

**Cradle Adoption Partners, NFP**  
**Consolidated Financial Statements and**  
**Independent Auditors' Report**  
**September 30, 2019**

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# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Cradle Adoption Partners, NFP  
Evanston, Illinois

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

We have audited the accompanying consolidated financial statements of Cradle Adoption Partners, NFP (the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2019, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

(Continued)

**Auditors' Responsibility** (Continued)

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cradle Adoption Partners, NFP as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note B-15 to the consolidated financial statements, the Organization adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities* in 2019. Our opinion is not modified with respect to this matter.

**Other Matters**

*Other Auditors*

The consolidated financial statements of Cradle Adoption Partners, NFP as of and for the year ended September 30, 2018, were audited by other auditors, whose report, dated December 7, 2018, expressed an unmodified opinion on those consolidated statements.

*Report on Summarized Comparative Information*

The summarized comparative information presented herein, as of and for the year ended September 30, 2018, were derived from the Organization's 2018 consolidated financial statements that were audited by other auditors. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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**Other Matters** (Continued)

*Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities and is not a required part of the consolidated 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 2019 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in our audit of the 2019 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

MILLER, COOPER & CO., LTD.

*Miller, Cooper & Co., Ltd.*

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Certified Public Accountants

Deerfield, Illinois  
February 6, 2020

## **CONSOLIDATED FINANCIAL STATEMENTS**

**Cradle Adoption Partners, NFP**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
September 30, 2019 with summarized totals as of September 30, 2018

<u>ASSETS</u>	2019			2018
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Summarized Totals</u>
<b>CURRENT ASSETS</b>				
Cash	\$ 491,504	\$ -	\$ 491,504	\$ 270,431
Investments, at fair value	8,813,311	4,586,616	13,399,927	15,390,052
Receivables	68,965	-	68,965	124,302
Pledges receivable	-	101,000	101,000	125,000
Prepaid expenses and other assets	250,145	-	250,145	64,334
Total current assets	<u>9,623,925</u>	<u>4,687,616</u>	<u>14,311,541</u>	<u>15,974,119</u>
<b>NONCURRENT ASSETS</b>				
Long-term pledges receivable, less current portion	-	82,295	82,295	162,928
Assets held in remainder trust	-	40,316	40,316	40,382
Beneficial interest in perpetual trust	-	3,268,075	3,268,075	3,364,956
Property and equipment, net of accumulated depreciation	2,912,138	-	2,912,138	3,015,630
Total noncurrent assets	<u>2,912,138</u>	<u>3,390,686</u>	<u>6,302,824</u>	<u>6,583,896</u>
	<u>\$ 12,536,063</u>	<u>\$ 8,078,302</u>	<u>\$ 20,614,365</u>	<u>\$ 22,558,015</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Line of credit	\$ 4,000,000	\$ -	\$ 4,000,000	\$ 4,200,000
Accounts payable	114,950	-	114,950	99,419
Accrued payroll and benefits	62,411	-	62,411	61,435
Accrued vacation	121,889	-	121,889	119,485
Other accrued expenses	90,887	-	90,887	47,214
Current obligations under capital lease	19,894	-	19,894	23,971
Deferred revenue	91,388	-	91,388	113,127
Total current liabilities	4,501,419	-	4,501,419	4,664,651
<b>CAPITAL LEASE PAYABLE, LESS CURRENT PORTION</b>				
	82,031	-	82,031	24,762
Total liabilities	<u>4,583,450</u>	<u>-</u>	<u>4,583,450</u>	<u>4,689,413</u>
<b>NET ASSETS</b>				
Without donor restrictions	7,952,613	-	7,952,613	9,681,544
With donor restrictions	-	8,078,302	8,078,302	8,187,058
Total net assets	<u>7,952,613</u>	<u>8,078,302</u>	<u>16,030,915</u>	<u>17,868,602</u>
	<u>\$ 12,536,063</u>	<u>\$ 8,078,302</u>	<u>\$ 20,614,365</u>	<u>\$ 22,558,015</u>

The accompanying notes are an integral part of these consolidated statements.

**Cradle Adoption Partners, NFP**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
For the year ended September 30, 2019 with summarized totals for the year ended September 30, 2018

	2019		Total	2018 Summarized Totals
	Without Donor Restrictions	With Donor Restrictions		
<b>Revenues</b>				
Public support				
Contributions				
Individuals and others	\$ 874,155	145,367	\$ 1,019,522	\$ 1,361,774
Special events income	619,966	-	619,966	663,495
Trusts	153,624	-	153,624	153,478
Bequests	-	-	-	1,174
Donated goods and services	1,165,434	-	1,165,434	400,443
	<u>2,813,179</u>	<u>145,367</u>	<u>2,958,546</u>	<u>2,580,364</u>
Program revenue				
Fee income	1,761,426	-	1,761,426	2,605,150
	<u>1,761,426</u>	<u>-</u>	<u>1,761,426</u>	<u>2,605,150</u>
Other revenues, net				
Interest and dividends	293,039	28,343	321,382	326,837
Realized/unrealized net gains (losses) on investments	(68,863)	11,258	(57,605)	1,383,932
Changes in value of split interest agreements and trusts	-	(96,947)	(96,947)	65,530
Miscellaneous revenue	8,941	-	8,941	4,598
	<u>233,117</u>	<u>(57,346)</u>	<u>175,771</u>	<u>1,780,897</u>
Net assets released from restrictions	196,777	(196,777)	-	-
	<u>196,777</u>	<u>(196,777)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>5,004,499</u>	<u>(108,756)</u>	<u>4,895,743</u>	<u>6,966,411</u>
<b>Expenses</b>				
Program services				
Social service	1,660,651	-	1,660,651	1,849,183
Nursery	648,486	-	648,486	745,940
Outreach and communications	1,845,130	-	1,845,130	1,247,629
Our Children	90,307	-	90,307	196,943
Adoption Learning Partners	556,969	-	556,969	576,725
	<u>4,801,543</u>	<u>-</u>	<u>4,801,543</u>	<u>4,616,420</u>
Supporting services				
Management and general	1,249,144	-	1,249,144	1,330,955
Fundraising - other	475,293	-	475,293	399,127
Fundraising - special events	207,450	-	207,450	204,066
	<u>1,931,887</u>	<u>-</u>	<u>1,931,887</u>	<u>1,934,148</u>
Total expenses	<u>6,733,430</u>	<u>-</u>	<u>6,733,430</u>	<u>6,550,568</u>
CHANGE IN NET ASSETS	(1,728,931)	(108,756)	(1,837,687)	415,843
Net assets, beginning of year	9,681,544	8,187,058	17,868,602	17,452,759
Net assets, end of year	<u>\$ 7,952,613</u>	<u>\$ 8,078,302</u>	<u>\$ 16,030,915</u>	<u>\$ 17,868,602</u>

The accompanying notes are an integral part of these consolidated statements.



**Cradle Adoption Partners, NFP**  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
Year ended September 30, 2019 with summarized totals for the year ended September 30, 2018

	Program Services					Supporting Services			2019 Total Expenses	2018 Summarized Totals
	Social Service	Nursery	Outreach and Communications	Our Children	Adoption Learning Partners	Management and General	Fundraising			
							Other	Special Events		
Functional expenses										
Payroll	\$ 1,121,047	\$ 424,689	\$ 195,407	\$ 65,119	\$ 279,814	\$ 463,812	\$ 218,863	\$ -	\$ 2,768,751	\$ 3,088,067
Payroll taxes and fringe benefits	247,612	93,871	43,196	14,355	61,811	104,228	47,352	-	612,425	725,440
Medical, prenatal and other living expenses	37,850	1,172	-	-	-	-	-	-	39,022	27,058
Occupancy	76,642	29,378	6,761	2,791	6,154	46,010	499	31,556	199,791	133,859
Insurance	23,716	11,220	2,708	1,118	2,465	57,413	-	-	98,640	113,692
Telephone	18,886	7,095	2,220	643	1,754	9,901	-	-	40,499	42,108
Supplies	1,963	38,703	948	349	313	4,913	2,381	8,216	57,786	422,766
Postage and shipping	767	42	2,715	148	-	637	5,968	1,189	11,466	12,873
Travel	23,780	-	5,139	319	11,405	4,588	556	224	46,011	61,315
Equipment repairs and maintenance	29,650	10,992	2,653	1,095	2,415	45,821	4,433	6,309	103,368	98,219
Professional service fees	6,898	-	1,101,955	-	42,661	241,410	162,945	-	1,555,869	342,081
Temporary help	312	2,405	-	590	719	339	2,279	-	6,644	4,876
Education and research	3,869	440	1,391	-	3,397	7,239	1,236	-	17,572	19,775
Meeting expense	6,130	101	932	189	1,162	2,158	1,212	-	11,884	25,467
Other event expenses	869	-	66	-	-	3,777	2,873	139,966	147,551	187,338
Communications	689	-	463,531	200	35,241	9,481	14,354	10,874	534,370	694,695
Depreciation and amortization	56,770	26,240	12,549	2,575	91,369	43,355	-	-	232,858	248,934
Banking and credit card fees	-	-	-	-	16,194	37,035	9,376	5,672	68,277	86,393
Interest expense and debt service	674	318	77	32	70	161,171	-	-	162,342	150,217
Miscellaneous	2,527	1,820	2,882	784	25	5,856	966	3,444	18,304	65,395
	<u>\$ 1,660,651</u>	<u>\$ 648,486</u>	<u>\$ 1,845,130</u>	<u>\$ 90,307</u>	<u>\$ 556,969</u>	<u>\$ 1,249,144</u>	<u>\$ 475,293</u>	<u>\$ 207,450</u>	<u>\$ 6,733,430</u>	<u>\$ 6,550,568</u>

Miller Cooper & Co., Ltd.

The accompanying notes are an integral part of these consolidated statements.

**Cradle Adoption Partners, NFP**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the year ended September 30, 2019 with summarized totals  
for the year ended September 30, 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (1,837,687)	\$ 415,843
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	232,858	248,934
Realized and unrealized gains (losses) on investments and trusts, net	154,486	(1,446,083)
Changes in value of split interest agreements	66	(3,379)
Gain on sale of property and equipment	(1,711)	-
(Increase) decrease in assets		
Receivables	55,337	32,723
Pledges receivable	104,633	(211,647)
Prepaid expenses and other assets	(191,243)	(2,021)
Increase (decrease) in liabilities		
Accounts payable	15,531	64,876
Accrued expenses	47,053	12,738
Deferred revenue	(21,739)	(23,523)
Net cash used in operating activities	<u>(1,442,416)</u>	<u>(911,539)</u>
Cash flows from investing activities		
Purchases of investments	-	(598,656)
Proceeds from sales of investments	1,932,520	1,479,981
Receipt of assets held in remainder trust	-	4,704
Proceeds from sale of property and equipment	28,811	-
Purchases of property and equipment	(45,851)	(49,097)
Net cash provided by investing activities	<u>1,915,480</u>	<u>836,932</u>
Cash flows from financing activities		
Repayment of capital lease	(51,991)	(23,206)
Repayment of line of credit	(200,000)	(400,000)
Net cash used in financing activities	<u>(251,991)</u>	<u>(423,206)</u>
NET INCREASE (DECREASE) IN CASH	221,073	(497,813)
Cash, beginning of year	<u>270,431</u>	<u>768,244</u>
Cash, end of year	<u>\$ 491,504</u>	<u>\$ 270,431</u>
<u>Supplemental disclosure of cash flow information</u>		
Cash paid for interest	<u>\$ 162,342</u>	<u>\$ 148,342</u>
Equipment financed through capital lease agreement	<u>\$ 105,183</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated statements.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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**NOTE A - NATURE OF ORGANIZATION AND PRINCIPLES OF CONSOLIDATION**

1. Nature of Organization

The accompanying consolidated financial statements include the financial information of The Cradle and The Cradle Foundation (the Foundation) (collectively, the "Organization"). Cradle Adoption Partners, NFP (CAP), which serves as the sole voting member of The Cradle, had no assets, liabilities or financial activity for the year ended September 30, 2019.

Founded in 1923 and located in Evanston, Illinois, The Cradle has placed more than 15,000 children. The Cradle is committed to working with clients of every race, religion and ethnic background. It is the only adoption agency in the country to operate a 24-hour nursery on premises. This nursery plays a critical role in The Cradle's ability to care for infants while their parents continue to receive decision-making counseling services and to place infants born with special needs with loving and caring families.

Free counseling and support is provided to expectant parents as they are considering all options available to them, which may include a plan for adoption for their child. Such counseling and support remains available to birth parents even after their decision is made. Prospective adoptive parents are prepared for and supported throughout the process to become adoptive parents. Post-placement support is provided to individuals and families immediately following the placement, and throughout life.

Through the Center for Lifelong Adoption Support (CLAS), certified adoption-competent therapists provide a continuum of support to birth and adoptive parents, adopted persons and families as they live, learn and grow. Another program of The Cradle – Adoption Learning Partners (ALP) – provides adoption preparation and education through online courses and webinars for adoptive parents and adoption professionals throughout the world. Since 2002, more than 100,000 individuals have enrolled in over 300,000 courses through ALP ([www.adoptionlearningpartners.org](http://www.adoptionlearningpartners.org)).

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE A - NATURE OF ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

(Continued)

1. Nature of Organization (Continued)

The Cradle is licensed by the Illinois Department of Children and Family Services to provide infant adoption services and to provide infant care in its on-site nursery, and is fully accredited to provide adoption services for Hague Convention Countries for the U.S. State Department. It is a member of the National Council for Adoption (NCFCA) and other adoption and child-welfare-focused advocacy groups.

The Foundation was formed in January 2003 as an Illinois public not-for-profit corporation and commenced operations in January 2004. The Foundation was organized to provide support to The Cradle. Support distributions of \$2,965,000 for the year ended September 30, 2019, were made by the Foundation to The Cradle. These transactions have been eliminated in consolidation. A majority of the consolidated assets are investments and pledges receivable held by the Foundation.

2. Principles of Consolidation

The financial statements of The Cradle and The Foundation have been consolidated in accordance with the standards for consolidation under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). All related-party balances and transactions between The Cradle and The Foundation have been eliminated in consolidation.

3. Prior-year Summarized Information

The consolidated 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 (GAAP). Accordingly, such information should be read in conjunction with the Organizations' consolidated financial statements for the year ended September 30, 2018, from which the summarized information was derived.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. **Basis of Accounting**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature: those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is fulfilled), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Contributions that are donor-restricted for which the restriction is satisfied in the same reporting period are classified as without donor restrictions.

2. **Investments, at Fair Value**

Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidated statements of financial position. Investment income represents interest, dividends, and realized/unrealized gains and losses and is included in the consolidated statements of activities. Investments are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Receivables

Receivables consist primarily of adoption fees and are reported at net realizable value, which is the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of individuals having outstanding receivable balances and taking into consideration the age of past due accounts, an assessment of the ability to pay, as well as current relationships, management considers receivables to be fully collectible as of September 30, 2019. Accordingly, no allowance for doubtful accounts is required. Individual accounts are written off when collection appears doubtful.

4. Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Unconditional contributions (promises to give) that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions that are expected to be collected in future years are recorded at fair value, which is measured as the present value of estimated future cash flows, at the date the contribution or pledge is received, to the extent estimated to be collectible by the Organization. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. No allowance for pledges receivable is provided based upon management's judgment, including such factors as collection history, type of contribution and nature of the fundraising activity.

5. Assets Held in Remainder Trust

The Organization has been designated as the remainderman of a charitable remainder unitrust. The assets of the trust are held by outside trustees who distribute annuity payments to the donors. The trust will be transferred to the Organization for general operating purposes upon the death of the donor. The trust is reflected as assets with donor restrictions on the consolidated statements of financial position. Changes in the fair value of charitable remainder unitrust is reflected as changes in value of split-interest agreements and trusts in net assets with donor restrictions on the consolidated statements of activities.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Beneficial Interests in Perpetual Trusts

The Organization has a beneficial interest in the income of three perpetual trusts held by third parties. These trusts are reflected as net assets with donor restrictions on the consolidated statements of financial position. Changes in the fair value of the Organization's interest in the trust assets are reflected as changes in the value of split-interest agreements and trusts in net assets with donor restrictions on the consolidated statements of activities. Annual distributions from the trust are reported as investment returns in the consolidated statements of activities.

7. Property and Equipment

Property and equipment purchases of \$2,500 or more are recorded at cost and depreciated over their estimated useful lives on a straight-line basis. Major renewals and betterments, which extend the useful life of an asset, are capitalized while routine maintenance and repairs are expensed as incurred. The estimated useful lives for determining depreciation of the various classes of assets are as follows:

Land improvements and parking lot	15 years
Building and building improvements	10 - 50 years
Furnishings, equipment and software	3 - 10 years

8. Deferred Revenue

Deferred revenue consists of funds received for programs and other events received in advance of the period in which the service is rendered. The Organization recognizes revenues when the related services are provided.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Revenue Recognition

*Public Support*

Public support consists of cash and securities received from donors. Contributions, including unconditional pledges, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value at date of gift. All gifts of publicly-traded securities are sold upon receipt in accordance with the Organizations' gift acceptance policy.

*Fee Income*

Fee income consists of adoption services fees, counseling fees, and Adoption Learning Partners product revenue, and is recognized as the services are provided.

10. Donated Services

A substantial number of unpaid volunteers and members of the Boards of Directors and Committees of The Cradle and the Foundation have made significant contributions of their time to various activities of the Organizations. The Organizations recognize as contributions the fair value only of those contributed services that either create or enhance non-financial assets or require specialized skills and that would otherwise have been purchased in the period received. Donated goods are recorded at the fair value of the items donated. Donated goods and services included as support in the consolidated statements of activities include donated legal services, employee training, nursery supplies, public relations and marketing/advertising services totaling \$1,165,434 for the year ended September 30, 2019.



**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

11. Functional Expense Allocation

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, costs associated with a specific program are charged directly to that program. Costs that benefit more than one function have been allocated among the programs and supporting services benefited based on a systematic and rational method.

The expenses that are allocated include the following:

Expense	Method of Allocation
Payroll	Time and Effort
Payroll taxes and fringe benefits	Time and Effort
Medical, prenatal and other living expenses	Time and Effort
Occupancy	Square Footage
Insurance	Direct
Telephone	Direct
Supplies	Direct
Postage and shipping	Direct
Travel	Direct
Equipment repairs and maintenance	Direct
Professional service fees	Direct
Temporary help	Direct
Education and research	Direct
Meeting expense	Direct
Other event expenses	Direct
Communications	Direct
Depreciation and amortization	Direct
Banking and credit card fees	Direct
Interest expense and debt service	Square Footage
Miscellaneous	Direct

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Income Tax Matters

The Cradle, the Foundation, and CAP have received determination letters from the Internal Revenue Service indicating these Organizations are tax-exempt organizations as provided in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on income related to their exempt purpose. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain portion that more likely than not would not be sustained upon examination by the Internal Revenue Service or other applicable taxing authorities.

Management has analyzed the tax positions taken by the Organization, and has concluded that as of September 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements.

13. Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. Fair Value of Financial Instruments

The carrying amounts of financial instruments, including receivables, pledges receivable, accounts payable and accrued expenses approximate fair value due to the nature or short maturity of these instruments. The carrying amount of the line of credit approximates fair value because the interest rates fluctuate with market interest rates or the fixed rates are based on current rates offered to the Organization for debt with similar terms and maturities.

It is the Organization's policy, in general, to measure nonfinancial assets and liabilities at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (such as evidence of impairment) which, if material, are disclosed in the accompanying notes to these consolidated financial statements.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. New Accounting Pronouncement

*Presentation of Financial Statements Not-For-Profit Entities*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 is intended to reduce complexity by changing the way all not-for-profits classify net assets and prepare financial statements, which will result in more consistent and transparent financial reporting and disclosures for not-for-profits. The Organization adopted ASU 2016-14 in 2019 and adjusted the presentation for the accompanying consolidated financial statements accordingly. Adoption of ASU 2016-14 resulted in the following changes to the consolidated financial statements:

- Unrestricted net assets have been renamed net assets without donor restrictions.
- Temporarily restricted and permanently restricted net assets have been combined and renamed net assets with donor restrictions.
- The consolidated financial statements include a disclosure about liquidity and availability of resources as of September 30, 2019 (Note C).
- The Organization is required to present an analysis of expenses by both function and natural classification which is presented for the year ended September 30, 2019 in the consolidated statements of functional expenses. Additional disclosures are also required regarding specific methodologies used to allocate costs among program and support functions (Note B-11).

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Significant Accounting Standards Applicable in Future Years

Revenue Recognition

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, (Topic 606) (ASU 2014-09), in May 2014. ASU 2014-09 sets forth a new five-step revenue recognition model that will require the use of more estimates and judgment. ASU 2014-09 will replace current revenue recognition requirements in Topic 605, *Revenue Recognition*, in its entirety. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in prior accounting guidance. ASU 2014-09 is effective for annual financial statements of non-public companies issued for fiscal years beginning after December 15, 2018, and should be applied retrospectively in the year the ASU is first applied using one of two allowable application methods.

ASU 2014-09 is effective for the Organization's September 30, 2020 consolidated financial statements and thereafter. Management is currently evaluating the effect that ASU 2014-09 will have on the Organization's consolidated financial statements.

Contributions Received and Contributions Made

The FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) in June 2018. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and made. The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. The amendments also provide more guidance on determining whether a contribution is conditional. ASU 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018 for transactions in which the Organization serves as the resource recipient. ASU 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2019 for transactions in which the Organization serves as the resource provider.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Significant Accounting Standards Applicable in Future Years (Continued)

Contributions Received and Contributions Made (Continued)

ASU 2018-08 is effective for the Organization's September 30, 2020 consolidated financial statements and thereafter. Management is currently evaluating the effect that ASU 2018-08 will have on the Organization's consolidated financial statements.

Leases

The FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02), in February 2016. Under ASU 2016-02, lessees will be required to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use or control the use of a specific asset for a lease term. Under the new guidance, lessor accounting is largely unchanged. ASU 2016-02 was effective for annual financial statements of private companies and not-for-profits issued for fiscal years beginning after December 15, 2019, and will be applied using a modified retrospective approach.

In November 2019, the FASB issued ASU 2019-10, *Financial Instruments - Credit Losses (Topic 325), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* (ASU 2019-10). ASU 2019-10 finalizes various effective date delays for private companies applying the credit losses, leases and hedging standards. As a result of ASU 2019-10, the Organization's effective date of ASU 2016-02 is deferred. ASU 2016-02 is now effective for the Organization's September 30, 2022 consolidated financial statements. Management is currently evaluating the effect that ASU 2016-02 will have on the Organization's consolidated financial statements.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE C - AVAILABILITY AND LIQUIDITY

As of September 30, 2019, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be readily made available within one year of the consolidated statement of financial position date to meet general expenditures:

Financial assets at year end:	
Cash	\$ 491,504
Investments, at fair value	13,399,927
Receivables	68,965
Pledges receivable	183,295
Assets held in remainder trust	40,316
Beneficial interest in perpetual trust	<u>3,268,075</u>
Total financial assets	<u>17,452,082</u>
Less amounts not available to be used within one year:	
Line of credit collateralized by investments	4,000,000
Financial assets encumbered by donor restrictions (Note H)	<u>8,078,302</u>
Total amounts not available to be used within one year	<u>12,078,302</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u><u>5,373,780</u></u>

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE C - AVAILABILITY AND LIQUIDITY (Continued)

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds while abiding by the board approved investment policy. The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures as well as cash on hand at the end of the year. The Organization's primary sources of funding is from contributions, fee income and investment return which may vary from year to year. The Organization also has access to a line of credit in the amount of \$5,200,477 of which \$4,000,000 is outstanding as of September 30, 2019 (Note C).

NOTE D - FAIR VALUE MEASUREMENTS

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

Level 1 - Inputs to the valuation methodology are unadjusted quoted market 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 the following:

- \* 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.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE D - FAIR VALUE MEASUREMENTS (Continued)

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 following is a description of the valuation methodologies used for the Organization's investments measured at fair value. There have been no changes in the methodologies used as of September 30, 2019 and 2018.

*Investment securities:* The fair values of common stock funds, fixed income funds, money market funds, and balanced funds are based on quoted market prices.

*Assets held in remainder trusts and beneficial interest in perpetual trusts:* Fair value for the assets held in charitable remainder unitrusts is determined by subtracting the present value of the future distributions expected to be paid to the beneficiary, calculated using published life expectancy tables and a 3 percent discount rate, from the fair value of the trust assets provided by the trustees. The fair value for the beneficial interest in perpetual trusts is determined based on the fair value of the investments held in the trusts, as provided by the trustees.

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.



**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments, assets held in remainder trust, and beneficial interest in charitable remainder unitrust at fair value as of September 30, 2019. Money market funds as detailed below are included in investments in the consolidated statements of financial position.

	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investment securities				
Money market funds	\$ 13,704	\$ -	\$ -	\$ 13,704
Fixed income funds	1,870,812	-	-	1,870,812
Common stock funds	9,988,003	-	-	9,988,003
Balanced funds	1,527,408	-	-	1,527,408
Investments, at fair value	<u>\$ 13,399,927</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,399,927</u>
Assets held in remainder trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,316</u>	<u>\$ 40,316</u>
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,268,075</u>	<u>\$ 3,268,075</u>

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Assets Held in Remainder Trusts	Beneficial Interest in Perpetual Trusts	Total
	<u>Trusts</u>	<u>Trusts</u>	<u>Total</u>
Balance October 1, 2018	\$ 40,382	\$ 3,364,956	\$ 3,405,338
Distribution	-	-	-
Change in value in split interest agreements	<u>(66)</u>	<u>(96,881)</u>	<u>(96,947)</u>
Balance September 30, 2019	<u>\$ 40,316</u>	<u>\$ 3,268,075</u>	<u>\$ 3,308,391</u>

The change in values of assets held in remainder trusts and the beneficial interest in perpetual trusts is included in other revenues in the consolidated statements of activities and is related to assets still held as of the consolidated statement of financial position date.

NOTE E - PLEDGES RECEIVABLE

Pledges receivable are expected to be received as follows as of September 30, 2019 and represents unconditional promises to give:

	<u>2019</u>
Less than one year	\$ 101,000
Between one and five years	<u>85,000</u>
	186,000
Discount to present value	<u>(2,705)</u>
	183,295
Less current portion	<u>101,000</u>
Long-term pledges receivable	<u>\$ 82,295</u>

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

NOTE E - PLEDGES RECEIVABLE (Continued)

Pledges receivable have been reduced by a present value discount in the range of 2.84% - 2.88% as of September 30, 2019.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30:

	2019
Land	\$ 20,300
Land improvements and parking lot	332,690
Building and building improvements	5,526,388
Furnishings, equipment and software	1,305,104
Equipment under capital lease	105,183
	7,289,665
Less accumulated depreciation	4,408,966
	2,880,699
Construction in process	31,439
	\$ 2,912,138

Depreciation expense totaled \$227,426 for the year ended September 30, 2019.

NOTE G - LINE OF CREDIT

On October 29, 2015, the Organization entered into a revolving line of credit issued by a bank in the amount of \$5,200,477. The line bears interest at the weekly LIBOR rate (1.91% at September 30, 2019) plus 1.50%. The revolving line of credit is payable upon demand. As security for the obligation under the revolving letter of credit, the Foundation has granted a first-priority lien and security interest in its unrestricted investments. Borrowings outstanding on the line of credit were \$4,000,000 as of September 30, 2019.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of September 30, 2019:

	2019
Subject to expenditure for specified purposes:	
Daniel Corbett Memorial Fund	\$ 12,645
Building related	50,000
Mark Morton Memorial Fund	75,000
Earnings on Schreyer Family Leadership and Mary Ann Jergens Hays Fund	342,319
	479,964
Subject to the passage of time:	
Assets held in remainder trusts	40,316
Paul B Uhlenhop Fund	50,000
Pledges receivable	183,295
	273,611
Endowments:	
Nursery	500,000
Post-adoption operations	1,063,333
General	1,250,003
Mary Ann Jergens Hays Fund	135,139
Schreyer Family Leadership Fund	850,000
Alexander Bond Memorial Trust	258,177
	4,056,652
Not subject to spending policy or appropriation:	
Beneficial interest in perpetual trusts	3,268,075
Total net assets with donor restrictions	\$ 8,078,302

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets of \$196,777 were released from donor restrictions in fiscal year 2019, by incurring expenses satisfying the restricted program purposes or by satisfaction of the implied time restrictions.

NOTE I - ENDOWMENT NET ASSETS

The Organization's net assets perpetual in nature (endowment fund) consist of six individual funds established to support the nursery, a post-adoption counselor position, and general operations. It includes only donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Illinois Uniform Management of Institutional Funds Act and its successor 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. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment net asset compositions by type of fund as of September 30, 2019 is as follows:

	<u>With Donor Restrictions - Purpose</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 342,319	\$ 4,056,652	\$ 4,398,971

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

NOTE I - ENDOWMENT NET ASSETS (Continued)

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

	With Donor Restrictions - Purpose	With Donor Restrictions - Perpetual	Total
Endowment net assets, October 1, 2018	\$ 414,459	\$ 4,041,688	\$ 4,456,147
Contributions	-	-	-
Investment income	28,343	-	28,343
Net appreciation (depreciation)	(3,706)	14,964	11,258
Amounts appropriated for expenditures	(96,777)	-	(96,777)
Endowment net assets, September 30, 2019	<u>\$ 342,319</u>	<u>4,056,652</u>	<u>4,398,971</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or law requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature as of September 30, 2019.

Investment Policy

The Organization has established an investment policy to guide the management of all investment assets of the Organization, including all endowment assets. The goals for the investment fund are to (1) provide a source of funds to support annual operations, and (2) increase the overall purchasing power of the investments through asset growth and income returns. These results will be sought while incurring an acceptable rate of return and, if not attainable in any given year, should be achieved or surpassed over time to the extent of returns in the broad markets. The investments are to be broadly diversified so as to limit the impact of possible losses in individual investments in the total portfolio.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

NOTE I - ENDOWMENT NET ASSETS (Continued)

Spending Policies

The Organization has a policy of appropriating for distribution the investment earnings (interest and appreciation) on these funds absent any donor specifications to the contrary. The spending appropriation on certain donor-restricted funds is limited to 5 percent of the specific fund's average fair value over three years, unless extraordinary circumstances apply.

NOTE J - SPECIAL EVENTS

The Organization sponsored the following fundraising events for the year ended September 30, 2019:

	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
Cradle Ball	\$ 307,154	\$ 104,719	\$ 202,435
Auto show	113,607	35,108	78,499
Golf outing	153,244	48,498	104,746
Sayers Soiree	23,826	7,610	16,216
Cradle associates	5,535	1,115	4,420
Miscellaneous events	16,600	10,400	6,200
	<u>\$ 619,966</u>	<u>\$ 207,450</u>	<u>\$ 412,516</u>

NOTE K - LEASE COMMITMENTS

Capital Lease

During 2019, the Organization entered into a lease agreement to lease copier equipment and accounts for the lease as a capital lease. The lease requires monthly principal and interest payments of \$1,890 and expires in July 2024. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the shorter of their related lease term or their estimated productive lives. Depreciation of assets under the capital lease is included in depreciation expense for the year ended September 30, 2019.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE K - LEASE COMMITMENTS (Continued)

Capital Lease (Continued)

The following is a summary of equipment held under capital leases as of September 30, 2019:

Equipment	\$ 105,183
Less: Accumulated depreciation	<u>(3,506)</u>
	<u>\$ 101,677</u>

Future lease payments under the capital lease are as follows:

2020	\$ 22,680
2021	22,680
2022	22,680
2023	22,680
2024	<u>18,900</u>
	109,620
Less: Amount representing interest	<u>(7,695)</u>
	<u>\$ 101,925</u>

The interest rate on the capital lease is 3.00% percent annually and was imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.



**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019

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NOTE K - LEASE COMMITMENTS (Continued)

Operating leases

The Organization maintains operating leases for office space and certain office equipment. The leases have various expiration dates through August 2020. Rental expense for operating leases was \$10,176 for the year ended September 30, 2019.

As of September 30, 2019, future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

2020	\$ <u>6,925</u>
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NOTE L - RETIREMENT PLAN

Effective January 1, 1996, the Organization's Board of Directors approved a 403(b) plan for eligible employees. Employees may elect to defer a portion of their salaries for contributions to the plan. The Organization may make, at their discretion, a contribution at a rate to be determined annually by the Boards of Directors. The discretionary employer matching contribution expense was \$39,545 for the year ended September 30, 2019.

NOTE M - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at one banking institution. These cash balances are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization may have balances in excess of FDIC insured deposit limits.

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 6, 2020, the date that these consolidated financial statements were available to be issued. Management has determined that no events or transactions, have occurred subsequent to the consolidated statement of financial position date that require additional disclosure in the consolidated financial statements.

**SUPPLEMENTAL INFORMATION**

**Cradle Adoption Partners, NFP**  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
September 30, 2019

<u>ASSETS</u>	The Cradle	The Cradle Foundation	Eliminations	Consolidated
<b>CURRENT ASSETS</b>				
Cash	\$ 108,659	\$ 382,845	\$ -	\$ 491,504
Investments, at fair value	-	13,399,927	-	13,399,927
Receivables	257,959	55,546	(244,540)	68,965
Pledges receivable	-	101,000	-	101,000
Prepaid expenses and other assets	217,702	32,443	-	250,145
Due to/from affiliate	1,727,776	(1,727,776)	-	-
Total current assets	2,312,096	12,243,985	(244,540)	14,311,541
<b>NONCURRENT ASSETS</b>				
Long-term pledges receivable, less current portion	-	82,295	-	82,295
Assets held in remainder trust	40,316	-	-	40,316
Beneficial interest in perpetual trust	3,268,075	-	-	3,268,075
Beneficial interest in net assets of the Foundation	7,940,348	-	(7,940,348)	-
Property and equipment, net of accumulated depreciation	2,911,241	897	-	2,912,138
Total noncurrent assets	14,159,980	83,192	(7,940,348)	6,302,824
	<u>\$ 16,472,076</u>	<u>\$ 12,327,177</u>	<u>\$ (8,184,888)</u>	<u>\$ 20,614,365</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Line of credit	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000
Accounts payable	86,435	273,055	(244,540)	114,950
Accrued payroll and benefits	57,761	4,650	-	62,411
Accrued vacation	117,402	4,487	-	121,889
Other accrued expenses	75,625	15,262	-	90,887
Current obligations under capital lease	19,894	-	-	19,894
Deferred revenue	2,013	89,375	-	91,388
Total current liabilities	359,130	4,386,829	(244,540)	4,501,419
<b>CAPITAL LEASE PAYABLE, LESS CURRENT PORTION</b>				
	82,031	-	-	82,031
Total liabilities	441,161	4,386,829	(244,540)	4,583,450
<b>NET ASSETS</b>				
Without donor restrictions	7,952,613	3,170,436	(3,170,436)	7,952,613
With donor restrictions	8,078,302	4,769,912	(4,769,912)	8,078,302
Total net assets	16,030,915	7,940,348	(7,940,348)	16,030,915
	<u>\$ 16,472,076</u>	<u>\$ 12,327,177</u>	<u>\$ (8,184,888)</u>	<u>\$ 20,614,365</u>

**Cradle Adoption Partners, NFP**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
Year ended September 30, 2019

	Without Donor Restrictions				With Donor Restrictions				Consolidated
	The Cradle	The Cradle Foundation	Eliminations	Total	The Cradle	The Cradle Foundation	Eliminations	Total	
Revenues									
Public support									
Contributions									
Individuals and others	\$ 457	\$ 873,698	\$ -	\$ 874,155	\$ -	\$ 145,367	\$ -	\$ 145,367	\$ 1,019,522
Special events income	200	619,766	-	619,966	-	-	-	-	619,966
Trusts	153,624	-	-	153,624	-	-	-	-	153,624
Donated goods and services	1,165,434	-	-	1,165,434	-	-	-	-	1,165,434
	<u>1,319,715</u>	<u>1,493,464</u>	<u>-</u>	<u>2,813,179</u>	<u>-</u>	<u>145,367</u>	<u>-</u>	<u>145,367</u>	<u>2,958,546</u>
Program revenue									
Fee income	<u>1,761,426</u>	<u>-</u>	<u>-</u>	<u>1,761,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,761,426</u>
Other revenues (expenses), net									
Interest and dividends	892	292,147	-	293,039	-	28,343	-	28,343	321,382
Realized/unrealized net gains (losses) on investments	-	(68,863)	-	(68,863)	-	11,258	-	11,258	(57,605)
Changes in value of split interest agreements and trusts	-	-	-	-	(96,947)	-	-	(96,947)	(96,947)
Administrative fee	244,540	-	(244,540)	-	-	-	-	-	-
Miscellaneous revenue	7,868	1,073	-	8,941	-	-	-	-	8,941
	<u>253,300</u>	<u>224,357</u>	<u>(244,540)</u>	<u>233,117</u>	<u>(96,947)</u>	<u>39,601</u>	<u>-</u>	<u>(57,346)</u>	<u>175,771</u>
Net assets released from restrictions	<u>-</u>	<u>196,777</u>	<u>-</u>	<u>196,777</u>	<u>-</u>	<u>(196,777)</u>	<u>-</u>	<u>(196,777)</u>	<u>-</u>
Total revenues	<u>3,334,441</u>	<u>1,914,598</u>	<u>(244,540)</u>	<u>5,004,499</u>	<u>(96,947)</u>	<u>(11,809)</u>	<u>-</u>	<u>(108,756)</u>	<u>4,895,743</u>

(Continued)

**Cradle Adoption Partners, NFP**  
CONSOLIDATING SCHEDULE OF ACTIVITIES (Continued)  
Year ended September 30, 2019

	Without Donor Restrictions				With Donor Restrictions				Consolidated
	The Cradle	The Cradle Foundation	Eliminations	Total	The Cradle	The Cradle Foundation	Eliminations	Total	
Expenses									
Program services									
Social service	\$ 1,660,651	\$ -	\$ -	\$ 1,660,651	\$ -	\$ -	\$ -	\$ -	\$ 1,660,651
Nursery	648,486	-	-	648,486	-	-	-	-	648,486
Outreach and Communications	1,845,130	-	-	1,845,130	-	-	-	-	1,845,130
Our Children	90,307	-	-	90,307	-	-	-	-	90,307
Adoption Learning Partners	556,969	-	-	556,969	-	-	-	-	556,969
	<u>4,801,543</u>	<u>-</u>	<u>-</u>	<u>4,801,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,801,543</u>
Supporting services									
Management and general	1,104,274	389,410	(244,540)	1,249,144	-	-	-	-	1,249,144
Fundraising-other		475,293	-	475,293	-	-	-	-	475,293
Fundraising-special events	-	207,450	-	207,450	-	-	-	-	207,450
	<u>1,104,274</u>	<u>1,072,153</u>	<u>(244,540)</u>	<u>1,931,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,931,887</u>
Total expenses	<u>5,905,817</u>	<u>1,072,153</u>	<u>(244,540)</u>	<u>6,733,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,733,430</u>
CHANGE IN NET ASSETS	(2,571,376)	842,445	-	(1,728,931)	(96,947)	(11,809)	-	(108,756)	(1,837,687)
Net assets, beginning of year	9,681,544	5,292,991	(5,292,991)	9,681,544	8,187,058	4,781,721	(4,781,721)	8,187,058	17,868,602
Distributions	-	(2,965,000)	2,965,000	-	-	-	-	-	-
Change in beneficial interest in net assets of the Foundation	842,445	-	(842,445)	-	(11,809)	-	11,809	-	-
Net assets, end of year	<u>\$ 7,952,613</u>	<u>\$ 3,170,436</u>	<u>\$ (3,170,436)</u>	<u>\$ 7,952,613</u>	<u>\$ 8,078,302</u>	<u>\$ 4,769,912</u>	<u>\$ (4,769,912)</u>	<u>\$ 8,078,302</u>	<u>\$ 16,030,915</u>

Miller Cooper & Co., Ltd.