

**THE BABY FOLD**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2020**



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## 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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 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 27 through 33 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 32 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 Accounting Standards Update (ASU) No. 2018-08 *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinions is not modified with respect to this matter.



**CliftonLarsonAllen LLP**

Peoria, Illinois  
November 4, 2020

**THE BABY FOLD**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**  
(WITH COMPARATIVE TOTALS FOR 2019)

<b>ASSETS</b>	Without Donor Restrictions			With Donor Restrictions	Total 2020	Total (Memorandum Only) 2019
	Operating	Investment	Total			
Cash and Cash Equivalents	\$ 4,395,984	\$ 736,621	\$ 5,132,605	\$ 109,200	\$ 5,241,805	\$ 5,238,027
Accounts Receivable	1,902,188	-	1,902,188	-	1,902,188	2,024,021
Pledge Receivable	-	-	-	11,540	11,540	16,990
Food Inventory	7,321	-	7,321	-	7,321	5,942
Prepaid Expenses	157,762	12,401	170,163	-	170,163	190,664
Investment Securities, at Fair Value	-	5,045,528	5,045,528	4,728,122	9,773,650	9,039,909
Grain Inventories, at Fair Value	-	88,534	88,534	-	88,534	100,345
Investments in Real Estate	-	376,201	376,201	114,500	490,701	490,701
Investments Held in Trust by Others, at Fair Value	-	-	-	3,808,213	3,808,213	3,827,288
Cash Value of Life Insurance	-	4,960	4,960	-	4,960	4,960
Land, Buildings, and Equipment, Net	9,479,509	-	9,479,509	-	9,479,509	9,003,938
Total Assets	\$ 15,942,764	\$ 6,264,245	\$ 22,207,009	\$ 8,771,575	\$ 30,978,584	\$ 29,942,785

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2020**  
(WITH COMPARATIVE TOTALS FOR 2019)

	Without Donor Restrictions			With Donor Restrictions	Total 2020	Total (Memorandum Only) 2019
	Operating	Investment	Total			
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 134,623	\$ -	\$ 134,623	\$ -	\$ 134,623	\$ 180,076
Line of Credit	2,500,000	-	2,500,000	-	2,500,000	-
Loan Payable under						
Paycheck Protection Program	1,974,100	-	1,974,100	-	1,974,100	-
Accrued Expenses	1,044,340	27,996	1,072,336	-	1,072,336	3,678,061
Pension Payable	2,951,840	-	2,951,840	-	2,951,840	2,402,833
Deferred Revenue – Annuity Contracts	-	49,210	49,210	-	49,210	53,329
Deferred Revenue – Program	117,504	-	117,504	-	117,504	19,192
Total Liabilities	<u>8,722,407</u>	<u>77,206</u>	<u>8,799,613</u>	-	<u>8,799,613</u>	<u>6,333,491</u>
<b>NET ASSETS</b>						
Without Donor Restrictions:						
Undesignated	7,220,357	-	7,220,357	-	7,220,357	8,378,075
Designated for Investment by Organization’s By-Laws	-	6,187,039	6,187,039	-	6,187,039	6,450,019
With Donor Restrictions	-	-	-	8,771,575	8,771,575	8,781,200
Total Net Assets	<u>7,220,357</u>	<u>6,187,039</u>	<u>13,407,396</u>	<u>8,771,575</u>	<u>22,178,971</u>	<u>23,609,294</u>
Total Liabilities and Net Assets	<u>\$ 15,942,764</u>	<u>\$ 6,264,245</u>	<u>\$ 22,207,009</u>	<u>\$ 8,771,575</u>	<u>\$ 30,978,584</u>	<u>\$ 29,942,785</u>

See accompanying Notes to Financial Statements.

**THE BABY FOLD  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020  
(WITH COMPARATIVE TOTALS FOR 2019)**

	Without Donor Restrictions			With Donor Restrictions	Total 2020	Total (Memorandum Only) 2019
	Operating	Investment	Total			
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>						
Contributions	\$ 106,484	\$ 622,421	\$ 728,905	\$ 9,450	\$ 738,355	\$ 5,040,139
Fees from Governmental Agencies	12,770,693	-	12,770,693	-	12,770,693	11,530,559
Grants from Governmental Agencies	3,082,146	-	3,082,146	-	3,082,146	3,196,571
Net Investment Income	-	204,536	204,536	-	204,536	3,732,088
In-Kind Contributions	111,236	32,843	144,079	-	144,079	36,360
Other	(27,139)	579,492	552,353	(19,075)	533,278	647,723
Total Revenue, Gains, and Other Support	16,043,420	1,439,292	17,482,712	(9,625)	17,473,087	24,183,440
<b>EXPENSES</b>						
Program Services:						
Hammitt School	2,139,174	-	2,139,174	-	2,139,174	1,828,174
Hammitt High School	2,899,154	-	2,899,154	-	2,899,154	2,814,873
Hammitt Challenges	4,781,379	-	4,781,379	-	4,781,379	3,976,319
Performance Foster Care and Special Needs Adoption	1,023,896	-	1,023,896	-	1,023,896	1,020,527
Specialized Foster Care	739,897	-	739,897	-	739,897	752,074
QIC Target	2,405	-	2,405	-	2,405	93,639
Adoption Preservation	1,858,945	-	1,858,945	-	1,858,945	1,781,454
Healthy Start	149,385	-	149,385	-	149,385	256,861
Intact Family Services	459,082	-	459,082	-	459,082	308,148
Adoption Preservation Respite	165,927	-	165,927	-	165,927	129,879
Community Schools	200,570	-	200,570	-	200,570	130,443
Choices	235,319	-	235,319	-	235,319	314,152
Healthy Families Illinois	401,493	-	401,493	-	401,493	269,235
Prevention Initiative	256,706	-	256,706	-	256,706	165,999
Care Connection	77,102	-	77,102	-	77,102	4,571
Total	15,390,434	-	15,390,434	-	15,390,434	13,846,348

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	Without Donor Restrictions			With Donor Restrictions	Total 2020	Total (Memorandum Only) 2019
	Operating	Investment	Total			
<b>EXPENSES (CONTINUED)</b>						
Support Services:						
Management and General	\$ 2,107,306	\$ 82,396	\$ 2,189,702	\$ -	\$ 2,189,702	\$ 2,151,550
Public Relations	-	747,667	747,667	-	747,667	651,890
Total	<u>2,107,306</u>	<u>830,063</u>	<u>2,937,369</u>	<u>-</u>	<u>2,937,369</u>	<u>2,803,440</u>
 Total Expenses	 <u>17,497,740</u>	 <u>830,063</u>	 <u>18,327,803</u>	 <u>-</u>	 <u>18,327,803</u>	 <u>16,649,788</u>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	 (1,454,320)	 609,229	 (845,091)	 (9,625)	 (854,716)	 7,533,653
 <b>TRANSFERS IN (OUT)</b>						
Operating Fund from Investment Fund	872,209	(872,209)	-	-	-	-
 <b>PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST</b>	 (575,607)	 -	 (575,607)	 -	 (575,607)	 (209,294)
 <b>CONTINGENCY LOSS</b>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>(2,750,000)</u>
 <b>TOTAL CHANGES IN NET ASSETS</b>	 (1,157,718)	 (262,980)	 (1,420,698)	 (9,625)	 (1,430,323)	 4,574,359
 Net Assets – Beginning of Year	 <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>
 <b>NET ASSETS – END OF YEAR</b>	 <u><u>\$ 7,220,357</u></u>	 <u><u>\$ 6,187,039</u></u>	 <u><u>\$ 13,407,396</u></u>	 <u><u>\$ 8,771,575</u></u>	 <u><u>\$ 22,178,971</u></u>	 <u><u>\$ 23,609,294</u></u>

See accompanying Notes to Financial Statements.



**THE BABY FOLD**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	Program Services									
	Hammitt School	Hammitt 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	\$ 1,566,911	\$ 2,023,055	\$ 3,183,991	\$ 515,656	\$ 387,527	\$ 623	\$ 1,178,513	\$ 83,321	\$ 307,896	\$ 107,400
Group insurance	108,550	142,574	236,112	33,361	32,052	90	114,712	7,102	8,295	9,306
Pensions	62,919	78,438	118,479	18,981	15,074	(1)	43,622	3,196	9,932	4,692
Social Security and Medicare Tax	110,755	145,122	229,508	37,998	27,225	47	82,156	6,094	22,886	7,208
Unemployment Compensation Taxes	2,512	2,788	4,729	2,296	6,741	95	4,865	131	494	282
Workers' Compensation Insurance	27,329	38,342	58,135	9,344	6,955	-	22,109	2,112	5,099	1,462
Professional Liability Insurance	12,324	9,579	12,729	5,550	5,071	372	9,426	1,664	892	523
Employee Medical	2,942	5,129	9,624	355	268	-	1,923	192	205	45
Auditing and Legal Fees	-	-	-	-	-	-	-	-	-	-
Administrative Consultants	-	-	-	-	-	-	-	-	-	-
Technology Supplies and Services	10,133	4,625	19,980	2,953	2,140	196	19,434	817	128	48
Office Supplies and Expense	4,253	1,819	12,060	2,905	1,691	-	14,268	985	553	11
Telephone	7,158	9,444	9,213	10,422	6,023	-	31,400	2,425	2,661	1,375
Printing	-	-	-	-	-	-	-	-	-	-
Postage	2,346	1,354	1,161	1,760	888	-	41	-	187	29
Office Equipment Rental	1,398	1,739	18,460	2,510	932	-	791	-	244	34
Subscriptions	-	30	30	-	-	-	-	-	-	-
Rent	-	-	72,300	37,694	27,452	-	62,165	-	5,974	-
Utilities	7,584	24,760	72,872	4,082	2,397	-	16,102	4,151	699	773
Buildings and Grounds Supplies	4,614	4,915	45,359	630	107	-	606	155	77	41
Maintenance of Buildings and Grounds	42,609	34,390	179,244	7,775	2,162	-	12,606	3,127	1,908	323
Equipment Repairs	4,204	4,295	38,765	592	742	-	1,855	347	233	49
Property Insurance	8,213	11,180	15,082	3,498	2,180	197	8,975	719	1,182	454
Travel	8,622	6,631	14,480	35,166	23,693	-	95,485	1,948	15,094	323
Auto Insurance	4,828	5,437	7,040	7,366	4,385	417	11,908	856	673	266
Conference and Convention Expense	12,687	8,242	18,068	4,799	3,643	-	30,231	335	-	116
Program Supplies	19,780	19,212	48,677	1,574	234	70	21,442	5,599	352	21,799
In-Kind Supplies, Services and Capitol	10,847	10,877	10,977	10,632	10,607	-	9,398	18,379	9,598	-
Intact Flex Fund	-	-	-	-	-	-	-	-	21,636	-
Specific Assistance	-	-	-	5,789	1,537	-	428	-	22,321	-
Medical Supplies	109	128	787	-	-	-	-	-	-	-
Food	20,658	28,036	26,358	-	-	-	-	-	-	-
Kitchen Service Supplies	1,016	2,480	6,283	-	-	-	-	-	-	-
Professional Consultants	-	1,150	22,677	52,326	8,599	-	485	-	15,734	-
Student Stipend	-	5,686	3,094	-	-	-	-	-	-	-
Foster Home Care	-	-	-	197,791	153,632	-	87	-	-	8,349
Festival Expenses	-	-	-	-	-	-	-	-	-	-
Dues	1,490	1,749	2,546	-	-	-	-	1,809	-	-
Board of Trustees Expense	-	-	-	-	-	-	-	-	-	-
Interest Expense	7,095	5,822	8,960	2,183	1,637	-	5,367	773	318	45
Miscellaneous	717	661	935	490	397	-	1,284	236	284	60
Depreciation Expense	64,571	259,465	272,664	7,418	3,906	299	57,261	2,912	3,527	914
Total	2,139,174	2,899,154	4,781,379	1,023,896	739,897	2,405	1,858,945	149,385	459,082	165,927
Allocation of Management Cost to Program Cost	324,761	414,840	656,320	105,541	81,425	69	253,666	5,088	60,030	22,417
Total Expenses	\$ 2,463,935	\$ 3,313,994	\$ 5,437,699	\$ 1,129,437	\$ 821,322	\$ 2,474	\$ 2,112,611	\$ 154,473	\$ 519,112	\$ 188,344

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	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	2020	2019
Salaries and Wages	\$ 145,814	\$ 162,702	\$ 256,497	\$ 175,910	\$ 57,881	\$ 10,153,697	\$ 1,153,991	\$ 412,988	\$ 1,566,979	\$ 11,720,676	\$ 10,461,823
Group insurance	14,127	22,555	19,722	14,564	1,157	764,279	74,669	14,653	89,322	853,601	700,936
Pensions	3,815	8,208	6,939	6,942	1,288	382,524	51,158	13,410	64,568	447,092	497,465
Social Security and Medicare Tax	9,810	11,402	18,143	12,226	4,231	724,811	79,169	30,667	109,836	834,647	754,150
Unemployment Compensation Taxes	220	919	441	227	70	26,810	5,142	540	5,682	32,492	29,350
Workers' Compensation Insurance	2,445	3,160	4,105	3,257	926	184,780	19,792	6,477	26,269	211,049	185,300
Professional Liability Insurance	865	544	2,148	1,822	62	63,571	-	-	-	63,571	38,412
Employee Medical	222	-	13	-	-	20,918	19,301	127	19,428	40,346	51,664
Auditing and Legal Fees	-	-	-	-	-	-	83,344	-	83,344	83,344	186,400
Administrative Consultants	-	-	-	-	-	-	85,672	1,100	86,772	86,772	94,033
Technology Supplies and Services	(322)	9	1,353	1,709	-	63,203	214,089	23,474	237,563	300,766	308,700
Office Supplies and Expense	60	60	376	178	-	39,219	18,716	3,902	22,618	61,837	76,841
Telephone	2,079	2,926	5,890	1,267	1,689	93,972	22,382	2,024	24,406	118,378	113,851
Printing	-	-	-	-	-	-	41	36,374	36,415	36,415	25,550
Postage	464	341	457	-	-	9,028	2,021	7,162	9,183	18,211	11,506
Office Equipment Rental	-	112	654	-	-	26,874	3,731	6,689	10,420	37,294	24,286
Subscriptions	-	-	-	-	-	60	2,715	1,207	3,922	3,982	2,454
Rent	-	-	11,068	-	1,282	217,935	156,000	-	156,000	373,935	271,715
Utilities	-	630	2,443	638	-	137,131	9,687	8,135	17,822	154,953	176,395
Buildings and Grounds Supplies	-	196	384	34	-	57,118	5,011	592	5,603	62,721	66,055
Maintenance of Buildings and Grounds	-	1,313	1,923	802	-	288,182	23,144	5,677	28,821	317,003	263,435
Equipment Repairs	192	219	318	29	-	51,840	967	1	968	52,808	75,573
Property Insurance	685	818	2,174	615	190	56,162	41,500	1,993	43,493	99,655	69,782
Travel	265	7,002	12,740	4,573	4,117	230,139	14,570	3,064	17,634	247,773	277,671
Auto Insurance	233	1,046	2,203	280	87	47,025	4,324	800	5,124	52,149	44,757
Conference and Convention Expense	6,219	4,302	19,929	825	-	109,396	20,673	2,497	23,170	132,566	102,549
Program Supplies	3,740	199	2,926	7,373	3,796	156,773	-	46	46	156,819	188,270
In-Kind Supplies, Services and Capitol	9,426	-	18,304	18,602	-	137,647	-	32,843	32,843	170,490	36,870
Intact Flex Fund	-	-	-	-	-	21,636	-	-	-	21,636	-
Specific Assistance	-	-	-	205	-	30,280	-	-	-	30,280	29,304
Medical Supplies	-	-	-	-	-	1,024	-	-	-	1,024	303
Food	-	-	-	-	-	75,052	-	-	-	75,052	91,471
Kitchen Service Supplies	-	-	-	-	-	9,779	-	-	-	9,779	9,373
Professional Consultants	-	-	-	2,150	-	103,121	-	-	-	103,121	119,958
Student Stipend	-	-	-	-	-	8,780	-	-	-	8,780	15,522
Foster Home Care	-	-	-	-	-	359,859	-	-	-	359,859	381,298
Festival Expenses	-	-	-	-	-	-	-	94,231	94,231	94,231	98,984
Dues	-	-	2,133	1,808	-	11,535	38,428	905	39,333	50,868	36,891
Board of Trustees Expense	-	-	-	-	-	-	1,900	-	1,900	1,900	3,224
Interest Expense	-	773	1,183	-	-	34,156	2,373	2,365	4,738	38,894	54,725
Miscellaneous	-	236	238	240	242	6,020	12,942	17,678	30,620	36,640	44,545
Depreciation Expense	211	5,647	6,789	430	84	686,098	22,250	16,046	38,296	724,394	628,397
<b>Total</b>	<b>200,570</b>	<b>235,319</b>	<b>401,493</b>	<b>256,706</b>	<b>77,102</b>	<b>15,390,434</b>	<b>2,189,702</b>	<b>747,667</b>	<b>2,937,369</b>	<b>18,327,803</b>	<b>16,649,788</b>
Allocation of Management Cost to Program Cost	32,307	35,813	66,089	37,556	11,384	2,107,306	(2,189,702)	82,396	(2,107,306)	-	-
<b>Total Expenses</b>	<b>\$ 232,877</b>	<b>\$ 271,132</b>	<b>\$ 467,582</b>	<b>\$ 294,262</b>	<b>\$ 88,486</b>	<b>\$ 17,497,740</b>	<b>\$ -</b>	<b>\$ 830,063</b>	<b>\$ 830,063</b>	<b>\$ 18,327,803</b>	<b>\$ 16,649,788</b>

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**  
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (1,430,323)	\$ 4,574,359
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	724,394	628,397
Net (Gain) Loss on Investments, Realized and Unrealized	5,173	(3,305,439)
Net Unrealized (Gain) Loss on Trust Held by Others	19,075	(73,772)
Contributions Restricted for Long-Term Investment	(9,450)	(3,837,366)
Pension-Related Changes Other than Net Periodic Pension Cost	575,607	209,294
(Increase) Decrease in Assets:		
Accounts Receivable	121,833	(747,808)
Inventories, Food and Grain	10,432	(52,691)
Prepaid Expenses	20,501	(54,025)
Pledges Receivable	5,450	9,725
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(2,651,178)	2,374,392
Pension Payable	(26,600)	40,245
Deferred Revenue – Annuity Contracts	(4,119)	(5,930)
Deferred Revenue – Program	98,312	9,220
Net Cash Used by Operating Activities	(2,540,893)	(231,399)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investment Securities	(2,551,895)	(3,849,434)
Proceeds from Sale of Investment Securities	1,812,981	2,677,553
Proceeds from Sale of Real Estate Investments	-	3,353,236
Purchase of Property and Equipment	(1,199,965)	(923,058)
Net Cash Provided (Used) by Investing Activities	(1,938,879)	1,258,297
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Long-Term Investment	9,450	3,837,366
Net Borrowings (Payments) on Line of Credit	2,500,000	(1,100,000)
Proceeds from Loan Payable under Paycheck Protection Program	1,974,100	-
Net Cash Provided by Financing Activities	4,483,550	2,737,366
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,778	3,764,264
Cash and Cash Equivalents – Beginning of Year	5,238,027	1,473,763
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$ 5,241,805	\$ 5,238,027
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 38,894	\$ 54,725

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020**

**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, 2020**

**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, 2019, from which the summarized information was derived.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Change in Accounting Principle**

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning July 1, 2018. The new guidance does not require prior period results to be restated. The implementation of this standard did not significantly impact the Organization's financial statements.

**Subsequent Events**

Management evaluated subsequent events through November 4, 2020, 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	\$ 5,132,605
Operating Investments	5,045,528
Accounts Receivables	1,902,188
Total, End of Year	<u><u>\$ 12,080,321</u></u>

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 \$5,045,528 at June 30, 2020 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.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020:

	<u>Cost</u>	<u>Fair Value</u>
Corporate Bonds	\$ 351,933	\$ 369,800
Corporate Stock	2,410,938	3,541,194
U.S. Government Securities	731,052	771,788
Mutual Funds	4,744,088	4,941,223
Alternative Investments	105,000	149,645
Total, End of Year	<u>\$ 8,343,011</u>	<u>\$ 9,773,650</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2020:

Interest	\$ 30,302
Dividends	62,130
Net Realized/Unrealized Gain on Investments	<u>(5,173)</u>
Investment Gain from Securities	87,259
Net Farm Rental Income	189,607
Investment Fees	<u>(72,330)</u>
Net Investment Income	<u>\$ 204,536</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, 2020</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	200,485	872,000
Total	<u>\$ 490,701</u>	<u>\$ 5,828,172</u>



**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020 as provided by the outside fiscal agent:

O. V. Douglass Trust	141,767
Charles Ockerman Trust	318,273
Bessie Row trust	46,642
Nina Bozarth Trust	369,950
Maude Scranton Trust	388,096
Genevieve Moyer Trust	648,179
Thomas Campbell Trust	<u>1,093,735</u>
Total Investments Held in Trust by Others	<u><u>\$ 3,808,213</u></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)	\$ 232,730
Decrease in Fair Value (With Donor Restrictions)	<u>(19,075)</u>
Total	<u><u>\$ 213,655</u></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, 2020**

**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, 2020.

*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, 2020**

**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, 2020:

	Assets at Fair Value as of June 30, 2020				Total
	Level 1	Level 2	Level 3	NAV Practical Expedient	
Common Stock	\$ 3,541,194	\$ -	\$ -	\$ -	\$ 3,541,194
U.S. Government Securities	-	771,788	-	-	771,788
Mutual Funds	4,941,223	-	-	-	4,941,223
Corporate Bonds	-	369,800	-	-	369,800
Alternative Investments	-	-	-	149,645	149,645
Grain Inventories	88,534	-	-	-	88,534
Investments Held in Trust by Others	-	-	3,808,213	-	3,808,213
<b>Total Assets at Fair Value</b>	<b>\$ 8,570,951</b>	<b>\$ 1,141,588</b>	<b>\$ 3,808,213</b>	<b>\$ 149,645</b>	<b>\$ 13,670,397</b>

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, 2020:

	Investments Held in Trust by Others
Balance – Beginning of Year	\$ 3,827,288
Decrease in Fair Value, Net	(19,075)
Balance – End of Year	<u>\$ 3,808,213</u>

**Assets Measured at Net Asset Value (or its Equivalent)**

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments				
Venture Capital Funds	\$ 149,645	\$ 52,654	Monthly/Quarterly	30-90 Days

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

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 LAND, BUILDINGS, AND EQUIPMENT**

The following is a summary of land, buildings, and equipment at June 30, 2020:

	Cost	Accumulated Depreciation	Book Value	Current Year Depreciation
Land and Improvements	\$ 771,722	\$ 189,909	\$ 581,813	\$ 14,326
Buildings and Improvements	18,347,887	9,860,719	8,487,168	511,618
Equipment:				
Office Furniture, Data Processing, and Other Equipment	1,114,297	751,542	362,755	176,026
Audio Visual and Miscellaneous				
Tools and Equipment	65,181	52,266	12,915	4,277
Transportation Equipment	325,186	290,328	34,858	18,147
Total	<u>\$ 20,624,273</u>	<u>\$ 11,144,764</u>	<u>\$ 9,479,509</u>	<u>\$ 724,394</u>

**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 (2.26% at June 30, 2020). At June 30, 2020, \$1,000,000 was drawn on the line of credit. The line expired on September 30, 2020 and was not renewed.

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 2.25%. At June 30, 2020, \$1,500,000 was drawn on the line of credit.

**THE BABY FOLD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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.

**NOTE 10 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.

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	120,740
Investments Held in Trust by Others (Note 5)	3,808,213
Supporting Early Intervention for Family Stability	764,326
Ed Scharf Endowment Fund	3,625,468
Total Restricted Assets	<u>\$ 8,771,575</u>

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 2020, 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 \$132,633 of defined benefit pension cost, \$148,892 for matching the employees' contributions to their 403(b) Plan, and \$81,642 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, 2020:

Interest Cost	\$ 138,198
Expected Return on Plan Assets	(138,089)
Recognition of Net Loss	<u>132,524</u>
Net Pension Cost, Before Recognizing Settlements	132,633
Amount of Recognized Loss Due to Settlements	<u>80,767</u>
Net Pension Cost, After Recognizing Settlements	<u><u>\$ 213,400</u></u>

Weighted-Average Assumptions Used to Determine

Net Pension Cost:

Discount Rate	3.40%
Expected Long-Term Rate of Return	7.75%
Rate of Compensation Increase	N/A

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020:

Projected Benefit Obligation	\$ (4,763,255)
Adjusted Fair Value of Plan Assets	<u>1,811,415</u>
Funded Status	<u><u>\$ (2,951,840)</u></u>

Weighted-Average Assumptions Used to Determine

Benefit Obligations:

Discount Rate	2.60%
Rate of Compensation Increase	N/A

Employer Contributions	<u><u>\$ 240,000</u></u>
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Benefits Paid	<u><u>\$ 266,161</u></u>
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The accumulated benefit obligation was \$4,763,255 at June 30, 2020.

**Plan Assets**

The following table summarizes plan assets measured at fair value on June 30, 2020, 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	\$ 323,226	\$ -	\$ -	\$ 323,226
Mutual Funds	<u>964,195</u>	-	-	<u>964,195</u>
Total	<u><u>\$ 1,287,421</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,287,421</u></u>

At June 30, 2020, the pension plan trust includes a liability in the amount of \$523,994 representing funds due to the Organization for benefit payments made by the Plan Sponsor. The adjusted fair value of the plan assets is \$1,811,415 at June 30, 2020.

The Organization's target asset allocation as of June 30, 2020, 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 BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 PENSION PLAN (CONTINUED)**

**Plan Assets (Continued)**

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 2021.

**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>
2021	\$ 306,368
2022	377,667
2023	276,456
2024	288,639
2025	252,210
2026-2030	970,382

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

	<u>July 1, 2019</u>	<u>Reclassified as Net Periodic Benefit Cost</u>	<u>Amounts Arising During Period</u>	<u>June 30, 2020</u>
Net Loss (Credit)	\$ 1,474,691	\$ 132,524	\$ 708,131	\$ 2,050,298



**THE BABY FOLD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 PENSION PLAN (CONTINUED)**

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

	July 1, 2020	Estimated Amounts to be Reclassified as Net Periodic Benefit Cost
Net Loss	\$ 2,050,298	\$ 196,747

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.

**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 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.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 12 ENDOWMENTS (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 designates the spending or retention of endowment earnings.

**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, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted			
Endowment Funds	\$ -	\$ 8,771,575	\$ 8,771,575
Board-Designated			
Endowment Funds	-	-	-
Total Endowment Funds	<u>\$ -</u>	<u>\$ 8,771,575</u>	<u>\$ 8,771,575</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets –			
Beginning of Year	\$ -	\$ 8,781,200	\$ 8,781,200
Net Depreciation (Realized and Unrealized)	-	(19,075)	(19,075)
Total Investment Return	-	(19,075)	(19,075)
Contributions	-	9,450	9,450
Endowment Net Assets –			
End of Year	<u>\$ -</u>	<u>\$ 8,771,575</u>	<u>\$ 8,771,575</u>

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13 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, 2020 are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 166,656
2022	156,786
2023	88,066
2024	57,440
Total	<u>\$ 468,948</u>

The total rental expense reflected in the schedule of functional expenses is \$373,935 for the year ended June 30, 2020.

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. The final settlement amount was paid by the Organization in December 2019, and the case was closed.

**NOTE 14 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 \$4,531,774 at June 30, 2020.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 15 RISKS AND UNCERTAINTIES**

The World Health Organization has declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**THE BABY FOLD**  
**SCHEDULE OF SUPPORT AND REVENUE**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Without Donor Restrictions			With Donor Restrictions	Total All Funds 2020	Total (Memorandum Only) 2019
	Operating	Investment	Total			
<b>PUBLIC SUPPORT AND REVENUE</b>						
Public Support (Contributions):						
Contributions:						
Churches	\$ 3,434	\$ 77,620	\$ 81,054	\$ -	\$ 81,054	\$ 97,373
Nonchurch Organizations	8,349	5,470	13,819	-	13,819	16,820
Corporate	2,231	61,297	63,528	-	63,528	68,638
Individuals	59,494	401,821	461,315	1,000	462,315	398,892
Foundations	13,844	76,213	90,057	-	90,057	105,900
Bequests	-	-	-	-	-	3,996,451
Campaign	-	-	-	8,450	8,450	204,000
QIC-AG	2,475	-	2,475	-	2,475	102,094
United Way	16,657	-	16,657	-	16,657	49,971
Total Public Support and Revenue	106,484	622,421	728,905	9,450	738,355	5,040,139
<b>FEES AND GRANTS FROM GOVERNMENTAL AGENCIES</b>						
Residential Purchase of Service	-	-	-	-	-	-
Residential Medicaid Purchase of Service	-	-	-	-	-	-
Hammitt School Tuition	2,067,908	-	2,067,908	-	2,067,908	1,894,184
Hammitt High School Tuition	2,934,438	-	2,934,438	-	2,934,438	3,071,974
Hammitt Training and Consultation Fees	11,816	-	11,816	-	11,816	16,685
State and Federal Meals Reimbursement	52,260	-	52,260	-	52,260	64,590
Challenges Tuition	5,149,873	-	5,149,873	-	5,149,873	4,481,564
Adoption Preservation	2,125,004	-	2,125,004	-	2,125,004	2,265,616
Foster Care	1,690,376	-	1,690,376	-	1,690,376	1,439,636
Healthy Start	772,278	-	772,278	-	772,278	793,454
Adoption Preservation Respite	184,864	-	184,864	-	184,864	137,501
Community Schools	122,770	-	122,770	-	122,770	150,000
Intact Family Services	603,009	-	603,009	-	603,009	389,302
Choices	53,037	-	53,037	-	53,037	16,836
Healthy Families Illinois	-	-	-	-	-	-
Care Connection	85,206	-	85,206	-	85,206	5,788
Total Fees and Grants from Governmental Agencies	15,852,839	-	15,852,839	-	15,852,839	14,727,130

**THE BABY FOLD**  
**SCHEDULE OF SUPPORT AND REVENUE (CONTINUED)**  
**YEAR ENDED JUNE 30, 2020**  
(WITH COMPARATIVE TOTALS FOR 2019)  
(SEE INDEPENDENT AUDITORS' REPORT)

	Without Donor Restrictions			With Donor Restrictions	Total All Funds 2020	Total (Memorandum Only) 2019
	Operating	Investment	Total			
<b>OTHER REVENUE</b>						
Fundraising Events	\$ -	\$ 342,416	\$ 342,416	\$ -	\$ 342,416	\$ 304,690
Net Investment Income	-	204,536	204,536	-	204,536	3,732,088
Earnings and Distributions from Estates in Trust	-	232,730	232,730	(19,075)	213,655	203,678
In-Kind Contributions	111,236	32,843	144,079	-	144,079	36,360
Miscellaneous	(27,139)	4,346	(22,793)	-	(22,793)	139,355
Total Other Revenue	<u>84,097</u>	<u>816,871</u>	<u>900,968</u>	<u>(19,075)</u>	<u>881,893</u>	<u>4,416,171</u>
 Total Support and Revenue	<u>\$ 16,043,420</u>	<u>\$ 1,439,292</u>	<u>\$ 17,482,712</u>	<u>\$ (9,625)</u>	<u>\$ 17,473,087</u>	<u>\$ 24,183,440</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE**  
**YEAR ENDED JUNE 30, 2020**  
**(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	\$ -	\$ -	\$ -	\$ -	\$ -
Nonchurch Organizations	500	-	-	-	-
Corporate	-	2,000	-	-	-
Individuals	1,405	9,607	-	500	-
Foundations	886	-	-	8,794	-
QIC -AG	-	-	-	-	-
United Way	-	-	-	-	-
Total Public Support	<u>2,791</u>	<u>11,607</u>	<u>-</u>	<u>9,294</u>	<u>-</u>
<b>FEES AND GRANTS FROM GOVERNMENTAL AGENCIES</b>					
Hammitt School Tuition	2,067,908	-	-	-	-
Hammitt High School Tuition	-	2,934,438	-	-	-
Hammitt Training and Consultation Fees	11,816	-	-	-	-
State and Federal Meals Reimbursement	14,696	17,121	20,443	-	-
Challenges Tuition	-	-	5,149,873	-	-
Adoption Preservation	-	-	-	-	-
Foster Care	-	-	-	1,235,848	454,528
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>2,094,420</u>	<u>2,951,559</u>	<u>5,170,316</u>	<u>1,235,848</u>	<u>454,528</u>
<b>OTHER REVENUE</b>					
In-Kind Contributions	10,847	2,770	10,977	10,632	10,607
Miscellaneous	17,769	23,118	36,404	19,469	6,227
Total Other Revenue	<u>28,616</u>	<u>25,888</u>	<u>47,381</u>	<u>30,101</u>	<u>16,834</u>
 Total Support and Revenue	 <u>\$ 2,125,827</u>	 <u>\$ 2,989,054</u>	 <u>\$ 5,217,697</u>	 <u>\$ 1,275,243</u>	 <u>\$ 471,362</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE (CONTINUED)**  
**YEAR ENDED JUNE 30, 2020**  
**(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	\$ -	\$ 2,525	\$ -	\$ -	\$ -	\$ 909
Nonchurch Organizations	663	500	-	5,707	-	979
Corporate	-	160	-	-	-	71
Individuals	1,295	5,902	-	80	-	-
Foundations	-	4,164	-	-	-	-
QIC -AG	-	-	2,475	-	-	-
United Way	-	6,470	-	-	-	10,187
Total Public Support	<u>1,958</u>	<u>19,721</u>	<u>2,475</u>	<u>5,787</u>	<u>-</u>	<u>12,146</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	2,125,004	-	-	-	-	-
Foster Care	-	-	-	-	-	-
Healthy Start - Health Department	-	69,138	-	-	-	-
Healthy Start - DHS	-	-	-	-	-	-
Healthy Start - ISBE	-	-	-	-	-	-
Adoption Preservation Respite	-	-	-	-	184,864	-
Community Schools	-	-	-	-	-	122,770
Intact Family Services	-	-	-	603,009	-	-
Choices	-	-	-	-	-	-
Care Connection	-	-	-	-	-	-
Total Fees and Grants from Governmental Agencies	<u>2,125,004</u>	<u>69,138</u>	<u>-</u>	<u>603,009</u>	<u>184,864</u>	<u>122,770</u>
<b>OTHER REVENUE</b>						
In-Kind Contributions	9,398	18,379	-	9,598	-	9,426
Miscellaneous	18,726	1,471	-	7,715	1,232	1,679
Total Other Revenue	<u>28,124</u>	<u>19,850</u>	<u>-</u>	<u>17,313</u>	<u>1,232</u>	<u>11,105</u>
Total Support and Revenue	<u>\$ 2,155,086</u>	<u>\$ 108,709</u>	<u>\$ 2,475</u>	<u>\$ 626,109</u>	<u>\$ 186,096</u>	<u>\$ 146,021</u>



**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE (CONTINUED)**  
**YEAR ENDED JUNE 30, 2020**  
**(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	\$ -	\$ -	\$ -	\$ -	\$ 3,434
Nonchurch Organizations	-	-	-	-	8,349
Corporate	-	-	-	-	2,231
Individuals	40,705	-	-	-	59,494
Foundations	-	-	-	-	13,844
QIC -AG	-	-	-	-	2,475
United Way	-	-	-	-	16,657
Total Public Support	<u>40,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,484</u>
<b>FEES AND GRANTS FROM GOVERNMENTAL AGENCIES</b>					
Hammitt School Tuition	-	-	-	-	2,067,908
Hammitt High School Tuition	-	-	-	-	2,934,438
Hammitt Training and Consultation Fees	-	-	-	-	11,816
State and Federal Meals Reimbursement	-	-	-	-	52,260
Challenges Tuition	-	-	-	-	5,149,873
Adoption Preservation	-	-	-	-	2,125,004
Foster Care	-	-	-	-	1,690,376
Healthy Start - Health Department	-	18,304	-	-	87,442
Healthy Start - DHS	-	390,574	-	-	390,574
Healthy Start - ISBE	-	-	294,262	-	294,262
Adoption Preservation Respite	-	-	-	-	184,864
Community Schools	-	-	-	-	122,770
Intact Family Services	-	-	-	-	603,009
Choices	53,037	-	-	-	53,037
Care Connection	-	-	-	85,206	85,206
Total Fees and Grants from Governmental Agencies	<u>53,037</u>	<u>408,878</u>	<u>294,262</u>	<u>85,206</u>	<u>15,852,839</u>
<b>OTHER REVENUE</b>					
In-Kind Contributions	-	-	18,602	-	111,236
Miscellaneous	130	(48)	(161,656)	625	(27,139)
Total Other Revenue	<u>130</u>	<u>(48)</u>	<u>(143,054)</u>	<u>625</u>	<u>84,097</u>
Total Support and Revenue	<u>\$ 93,872</u>	<u>\$ 408,830</u>	<u>\$ 151,208</u>	<u>\$ 85,831</u>	<u>\$ 16,043,420</u>

**THE BABY FOLD**  
**SCHEDULE OF EARNINGS ON INVESTED ASSETS —**  
**INVESTMENT FUND (WITHOUT DONOR RESTRICTIONS)**  
**YEAR ENDED JUNE 30, 2020**  
(SEE INDEPENDENT AUDITORS' REPORT)

**INVESTMENT INCOME FROM REAL ESTATE**

Income from Farms and Rental Property	\$ 240,017	
Less:		
Farm and Rental Expenses	(33,872)	
Farm Management Fees	<u>(16,538)</u>	
Net Investment Income from Real Estate		\$ 189,607

**INVESTMENT INCOME FROM SECURITIES**

Interest — U.S. Government securities	17,354	
Interest — Corporate Bonds	12,948	
Dividends — Corporate Stock	<u>62,130</u>	
Total Interest and Dividends	92,432	
Net Realized and Unrealized Loss	(5,173)	
Less: Investment Fees	<u>(72,330)</u>	
Net Investment Income from Securities		<u>14,929</u>
<b>NET INVESTMENT INCOME</b>		<u><u>\$ 204,536</u></u>

**THE BABY FOLD**  
**RESIDENTIAL TREATMENT CENTER, FOSTER FAMILY CARE,**  
**AND ADOPTION PROGRAMS STATISTICS (UNAUDITED)**  
**YEAR ENDED JUNE 30, 2020**  
**(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>32,813</u></u>