

**Cradle Adoption Partners, NFP**

**Consolidated Financial Statements and  
Independent Auditors' Report**

**September 30, 2021**

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# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Cradle Adoption Partners, NFP  
Evanston, Illinois

### **Report on the Consolidated 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, 2021, 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 auditors' 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, 2021, 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.

**Other Matters**

*Report on Summarized Comparative Information*

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited 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 2021 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in our audit of the 2021 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.



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Certified Public Accountants

Deerfield, Illinois  
February 11, 2022

## **CONSOLIDATED FINANCIAL STATEMENTS**

**Cradle Adoption Partners, NFP**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
September 30, 2021 with summarized totals as of September 30, 2020

<u>ASSETS</u>	2021			2020
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Summarized Totals</u>
<b>CURRENT ASSETS</b>				
Cash	\$ 421,422	\$ -	\$ 421,422	\$ 696,986
Investments, at fair value	9,648,411	4,587,067	14,235,478	13,722,117
Receivables	56,123	-	56,123	40,122
Contributions receivable, current portion	-	124,732	124,732	143,000
Prepaid expenses and other assets	66,308	-	66,308	257,786
Total current assets	<u>10,192,264</u>	<u>4,711,799</u>	<u>14,904,063</u>	<u>14,860,011</u>
<b>NONCURRENT ASSETS</b>				
Long-term contributions receivable, less current portion	-	-	-	59,844
Assets held in remainder trust	-	53,683	53,683	46,888
Beneficial interest in perpetual trust	-	3,958,926	3,958,926	3,348,702
Property and equipment, net of accumulated depreciation	<u>2,765,550</u>	<u>-</u>	<u>2,765,550</u>	<u>2,761,128</u>
Total noncurrent assets	<u>2,765,550</u>	<u>4,012,609</u>	<u>6,778,159</u>	<u>6,216,562</u>
	<u>\$ 12,957,814</u>	<u>\$ 8,724,408</u>	<u>\$ 21,682,222</u>	<u>\$ 21,076,573</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Line of credit	\$ 2,100,000	\$ -	\$ 2,100,000	\$ 4,000,000
Accounts payable	182,656	-	182,656	175,584
Accrued payroll and benefits	67,951	-	67,951	73,770
Accrued vacation	103,107	-	103,107	139,362
Other accrued expenses	23,381	-	23,381	24,214
Current obligations under capital lease	21,123	-	21,123	20,500
Deferred revenue	2,719	-	2,719	22,390
Refundable advance	-	-	-	614,881
Total current liabilities	<u>2,500,937</u>	<u>-</u>	<u>2,500,937</u>	<u>5,070,701</u>
<b>LONG-TERM DEBT</b>				
Capital lease payable, less current portion	<u>40,400</u>	<u>-</u>	<u>40,400</u>	<u>61,531</u>
Total long-term debt	<u>40,400</u>	<u>-</u>	<u>40,400</u>	<u>61,531</u>
Total liabilities	<u>2,541,337</u>	<u>-</u>	<u>2,541,337</u>	<u>5,132,232</u>
<b>NET ASSETS</b>	<u>10,416,477</u>	<u>8,724,408</u>	<u>19,140,885</u>	<u>15,944,341</u>
	<u>\$ 12,957,814</u>	<u>\$ 8,724,408</u>	<u>\$ 21,682,222</u>	<u>\$ 21,076,573</u>

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

**Cradle Adoption Partners, NFP**  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
Year ended September 30, 2021 with summarized totals for the year ended September 30, 2020

	2021		Total	2020 Summarized Totals
	Without Donor Restrictions	With Donor Restrictions		
Revenues				
Public support				
Contributions				
Individuals and others	\$ 1,292,268	\$ 16,888	\$ 1,309,156	\$ 1,235,315
Special events	1,205	-	1,205	277,612
Trusts	98,542	-	98,542	154,133
Bequests	10,000	-	10,000	50,000
Donated goods and services	48,236	-	48,236	371,394
	<u>1,450,251</u>	<u>16,888</u>	<u>1,467,139</u>	<u>2,088,454</u>
Program revenue				
Fee income	1,505,150	-	1,505,150	1,581,673
Other revenues, net				
Interest and dividends	84,625	60,128	144,753	247,384
Realized/unrealized net gains on investments	3,424,516	147,495	3,572,011	1,320,323
Changes in value of split-interest agreements and trusts	-	617,019	617,019	87,200
Government grant - PPP	614,881	-	614,881	-
Miscellaneous	35,908	-	35,908	11,958
	<u>4,159,930</u>	<u>824,642</u>	<u>4,984,572</u>	<u>1,666,865</u>
Net assets released from restrictions	<u>305,035</u>	<u>(305,035)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>7,420,366</u>	<u>536,495</u>	<u>7,956,861</u>	<u>5,336,992</u>
Expenses				
Program services				
Social service	1,297,189	-	1,297,189	1,434,502
Nursery	713,239	-	713,239	716,950
Outreach and communications	850,781	-	850,781	1,110,920
Our Children	136,440	-	136,440	111,320
Adoption Learning Partners	272,944	-	272,944	410,029
	<u>3,270,593</u>	<u>-</u>	<u>3,270,593</u>	<u>3,783,721</u>
Supporting services				
Management and general	1,046,076	-	1,046,076	1,112,436
Fundraising - other	443,648	-	443,648	421,917
Fundraising - special events	-	-	-	105,492
	<u>1,489,724</u>	<u>-</u>	<u>1,489,724</u>	<u>1,639,845</u>
Total expenses	<u>4,760,317</u>	<u>-</u>	<u>4,760,317</u>	<u>5,423,566</u>
CHANGE IN NET ASSETS	2,660,049	536,495	3,196,544	(86,574)
Net assets, beginning of year	<u>7,756,428</u>	<u>8,187,913</u>	<u>15,944,341</u>	<u>16,030,915</u>
Net assets, end of year	<u>\$ 10,416,477</u>	<u>\$ 8,724,408</u>	<u>\$ 19,140,885</u>	<u>\$ 15,944,341</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, 2021 with summarized totals for the year ended September 30, 2020

	Program Services					Supporting Services			2021 Total Expenses	2020 Summarized Totals
	Social Service	Nursery	Outreach and Communications	Our Children	Adoption Learning Partners	Management and General	Fundraising			
							Other	Special Events		
Functional expenses										
Payroll	\$ 862,353	\$ 484,154	\$ 172,111	\$ 101,056	\$ 173,107	\$ 265,465	\$ 241,435	\$ -	\$ 2,299,681	\$ 2,668,089
Payroll taxes and fringe benefits	198,080	111,214	39,535	23,210	39,762	50,607	65,189	-	527,597	532,733
Medical, prenatal and other living expenses	17,058	184	-	-	-	-	-	-	17,242	15,794
Occupancy	55,175	21,952	5,227	2,157	4,757	30,126	-	-	119,394	125,016
Insurance	24,999	11,826	2,854	1,178	2,598	84,542	-	-	127,997	94,514
Telephone	17,513	6,925	2,194	621	1,370	8,377	-	-	37,000	39,944
Supplies	4,108	34,256	1,082	316	334	7,639	1,885	-	49,620	58,508
Postage and shipping	531	34	-	-	-	285	3,315	-	4,165	4,900
Travel	8,794	159	296	-	-	2,867	274	-	12,390	32,793
Equipment repairs and maintenance	25,950	9,697	2,340	966	2,131	55,060	1,567	-	97,711	98,370
Professional service fees	2,314	-	5,654	-	4,050	400,234	94,039	-	506,291	678,313
Temporary help	-	-	-	-	-	-	-	-	-	11,618
Education and research	3,158	-	720	250	2,100	10,719	3,714	-	20,661	19,428
Meeting expense	488	-	83	20	-	1,190	5,122	-	6,903	12,834
Other event expenses	-	-	-	-	-	-	-	-	-	72,187
Communications	1,254	-	390,415	2,340	19,481	8,124	20,920	-	442,534	507,196
Depreciation and amortization	25,298	11,717	92,469	1,168	2,784	17,276	-	-	150,712	267,308
Impairment loss	37,081	17,175	135,538	1,711	4,080	25,324	-	-	220,909	-
Banking and credit card fees	-	-	15	899	15,852	25,883	5,938	-	48,587	48,852
Interest expense and debt service	915	433	105	43	95	38,932	-	-	40,523	102,797
Miscellaneous	12,120	3,513	143	505	443	13,426	250	-	30,400	32,372
	<u>\$ 1,297,189</u>	<u>\$ 713,239</u>	<u>\$ 850,781</u>	<u>\$ 136,440</u>	<u>\$ 272,944</u>	<u>\$ 1,046,076</u>	<u>\$ 443,648</u>	<u>\$ -</u>	<u>\$ 4,760,317</u>	<u>\$ 5,423,566</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**  
Year ended September 30, 2021 with summarized totals  
for the year ended September 30, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 3,196,544	\$ (86,574)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	150,712	267,308
Impairment loss - prepaid expenses and other assets	220,909	-
Realized and unrealized (gains) losses on investments and trusts, net	(4,182,234)	(1,400,951)
Changes in value of split interest agreements	(6,795)	(6,572)
Government grant - PPP	(614,881)	-
(Increase) decrease in assets		
Receivables	(16,001)	28,843
Contributions receivable	78,112	(19,549)
Prepaid expenses and other assets	(29,431)	(123,939)
Increase (decrease) in liabilities		
Accounts payable	7,072	60,634
Accrued expenses	(42,907)	(37,841)
Deferred revenue	(19,671)	(68,998)
Refundable advance	-	614,881
Net cash used in operating activities	<u>(1,258,571)</u>	<u>(772,758)</u>
Cash flows from investing activities		
Purchases of investments	-	(730,000)
Proceeds from sales of investments	3,058,649	1,728,134
Purchases of property and equipment	(155,134)	-
Net cash provided by investing activities	<u>2,903,515</u>	<u>998,134</u>
Cash flows from financing activities		
Repayment of capital lease	(20,508)	(19,894)
Repayment of line of credit	(1,900,000)	-
Net cash used in financing activities	<u>(1,920,508)</u>	<u>(19,894)</u>
CHANGE IN CASH	(275,564)	205,482
Cash, beginning of year	<u>696,986</u>	<u>491,504</u>
Cash, end of year	<u>\$ 421,422</u>	<u>\$ 696,986</u>
<u>Supplemental disclosure of cash flow information</u>		
Cash paid for interest	<u>\$ 43,764</u>	<u>\$ 110,058</u>
<u>Supplemental disclosure of noncash financing activities</u>		
Cash paid for insurance finance agreement	<u>\$ 59,770</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, 2021

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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, 2021.

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, 2021

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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 \$2,650,000 for the year ended September 30, 2021 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 Organization's consolidated financial statements for the year ended September 30, 2020, from which the summarized information was derived.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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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, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions and investment earnings 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 statements 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, 2021

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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, 2021. Accordingly, no allowance for doubtful accounts has been recorded in the consolidated statements of financial position. Individual accounts are written off when collection appears doubtful.

4. Contributions Receivable

Contributions 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 contributions 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, 2021

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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. Accounting Standard Adopted in the Current Year

In May 2014, the FASB issued ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)*, which provides a five-step analysis of contracts to determine when and how revenue is recognized, and replaces most existing revenue recognition guidance in GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Topic 606 was effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Accounting Standard Adopted in the Current Year (Continued)

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. ASU 2020-05 finalizes various effective date delays for private companies and not-for-profits applying the revenue from contracts standard for certain entities that have not yet issued financial statements reflecting the adoption of this standard. As a result of ASU 2020-05, the Organization's effective date of ASU 2014-09 was deferred. The Organization adopted FASB ASC 606 at October 1, 2020.

The Organization has elected the modified retrospective method of adoption which results in recognizing the cumulative effect, if any, of initially applying the new guidance as an adjustment to the opening net assets at October 1, 2020. The Organization determined that the new guidance does not have a significant effect on reported amounts and, as a result, no adjustment as of October 1, 2020 is required. Adoption of the new guidance resulted in no material changes to the Organization's accounting policies for revenue recognition.

As part of the adoption of Topic 606, the Organization elected to use the following transition practical expedient: (1) ASC 606 is applied only to contracts that are not completed at the initial date of application.

9. Revenue Recognition

*Revenue from Contracts with Customers*

Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing service. The Organization recognizes contract revenue for financial reporting purposes at a point in time. Contracts with customers may include multiple performance obligations for which the consideration is allocated between performance obligations. Depending on the terms of the contract, the Organization may defer the recognition of revenue and record a contract liability when a future performance obligation has not yet occurred.



**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Revenue Recognition (Continued)

*Revenue from Contracts with Customers* (Continued)

Program fee income consists of adoption services fees and adoption education fees. Adoption service fees are primarily comprised of fees for registration, home-study, program, and placement. Adoption education fees are primarily comprised of educational courses and workshops, and online training courses (i.e. webinars).

The Organization recognizes program fee revenues at a point in time when substantially all benefits have been provided.

The timing and billings, cash collections and revenue recognition results in accounts receivable and deferred revenue (contract liability) on the accompanying consolidated statements of financial position. Receivables are recognized only to the extent that the Organization has an unconditional right to consideration to which it is entitled in exchange for goods and services transferred to the client. Receipts received in advance of goods and services performed are recorded as deferred revenue.

The Organization records a receivable when there is an unconditional right to consideration based on a contract with a customer. A contract liability is recorded when cash is received or due in advance of the Organization's performance and is recognized into revenue as the Organization fulfills the respective performance obligation(s). The Organization's contract liabilities are included in deferred revenue in the consolidated statements of financial position.

Accounts receivable related to program fee income was \$42,131 and \$27,174 as of September 30, 2021 and October 1, 2020, respectively. There were no contract liabilities as of September 30, 2021 and October 1, 2020.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Revenue Recognition (Continued)

*Contribution Revenue*

Public support consists of cash and securities received from donors. Contributions, including unconditional pledges, are recognized in the period received and are classified as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor-imposed restrictions. 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.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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 and nursery supplies totaling \$48,236 for the year ended September 30, 2021.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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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, 2021

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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 position 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, 2021, 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, contributions receivable, accounts payable, accrued expenses, and refundable advance approximate fair value due to the nature or short maturity of these instruments. The carrying amount of the line of credit approximate 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, 2021

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Significant Accounting Standards Applicable in Future Years

*Presentation and Disclosures for Contributed Nonfinancial Assets*

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to clarify the presentation and disclosure of contributed nonfinancial assets. ASU 2020-07 requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. ASU 2020-07 is effective for annual periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022.

ASU 2020-07 is effective for the Organization's September 30, 2022 consolidated financial statements and thereafter. Management is currently evaluating the effect that ASU 2020-07 will have on the Organization's consolidated financial statements.

*Leases*

The FASB issued ASU 2016-02, *Leases, (Topic 842)*, 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, however the implementation date has been deferred. The new guidance is now effective for annual financial statements of not for profit organizations issued for fiscal years beginning after December 15, 2021. Management is currently evaluating the effect that ASU 2016-02 will have on the Organization's consolidated financial statements and will implement ASU 2016-02 in the Organization's September 30, 2023 consolidated financial statements using a modified retrospective approach.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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NOTE C - AVAILABILITY AND LIQUIDITY

As of September 30, 2021, 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	\$ 421,422
Investments, at fair value	14,235,478
Receivables	56,123
Contributions receivable	124,732
Assets held in remainder trust	53,683
Beneficial interest in perpetual trust	<u>3,958,926</u>
Total financial assets	<u>18,850,364</u>
Less amounts not available to be used within one year:	
Line of credit collateralized by investments	\$ 2,100,000
Financial assets encumbered by donor restrictions (Note I)	<u>8,724,408</u>
Total amounts not available to be used within one year	<u>10,824,408</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,025,956</u>

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 \$5,997,228 of which \$2,100,000 is outstanding as of September 30, 2021 (Note G).

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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**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.

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, 2021 and 2020.

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

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

*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.

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, 2021. 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	\$ 35,361	\$ -	\$ -	\$ 35,361
Common stock funds	12,278,914	-	-	12,278,914
Balanced funds	1,921,203	-	-	1,921,203
Investments, at fair value	<u>\$ 14,235,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,235,478</u>
Assets held in remainder trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,683</u>	<u>\$ 53,683</u>
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,958,926</u>	<u>\$ 3,958,926</u>



**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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, 2020	\$ 46,888	\$ 3,348,702	\$ 3,395,590
Distribution	-	-	-
Change in value in split interest agreements	<u>6,795</u>	<u>610,224</u>	<u>617,019</u>
Balance September 30, 2021	<u>\$ 53,683</u>	<u>\$ 3,958,926</u>	<u>\$ 4,012,609</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 - CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give and are expected to be received in less than one year as of September 30, 2021. Contributions receivable have been reduced by a present value discount of \$3,268 calculated using a discount rate of 2.84% as of September 30, 2021.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2021:

Land	\$ 20,300
Land improvements and parking lot	332,690
Building and building improvements	5,712,961
Furnishings, equipment and software	1,305,104
Equipment under capital lease	<u>105,183</u>
	7,476,238
Less accumulated depreciation	<u>4,710,688</u>
	\$ <u><u>2,765,550</u></u>

Depreciation expense totaled \$150,712 for the year ended September 30, 2021.

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 (0.07% at September 30, 2021) 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 \$2,100,000 as of September 30, 2021.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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**NOTE H - PAYCHECK PROTECTION PROGRAM LOAN**

In April 2020, the Organization entered into a Paycheck Protection Program (PPP) loan agreement that totaled \$614,881, bore interest at 1.00%, was set to mature in April 2022, was not collateralized, and was eligible for forgiveness subject to provisions of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Organization has accounted for the advance under the guidance provided by FASB ASC 958-605, in which the advance is treated as a conditional contribution, which is an acceptable treatment under US GAAP. The Organization has chosen this approach as the advance represents, in substance, a grant. Under this accounting method, the funds received are initially recorded as a refundable advance and then recharacterized as grant revenue when the criteria for forgiveness is "substantially met", as defined by the FASB. The Organization received forgiveness in September 2021. Accordingly, the Organization has recorded the full amount of the advance as grant revenue in fiscal year 2021 as the criteria for forgiveness was substantially met. The amount is recorded as government grant revenue in the statement of activities for the year ended September 30, 2021.

As part of the PPP, the Organization is required to retain all records relating to the loan for six years from the date the loan was forgiven and permit authorized representative of the SBA to access such records upon request. Although forgiveness of the loan has been granted, the SBA may undertake a review at any time at the SBA's discretion.

**NOTE I - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes as of September 30, 2021:

Subject to expenditure for specified purposes:

Daniel Corbett Memorial Fund	\$ 12,645
Building improvements	20,000
St. Matthews	655
Earnings on Schreyer Family Leadership and Mary Ann Jergens Hays Fund	<u>432,318</u>
	<u>465,618</u>

Subject to the passage of time:

Assets held in remainder trusts	53,683
Contributions receivable	<u>124,732</u>
	<u>178,415</u>

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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	<u>322,974</u>
	<u>4,121,449</u>
Not subject to spending policy or appropriation:	
Beneficial interest in perpetual trusts	<u>3,958,926</u>
Total net assets with donor restrictions	\$ <u><u>8,724,408</u></u>

Net assets of \$305,035 were released from donor restrictions in fiscal year 2021, by incurring expenses satisfying the restricted program purposes or by satisfaction of the implied time restrictions.

NOTE J - 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 GAAP, 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.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

NOTE J - ENDOWMENT NET ASSETS (Continued)

Endowment net asset compositions by type of fund as of September 30, 2021 is as follows:

	<u>With Donor Restrictions - Purpose</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 432,318	\$ 4,121,449	\$ 4,553,767

Changes in endowment net assets for the year ended September 30, 2021 are as follows:

	<u>With Donor Restrictions - Purpose</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Endowment net assets, October 1, 2020	\$ 339,424	\$ 4,081,755	\$ 4,421,179
Contributions	-	-	-
Investment income	91,888	-	91,888
Net appreciation	107,801	39,694	147,495
Amounts appropriated for expenditures	<u>(106,795)</u>	<u>-</u>	<u>(106,795)</u>
Endowment net assets, September 30, 2021	<u>\$ 432,318</u>	<u>\$ 4,121,449</u>	<u>\$ 4,553,767</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, 2021.

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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NOTE J - ENDOWMENT NET ASSETS (Continued)

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.

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 K - LEASE COMMITMENTS

Capital Lease

The Organization has a lease agreement for 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, 2021.

The following is a summary of equipment held under the capital lease as of September 30, 2021:

Equipment	\$	105,183
Less: Accumulated depreciation		<u>(45,579)</u>
	\$	<u><u>59,604</u></u>

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

NOTE K - LEASE COMMITMENTS (Continued)

Capital Lease (Continued)

Future lease payments under the capital lease are as follows:

2022	\$	22,680
2023		22,680
2024		<u>18,900</u>
		64,260
Less: Amount representing interest		<u>(2,737)</u>
	\$	<u><u>61,523</u></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.

Operating Leases

The Organization maintains operating leases for office space and certain office equipment. The leases have various expiration dates through December 2024. Rental expense for operating leases was \$6,329 for the year ended September 30, 2021.

As of September 30, 2021, future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

Years Ending September 30,

2022	\$	7,985
2023		7,385
2024		785
2025		<u>196</u>
	\$	<u><u>16,351</u></u>

**Cradle Adoption Partners, NFP**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021

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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 \$41,279 for the year ended September 30, 2021.

NOTE M - RISK AND UNCERTAINTY FROM COVID-19

The direct and indirect impacts of the current COVID-19 outbreak on the Organization's donors, vendors, investments, operations, and financing arrangements are currently unknown, except as noted below, as is the duration and severity of any impacts that the Organization may experience. Most notable are the effects of the cancellation of all special events. However, the Organization was able to secure donations typically received during these events through donor outreach. The Organization also received a PPP loan (see Note H) to assist with funding operations. Management is currently unable to quantify the future effects that this situation will have on its operations, cash flows, investments, and financial position; however, they may be significant. No adjustments relating to the effects of COVID-19 have been recorded in these financial statements.

NOTE N - RECLASSIFICATIONS

Certain reclassifications have been made to the 2020 consolidated financial statements to conform to the 2021 presentation. The reclassifications have no effect on net assets or the changes in net assets in the consolidated financial statements.

NOTE O - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 11, 2022, 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, 2021

<u>ASSETS</u>	The Cradle	The Cradle Foundation	Eliminations	Consolidated
<b>CURRENT ASSETS</b>				
Cash	\$ 284,687	\$ 136,735	\$ -	\$ 421,422
Investments, at fair value	-	14,235,478	-	14,235,478
Receivables	56,123	-	-	56,123
Contributions receivable, current portion	-	124,732	-	124,732
Prepaid expenses and other assets	18,796	47,512	-	66,308
Due to/from affiliate	3,215,516	(3,215,516)	-	-
Total current assets	<u>3,575,122</u>	<u>11,328,941</u>	<u>-</u>	<u>14,904,063</u>
<b>NONCURRENT ASSETS</b>				
Assets held in remainder trust	53,683	-	-	53,683
Beneficial interest in perpetual trust	3,958,926	-	-	3,958,926
Beneficial interest in net assets of the Foundation	9,215,994	-	(9,215,994)	-
Property and equipment, net of accumulated depreciation	<u>2,765,102</u>	<u>448</u>	<u>-</u>	<u>2,765,550</u>
Total noncurrent assets	<u>15,993,705</u>	<u>448</u>	<u>(9,215,994)</u>	<u>6,778,159</u>
	<u>\$ 19,568,827</u>	<u>\$ 11,329,389</u>	<u>\$ (9,215,994)</u>	<u>\$ 21,682,222</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Line of credit	\$ -	\$ 2,100,000	\$ -	\$ 2,100,000
Accounts payable	181,555	1,101	-	182,656
Accrued payroll and benefits	67,951	-	-	67,951
Accrued vacation	94,143	8,964	-	103,107
Other accrued expenses	20,051	3,330	-	23,381
Current obligations under capital lease	21,123	-	-	21,123
Deferred revenue	<u>2,719</u>	<u>-</u>	<u>-</u>	<u>2,719</u>
Total current liabilities	<u>387,542</u>	<u>2,113,395</u>	<u>-</u>	<u>2,500,937</u>
<b>LONG-TERM DEBT</b>				
Capital lease payable, less current portion	<u>40,400</u>	<u>-</u>	<u>-</u>	<u>40,400</u>
Total long-term debt	<u>40,400</u>	<u>-</u>	<u>-</u>	<u>40,400</u>
Total liabilities	<u>427,942</u>	<u>2,113,395</u>	<u>-</u>	<u>2,541,337</u>
<b>NET ASSETS</b>				
Without donor restrictions	10,416,477	4,504,195	(4,504,195)	10,416,477
With donor restrictions	<u>8,724,408</u>	<u>4,711,799</u>	<u>(4,711,799)</u>	<u>8,724,408</u>
Total net assets	<u>19,140,885</u>	<u>9,215,994</u>	<u>(9,215,994)</u>	<u>19,140,885</u>
	<u>\$ 19,568,827</u>	<u>\$ 11,329,389</u>	<u>\$ (9,215,994)</u>	<u>\$ 21,682,222</u>

**Cradle Adoption Partners, NFP**  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
Year ended September 30, 2021

	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	\$ -	\$ 1,292,268	\$ -	\$ 1,292,268	\$ -	\$ 16,888	\$ -	\$ 16,888	\$ 1,309,156
Special events income	-	1,205	-	1,205	-	-	-	-	1,205
Trusts	98,542	-	-	98,542	-	-	-	-	98,542
Bequests	-	10,000	-	10,000	-	-	-	-	10,000
Donated goods and services	37,889	10,347	-	48,236	-	-	-	-	48,236
	<u>136,431</u>	<u>1,313,820</u>	<u>-</u>	<u>1,450,251</u>	<u>-</u>	<u>16,888</u>	<u>-</u>	<u>16,888</u>	<u>1,467,139</u>
Program revenue									
Fee income	1,505,150	-	-	1,505,150	-	-	-	-	1,505,150
Other revenues (expenses), net									
Interest and dividends	113	84,512	-	84,625	-	60,128	-	60,128	144,753
Realized/unrealized net gains on investments	-	3,424,516	-	3,424,516	-	147,495	-	147,495	3,572,011
Changes in value of split-interest agreements and trusts	-	-	-	-	617,019	-	-	617,019	617,019
Administrative fee	264,997	-	(264,997)	-	-	-	-	-	-
Government grant - PPP	614,881	-	-	614,881	-	-	-	-	614,881
Miscellaneous revenue	28,908	7,000	-	35,908	-	-	-	-	35,908
	<u>908,899</u>	<u>3,516,028</u>	<u>(264,997)</u>	<u>4,159,930</u>	<u>617,019</u>	<u>207,623</u>	<u>-</u>	<u>824,642</u>	<u>4,984,572</u>
Net assets released from restrictions	-	305,035	-	305,035	-	(305,035)	-	(305,035)	-
Total revenues	<u>2,550,480</u>	<u>5,134,883</u>	<u>(264,997)</u>	<u>7,420,366</u>	<u>617,019</u>	<u>(80,524)</u>	<u>-</u>	<u>536,495</u>	<u>7,956,861</u>

(Continued)

**Cradle Adoption Partners, NFP**  
CONSOLIDATING SCHEDULE OF ACTIVITIES (Continued)  
Year ended September 30, 2021

	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	\$ 1,297,189	\$ -	\$ -	\$ 1,297,189	\$ -	\$ -	\$ -	\$ -	\$ 1,297,189
Nursery	713,239	-	-	713,239	-	-	-	-	713,239
Outreach and communications	850,781	-	-	850,781	-	-	-	-	850,781
Our Children	136,440	-	-	136,440	-	-	-	-	136,440
Adoption Learning Partners	272,944	-	-	272,944	-	-	-	-	272,944
	<u>3,270,593</u>	<u>-</u>	<u>-</u>	<u>3,270,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,270,593</u>
Supporting services									
Management and general	974,469	336,604	(264,997)	1,046,076	-	-	-	-	1,046,076
Fundraising - other	-	443,648	-	443,648	-	-	-	-	443,648
	<u>974,469</u>	<u>780,252</u>	<u>(264,997)</u>	<u>1,489,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,489,724</u>
Total expenses	<u>4,245,062</u>	<u>780,252</u>	<u>(264,997)</u>	<u>4,760,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,760,317</u>
CHANGE IN NET ASSETS	(1,694,582)	4,354,631	-	2,660,049	617,019	(80,524)	-	536,495	3,196,544
Net assets, beginning of year	7,756,428	2,799,564	(2,799,564)	7,756,428	8,187,913	4,792,323	(4,792,323)	8,187,913	15,944,341
Distributions	-	(2,650,000)	2,650,000	-	-	-	-	-	-
Change in beneficial interest in net assets of the Foundation	4,354,631	-	(4,354,631)	-	(80,524)	-	80,524	-	-
Net assets, end of year	<u>\$ 10,416,477</u>	<u>\$ 4,504,195</u>	<u>\$ (4,504,195)</u>	<u>\$ 10,416,477</u>	<u>\$ 8,724,408</u>	<u>\$ 4,711,799</u>	<u>\$ (4,711,799)</u>	<u>\$ 8,724,408</u>	<u>\$ 19,140,885</u>

Miller Cooper & Co., Ltd.