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Adoption Preservation	Healthy Start	QIC Target	Intact Family Services	Adoption Preservation Respite	Community Schools
<b>PUBLIC SUPPORT AND REVENUE</b>						
Public Support:						
Contributions:						
Churches	\$ -	\$ 1,886	\$ -	\$ -	\$ -	\$ 1,192
Nonchurch Organizations	-	6,954	-	-	-	459
Corporate	560	3,000	-	-	-	1,000
Individuals	2,558	2,015	-	-	250	30,549
Foundations	-	500	-	-	-	25,000
QIC -AG	-	-	102,094	-	-	-
United Way	-	19,409	-	-	-	30,562
Total Public Support	<u>3,118</u>	<u>33,764</u>	<u>102,094</u>	<u>-</u>	<u>250</u>	<u>88,762</u>
<b>FEES AND GRANTS FROM GOVERNMENTAL AGENCIES</b>						
Hammitt School Tuition	-	-	-	-	-	-
Hammitt High School Tuition	-	-	-	-	-	-
Hammitt Training and Consultation Fees	-	-	-	-	-	-
State and Federal Meals Reimbursement	-	-	-	-	-	-
Challenges Tuition	-	-	-	-	-	-
Adoption Preservation	2,265,616	-	-	-	-	-
Foster Care	-	-	-	-	-	-
Healthy Start - Health Department	-	72,888	-	-	-	-
Healthy Start - DHS	-	76,000	-	-	-	-
Healthy Start - ISBE	-	-	-	-	-	-
Adoption Preservation Respite	-	-	-	-	137,501	-
Community Schools	-	-	-	-	-	150,000
Intact Family Services	-	-	-	389,302	-	-
Choices	-	-	-	-	-	-
Care Connection	-	-	-	-	-	-
Total Fees and Grants from Governmental Agencies	<u>2,265,616</u>	<u>148,888</u>	<u>-</u>	<u>389,302</u>	<u>137,501</u>	<u>150,000</u>
<b>OTHER REVENUE</b>						
In-Kind Contributions	650	16,360	-	1,460	-	1,640
Miscellaneous	17,924	2,239	-	8,079	388	1,244
Total Other Revenue	<u>18,574</u>	<u>18,599</u>	<u>-</u>	<u>9,539</u>	<u>388</u>	<u>2,884</u>
Total Support and Revenue	<u>\$ 2,287,308</u>	<u>\$ 201,251</u>	<u>\$ 102,094</u>	<u>\$ 398,841</u>	<u>\$ 138,139</u>	<u>\$ 241,646</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**  
**(OPERATING FUND)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Choices	Healthy Families Illinois	Prevention Initiative	Care Connection	Total
<b>PUBLIC SUPPORT AND REVENUE</b>					
Public Support:					
Contributions:					
Churches	\$ -	\$ -	\$ -	\$ -	\$ 9,131
Nonchurch Organizations	-	-	-	-	7,513
Corporate	-	-	-	-	8,456
Individuals	-	-	-	-	70,691
Foundations	-	-	-	-	80,500
QIC -AG	-	-	-	-	102,094
United Way	-	-	-	-	49,971
Total Public Support	-	-	-	-	328,356
<b>FEES AND GRANTS FROM GOVERNMENTAL AGENCIES</b>					
Hammitt School Tuition	-	-	-	-	1,894,184
Hammitt High School Tuition	-	-	-	-	3,071,974
Hammitt Training and Consultation Fees	-	-	-	-	16,685
State and Federal Meals Reimbursement	-	-	-	-	64,590
Challenges Tuition	-	-	-	-	4,481,564
Adoption Preservation	-	-	-	-	2,265,616
Foster Care	-	-	-	-	1,439,636
Healthy Start - Health Department	-	-	-	-	72,888
Healthy Start - DHS	-	312,039	-	-	388,039
Healthy Start - ISBE	-	-	332,527	-	332,527
Adoption Preservation Respite	-	-	-	-	137,501
Community Schools	-	-	-	-	150,000
Intact Family Services	-	-	-	-	389,302
Choices	16,836	-	-	-	16,836
Care Connection	-	-	-	5,788	5,788
Total Fees and Grants from Governmental Agencies	16,836	312,039	332,527	5,788	14,727,130
<b>OTHER REVENUE</b>					
In-Kind Contributions	-	-	-	-	36,360
Miscellaneous	-	2,655	-	-	134,264
Total Other Revenue	-	2,655	-	-	170,624
Total Support and Revenue	\$ 16,836	\$ 314,694	\$ 332,527	\$ 5,788	\$ 15,226,110

**THE BABY FOLD**  
**SCHEDULE OF EARNINGS ON INVESTED ASSETS —**  
**INVESTMENT FUND (WITHOUT DONOR RESTRICTIONS)**  
**YEAR ENDED JUNE 30, 2019**  
(SEE INDEPENDENT AUDITORS' REPORT)

**INVESTMENT INCOME FROM REAL ESTATE**

Income from Farms and Rental Property	\$ 312,552	
Gain on Sale of Farm Land	3,108,919	
Less:		
Farm and Rental Expenses	(62,892)	
Farm Management Fees	<u>(16,211)</u>	
Net Investment Income from Real Estate		\$ 3,342,368

**INVESTMENT INCOME FROM SECURITIES**

Interest — U.S. Government securities	17,650	
Interest — Corporate Bonds	13,078	
Dividends — Corporate Stock	<u>266,244</u>	
Total Interest and Dividends	296,972	
Net Realized and Unrealized Gain	196,520	
Less: Investment Fees	<u>(103,772)</u>	
Net Investment Gain from Securities		<u>389,720</u>

**NET INVESTMENT GAIN**

\$ 3,732,088



**THE BABY FOLD  
RESIDENTIAL TREATMENT CENTER, FOSTER FAMILY CARE,  
AND ADOPTION PROGRAMS STATISTICS (UNAUDITED)  
YEAR ENDED JUNE 30, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>Days of Care</u>
<b>FOSTER FAMILY CARE PROGRAM</b>	
Children Placed by Department of Children and Family Services on a Long-Term Basis	<u><u>30,177</u></u>