

THE BABY FOLD
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEAR ENDED JUNE 30, 2022



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**THE BABY FOLD
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Baby Fold
Normal, Illinois

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of The Baby Fold, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Baby Fold as of June 30, 2022, and the results of its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Baby Fold and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Baby Fold's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Baby Fold's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Baby Fold's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Baby Fold's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2023 on our consideration of The Baby Fold's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Baby Fold's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Baby Fold's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Peoria, Illinois
January 6, 2023

THE BABY FOLD
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions			With Donor	Total	Total
	Operating	Investment	Total	Restrictions	2022	(Memorandum Only) 2021
ASSETS						
Cash and Cash Equivalents	\$ 1,314,371	\$ 726,268	\$ 2,040,639	\$ 3,500	\$ 2,044,139	\$ 3,010,338
Accounts Receivable	1,431,147	-	1,431,147	-	1,431,147	1,579,872
Pledge Receivable	-	-	-	-	-	9,290
Food Inventory	10,920	-	10,920	-	10,920	10,765
Prepaid Expenses	264,274	7,767	272,041	-	272,041	244,210
Investment Securities, at Fair Value	-	5,790,159	5,790,159	4,461,801	10,251,960	12,975,857
Grain Inventories, at Fair Value	-	27,959	27,959	-	27,959	29,800
Investments in Real Estate	-	312,215	312,215	114,500	426,715	426,715
Investments Held in Trust by Others, at Fair Value	-	-	-	4,036,789	4,036,789	4,208,004
Cash Value of Life Insurance	-	4,960	4,960	-	4,960	4,960
Land, Buildings, and Equipment, Net	8,857,486	-	8,857,486	-	8,857,486	9,094,654
Total Assets	<u>\$ 11,878,198</u>	<u>\$ 6,869,328</u>	<u>\$ 18,747,526</u>	<u>\$ 8,616,590</u>	<u>\$ 27,364,116</u>	<u>\$ 31,594,465</u>

See accompanying Notes to Financial Statements.

THE BABY FOLD
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions			With Donor Restrictions	Total 2022	Total (Memorandum Only) 2021
	Operating	Investment	Total			
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable	\$ 46,132	\$ -	\$ 46,132	\$ -	\$ 46,132	\$ 129,901
Line of Credit	1,250,000	-	1,250,000	-	1,250,000	-
Loan Payable Under						
Paycheck Protection Program	1,150,502	-	1,150,502	-	1,150,502	1,974,100
Accrued Expenses	851,085	28,314	879,399	-	879,399	1,194,450
Pension Payable	1,306,157	-	1,306,157	-	1,306,157	2,251,981
Deferred Revenue – Annuity Contracts	-	40,310	40,310	-	40,310	45,089
Deferred Revenue – Program	57,551	-	57,551	-	57,551	98,788
Total Liabilities	<u>4,661,427</u>	<u>68,624</u>	<u>4,730,051</u>	<u>-</u>	<u>4,730,051</u>	<u>5,694,309</u>
NET ASSETS						
Without Donor Restrictions:						
Undesignated	7,216,771	-	7,216,771	-	7,216,771	7,492,321
Designated for Investment by						
Organization’s By-Laws	-	6,800,704	6,800,704	-	6,800,704	8,709,125
With Donor Restrictions	-	-	-	8,616,590	8,616,590	9,698,710
Total Net Assets	<u>7,216,771</u>	<u>6,800,704</u>	<u>14,017,475</u>	<u>8,616,590</u>	<u>22,634,065</u>	<u>25,900,156</u>
Total Liabilities and Net Assets	<u>\$ 11,878,198</u>	<u>\$ 6,869,328</u>	<u>\$ 18,747,526</u>	<u>\$ 8,616,590</u>	<u>\$ 27,364,116</u>	<u>\$ 31,594,465</u>

See accompanying Notes to Financial Statements.

**THE BABY FOLD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	Without Donor Restrictions			With Donor Restrictions	Total 2022	Total (Memorandum Only) 2021
	Operating	Investment	Total			
REVENUE, GAINS, AND OTHER SUPPORT						
Contributions	\$ 44,586	\$ 1,045,659	\$ 1,090,245	\$ 1,710	\$ 1,091,955	\$ 1,093,230
Fees from Governmental Agencies	11,716,093	-	11,716,093	-	11,716,093	11,717,646
Grants from Governmental Agencies	3,114,769	-	3,114,769	-	3,114,769	3,724,581
Net Investment Income (Loss)	-	(1,382,182)	(1,382,182)	(704,770)	(2,086,952)	4,171,839
In-Kind Contributions	28,930	217	29,147	-	29,147	36,841
Forgiveness of Debt - PPP	308,118	219,637	527,755	-	527,755	-
Other	65,302	454,295	519,597	(171,215)	348,382	959,529
Net Assets Released from Restrictions	-	207,845	207,845	(207,845)	-	-
Total Revenue, Gains (Losses), and Other Support	15,277,798	545,471	15,823,269	(1,082,120)	14,741,149	21,703,666
EXPENSES						
Program Services:						
Hammitt School	1,538,146	-	1,538,146	-	1,538,146	2,008,792
Hammitt High School	2,848,689	-	2,848,689	-	2,848,689	2,814,393
Hammitt Challenges	5,418,871	-	5,418,871	-	5,418,871	5,149,544
Performance Foster Care and						
Special Needs Adoption	1,440,743	-	1,440,743	-	1,440,743	1,222,208
Specialized Foster Care	418,435	-	418,435	-	418,435	692,045
Adoption Preservation	1,832,106	-	1,832,106	-	1,832,106	1,905,546
Healthy Start	163,237	-	163,237	-	163,237	103,859
Intact Family Services	601,315	-	601,315	-	601,315	566,483
Adoption Preservation Respite	160,857	-	160,857	-	160,857	129,971
Community Schools	162,941	-	162,941	-	162,941	188,461
Choices	181,297	-	181,297	-	181,297	219,257
Healthy Families Illinois	323,455	-	323,455	-	323,455	371,800
Prevention Initiative	312,049	-	312,049	-	312,049	272,560
Care Connection	188,533	-	188,533	-	188,533	72,377
Total	15,590,674	-	15,590,674	-	15,590,674	15,717,296

See accompanying Notes to Financial Statements.

THE BABY FOLD
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions			With Donor Restrictions	Total 2022	Total (Memorandum Only) 2021
	Operating	Investment	Total			
EXPENSES (CONTINUED)						
Support Services:						
Management and General	\$ 2,204,017	\$ 95,299	\$ 2,299,316	\$ -	\$ 2,299,316	\$ 2,323,136
Public Relations	-	790,564	790,564	-	790,564	594,027
Total	<u>2,204,017</u>	<u>885,863</u>	<u>3,089,880</u>	<u>-</u>	<u>3,089,880</u>	<u>2,917,163</u>
 Total Expenses	 <u>17,794,691</u>	 <u>885,863</u>	 <u>18,680,554</u>	 <u>-</u>	 <u>18,680,554</u>	 <u>18,634,459</u>
 INCREASE (DECREASE) IN NET ASSETS	 (2,516,893)	 (340,392)	 (2,857,285)	 (1,082,120)	 (3,939,405)	 3,069,207
 TRANSFERS IN (OUT)						
Operating Fund from Investment Fund	1,568,029	(1,568,029)	-	-	-	-
 PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	 <u>673,314</u>	 <u>-</u>	 <u>673,314</u>	 <u>-</u>	 <u>673,314</u>	 <u>651,978</u>
 TOTAL CHANGES IN NET ASSETS	 (275,550)	 (1,908,421)	 (2,183,971)	 (1,082,120)	 (3,266,091)	 3,721,185
 Net Assets – Beginning of Year	 <u>7,492,321</u>	 <u>8,709,125</u>	 <u>16,201,446</u>	 <u>9,698,710</u>	 <u>25,900,156</u>	 <u>22,178,971</u>
 NET ASSETS – END OF YEAR	 <u><u>\$ 7,216,771</u></u>	 <u><u>\$ 6,800,704</u></u>	 <u><u>\$ 14,017,475</u></u>	 <u><u>\$ 8,616,590</u></u>	 <u><u>\$ 22,634,065</u></u>	 <u><u>\$ 25,900,156</u></u>

See accompanying Notes to Financial Statements.

THE BABY FOLD
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Program Services								
	Hammitt School	Hammitt High School	Hammitt Challenges	Performance Foster Care and Special Needs Adoption	Specialized Foster Care	Adoption Preservation	Healthy Start	Intact Family Services	Adoption Preservation Respite
Salaries and Wages	\$ 1,043,179	\$ 2,039,160	\$ 3,411,574	\$ 733,054	\$ 139,606	\$ 1,170,413	\$ 117,241	\$ 370,367	\$ 91,498
Group insurance	89,831	163,352	292,816	36,162	40,555	133,010	1,839	17,141	10,153
Pensions	50,330	94,782	142,287	23,715	11,613	52,345	3,101	14,989	4,865
Social Security and Medicare Tax	82,047	155,993	260,202	35,754	31,211	88,629	5,496	29,295	6,694
Unemployment Compensation Taxes	-	-	-	-	-	-	-	-	-
Workers' Compensation Insurance	23,030	28,942	53,214	7,769	3,972	23,283	1,019	5,156	1,562
Professional Liability Insurance	6,287	3,800	4,873	2,521	2,922	8,674	823	298	941
Employee Medical	1,479	2,972	8,554	206	640	522	156	351	567
Auditing and Legal Fees	-	-	-	-	-	-	-	-	-
Administrative Consultants	-	-	-	-	-	-	-	-	-
Technology Supplies and Services	19,230	23,731	43,221	10,716	9,846	19,671	835	2,244	234
Office Supplies and Expense	4,374	1,907	6,926	2,910	699	14,925	3,704	2,282	462
Telephone	6,826	11,083	13,380	9,588	6,814	35,625	1,208	7,744	1,689
Printing	-	-	-	-	-	-	-	-	-
Postage	1,490	839	603	1,595	718	38	-	159	26
Office Equipment Rental	555	481	20,793	2,326	898	3,094	-	354	245
Subscriptions	27	27	38	-	-	-	-	-	-
Rent	-	-	78,000	42,844	31,109	50,802	-	57,610	-
Utilities	7,339	22,216	103,147	5,030	3,217	20,662	3,149	20	745
Buildings and Grounds Supplies	3,112	3,286	28,679	1,125	197	622	41	530	39
Maintenance of Buildings and Grounds	45,487	32,391	271,994	14,181	4,444	14,744	1,600	2,352	350
Equipment Repairs	346	1,168	16,070	-	-	1,080	118	28	29
Property Insurance	8,506	11,369	12,902	5,779	2,539	14,687	1,101	486	253
Travel	4,719	4,600	12,048	33,956	24,029	71,322	1,223	16,647	76
Auto Insurance	3,322	2,387	2,286	7,497	4,783	11,705	905	291	66
Conference and Convention Expense	14,185	13,862	26,798	39	29	29,449	1,185	45	15
Program Supplies	16,405	11,407	56,501	959	444	23,809	14,147	4,396	20,809
In-Kind Supplies, Services, and Capital	-	-	-	-	-	-	-	-	-
Intact Flex Fund	-	-	-	-	-	-	-	36,219	-
Specific Assistance	-	-	-	10,243	393	996	-	11,401	-
Medical Supplies	621	192	1,467	-	-	-	-	-	-
Food	42,300	54,614	54,101	-	-	-	-	-	-
Kitchen Service Supplies	961	2,105	6,069	-	-	-	-	-	-
Professional Consultants	14,569	775	35,628	34,893	1,810	2,863	3,758	18,870	-
Student Stipend	-	4	(96)	-	-	-	-	-	-
Foster Home Care	-	-	-	430,400	78,407	-	-	-	12,543
Festival Expenses	-	-	-	-	-	-	-	-	-
Dues	1,155	1,155	3,190	-	-	-	759	-	-
Board of Trustees Expense	-	-	-	-	-	-	-	-	-
Interest Expense	4,279	5,279	9,570	1,514	849	3,936	479	712	248
Bad Debt Expense	-	-	-	-	-	-	-	-	-
Miscellaneous	1,284	735	1,133	6	-	217	306	467	4,307
Depreciation Expense	40,871	154,075	440,903	(14,039)	16,691	34,983	(956)	861	2,441
Total	1,538,146	2,848,689	5,418,871	1,440,743	418,435	1,832,106	163,237	601,315	160,857
Allocation of Management Cost to Program Cost	230,465	446,560	754,745	206,673	(12,637)	269,275	31,672	78,851	21,023
Total Expenses	<u>\$ 1,768,611</u>	<u>\$ 3,295,249</u>	<u>\$ 6,173,616</u>	<u>\$ 1,647,416</u>	<u>\$ 405,798</u>	<u>\$ 2,101,381</u>	<u>\$ 194,909</u>	<u>\$ 680,166</u>	<u>\$ 181,880</u>

See accompanying Notes to Financial Statements.

THE BABY FOLD
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Program Services					Support Services				Total Expenses	
	Community Schools		Healthy Families Illinois	Prevention Initiative	Care Connection	Total Program Services	Management and General	Public Relations	Total Support Services	2022	2021
Salaries and Wages	\$ 117,055	\$ 136,245	\$ 189,430	\$ 217,303	\$ 144,562	\$ 9,920,687	\$ 1,165,590	\$ 444,204	\$ 1,609,794	\$ 11,530,481	\$ 11,761,513
Group insurance	2,886	17,965	15,205	24,313	12,354	857,582	66,252	25,249	91,501	949,083	909,143
Pensions	5,473	6,343	6,471	9,957	5,574	431,845	(1,816)	17,405	15,589	447,434	450,153
Social Security and Medicare Tax	10,019	9,023	19,511	15,168	8,907	757,949	86,860	34,650	121,510	879,459	841,033
Unemployment Compensation Taxes	-	-	-	-	-	-	-	-	-	-	23,850
Workers' Compensation Insurance	3,125	2,052	4,146	2,849	1,176	161,295	5,737	2,026	7,763	169,058	188,662
Professional Liability Insurance	457	200	1,649	972	168	34,585	-	-	-	34,585	59,288
Employee Medical	112	-	649	-	-	16,208	42,456	-	42,456	58,664	34,786
Auditing and Legal Fees	-	-	-	-	-	-	178,420	-	178,420	178,420	53,060
Administrative Consultants	-	-	-	-	-	-	86,090	-	86,090	86,090	84,631
Technology Supplies and Services	234	483	2,409	3,149	-	136,003	253,653	46,518	300,171	436,174	299,791
Office Supplies and Expense	8,731	7	251	88	-	47,266	61,764	3,247	65,011	112,277	42,138
Telephone	2,077	2,364	5,122	3,604	1,648	108,772	17,732	1,551	19,283	128,055	148,056
Printing	-	-	-	-	-	-	1,735	31,399	33,134	33,134	21,927
Postage	226	201	310	-	-	6,205	2,428	6,357	8,785	14,990	17,203
Office Equipment Rental	-	63	823	-	-	29,632	4,938	2,767	7,705	37,337	36,322
Subscriptions	-	-	-	-	-	92	8,298	975	9,273	9,365	14,408
Rent	-	-	10,120	-	2,148	272,633	86,400	-	86,400	359,033	375,846
Utilities	-	571	2,339	716	-	169,151	4,658	12,787	17,445	186,596	186,299
Buildings and Grounds Supplies	-	27	976	1,090	-	39,724	1,892	3,296	5,188	44,912	51,450
Maintenance of Buildings and Grounds	-	1,590	1,765	582	-	391,480	38,252	9,182	47,434	438,914	398,426
Equipment Repairs	91	133	153	54	-	19,270	3,583	148	3,731	23,001	45,369
Property Insurance	557	600	4,119	-	224	63,122	50,818	2,160	52,978	116,100	137,465
Travel	1,924	636	8,061	3,537	3,674	186,452	3,539	19,145	22,684	209,136	150,449
Auto Insurance	-	1,110	2,110	-	659	37,121	2,430	170	2,600	39,721	49,081
Conference and Convention Expense	1,125	77	4,685	740	2,927	95,161	10,967	20,905	31,872	127,033	48,680
Program Supplies	3,113	(976)	14,959	9,762	4,905	180,640	-	617	617	181,257	127,119
In-Kind Supplies, Services, and Capital	-	-	4,238	4,249	-	8,487	-	-	-	8,487	9,564
Intact Flex Fund	-	-	-	-	-	36,219	-	-	-	36,219	37,782
Specific Assistance	-	-	273	79	-	23,385	-	-	-	23,385	16,298
Medical Supplies	-	-	-	-	-	2,280	-	-	-	2,280	3,071
Food	-	-	-	-	-	151,015	-	-	-	151,015	56,666
Kitchen Service Supplies	-	-	-	-	-	9,135	-	-	-	9,135	9,041
Professional Consultants	-	-	7,029	5,289	-	125,484	-	-	-	125,484	121,250
Student Stipend	-	-	-	-	-	(92)	-	-	-	(92)	523
Foster Home Care	-	-	-	-	-	521,350	-	-	-	521,350	578,553
Festival Expenses	-	-	-	-	-	-	-	68,359	68,359	68,359	36,110
Dues	-	-	6,205	4,800	-	17,264	62,310	510	62,820	80,084	55,765
Board of Trustees Expense	-	-	-	-	-	-	462	-	462	462	599
Interest Expense	421	393	592	441	-	28,713	-	1,028	1,028	29,741	32,419
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	298,770
Miscellaneous	-	-	-	-	-	8,455	28,251	25,083	53,334	61,789	85,899
Depreciation Expense	5,315	2,190	9,855	3,307	(393)	696,104	25,617	10,826	36,443	732,547	736,001
Total	162,941	181,297	323,455	312,049	188,533	15,590,674	2,299,316	790,564	3,089,880	18,680,554	18,634,459
Allocation of Management Cost to Program Cost	22,905	33,413	32,125	51,479	37,468	2,204,017	(2,299,316)	95,299	(2,204,017)	-	-
Total Expenses	\$ 185,846	\$ 214,710	\$ 355,580	\$ 363,528	\$ 226,001	\$ 17,794,691	\$ -	\$ 885,863	\$ 885,863	\$ 18,680,554	\$ 18,634,459

See accompanying Notes to Financial Statements.

THE BABY FOLD
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (3,266,091)	\$ 3,721,185
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	732,547	736,001
Net (Gain) Loss on Investments, Realized and Unrealized	2,141,692	(4,036,851)
Gain on Extinguishment of Debt - PPP	(527,755)	-
Net Unrealized (Gain) Loss on Trust Held by Others	171,215	(399,791)
Contributions Restricted for Long-Term Investment	-	(13,700)
Pension-Related Changes Other than Net Periodic Pension Cost	(673,314)	(651,978)
(Increase) Decrease in Assets:		
Accounts Receivable	148,725	322,316
Inventories, Food and Grain	1,686	55,290
Prepaid Expenses	(27,831)	(74,047)
Pledges Receivable	9,290	2,250
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(398,820)	117,392
Pension Payable	(272,510)	(47,881)
Deferred Revenue – Annuity Contracts	(4,779)	(4,121)
Deferred Revenue – Program	(41,237)	(18,716)
Net Cash Used by Operating Activities	(2,007,182)	(292,651)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	(645,634)	(2,166,068)
Proceeds from Sale of Investment Securities	1,227,839	1,964,698
Proceeds from Sale of Real Estate Investments	-	1,100,000
Purchase of Property and Equipment	(495,379)	(351,146)
Net Cash Provided by Investing Activities	86,826	547,484
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	-	13,700
Net Borrowings (Payments) on Line of Credit	1,250,000	(2,500,000)
Principal Payments on Loan Payable	(295,843)	-
Net Cash Provided (Used) by Financing Activities	954,157	(2,486,300)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(966,199)	(2,231,467)
Cash and Cash Equivalents – Beginning of Year	3,010,338	5,241,805
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 2,044,139</u>	<u>\$ 3,010,338</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 29,741</u>	<u>\$ 32,419</u>

See accompanying Notes to Financial Statements.

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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

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

Functional Allocation of Expenses

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

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, from which the summarized information was derived.

Change in Accounting Principle

During the year ended June 30, 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements.

Subsequent Events

Management evaluated subsequent events through January 6, 2023, the date the financial statements were available to be issued.

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and Cash Equivalents	\$ 2,040,639
Operating Investments	5,790,159
Accounts Receivables	1,431,147
Total, End of Year	<u>\$ 9,261,945</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 \$5,790,159 at June 30, 2022 are included in Note 3. Although the Organization does not intend to spend from the investment portfolio, these amounts could be made available if necessary. Additionally, as part of the liquidity management plan, as the need arises, the Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

NOTE 3 INVESTMENT SECURITIES

Investment securities are presented in the financial statements at fair value. The following reflects the cost and fair value of investment securities at June 30, 2022:

	Cost	Fair Value
Corporate Bonds	\$ 370,347	\$ 331,936
Corporate Stock	1,358,445	3,971,769
U.S. Government Securities	761,036	710,575
Mutual Funds	5,058,054	4,919,248
Alternative Investments	473,919	318,432
Total, End of Year	<u>\$ 8,021,801</u>	<u>\$ 10,251,960</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2022:

Interest	\$ 24,170
Dividends	(26,362)
Net Realized/Unrealized Loss on Investments	<u>(2,141,692)</u>
Investment Loss from Securities	(2,143,884)
Net Farm Rental Income	216,969
Investment Fees	<u>(160,037)</u>
Net Investment Loss	<u>\$ (2,086,952)</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, 2022

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>	Fair Value at Date of Gift	Estimated Fair Value at June 30, 2022
Mary J. Cornell – 160 Acres	\$ 56,000	\$ 1,784,000
Alta Johnston – 229 Acres	114,500	2,885,400
Rosetta Fox Courtney – 112 Acres	55,730	757,928
Irene Blum – 80 Acres	200,485	1,200,000
Total	<u>\$ 426,715</u>	<u>\$ 6,627,328</u>

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, 2022 as provided by the outside fiscal agent:

James B. Kennedy Trust	\$ 765,977
O. V. Douglass Trust	139,229
Charles Ockerman Trust	414,000
Bessie Row trust	46,964
Nina Bozarth Trust	373,559
Maude Scranton Trust	378,712
Genevieve Moyer Trust	831,951
Thomas Campbell Trust	1,086,397
Total Investments Held in Trust by Others	<u>\$ 4,036,789</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)	\$ 147,185
Decrease in Fair Value (With Donor Restrictions)	(171,215)
Total	<u>\$ (24,030)</u>

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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.

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

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

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

The 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, 2022.

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.

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2022:

Assets at Fair Value as of June 30, 2022					
	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Common Stock	\$ 3,971,769	\$ -	\$ -	\$ -	\$ 3,971,769
U.S. Government Securities	-	710,575	-	-	710,575
Mutual Funds	4,919,248	-	-	-	4,919,248
Corporate Bonds	-	331,936	-	-	331,936
Alternative Investments	-	-	-	318,432	318,432
Grain Inventories	27,959	-	-	-	27,959
Investments Held in Trust by Others	-	-	4,036,789	-	4,036,789
Total Assets at Fair Value	<u>\$ 8,918,976</u>	<u>\$ 1,042,511</u>	<u>\$ 4,036,789</u>	<u>\$ 318,432</u>	<u>\$ 14,316,708</u>

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, 2022

NOTE 7 LAND, BUILDINGS, AND EQUIPMENT

The following is a summary of land, buildings, and equipment at June 30, 2022:

	Cost	Accumulated Depreciation	Book Value	Current Year Depreciation
Land and Improvements	\$ 803,946	\$ 208,067	\$ 595,879	\$ 8,840
Buildings and Improvements	18,350,031	10,224,516	8,125,515	547,919
Equipment:				
Office Furniture, Data Processing, and Other Equipment	1,086,201	959,752	126,449	156,722
Audio Visual and Miscellaneous Tools and Equipment	59,242	54,880	4,362	4,277
Transportation Equipment	288,760	283,479	5,281	14,789
Total	<u>\$ 20,588,180</u>	<u>\$ 11,730,694</u>	<u>\$ 8,857,486</u>	<u>\$ 732,547</u>

NOTE 8 LINE OF CREDIT

The Organization entered into a \$2,750,000 revolving line of credit agreement with U.S. Bank. The agreement is secured by all investments of the Organization held at the bank and will remain open as long as the assets remain with U.S. Bank. As a result of this arrangement, amounts drawn against the line of credit are due at the time that the assets are withdrawn from the bank. The line bears an interest rate of 3.75%. The line of credit had an outstanding balance of \$1,250,000 at June 30, 2022.

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.

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 LOAN PAYABLE UNDER PAYROLL PROTECTION PROGRAM (CONTINUED)

On September 24, 2021, Organization received partial forgiveness of the PPP Loan in the amount of \$527,755. At June 30, 2022, there was \$1,150,502 remaining on the loan. The term loan bears an annual interest rate of 1%, is unsecured and guaranteed by the U.S. and requires monthly principal and interest payments of \$33,693. The loan matures on May 6, 2025, at which time all remaining principal and interest is owed.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022, are as follows:

	Held in Perpetuity	Purpose Restrictions
Robert Thomas	\$ 14,425	\$ -
Alta W. Johnston	114,500	-
Catharine Bell	260,163	-
Friends of the Fold	5,256	-
Charles Prussner	20,000	-
Luella E. Schultze	2,000	-
Dora Myers	11,484	-
Jean and William Hammitt	25,000	-
Christian Life Fund	131,940	-
Investments Held in Trust by Others (Note 5)	4,036,789	-
Supporting Early Intervention for Family Stability	765,036	-
Ed Scharf Endowment Fund	3,625,468	(398,971)
Other	-	3,500
Total Restricted Net Assets	<u>\$ 9,012,061</u>	<u>\$ (395,471)</u>

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 2022, 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 BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 PENSION PLANS (CONTINUED)

The amount charged to expense for the Organization's retirement plans includes \$207,490 of defined benefit pension cost, \$166,732 for matching the employees' contributions to their 403(b) Plan, and \$84,670 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, 2022:

Interest Cost	\$ 115,442
Expected Return on Plan Assets	(155,201)
Recognition of Net Loss	<u>114,381</u>
Net Pension Cost, Before Recognizing Settlements	74,622
Amount of Recognized Loss Due to Settlements	<u>132,868</u>
Net Pension Cost, After Recognizing Settlements	<u><u>\$ 207,490</u></u>

Weighted-Average Assumptions Used to Determine

Net Pension Cost:

Discount Rate	2.60%
Expected Long-Term Rate of Return	7.00%
Rate of Compensation Increase	N/A

The following sets forth the plan's funded status and the amounts recognized in the financial statements at June 30, 2022:

Projected Benefit Obligation	\$ (3,096,192)
Adjusted Fair Value of Plan Assets	<u>1,790,035</u>
Funded Status	<u><u>\$ (1,306,157)</u></u>

Weighted-Average Assumptions Used to Determine

Benefit Obligations:

Discount Rate	4.57%
Rate of Compensation Increase	N/A

Employer Contributions	<u>\$ 480,000</u>
Benefits Paid	<u><u>\$ 89,776</u></u>

The accumulated benefit obligation was \$3,096,192 at June 30, 2022.

Plan Assets

The following table summarizes plan assets measured at fair value on June 30, 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 PENSION PLANS (CONTINUED)

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	\$ 114,909	\$ -	\$ -	\$ 114,909
Mutual Funds	1,675,126	-	-	1,675,126
Total	<u>\$ 1,790,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,790,035</u>

The Organization's target asset allocation as of June 30, 2022, by asset category, is as follows:

Asset Category

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

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

Plan Assets (Continued)

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

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

Contributions

The Baby Fold expects to contribute \$240,000 to the pension plan in fiscal year 2023.

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 PENSION PLANS (CONTINUED)

Estimated Future Benefit Payments

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 370,203
2024	142,012
2025	251,181
2026	132,168
2027	135,229
2028-2031	1,133,159

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

	<u>July 1, 2021</u>	<u>Reclassified as Net Periodic Benefit Cost</u>	<u>Amounts Arising During Period</u>	<u>June 30, 2022</u>
Net Loss (Credit)	\$ 1,398,320	\$ 247,249	\$ (920,563)	\$ 725,006

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

	<u>July 1, 2022</u>	<u>Estimated Amounts to be Reclassified as Net Periodic Benefit Cost</u>
Net Loss	\$ 725,006	\$ 247,249

Estimated Future Benefit Payments (Continued)

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

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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.

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.

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 ENDOWMENTS (CONTINUED)

Spending Policy

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

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

Strategies Employed for Achieving Objectives

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

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted			
Endowment Funds	\$ -	\$ 9,529,205	\$ 9,529,205
Accumulated Loss	-	(912,615)	(912,615)
Total Endowment Funds	<u>\$ -</u>	<u>\$ 8,616,590</u>	<u>\$ 8,616,590</u>

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives (Continued)

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets –			
Beginning of Year	\$ -	\$ 9,698,710	\$ 9,698,710
Investment Return:			
Net Investment Loss	-	(704,770)	(704,770)
Net Depreciation (Realized and Unrealized)	-	(171,215)	(171,215)
Total Investment Return	-	(875,985)	(875,985)
Contributions	-	1,710	1,710
Appropriation of Endowment Assets for			
Expenditure Per Spending Policy	207,845	(207,845)	-
Expenditures	(207,845)	-	(207,845)
Endowment Net Assets –			
End of Year	<u>\$ -</u>	<u>\$ 8,616,590</u>	<u>\$ 8,616,590</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, funds with original gift values of \$3,625,468, fair values of \$3,226,497 and deficiencies of \$398,971 were reported in net assets with donor restrictions.

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Organization leases office equipment and buildings under various operating lease agreements which expire at various times through fiscal year ending June 30, 2028. The total minimum lease payments as of June 30, 2022 are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 259,546
2024	256,880
2025	198,000
2026	198,000
2027	198,000
Thereafter	49,500
Total	<u>\$ 516,426</u>

The total rental expense reflected in the schedule of functional expenses is \$359,033 for the year ended June 30, 2022.

THE BABY FOLD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 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.

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 its cash and investment accounts with several banks. At June 30, 2022, cash balances were insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor per bank. At times, balances in these accounts may exceed federal limits.

THE BABY FOLD
SCHEDULE OF SUPPORT AND REVENUE
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)
(SEE INDEPENDENT AUDITORS' REPORT)

	Without Donor Restrictions			With Donor Restrictions	Total All Funds 2022	Total (Memorandum Only) 2021
	Operating	Investment	Total			
PUBLIC SUPPORT AND REVENUE						
Public Support (Contributions):						
Contributions:						
Churches	\$ 290	\$ 81,557	\$ 81,847	\$ -	\$ 81,847	\$ 64,619
Nonchurch Organizations	2,886	24,907	27,793	-	27,793	20,068
Corporate	2,500	107,142	109,642	1,000	110,642	103,995
Individuals	12,910	494,343	507,253	5,000	512,253	551,696
Foundations	26,000	112,258	138,258	-	138,258	82,672
Bequests	-	225,452	225,452	-	225,452	265,180
Campaign	-	-	-	(4,290)	(4,290)	5,000
Total Public Support and Revenue	44,586	1,045,659	1,090,245	1,710	1,091,955	1,093,230
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES						
Hammitt School Tuition	995,071	-	995,071	-	995,071	1,263,881
Hammitt High School Tuition	2,868,987	-	2,868,987	-	2,868,987	2,501,627
Hammitt Training and Consultation Fees	1,450	-	1,450	-	1,450	4,638
State and Federal Meals Reimbursement	111,338	-	111,338	-	111,338	20,713
Challenges Tuition	4,839,081	-	4,839,081	-	4,839,081	5,015,773
Adoption Preservation	2,051,628	-	2,051,628	-	2,051,628	2,740,645
Foster Care	1,730,647	-	1,730,647	-	1,730,647	1,883,278
Healthy Start	886,612	-	886,612	-	886,612	825,543
Adoption Preservation Respite	176,529	-	176,529	-	176,529	158,393
Community Schools	116,366	-	116,366	-	116,366	86,611
Intact Family Services	788,567	-	788,567	-	788,567	799,194
Choices	46,989	-	46,989	-	46,989	55,160
Care Connection	217,597	-	217,597	-	217,597	86,771
Total Fees and Grants from Governmental Agencies	14,830,862	-	14,830,862	-	14,830,862	15,442,227

THE BABY FOLD
SCHEDULE OF SUPPORT AND REVENUE (CONTINUED)
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)
(SEE INDEPENDENT AUDITORS' REPORT)

	Without Donor Restrictions			With Donor Restrictions	Total All Funds 2022	Total (Memorandum Only) 2021
	Operating	Investment	Total			
OTHER REVENUE						
Fundraising Events	\$ -	\$ 304,506	\$ 304,506	\$ -	\$ 304,506	\$ 274,954
Net Investment Income (Loss)	-	(1,382,182)	(1,382,182)	(704,770)	(2,086,952)	4,171,839
Earnings (Losses) and Distributions from Estates in Trust	-	147,185	147,185	(171,215)	(24,030)	586,161
In-Kind Contributions	28,930	217	29,147	-	29,147	36,841
Forgiveness of Debt - PPP	308,118	219,637	527,755	-	527,755	-
Miscellaneous	65,302	2,604	67,906	-	67,906	98,414
Total Other Revenue (Losses)	<u>402,350</u>	<u>(708,033)</u>	<u>(305,683)</u>	<u>(875,985)</u>	<u>(1,181,668)</u>	<u>5,168,209</u>
Total Support and Revenue (Losses)	<u>\$ 15,277,798</u>	<u>\$ 337,626</u>	<u>\$ 15,615,424</u>	<u>\$ (874,275)</u>	<u>\$ 14,741,149</u>	<u>\$ 21,703,666</u>

THE BABY FOLD
SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE
YEAR ENDED JUNE 30, 2022
(OPERATING FUND)
(SEE INDEPENDENT AUDITORS' REPORT)

	Hammitt School	Hammitt High School	Hammitt Challenges	Performance Foster Care and Special Needs Adoption	Specialized Foster Care
PUBLIC SUPPORT AND REVENUE					
Public Support:					
Contributions:					
Churches	\$ -	\$ -	\$ -	\$ -	\$ -
Nonchurch Organizations	500	-	-	746	-
Corporate	2,500	-	-	-	-
Individuals	100	700	-	610	-
Foundations	1,000	-	-	-	-
Total Public Support	4,100	700	-	1,356	-
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES					
Hammitt School Tuition	995,071	-	-	-	-
Hammitt High School Tuition	-	2,868,987	-	-	-
Hammitt Training and Consultation Fees	1,450	-	-	-	-
State and Federal Meals Reimbursement	15,653	36,982	58,703	-	-
Challenges Tuition	-	-	4,839,081	-	-
Adoption Preservation	-	-	-	-	-
Foster Care	-	-	-	1,492,814	237,833
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	1,012,174	2,905,969	4,897,784	1,492,814	237,833
OTHER REVENUE					
In-Kind Contributions	2,219	1,119	2,856	849	358
Forgiveness of Debt - PPP	-	-	-	46,390	36,670
Miscellaneous	7,637	13,787	25,172	4,186	1,141
Total Other Revenue	9,856	14,906	28,028	51,425	38,169
Total Support and Revenue	\$ 1,026,130	\$ 2,921,575	\$ 4,925,812	\$ 1,545,595	\$ 276,002

THE BABY FOLD
SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE (CONTINUED)
YEAR ENDED JUNE 30, 2022
(OPERATING FUND)
(SEE INDEPENDENT AUDITORS' REPORT)

	Adoption Preservation	Healthy Start	QIC Target	Intact Family Services	Adoption Preservation Respite	Community Schools
PUBLIC SUPPORT AND REVENUE						
Public Support:						
Contributions:						
Churches	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290
Nonchurch Organizations	-	650	-	990	-	-
Corporate	-	-	-	-	-	-
Individuals	-	10,000	-	-	-	-
Foundations	-	3,485	-	-	-	-
Total Public Support	-	14,135	-	990	-	290
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES						
Hammitt School Tuition	-	-	-	-	-	-
Hammitt High School Tuition	-	-	-	-	-	-
Hammitt Training and Consultation Fees	-	-	-	-	-	-
State and Federal Meals Reimbursement	-	-	-	-	-	-
Challenges Tuition	-	-	-	-	-	-
Adoption Preservation	2,051,628	-	-	-	-	-
Foster Care	-	-	-	-	-	-
Healthy Start - Health Department	-	84,461	-	-	-	53,969
Healthy Start - DHS	-	-	-	-	-	-
Healthy Start - ISBE	-	-	-	-	-	-
Adoption Preservation Respite	-	-	-	-	176,529	-
Community Schools	-	-	-	-	-	116,366
Intact Family Services	-	-	-	788,567	-	-
Choices	-	-	-	-	-	-
Care Connection	-	-	-	-	-	-
Total Fees and Grants from Governmental Agencies	2,051,628	84,461	-	788,567	176,529	170,335
OTHER REVENUE						
In-Kind Contributions	724	7,214	-	4,316	56	732
Forgiveness of Debt - PPP	-	41,942	-	-	-	89,280
Miscellaneous	7,334	649	-	2,176	-	688
Total Other Revenue	8,058	49,805	-	6,492	56	90,700
Total Support and Revenue	\$ 2,059,686	\$ 148,401	\$ -	\$ 796,049	\$ 176,585	\$ 261,325

THE BABY FOLD
SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUE (CONTINUED)
YEAR ENDED JUNE 30, 2022
(OPERATING FUND)
(SEE INDEPENDENT AUDITORS' REPORT)

	Choices	Healthy Families Illinois	Prevention Initiative	Care Connection	Total
PUBLIC SUPPORT AND REVENUE					
Public Support:					
Contributions:					
Churches	\$ -	\$ -	\$ -	\$ -	\$ 290
Nonchurch Organizations	-	-	-	-	2,886
Corporate	-	-	-	-	2,500
Individuals	1,500	-	-	-	12,910
Foundations	-	10,115	11,400	-	26,000
Total Public Support	1,500	10,115	11,400	-	44,586
FEES AND GRANTS FROM GOVERNMENTAL AGENCIES					
Hammitt School Tuition	-	-	-	-	995,071
Hammitt High School Tuition	-	-	-	-	2,868,987
Hammitt Training and Consultation Fees	-	-	-	-	1,450
State and Federal Meals Reimbursement	-	-	-	-	111,338
Challenges Tuition	-	-	-	-	4,839,081
Adoption Preservation	-	-	-	-	2,051,628
Foster Care	-	-	-	-	1,730,647
Healthy Start - Health Department	-	-	-	-	138,430
Healthy Start - DHS	-	389,000	-	-	389,000
Healthy Start - ISBE	-	-	359,182	-	359,182
Adoption Preservation Respite	-	-	-	-	176,529
Community Schools	-	-	-	-	116,366
Intact Family Services	-	-	-	-	788,567
Choices	46,989	-	-	-	46,989
Care Connection	-	-	-	217,597	217,597
Total Fees and Grants from Governmental Agencies	46,989	389,000	359,182	217,597	14,830,862
OTHER REVENUE					
In-Kind Contributions	-	4,238	4,249	-	28,930
Forgiveness of Debt - PPP	93,836	-	-	-	308,118
Miscellaneous	-	1,193	1,339	-	65,302
Total Other Revenue	93,836	5,431	5,588	-	402,350
Total Support and Revenue	\$ 142,325	\$ 404,546	\$ 376,170	\$ 217,597	\$ 15,277,798

THE BABY FOLD
SCHEDULE OF EARNINGS ON INVESTED ASSETS —
INVESTMENT FUND (WITHOUT DONOR RESTRICTIONS)
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

INVESTMENT INCOME FROM REAL ESTATE

Income from Farms and Rental Property	\$ 264,649	
Less:		
Farm and Rental Expenses	(34,379)	
Farm Management Fees	(13,301)	
Net Investment Income from Real Estate	<u>216,969</u>	\$ 216,969

INVESTMENT INCOME FROM SECURITIES

Interest — U.S. Government securities	13,621
Interest — Corporate Bonds	10,549
Dividends — Corporate Stock	(26,362)
Total Interest and Dividends	<u>(2,192)</u>

Net Realized and Unrealized Loss	(2,141,692)
Less: Investment Fees	<u>(160,037)</u>

Net Investment Income from Securities	<u>(2,303,921)</u>
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NET INVESTMENT LOSS	<u><u>\$ (2,086,952)</u></u>
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THE BABY FOLD
RESIDENTIAL TREATMENT CENTER, FOSTER FAMILY CARE,
AND ADOPTION PROGRAMS STATISTICS (UNAUDITED)
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>Days of Care</u>
FOSTER FAMILY CARE PROGRAM	
Children Placed by Department of Children and Family	
Services on a Long-Term Basis	<u><u>30,220</u></u>



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

Board of Directors
The Baby Fold
Peoria, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Baby Fold, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise The Baby Fold's basic financial statements, and have issued our report thereon dated January 6, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

**THE BABY FOLD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

Report on Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Peoria, Illinois
January 6, 2023



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