

**THE BABY FOLD**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**THE BABY FOLD  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2017**

<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>STATEMENT OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF SUPPORT AND REVENUE</b>	<b>24</b>
<b>SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE</b>	<b>26</b>
<b>SCHEDULE OF FUNCTIONAL EXPENSES WITH ALLOCATION OF     MANAGEMENT AND GENERAL EXPENSES</b>	<b>29</b>
<b>SCHEDULE OF EARNINGS ON INVESTED ASSETS – INVESTMENT FUND     (UNRESTRICTED)</b>	<b>33</b>
<b>RESIDENTIAL TREATMENT CENTER, FOSTER FAMILY CARE, AND     ADOPTION PROGRAMS STATISTICS (UNAUDITED)</b>	<b>34</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, 2017, and the related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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 24 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 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017, on our consideration of The Baby Fold's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Baby Fold's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Peoria, Illinois  
November 3, 2017

**THE BABY FOLD**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**  
(WITH COMPARATIVE TOTALS FOR 2016)

<b>ASSETS</b>	Unrestricted Fund		
	Operating	Investment	Total
Cash and Cash Equivalents	\$ 564,541	\$ 281,990	\$ 846,531
Accounts Receivable	1,384,526	-	1,384,526
Pledge Receivable	-	-	-
Food Inventory	7,788	-	7,788
Prepaid Expenses	97,554	9,820	107,374
Accrued Interest Receivable	-	25,628	25,628
Investment Securities, at Fair Value	-	9,904,854	9,904,854
Grain Inventories, at Fair Value	-	52,819	52,819
Investments in Real Estate	-	620,518	620,518
Investments Held in Trust by Others, at Fair Value	-	-	-
Cash Value of Life Insurance	-	4,960	4,960
Land, Buildings, and Equipment, Net	5,502,637	-	5,502,637
<b>Total Assets</b>	<b>\$ 7,557,046</b>	<b>\$ 10,900,589</b>	<b>\$ 18,457,635</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 200,931	\$ -	\$ 200,931
Line of Credit	800,000	-	800,000
Accrued Expenses	908,193	8,987	917,180
Pension Payable	2,292,424	-	2,292,424
Deferred Revenue – Annuity Contracts	-	65,778	65,778
Deferred Revenue – Program	4,715	-	4,715
Note Payable	-	-	-
<b>Total Liabilities</b>	<b>4,206,263</b>	<b>74,765</b>	<b>4,281,028</b>
<b>NET ASSETS</b>			
Unrestricted	3,350,783	-	3,350,783
Unrestricted – Designated for Investment by Organization’s By-laws	-	10,825,824	10,825,824
Temporarily Restricted	-	-	-
Permanently Restricted	-	-	-
<b>Total Net Assets</b>	<b>3,350,783</b>	<b>10,825,824</b>	<b>14,176,607</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,557,046</b>	<b>\$ 10,900,589</b>	<b>\$ 18,457,635</b>

See accompanying Notes to Financial Statements.

Temporarily Restricted Fund	Permanently Restricted Fund – Endowment	Total 2017	Total (Memorandum Only) 2016
\$ 78,761	\$ 405,029	\$ 1,330,321	\$ 1,527,026
-	-	1,384,526	721,718
-	53,180	53,180	107,080
-	-	7,788	12,216
-	-	107,374	127,153
-	-	25,628	10,137
-	318,328	10,223,182	7,954,886
-	-	52,819	63,595
-	114,500	735,018	1,739,606
-	3,723,256	3,723,256	3,758,087
-	-	4,960	4,960
-	-	5,502,637	5,420,061
<u>\$ 78,761</u>	<u>\$ 4,614,293</u>	<u>\$ 23,150,689</u>	<u>\$ 21,446,525</u>
\$ -	\$ -	\$ 200,931	\$ 164,870
-	-	800,000	300,000
-	-	917,180	970,105
-	-	2,292,424	2,751,419
-	-	65,778	72,887
-	-	4,715	1,732
-	-	-	697,115
-	-	4,281,028	4,958,128
-	-	3,350,783	1,994,736
-	-	10,825,824	9,877,612
78,761	-	78,761	78,761
-	4,614,293	4,614,293	4,537,288
<u>78,761</u>	<u>4,614,293</u>	<u>18,869,661</u>	<u>16,488,397</u>
<u>\$ 78,761</u>	<u>\$ 4,614,293</u>	<u>\$ 23,150,689</u>	<u>\$ 21,446,525</u>

**THE BABY FOLD**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	Unrestricted Fund			Temporarily Restricted Fund	Permanently Restricted Fund – Endowment	Total 2017	Total (Memorandum Only) 2016
	Operating	Investment	Total				
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>							
Contributions	\$ 416,778	\$ 520,470	\$ 937,248	\$ -	\$ 111,836	\$ 1,049,084	\$ 1,352,642
Fees from Governmental Agencies	10,945,476	-	10,945,476	-	-	10,945,476	11,193,227
Grants from Governmental Agencies	1,819,672	-	1,819,672	-	-	1,819,672	1,774,592
Net Investment Income (Loss)	-	3,398,315	3,398,315	-	-	3,398,315	(49,761)
In-Kind Contributions	28,227	-	28,227	-	-	28,227	44,558
Other	13,951	425,628	439,579	-	(34,831)	404,748	362,677
Total Revenue, Gains, and Other Support	13,224,104	4,344,413	17,568,517	-	77,005	17,645,522	14,677,935
<b>EXPENSES</b>							
Program Services:							
Residential Treatment Center	2,594,424	-	2,594,424	-	-	2,594,424	3,005,117
Hammitt School	2,410,367	-	2,410,367	-	-	2,410,367	2,395,893
Partners County Outreach	83,214	-	83,214	-	-	83,214	80,032
Hammitt High School	1,815,979	-	1,815,979	-	-	1,815,979	1,742,674
Hammitt Challenges	2,181,005	-	2,181,005	-	-	2,181,005	2,034,725
Performance Foster Care and Special Needs Adoption	1,177,031	-	1,177,031	-	-	1,177,031	1,276,317
Specialized Foster Care	900,084	-	900,084	-	-	900,084	781,007
QIC Target	136,242	-	136,242	-	-	136,242	-
Adoption Preservation	1,472,865	-	1,472,865	-	-	1,472,865	1,478,501
Healthy Start	308,894	-	308,894	-	-	308,894	260,449
Intact Family Services	140,305	-	140,305	-	-	140,305	109,904
Adoption Preservation Respite	102,811	-	102,811	-	-	102,811	93,781
Community Schools	57,272	-	57,272	-	-	57,272	54,372
Total	13,380,493	-	13,380,493	-	-	13,380,493	13,312,772

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	Unrestricted Fund			Temporarily Restricted Fund	Permanently Restricted Fund – Endowment	Total 2017	Total (Memorandum Only) 2016
	Operating	Investment	Total				
<b>EXPENSES (CONTINUED)</b>							
Support Services:							
Management and General	\$ 2,067,278	\$ 72,498	\$ 2,139,776	\$ -	\$ -	\$ 2,139,776	\$ 2,019,556
Public Relations	-	577,987	577,987	-	-	577,987	524,317
Total	<u>2,067,278</u>	<u>650,485</u>	<u>2,717,763</u>	<u>-</u>	<u>-</u>	<u>2,717,763</u>	<u>2,543,873</u>
Total Expenses	<u>15,447,771</u>	<u>650,485</u>	<u>16,098,256</u>	<u>-</u>	<u>-</u>	<u>16,098,256</u>	<u>15,856,645</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(2,223,667)	3,693,928	1,470,261	-	77,005	1,547,266	(1,178,710)
<b>TRANSFERS IN (OUT)</b>							
Operating Fund from Investment Fund	2,745,716	(2,745,716)	-	-	-	-	-
<b>PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST</b>	<u>833,998</u>	<u>-</u>	<u>833,998</u>	<u>-</u>	<u>-</u>	<u>833,998</u>	<u>(745,520)</u>
<b>TOTAL CHANGES IN NET ASSETS</b>	1,356,047	948,212	2,304,259	-	77,005	2,381,264	(1,924,230)
Net Assets – Beginning of year	<u>1,994,736</u>	<u>9,877,612</u>	<u>11,872,348</u>	<u>78,761</u>	<u>4,537,288</u>	<u>16,488,397</u>	<u>18,412,627</u>
<b>NET ASSETS – END OF YEAR</b>	<u>\$ 3,350,783</u>	<u>\$ 10,825,824</u>	<u>\$ 14,176,607</u>	<u>\$ 78,761</u>	<u>\$ 4,614,293</u>	<u>\$ 18,869,661</u>	<u>\$ 16,488,397</u>

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,381,264	\$ (1,924,230)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	474,689	509,664
Net (Gain) Loss on Investments, Realized and Unrealized	(3,005,968)	509,833
Net Unrealized Loss on Trust Held by Others	34,831	105,333
Contributions Restricted for Long-Term Investment	(111,836)	(288,773)
Pension-Related Changes Other than Net Periodic Pension Cost	(833,998)	745,520
(Increase) Decrease in Assets:		
Accounts Receivable	(662,808)	740,098
Inventories, Food and Grain	15,204	2,120
Prepaid Expenses	19,779	(8,590)
Pledges Receivable	53,900	(93,080)
Accrued Interest Receivable	(15,491)	(119)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(16,864)	(1,052)
Pension Payable	375,003	124,887
Deferred Revenue – Annuity Contracts	(7,109)	(5,983)
Deferred Revenue – Program	2,983	878
Net Cash Provided (Used) by Operating Activities	(1,296,421)	416,506
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investment Securities	(6,649,636)	(1,754,236)
Proceeds from Sale of Investment Securities	5,235,518	1,592,450
Proceeds from Sale of Real Estate Investments	3,156,378	-
Purchase of Property and Equipment	(557,265)	(115,197)
Net Cash Provided (Used) by Investing Activities	1,184,995	(276,983)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Long-Term Investment	111,836	288,773
Net Borrowings on Line of Credit	500,000	300,000
Principal Payments on Note Payable	(697,115)	(214,290)
Net Cash Provided (Used) by Financing Activities	(85,279)	374,483
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(196,705)	514,006
Cash and Cash Equivalents – Beginning of Year	1,527,026	1,013,020
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$ 1,330,321	\$ 1,527,026
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 32,914	\$ 21,543

See accompanying Notes to Financial Statements.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

**Permanently Restricted**

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

**Temporarily Restricted**

Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

**Unrestricted**

Net assets not subject to donor-imposed stipulations.

**Revenue Recognition**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary 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 unrestricted revenues. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as temporarily restricted revenues; 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, 2017**

**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.

**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 generally accepted 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.

**Investment in Real Estate**

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

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**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 – 35 Years
Office Furniture and Equipment	5 – 10 Years
Transportation Equipment	3 – 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 Unrestricted 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.

**Subsequent Events**

Management evaluated subsequent events through November 3, 2017, the date the financial statements were available to be issued.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 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, 2017:

	<u>Cost</u>	<u>Fair Value</u>
Corporate Bonds	\$ 2,404,653	\$ 2,397,982
Corporate Stock	2,761,058	3,852,982
U.S. Government Securities	630,268	630,649
Mutual Funds	3,053,329	3,221,922
Alternative Investments	105,000	119,647
Total, End of Year	<u>\$ 8,954,308</u>	<u>\$ 10,223,182</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2017:

	<u>Unrestricted</u>
Interest	\$ 26,270
Dividends	153,860
Net Realized Gain on Sale of Investments	128,377
Net Unrealized Gain on Investments	<u>725,801</u>
Investment Gain from Securities	1,034,308
Net Farm Rental Income	279,484
Realized Gain on Sale of Farm Land	2,151,790
Investment Fees	<u>(67,267)</u>
Net Investment Income	<u>\$ 3,398,315</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.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 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, 2017</u>
Bruce Goodin – 171 acres	\$ 51,580	\$ 1,513,350
Maude Burton – 204 acres	61,200	1,652,400
Mary J. Cornell – 160 acres	56,000	1,296,000
Eva Casey – 132 acres	63,986	1,141,800
Alta Johnston – 229 acres	114,500	2,026,650
Rosetta Fox Courtney – 112 acres	55,730	568,446
Irene Blum – 80 acres	200,485	864,000
William C. Decker – 60 acres	131,537	444,000
Total	\$ 735,018	\$ 9,506,646

The Organization sold two pieces of farm land in fiscal year ending June 30, 2017 which resulted in a realized gain of \$2,151,790 for 392 acres sold.

**NOTE 4 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, 2017 as provided by the outside fiscal agent:

James B. Kennedy Trust	\$ 776,000
O. V. Douglass Trust	139,505
Charles Ockerman Trust	310,372
Bessie Row trust	46,932
Nina Bozarth Trust	354,139
Maude Scranton Trust	388,633
Genevieve Moyer Trust	660,882
Thomas Campbell Trust	1,046,793
Total Investments Held in Trust by Others	\$ 3,723,256

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 INVESTMENTS HELD IN TRUST BY OTHERS (CONTINUED)**

The income from these trusts for the year has been included as other revenue in the statement of activities as both unrestricted revenue in the Investment Fund and permanently restricted revenue in the Endowment Fund as follows:

Cash Distributions (Unrestricted)	\$ 128,356
Decrease in Fair Value (Permanently Restricted)	(34,831)
Total	<u>\$ 93,525</u>

**NOTE 5 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.

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.

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.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2017.

*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 following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017:

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Common Stock	\$ 3,852,982	\$ -	\$ -	\$ 3,852,982
U.S. Government Securities	-	630,649	-	630,649
Mutual Funds	3,221,922	-	-	3,221,922
Corporate Bonds	-	2,397,982	-	2,397,982
Alternative Investments	-	-	119,647	119,647
Grain Inventories	52,819	-	-	52,819
Investments Held in Trust by Others	-	-	3,723,256	3,723,256
Total Assets at Fair Value	\$ 7,127,723	\$ 3,028,631	\$ 3,842,903	\$ 13,999,257

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2017:

	Alternative Investments	Investments Held in Trust by Others	Total
Balance – Beginning of Year	\$ 378,712	\$ 3,758,087	\$ 4,136,799
Decrease in Fair Value, Net	(22,459)	(34,831)	(57,290)
Less Investments Sold	(236,606)	-	(236,606)
Balance – End of Year	<u>\$ 119,647</u>	<u>\$ 3,723,256</u>	<u>\$ 3,842,903</u>

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

**NOTE 6 LAND, BUILDINGS, AND EQUIPMENT**

The following is a summary of land, buildings, and equipment at June 30, 2017:

	Cost	Accumulated Depreciation	Book Value	Current Year Depreciation
Land and Improvements	\$ 678,750	\$ 165,041	\$ 513,709	\$ 6,482
Buildings and Improvements	12,916,846	8,512,532	4,404,314	372,483
Equipment:				
Office Furniture, Data Processing, and Other Equipment	1,100,042	919,084	180,958	73,449
Audio Visual and Miscellaneous Tools and Equipment	52,747	42,130	10,617	1,790
Transportation Equipment	371,997	342,413	29,584	20,485
Construction in Progress	363,455	-	363,455	-
Total	<u>\$ 15,483,837</u>	<u>\$ 9,981,200</u>	<u>\$ 5,502,637</u>	<u>\$ 474,689</u>

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 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, 2018 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, 2017, \$800,000 was drawn on the line of credit.

**NOTE 8 RESTRICTED NET ASSETS**

The following grants and contributions have been permanently 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
Investments Held in Trust by Others (Note 4)	3,723,256
Supporting Early Intervention for Family Stability	438,209
Total Permanently Restricted Assets	<u>\$ 4,614,293</u>

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 RESTRICTED NET ASSETS (CONTINUED)**

Temporarily restricted net assets are restricted for the following purpose:

Christian Life Coordinator	<u>\$ 78,761</u>
----------------------------	------------------

**NOTE 9 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 2017, the Organization matched the lesser of 50% of the amount of employee contributions or 1% 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 \$197,054 of defined benefit pension cost, \$115,611 for matching the employees' contributions to their 403(b) plan, and \$88,716 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, 2017:

Interest Cost	\$ 189,720
Expected Return on Plan Assets	(213,419)
Recognition of Net Loss	<u>220,753</u>
Net Pension Cost, Before Recognizing Settlements	197,054
Amount of Recognized Loss Due to Settlements	<u>347,249</u>
Net Pension Cost, After Recognizing Settlements	<u>\$ 544,303</u>

Weighted-Average Assumptions Used to Determine

Net Pension Cost:

Discount Rate	3.50%
Expected Long-Term Rate of Return	7.75%
Rate of Compensation Increase	N/A

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 PENSION PLANS (CONTINUED)**

The following sets forth the plan's funded status and the amounts recognized in the financial statements at June 30, 2017:

Projected Benefit Obligation	\$ (4,410,696)
Adjusted Fair Value of Plan Assets	2,118,272
Funded Status	<u>\$ (2,292,424)</u>

Weighted-Average Assumptions Used to Determine

Benefit Obligations:

Discount Rate	3.80%
Rate of Compensation Increase	N/A

Employer Contributions	<u>\$ 169,300</u>
------------------------	-------------------

Benefits Paid	<u>\$ 1,097,901</u>
---------------	---------------------

The accumulated benefit obligation was \$4,410,696 at June 30, 2017.

**Plan Assets**

The following table summarizes plan assets measured at fair value on June 30, 2017, 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	\$ 198,526	\$ -	\$ -	\$ 198,526
Common Stock	570,314	-	-	570,314
Mutual Funds	1,031,031	-	-	1,031,031
U.S. Government Securities	-	197,695	-	197,695
Corporate Bonds	-	105,569	-	105,569
Total	<u>\$ 1,799,871</u>	<u>\$ 303,264</u>	<u>\$ -</u>	<u>\$ 2,103,135</u>

At June 30, 2017, the pension plan trust includes a liability in the amount of \$1,097,901 representing funds due to the Organization for benefit payments made by the plan sponsor. The adjusted fair value of the plan assets is \$2,118,272 at June 30, 2017.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 PENSION PLANS (CONTINUED)**

**Plan Assets (Continued)**

The Organization's target asset allocation as of June 30, 2017, 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 \$125,000 to the pension plan in fiscal year 2018.

**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>
2018	\$ 703,303
2019	230,496
2020	387,295
2021	249,683
2022	334,804
2023-2027	1,111,394

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 PENSION PLANS (CONTINUED)**

**Estimated Future Benefit Payments (Continued)**

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

	July 1, 2016	Reclassified as Net Periodic Benefit Cost	Amounts Arising During Period	June 30, 2017
Net Loss (Credit)	\$ 2,317,264	\$ 220,753	\$ (613,245)	\$ 1,483,266

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

	July 1, 2017	Estimated Amounts to be Reclassified as Net Periodic Benefit Cost
Net Loss	\$ 1,483,266	\$ 130,275

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 10 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 gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Organization classifies permanently restricted net assets as:

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

- The original value of gifts donated to the permanent endowment,
- The original value of subsequent gifts to the permanent endowment, and
- The accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's board of directors 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 mission 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.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 ENDOWMENTS (CONTINUED)**

**Strategies Employed for Achieving Objectives (Continued)**

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 78,761	\$ 4,614,293	\$ 4,693,054
Board-Designated Endowment Funds	-	-	-	-
Total Endowment Funds	<u>\$ -</u>	<u>\$ 78,761</u>	<u>\$ 4,614,293</u>	<u>\$ 4,693,054</u>

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets – Beginning of Year	\$ -	\$ 78,761	\$ 4,537,288	\$ 4,616,049
Investment Return:				
Investment Income, Net	-	-	-	-
Net Depreciation (Realized and Unrealized)	-	-	(34,831)	(34,831)
Total Investment Return	-	-	(34,831)	(34,831)
Contributions	-	-	111,836	111,836
Expenditure of Endowment Assets	-	-	-	-
Endowment Net Assets – End of Year	<u>\$ -</u>	<u>\$ 78,761</u>	<u>\$ 4,614,293</u>	<u>\$ 4,693,054</u>

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

The Organization leases office equipment and a building under various operating lease agreements which expire at various times through December 31, 2018. The total minimum lease payments as of June 30, 2017 are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 77,987
2019	71,573
2020	69,903
2021	72,360
2022	66,330
Total	<u>\$ 358,153</u>

The total rental expense reflected in the schedule of functional expenses is \$218,180 for the year ended June 30, 2017.

**THE BABY FOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11 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 is a defendant in various legal actions arising out of the normal course of its operations. The Organization's legal counsel has advised that any potential liabilities associated with the pending and threatened claims are expected to be fully covered by the available limits of its applicable insurance policy. The legal action remains ongoing at November 3, 2017, and the final outcome and any potential liability cannot currently be determined. Accordingly, the Organization's financial statements do not include a provision for this matter.

The Organization has entered into a contract with BLDD Architects, Inc. for the conversion of the Oglesby building from office space to a Junior/Senior high school. The amount owed on the contract is \$102,980.

The Organization has entered into a contract with McCoy Construction for the conversion of the Oglesby building from office space to a Junior/Senior high school. The amount owed on the contract is \$2,542,000.

**NOTE 12 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 \$665,908 at June 30, 2017.

**THE BABY FOLD**  
**SCHEDULE OF SUPPORT AND REVENUE**  
**YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Unrestricted Fund			Temporarily Restricted Fund	Permanently Restricted Fund – Endowment	Total All Funds 2017	Total (Memorandum Only) 2016
	Operating	Investment	Total				
<b>PUBLIC SUPPORT AND REVENUE</b>							
Public Support:							
Contributions:							
Churches	\$ 942	\$ 75,930	\$ 76,872	\$ -	\$ -	\$ 76,872	\$ 88,887
Nonchurch Organizations	9,325	9,056	18,381	-	-	18,381	15,745
Corporate	1,143	72,743	73,886	-	-	73,886	40,917
Individuals	47,326	283,573	330,899	-	20,000	350,899	327,902
Foundations	13,600	26,002	39,602	-	-	39,602	43,782
Bequests	-	53,166	53,166	-	-	53,166	312,287
Campaign	-	-	-	-	91,836	91,836	288,773
QIC-AG	159,240	-	159,240	-	-	159,240	-
United Way	185,202	-	185,202	-	-	185,202	234,349
Total Public Support	416,778	520,470	937,248	-	111,836	1,049,084	1,352,642
<b>FEES AND GRANTS FROM GOVERNMENTAL AGENCIES</b>							
Residential Purchase of Service	1,671,942	-	1,671,942	-	-	1,671,942	2,025,723
Residential Medicaid Purchase of Service	115,906	-	115,906	-	-	115,906	214,003
Hammitt School Tuition	2,370,058	-	2,370,058	-	-	2,370,058	2,415,436
Hammitt High School Tuition	2,003,447	-	2,003,447	-	-	2,003,447	1,817,481
Hammitt Training and Consultation Fees	86,476	-	86,476	-	-	86,476	52,002
Tri-County Special Education	45,000	-	45,000	-	-	45,000	45,000
State and Federal Meals Reimbursement	65,452	-	65,452	-	-	65,452	60,125
Challenges Tuition	2,450,438	-	2,450,438	-	-	2,450,438	2,233,304
Adoption Preservation	1,601,782	-	1,601,782	-	-	1,601,782	1,601,782
Foster Care	1,982,724	-	1,982,724	-	-	1,982,724	2,222,757
Healthy Start	72,890	-	72,890	-	-	72,890	27,810
Adoption Preservation Respite	100,000	-	100,000	-	-	100,000	100,000
Community Schools	39,240	-	39,240	-	-	39,240	36,639
Intact Family Services	159,793	-	159,793	-	-	159,793	115,757
Total Fees and Grants from Governmental Agencies	12,765,148	-	12,765,148	-	-	12,765,148	12,967,819

**THE BABY FOLD**  
**SCHEDULE OF SUPPORT AND REVENUE (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Unrestricted Fund			Temporarily Restricted Fund	Permanently Restricted Fund – Endowment	Total All Funds 2017	Total (Memorandum Only) 2016
	Operating	Investment	Total				
<b>OTHER REVENUE</b>							
Fundraising Events	\$ -	\$ 297,272	\$ 297,272	\$ -	\$ -	\$ 297,272	\$ 292,345
Net Investment Income (Loss)	-	3,398,315	3,398,315	-	-	3,398,315	(49,761)
Earnings and Distributions from Estates in Trust	-	128,356	128,356	-	(34,831)	93,525	67,891
In-Kind Contributions	28,227	-	28,227	-	-	28,227	44,558
Miscellaneous	13,951	-	13,951	-	-	13,951	2,441
Total Other Revenue	<u>42,178</u>	<u>3,823,943</u>	<u>3,866,121</u>	<u>-</u>	<u>(34,831)</u>	<u>3,831,290</u>	<u>357,474</u>
Total Support and Revenue	<u>\$ 13,224,104</u>	<u>\$ 4,344,413</u>	<u>\$ 17,568,517</u>	<u>\$ -</u>	<u>\$ 77,005</u>	<u>\$ 17,645,522</u>	<u>\$ 14,677,935</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE**  
**YEAR ENDED JUNE 30, 2017**  
**(OPERATING FUND)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Residential Treatment Center	Hammitt School	Partners County Outreach
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public Support:			
Contributions:			
Churches	\$ -	\$ -	\$ -
Nonchurch Organizations	-	500	-
Corporate	-	104	-
Individuals	34,267	1,290	-
Foundations	-	2,000	-
QIC -AG	-	-	-
United Way	-	-	37,242
Total	<u>34,267</u>	<u>3,894</u>	<u>37,242</u>
Revenue:			
Fees:			
Adoption Service Fees	-	-	-
Horizons Counseling	-	-	-
DCFS Home Studies	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support	34,267	3,894	37,242
<b>FEES AND GRANTS FROM GOVERNMENTAL AGENCIES</b>			
Residential Purchase of Service	1,671,942	-	-
Residential Medicaid Purchase of Service	115,906	-	-
Hammitt School Tuition	-	2,370,058	-
Hammitt High School Tuition	-	-	-
Hammitt Training and Consultation Fees	-	85,117	-
Tri-County Special Education	-	-	45,000
State and Federal Meals Reimbursement	7,792	23,623	-
Challenges Tuition	-	-	-
Adoption Preservation	-	-	-
Foster Care	-	-	-
Healthy Start	-	-	-
Adoption Preservation Respite	-	-	-
Community Schools	-	-	-
Intact Family Services	-	-	-
Total Fees and Grants from Governmental Agencies	<u>1,795,640</u>	<u>2,478,798</u>	<u>45,000</u>
<b>OTHER REVENUE</b>			
In-Kind Contributions	6,130	8,177	-
Miscellaneous	3,633	1,080	60
Total Other Revenue	<u>9,763</u>	<u>9,257</u>	<u>60</u>
Total Support and Revenue	<u>\$ 1,839,670</u>	<u>\$ 2,491,949</u>	<u>\$ 82,302</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**  
**(OPERATING FUND)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

Hammitt High School	Hammitt Challenges	Performance Foster Care and Special Needs Adoption	Specialized Foster Care	Adoption Preservation	Healthy Start
\$ 842	\$ -	\$ -	\$ -	\$ -	\$ 100
-	425	750	-	-	7,650
-	194	-	-	-	845
-	6	25	-	4,105	7,423
-	-	10,000	-	-	1,600
-	-	-	-	-	-
-	-	-	-	-	113,475
<u>842</u>	<u>625</u>	<u>10,775</u>	<u>-</u>	<u>4,105</u>	<u>131,093</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>842</u>	<u>625</u>	<u>10,775</u>	<u>-</u>	<u>4,105</u>	<u>131,093</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,003,447	-	-	-	-	-
-	-	-	-	1,359	-
-	-	-	-	-	-
17,221	16,816	-	-	-	-
-	2,450,438	-	-	-	-
-	-	-	-	1,601,782	-
-	-	1,235,982	746,742	-	-
-	-	-	-	-	72,890
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,020,668</u>	<u>2,467,254</u>	<u>1,235,982</u>	<u>746,742</u>	<u>1,603,141</u>	<u>72,890</u>
760	-	4,460	-	3,170	5,530
5,157	1,771	465	343	1,048	185
<u>5,917</u>	<u>1,771</u>	<u>4,925</u>	<u>343</u>	<u>4,218</u>	<u>5,715</u>
<u>\$ 2,027,427</u>	<u>\$ 2,469,650</u>	<u>\$ 1,251,682</u>	<u>\$ 747,085</u>	<u>\$ 1,611,464</u>	<u>\$ 209,698</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**  
**(OPERATING FUND)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

QIC Target	Intact Family Services	Adoption Preservation Respite	Community Schools	Total
\$ -	\$ -	\$ -	\$ -	\$ 942
-	-	-	-	9,325
-	-	-	-	1,143
-	-	-	210	47,326
-	-	-	-	13,600
159,240	-	-	-	159,240
-	-	-	34,485	185,202
<u>159,240</u>	<u>-</u>	<u>-</u>	<u>34,695</u>	<u>416,778</u>
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
159,240	-	-	34,695	416,778
-	-	-	-	1,671,942
-	-	-	-	115,906
-	-	-	-	2,370,058
-	-	-	-	2,003,447
-	-	-	-	86,476
-	-	-	-	45,000
-	-	-	-	65,452
-	-	-	-	2,450,438
-	-	-	-	1,601,782
-	-	-	-	1,982,724
-	-	-	-	72,890
-	-	100,000	-	100,000
-	-	-	39,240	39,240
-	159,793	-	-	159,793
<u>-</u>	<u>159,793</u>	<u>100,000</u>	<u>39,240</u>	<u>12,765,148</u>
-	-	-	-	28,227
-	108	97	-	13,947
<u>-</u>	<u>108</u>	<u>97</u>	<u>-</u>	<u>42,174</u>
<u>\$ 159,240</u>	<u>\$ 159,901</u>	<u>\$ 100,097</u>	<u>\$ 73,935</u>	<u>\$ 13,224,100</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL EXPENSES WITH ALLOCATION OF**  
**MANAGEMENT AND GENERAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Residential Treatment Center	Hammitt School	Partners County Outreach
Salaries and Wages	\$ 1,691,383	\$ 1,665,387	\$ 54,869
Group insurance	149,858	124,411	7,367
Pensions	95,836	104,483	3,908
Social Security and Medicare Tax	116,517	125,896	3,297
Unemployment Compensation Taxes	5,241	3,211	1,999
Workers' Compensation Insurance	33,892	24,544	704
Professional Liability Insurance	24,752	19,876	675
Employee Medical	5,325	2,743	4
Auditing and Legal Fees	-	-	-
Administrative Consultants	-	-	-
Technology Supplies and Services	17,445	25,674	2,807
Office Supplies and Expense	5,346	6,047	29
Telephone	6,442	3,675	162
Printing	-	-	-
Postage	2,448	4,122	-
Office Equipment Rental	1,036	4,793	81
Subscriptions	619	283	-
Rent	-	-	-
Utilities	70,787	26,982	457
Buildings and Grounds Supplies	14,285	4,726	103
Maintenance of Buildings and Grounds	27,379	44,742	1,516
Equipment Repairs	19,166	9,523	185
Property Insurance	7,246	5,542	193
Travel	25,603	12,549	3,673
Auto Insurance	8,345	1,667	218
Conference and Convention Expense	7,635	8,608	68
Program Supplies	29,762	50,847	174
Specific Assistance	6,400	-	-
Medical Supplies	2,609	756	-
Food	20,010	39,453	-
Kitchen Service Supplies	1,497	2,564	-
Professional Consultants	23,862	856	-
Student Stipend	-	-	-
Foster Home Care	-	-	-
Festival Expenses	-	-	-
Dues	220	1,984	-
Board of Trustees Expense	-	-	-
Interest Expense	6,896	3,562	-
Miscellaneous	(1,856)	1,030	31
Depreciation Expense	168,438	79,831	694
Total	<u>2,594,424</u>	<u>2,410,367</u>	<u>83,214</u>
Allocation of Management Cost to Program Cost	<u>418,084</u>	<u>391,104</u>	<u>13,364</u>
Total Expenses	<u>\$ 3,012,508</u>	<u>\$ 2,801,471</u>	<u>\$ 96,578</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL EXPENSES WITH ALLOCATION OF**  
**MANAGEMENT AND GENERAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

Program Services				
Hammitt High School	Hammitt Challenges	Performance Foster Care and Special Needs Adoption	Specialized Foster Care	QIC Target
\$ 1,247,365	\$ 1,522,387	\$ 530,071	\$ 401,644	\$ 91,294
116,048	124,763	40,641	35,822	5,041
75,591	79,601	28,576	20,715	3,944
80,918	110,615	40,139	28,312	6,617
2,752	1,671	20,072	4,227	1,999
21,624	28,337	9,883	7,403	1,669
14,485	21,805	7,784	5,365	2,401
4,568	7,997	1,592	106	-
-	-	-	-	-
-	-	-	-	-
18,470	23,745	14,251	10,711	2,569
3,477	5,518	5,251	634	426
3,708	3,635	6,452	4,592	744
21	-	-	-	-
-	1,773	890	386	-
1,879	5,493	379	238	43
126	237	-	-	-
123,748	74,538	6,155	4,483	-
115	22,584	24,148	15,520	3,258
3,113	6,072	1,533	1,269	82
20,004	42,516	10,242	5,057	1,166
3,238	7,179	5,851	3,567	965
4,039	6,085	2,187	1,497	298
5,971	5,894	34,343	21,435	8,035
2,433	1,834	8,901	3,025	196
4,393	6,969	1,997	1,470	125
10,919	25,101	6,882	742	705
-	-	7,518	1,845	-
183	318	-	-	-
26,598	11,649	-	-	-
57	2,513	-	-	-
22	4,784	44,078	35,238	-
7,202	750	-	-	-
-	-	280,337	259,930	-
-	-	-	-	-
1,331	1,569	-	-	-
-	-	-	-	-
2,803	3,376	2,717	1,790	297
828	462	91	96	-
7,950	19,235	34,070	22,965	4,368
<u>1,815,979</u>	<u>2,181,005</u>	<u>1,177,031</u>	<u>900,084</u>	<u>136,242</u>
<u>311,775</u>	<u>369,211</u>	<u>130,381</u>	<u>96,905</u>	<u>21,911</u>
<u>\$ 2,127,754</u>	<u>\$ 2,550,216</u>	<u>\$ 1,307,412</u>	<u>\$ 996,989</u>	<u>\$ 158,153</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL EXPENSES WITH ALLOCATION OF**  
**MANAGEMENT AND GENERAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

Program Services

Adoption Preservation	Healthy Start	Intact Family Services	Adoption Preservation Respite	Community Schools	Total Program Services
\$ 913,851	\$ 204,058	\$ 79,310	\$ 55,030	\$ 47,155	\$ 8,503,804
89,673	10,180	10,739	2,765	1,104	718,412
50,253	11,384	3,801	2,808	2,070	482,970
64,557	14,913	4,984	3,542	3,565	603,872
5,308	98	1,049	786	131	48,544
15,113	3,513	1,646	647	669	149,644
12,214	2,874	910	339	647	114,127
3,254	337	130	276	166	26,498
-	-	-	-	-	-
-	-	-	-	-	-
21,543	3,980	2,717	1,703	291	145,906
10,926	337	144	94	66	38,295
25,800	2,624	771	686	345	59,636
-	-	-	-	-	21
-	-	114	-	40	9,773
612	128	46	31	22	14,781
-	-	-	-	-	1,265
8,280	-	976	-	-	218,180
38,693	8,119	3,356	2,013	-	216,032
2,421	1,029	329	89	-	35,051
12,763	3,570	1,476	975	-	171,406
9,321	1,926	934	515	244	62,614
3,399	802	251	97	159	31,795
75,030	8,281	4,605	657	263	206,339
12,815	978	341	136	-	40,889
9,718	1,400	59	141	167	42,750
16,026	14,225	107	17,922	168	173,580
4,048	-	10,773	-	-	30,584
-	-	-	-	-	3,866
-	-	-	-	-	97,710
-	-	-	-	-	6,631
985	30	3,564	-	-	113,419
-	-	-	-	-	7,952
-	-	-	7,829	-	548,096
-	-	-	-	-	-
-	-	-	-	-	5,104
-	-	-	-	-	-
4,569	931	267	223	-	27,431
-	139	21	-	-	842
61,693	13,038	6,885	3,507	-	422,674
1,472,865	308,894	140,305	102,811	57,272	13,380,493
222,643	47,366	20,317	13,472	10,745	2,067,278
<u>\$ 1,695,508</u>	<u>\$ 356,260</u>	<u>\$ 160,622</u>	<u>\$ 116,283</u>	<u>\$ 68,017</u>	<u>\$ 15,447,771</u>

**THE BABY FOLD**  
**SCHEDULE OF FUNCTIONAL EXPENSES WITH ALLOCATION OF**  
**MANAGEMENT AND GENERAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

Support Services			Total Expenses	
Management and General	Public Relations	Total Support Services	2017	2016
\$ 1,178,207	\$ 302,204	\$ 1,480,411	\$ 9,984,215	\$ 9,898,534
98,806	14,295	113,101	831,513	1,257,495
73,925	14,189	88,114	571,084	349,445
84,126	22,010	106,136	710,008	703,717
5,248	328	5,576	54,120	48,061
238	4,191	4,429	154,073	212,083
-	-	-	114,127	121,424
5,877	276	6,153	32,651	13,482
223,480	-	223,480	223,480	57,651
116,553	6,788	123,341	123,341	143,371
92,253	16,797	109,050	254,956	131,025
16,108	2,777	18,885	57,180	55,938
7,944	4,286	12,230	71,866	6,758
16	22,816	22,832	22,853	21,701
5,149	5,443	10,592	20,365	21,144
4,226	5,147	9,373	24,154	24,000
2,988	1,472	4,460	5,725	1,982
-	-	-	218,180	200,775
25,535	5,887	31,422	247,454	209,047
2,094	540	2,634	37,685	42,791
31,009	4,497	35,506	206,912	199,717
7,310	499	7,809	70,423	30,079
34,591	1,084	35,675	67,470	45,533
5,897	3,499	9,396	215,735	228,061
1,699	-	1,699	42,588	25,672
14,032	1,322	15,354	58,104	68,280
-	-	-	173,580	190,653
-	-	-	30,584	39,976
-	-	-	3,866	5,173
-	-	-	97,710	98,926
-	-	-	6,631	6,489
-	-	-	113,419	80,740
-	-	-	7,952	9,449
-	-	-	548,096	548,938
-	114,611	114,611	114,611	90,742
48,698	619	49,317	54,421	66,427
730	-	730	730	1,348
5,483	-	5,483	32,914	21,543
8,318	9,631	17,949	18,791	68,811
39,236	12,779	52,015	474,689	509,664
2,139,776	577,987	2,717,763	16,098,256	15,856,645
(2,139,776)	72,498	(2,067,278)	-	-
\$ -	\$ 650,485	\$ 650,485	\$ 16,098,256	\$ 15,856,645

**THE BABY FOLD**  
**SCHEDULE OF EARNINGS ON INVESTED ASSETS –**  
**INVESTMENT FUND (UNRESTRICTED)**  
**YEAR ENDED JUNE 30, 2017**  
(SEE INDEPENDENT AUDITORS' REPORT)

**INVESTMENT INCOME FROM REAL ESTATE**

Income from Farms and Rental Property	\$ 397,095	
Gain on Sale of Farm Land	2,151,790	
Less:		
Farm and Rental Expenses	(91,509)	
Farm Management Fees	(26,102)	
Net Investment Income from Real Estate	<u>2,431,274</u>	\$ 2,431,274

**INVESTMENT INCOME FROM SECURITIES**

Interest – U.S. Government securities	15,522
Interest – Corporate Bonds	10,748
Dividends - Corporate Stock	<u>153,860</u>
Total Interest and Dividends	180,130

Net Unrealized Gain on Investments	\$ 725,801	
Net Realized Gain on Sale of Investments	<u>128,377</u>	
Total		
Net Realized and Unrealized Gain	854,178	
Less: Investment Fees	<u>(67,267)</u>	
Net Investment Gain from Securities		<u>967,041</u>

<b>NET INVESTMENT GAIN</b>		<u><u>\$ 3,398,315</u></u>
----------------------------	--	----------------------------

**THE BABY FOLD**  
**RESIDENTIAL TREATMENT CENTER, FOSTER FAMILY CARE,**  
**AND ADOPTION PROGRAMS STATISTICS (UNAUDITED)**  
**YEAR ENDED JUNE 30, 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>Days of Care</u>
<b>RESIDENTIAL TREATMENT CENTER PROGRAM</b>	
Children Placed by:	
Department of Children and Family Services	3,206
Illinois State Board of Education	143
Illinois Department of Human Services	1,404
Total	<u>4,753</u>
 <b>FOSTER FAMILY CARE PROGRAM</b>	
Children Placed by Department of Children and Family Services on a Long-Term Basis	<u>33,341</u>

**THE BABY FOLD**  
**SINGLE AUDIT REPORT**  
**JUNE 30, 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**THE BABY FOLD**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....</b>	<b>1</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE .....</b>	<b>3</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....</b>	<b>6</b>
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....</b>	<b>7</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....</b>	<b>8</b>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
The Baby Fold  
Normal, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Baby Fold, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Baby Fold's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Baby Fold's internal control. Accordingly, we do not express an opinion on the effectiveness of The Baby Fold's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Baby Fold's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Peoria, Illinois  
November 3, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
The Baby Fold  
Normal, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited The Baby Fold's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the The Baby Fold's major federal programs for the year ended June 30, 2017. The Baby Fold's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of The Baby Fold's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Baby Fold's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Baby Fold's compliance.

***Opinion on Each Major Federal Program***

In our opinion, The Baby Fold complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

## **Report on Internal Control Over Compliance**

Management of The Baby Fold is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Baby Fold's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Baby Fold's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of The Baby Fold as of and for the year ended June 30, 2017, and have issued our report thereon dated November 3, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Peoria, Illinois  
December 8, 2017 except for our report on the  
Schedule of Expenditures of Federal Awards,  
for which the date is November 3, 2017

**THE BABY FOLD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA	Pass-Through Entity-Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
<b>United States Department of Health and Human Services</b>				
Passed through:				
State of Illinois - Illinois Department of Children and Family Services:				
Promoting Safe and Stable Families (Major)	93.556	203296106	\$ -	\$ 1,034
		203296107	-	9,698
		203299067	-	795,508
			<u>-</u>	<u>806,240</u>
<b>Total United States Department of Health and Human Services</b>				
<b>Child Nutrition Cluster</b>				
<b>United States Department of Agriculture</b>				
Passed through:				
State of Illinois - Illinois State Board of Education:				
School Breakfast Program	10.553	2016-4220	-	4,665
		2017-4220	-	20,602
			<u>-</u>	<u>25,267</u>
National School Lunch Program	10.555	2016-4210	-	7,129
		2017-4210	-	32,391
Donated Food	10.555	N/A	-	12,373
			<u>-</u>	<u>51,893</u>
<b>Total United States Department of Agriculture/Child Nutrition Cluster</b>				
			<u>-</u>	<u>77,160</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ -</u>	<u>\$ 883,400</u>

This schedule should be read only in connection with the accompanying notes to the schedule.

**THE BABY FOLD  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Baby Fold under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Baby Fold.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Baby Fold elected not to use the de minimus rate as allowed under the Uniform Guidance.

**NOTE 3 – NONCASH ASSISTANCE AND INSURANCE**

The Baby Fold received \$12,373 in food commodities during the year ended June 30, 2017.

**NOTE 4 – LOANS OUTSTANDING AND SUBRECIPIENTS**

The Baby Fold No loans or loan guarantees were received during the year ended June 30, 2017.

No amounts reported on the accompanying schedule of expenditures of federal awards were provided to subrecipients during the year ended June 30, 2017.

This information is an integral part of the accompanying schedule.

**THE BABY FOLD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   x   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   x   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   x   No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   x   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   x   None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? \_\_\_\_\_ Yes   x   No

Identification of major programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
-----------------------	---

93.556	Promoting Safe and Stable Families
--------	------------------------------------

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   x   Yes \_\_\_\_\_ No

**THE BABY FOLD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**Section II - Financial Statement Findings**

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

**Section III - Federal Award Findings and Questioned Costs**

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



## ***Hammitt Campus***

108 East Willow Street  
Normal, Illinois 61761-0327  
Phone: (309) 452-1170 • Fax: (309) 452-0115

## ***Family Center***

## ***Residential Treatment Center***

612 Oglesby Avenue  
Normal, Illinois 61761-1888  
Phone: (309) 454-1770 • Fax: (309) 454-9257

### **THE BABY FOLD SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2017**

The Baby Fold respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2017.

Audit period: Fiscal Year Ended June 30, 2017

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

#### **FINDINGS—FINANCIAL STATEMENT AUDIT**

##### **2016 – 001 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)**

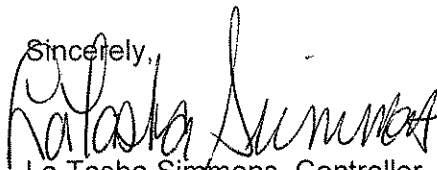
**Condition:** The Baby Fold does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures, including any necessary adjustments to accrual basis, and ensure they are complete and presented in accordance with GAAP.

**Status:** Corrective action was taken.

#### **FINDINGS— FEDERAL AWARD PROGRAMS AUDITS**

There were no federal award program audit findings in the prior year.

If there are any questions regarding this schedule, please call La Tasha Simmons, The Baby Fold Controller at (309) 451-7267.

Sincerely,  
  
La Tasha Simmons, Controller  
The Baby Fold