

# **The Cradle Society**

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

**September 30, 2024**

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# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Cradle Society  
Evanston, Illinois

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of The Cradle Society (the Organization), which comprise the consolidated statement of financial position as of September 30, 2024, the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

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

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

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### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

(Continued)

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**Other Matters**

*Report on Summarized Comparative Information*

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 21, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

MILLER, COOPER & CO., LTD.



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Certified Public Accountants

Deerfield, Illinois  
June 10, 2025

## CONSOLIDATED FINANCIAL STATEMENTS

**The Cradle Society**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
September 30, 2024 with summarized totals as of September 30, 2023

ASSETS	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Totals
<b>CURRENT ASSETS</b>				
Cash	\$ 408,209	\$ -	\$ 408,209	\$ 673,122
Investments, at fair value	7,963,902	5,170,013	13,133,915	11,407,870
Receivables	120,490	-	120,490	135,838
Contributions receivable, current portion	-	157,303	157,303	96,756
Prepaid expenses and other assets	26,581	-	26,581	28,482
Total current assets	8,519,182	5,327,316	13,846,498	12,342,068
<b>NONCURRENT ASSETS</b>				
Contributions receivable, less current portion	-	170,000	170,000	-
Assets held in remainder trust	-	47,141	47,141	41,379
Beneficial interest in perpetual trust	-	3,953,574	3,953,574	3,348,403
Property and equipment, net of accumulated depreciation	2,387,289	-	2,387,289	2,544,275
Total noncurrent assets	2,387,289	4,170,715	6,558,004	5,934,057
	<u>\$ 10,906,471</u>	<u>\$ 9,498,031</u>	<u>\$ 20,404,502</u>	<u>\$ 18,276,125</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Line of credit	\$ 1,700,000	\$ -	\$ 1,700,000	\$ 1,700,000
Accounts payable	57,645	-	57,645	35,219
Accrued payroll and benefits	139,972	-	139,972	262,159
Accrued vacation	152,754	-	152,754	146,599
Other accrued expenses	54,800	-	54,800	69,972
Lease liability, current portion	-	-	-	18,634
Total current liabilities	2,105,171	-	2,105,171	2,232,583
<b>LONG-TERM DEBT</b>				
Lease liability, less current portion	-	-	-	-
Total long-term debt	-	-	-	-
Total liabilities	2,105,171	-	2,105,171	2,232,583
<b>NET ASSETS</b>	8,801,300	9,498,031	18,299,331	16,043,542
	<u>\$ 10,906,471</u>	<u>\$ 9,498,031</u>	<u>\$ 20,404,502</u>	<u>\$ 18,276,125</u>

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

**The Cradle Society**  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
Year ended September 30, 2024 with summarized totals for the year ended September 30, 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Totals
Revenues				
Public support				
Contributions				
Individuals and others	\$ 1,683,981	\$ 310,306	\$ 1,994,287	\$ 1,477,893
Special event income	-	-	-	224,310
Trusts	148,412	-	148,412	181,336
Bequests	648,308	-	648,308	2,277,364
Contributed goods and services	48,041	-	48,041	19,454
	<u>2,528,742</u>	<u>310,306</u>	<u>2,839,048</u>	<u>4,180,357</u>
Program revenue				
Fee income	951,141	-	951,141	1,290,179
Other revenues, net				
Interest and dividends	210,698	19,790	230,488	121,116
Realized/unrealized net gains (losses) on investments	2,508,365	500,834	3,009,199	1,596,580
Changes in value of split-interest agreements and trusts	-	610,933	610,933	204,672
	<u>2,719,063</u>	<u>1,131,557</u>	<u>3,850,620</u>	<u>1,922,368</u>
Net assets released from restrictions	124,278	(124,278)	-	-
Total revenues	<u>6,323,224</u>	<u>1,317,585</u>	<u>7,640,809</u>	<u>7,392,904</u>
Expenses				
Program services				
Social service	1,621,225	-	1,621,225	1,561,453
Nursery	829,132	-	829,132	910,347
Outreach and communications	586,583	-	586,583	896,572
Adoption Learning Partners	245,682	-	245,682	303,435
	<u>3,282,622</u>	<u>-</u>	<u>3,282,622</u>	<u>3,671,807</u>
Supporting services				
Management and general	1,641,845	-	1,641,845	1,394,927
Fundraising	460,553	-	460,553	725,647
	<u>2,102,398</u>	<u>-</u>	<u>2,102,398</u>	<u>2,120,574</u>
Total expenses	<u>5,385,020</u>	<u>-</u>	<u>5,385,020</u>	<u>5,792,381</u>
CHANGE IN NET ASSETS	938,204	1,317,585	2,255,789	1,600,523
Net assets, beginning of year	7,863,096	8,180,446	16,043,542	14,443,019
Net assets, end of year	<u>\$ 8,801,300</u>	<u>\$ 9,498,031</u>	<u>\$ 18,299,331</u>	<u>\$ 16,043,542</u>

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



# The Cradle Society

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended September 30, 2024 with summarized totals for the year ended September 30, 2023

	Program Services				Supporting Services		2024 Total Expenses	2023 Summarized Totals
	Social Service	Nursery	Marketing and Outreach	Education	Management and General	Fundraising		
Functional expenses								
Payroll	\$ 971,139	\$ 672,882	\$ 334,282	\$ 155,677	\$ 653,606	\$ 275,938	\$ 3,063,524	\$ 3,031,585
Payroll taxes and fringe benefits	337,494	50,085	33,418	30,255	138,381	21,779	611,412	648,136
Medical, prenatal and other living	10,190	9	-	-	-	-	10,199	22,775
Occupancy	66,028	25,017	7,648	5,381	31,172	-	135,246	113,759
Insurance	588	265	83	58	105,745	-	106,739	86,911
Telephone	6,819	1,520	458	135	1,372	-	10,304	25,541
Supplies	11,274	20,201	315	142	23,297	-	88,447	88,620
Postage and shipping	223	4	6,485	-	425	33,218	7,860	7,641
Travel	8,353	181	73	-	968	723	10,605	21,798
Equipment repairs and maintenance	54,395	22,120	6,906	4,859	60,874	1,030	152,395	98,622
Professional service fees	451	-	68,201	-	356,632	3,241	525,559	568,091
Temporary help	-	8,685	-	-	-	-	8,685	32,298
Education and research	5,717	-	17,069	105	17,530	3,246	43,667	43,958
Meeting expense	2,681	262	561	-	10,141	525	14,170	15,382
Other event expenses	-	-	-	-	-	-	-	156,680
Communications	75,331	-	85,461	31,469	33,554	9,056	234,871	371,785
Depreciation and amortization	61,596	27,437	25,577	6,027	36,349	-	156,986	165,373
Banking and credit card fees	183	-	-	11,542	20,355	6,581	38,661	41,315
Interest expense and debt service	117	53	17	12	118,783	-	118,982	111,288
Bad debt expense	-	-	-	-	-	4,911	4,911	120,000
Miscellaneous	8,646	411	29	20	32,661	30	41,797	20,823
	\$ 1,621,225	\$ 829,132	\$ 586,583	\$ 245,682	\$ 1,641,845	\$ 460,553	\$ 5,385,020	\$ 5,792,381

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

**The Cradle Society**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Year ended September 30, 2024 with summarized totals  
for the year ended September 30, 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 2,255,789	\$ 1,600,523
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	156,986	165,373
Realized and unrealized (gains) losses on investments and trusts, net	(3,614,370)	(1,799,074)
Changes in value of-split interest agreements	(5,762)	(2,178)
(Increase) decrease in assets		
Receivables	15,348	(37,094)
Contributions receivable	(230,547)	22,976
Prepaid expenses and other assets	1,901	14,775
Increase (decrease) in liabilities		
Accounts payable	22,426	(5,149)
Accrued expenses	(131,204)	175,537
Lease liabilities, operating leases	(18,634)	(21,766)
Net cash provided by (used in) operating activities	<u>(1,548,067)</u>	<u>113,923</u>
Cash flows from investing activities		
Purchases of investments	(644,499)	(1,200,000)
Proceeds from sales of investments	1,927,653	1,740,389
Net cash provided by investing activities	<u>1,283,154</u>	<u>540,389</u>
Cash flows from financing activities		
Repayment of line of credit	<u>-</u>	<u>(400,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(400,000)</u>
CHANGE IN CASH	(264,913)	254,312
Cash, beginning of year	<u>673,122</u>	<u>418,810</u>
Cash, end of year	\$ <u>408,209</u>	\$ <u>673,122</u>
<u>Supplemental disclosure of cash flow information</u>		
Cash paid for interest	\$ <u>89,252</u>	\$ <u>108,866</u>

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

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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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 Society and The Cradle Foundation (the "Foundation") (collectively, the "Organization"). Founded in 1923 and located in Evanston, Illinois, The Organization has placed more than 15,000 children. The Organization 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 Organization'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)).

The Organization 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 (NCFA) and other adoption and child-welfare-focused advocacy groups.

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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NOTE A - NATURE OF ORGANIZATION AND PRINCIPLES OF CONSOLIDATION (Continued)

1. Nature of Organization (Continued)

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 Society. Support distributions of \$4,434,000 for the year ended September 30, 2024 were made by the Foundation to The Cradle Society. These transactions have been eliminated in consolidation.

2. Principles of Consolidation

The financial statements of The Cradle Society and The Foundation have been consolidated in accordance with the standards for consolidation. All significant related-party balances and transactions between The Cradle Society 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 accordance 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, 2023, from which the summarized information was derived.

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:

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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

**1. Basis of Accounting (Continued)**

*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.

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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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 conditions and forecasts of future economic conditions, management considers receivables to be fully collectible as of September 30, 2024. Accordingly, no allowance for credit losses 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.

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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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. 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.

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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

8. **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 \$75,115 and \$126,741 as of September 30, 2024 and October 1, 2023, respectively. There were no contract liabilities as of September 30, 2024 and October 1, 2023.



**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. 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.

9. 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 Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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

9. **Functional Expense Allocation** (Continued)

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
Bad debt expense	Direct
Miscellaneous	Direct

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Income Tax Matters

The Cradle and the Foundation 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, 2024, 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.

11. 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.

12. Fair Value of Financial Instruments

The carrying amounts of financial instruments, including receivables, contributions 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 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.

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Fair Value of Financial Instruments (Continued)

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.

NOTE C - AVAILABILITY AND LIQUIDITY

As of September 30, 2024, 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	\$ 408,209
Investments, at fair value	13,133,915
Receivables	120,490
Contributions receivable	327,303
Assets held in remainder trust	47,141
Beneficial interest in perpetual trust	<u>3,953,574</u>
Total financial assets	<u>17,990,632</u>

Less amounts not available to be used within one year:

Line of credit collateralized by investments	1,700,000
Financial assets encumbered by donor restrictions (Note H)	<u>9,498,031</u>
Total amounts not available to be used within one year	<u>11,198,031</u>

Financial assets available to meet general expenditures over  
the next twelve months

\$ 6,792,601

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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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. Borrowings outstanding on the line of credit were \$1,700,000 as of September 30, 2024 and available credit as of September 30, 2024 was \$4,290,370.

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.

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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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, 2024.

*Investment securities:* The fair values of equity 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.

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

**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 perpetual trusts at fair value as of September 30, 2024. 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	\$ 238,774	\$ -	\$ -	\$ 238,774
Equity funds	10,622,398	-	-	10,622,398
Balanced funds	<u>2,272,743</u>	<u>-</u>	<u>-</u>	<u>2,272,743</u>
Investments, at fair value	<u>\$ 13,133,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,133,915</u>
Assets held in remainder trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,141</u>	<u>\$ 47,141</u>
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,953,574</u>	<u>\$ 3,953,574</u>

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
Balance October 1, 2023	\$ 41,379	\$ 3,348,403
Distribution	-	-
Change in value in split interest agreements	<u>5,762</u>	<u>605,171</u>
Balance September 30, 2024	<u>\$ 47,141</u>	<u>\$ 3,953,574</u>

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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NOTE D - FAIR VALUE MEASUREMENTS (Continued)

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

Unconditional promises to give are expected to be received as follows at September 30, 2024:

Amounts due in:

Less than one year	\$ 157,303
Between one and five years	170,000
Total unconditional promises to give	<u>\$ 327,303</u>

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2024:

Land	\$ 20,300
Land improvements and parking lot	332,690
Building and building improvements	5,766,879
Furnishings, equipment and software	<u>1,461,318</u>
	7,581,187
Less accumulated depreciation	<u>5,193,898</u>
	<u>\$ 2,387,289</u>

NOTE G - LINE OF CREDIT

On October 29, 2015, the Organization entered into a revolving line of credit issued by a financial institution with maximum borrowings of \$5,200,477. The line bears interest at the weekly SOFR rate (4.96% at September 30, 2024) 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 \$1,700,000 as of September 30, 2024 and available credit as of September 30, 2024 was \$4,290,370.



**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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

Net assets with donor restrictions are restricted for the following purposes as of September 30, 2024:

Subject to expenditure for specified purposes:

Daniel Corbett Memorial Fund	\$ 12,645
St. Matthews	655
Earnings on Schreyer Family Leadership and Mary Ann Jergens Hays Fund	<u>945,580</u>
	<u>958,880</u>

Subject to the passage of time:

Assets held in remainder trusts	47,141
Contributions receivable	<u>260,000</u>
	<u>307,141</u>

Endowments:

Nursery	500,000
Post-adoption operations	1,063,333
General	1,311,672
Mary Ann Jergens Hays Fund	185,446
Schreyer Family Leadership Fund	850,000
Alexander Bond Memorial Trust	<u>367,985</u>
	<u>4,278,436</u>

Not subject to spending policy or appropriation:

Beneficial interest in perpetual trusts	<u>3,953,574</u>
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Total net assets with donor restrictions	<u><u>\$ 9,498,031</u></u>
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Net assets of \$124,278 were released from donor restrictions in fiscal year 2024, by incurring expenses satisfying the restricted program purposes or by satisfaction of the implied time restrictions.

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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**NOTE I - ENDOWMENT NET ASSETS**

The Organization's net assets that are 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.

Endowment net asset compositions by type of fund as of September 30, 2024 is as follows:

	With Donor Restrictions - Purpose	With Donor Restrictions - Perpetual	Total
Donor-restricted endowment funds	\$ 945,580	\$ 4,278,436	\$ 5,224,016

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

NOTE I - ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets for the year ended September 30, 2024 are as follows:

	With Donor Restrictions - Purpose	With Donor Restrictions - Perpetual	Total
Endowment net assets, October 1, 2023	\$ 608,042	\$ 4,152,272	\$ 4,760,314
Contributions	-	50,306	50,306
Investment income	24,702	-	24,702
Net appreciation (depreciation)	424,975	75,858	500,833
Amounts appropriated for expenditures	(112,139)	-	(112,139)
Endowment net assets, September 30, 2024	\$ <u>945,580</u>	\$ <u>4,278,436</u>	\$ <u>5,224,016</u>

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.

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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NOTE J - 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 \$0 for the year ended September 30, 2024.

NOTE K - RISK AND UNCERTAINTIES

*Concentration of Revenue*

A bequest received from an estate was approximately 21% of total public support revenue during the year ended September 30, 2024.

*Concentration of Credit Risk*

The Organization maintains its cash balances at two financial institutions. These cash balances are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization may, from time to time, have balances in excess of insured deposit limits.

NOTE L - CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets received during the year ended September 30, 2024 consisted of approximately \$16,000 of infant formula and \$32,000 of professional services. Contributed infant formula is recorded as contributed goods and services revenue with a corresponding increase to materials expense as the formula was utilized in the nursery in program activities. The infant formula was valued based on the current price located on a publicly available website. Professional services are valued at hourly rates for similar services.

**The Cradle Society**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2024

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NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 10, 2025, 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 other than noted below:

In March 2025, after conducting a thorough analysis focused on developing a nursery cost structure that is more responsive to census variability, the Organization closed their nursery and entered into an agreement with another not for profit organization to provide nursery services and care.

## **SUPPLEMENTAL INFORMATION**

**The Cradle Society**  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
September 30, 2024

<u>ASSETS</u>				
	The Cradle	The Cradle Foundation	Eliminations	Consolidated
<b>CURRENT ASSETS</b>				
Cash	\$ 144,936	\$ 263,273	\$ -	\$ 408,209
Investments, at fair value	-	13,133,915	-	13,133,915
Receivables	90,396	30,094	-	120,490
Contributions receivable	-	157,303	-	157,303
Prepaid expenses and other assets	16,635	9,946	-	26,581
Due to/from affiliate	5,378,470	(5,378,470)	-	-
Total current assets	5,630,437	8,216,061	-	13,846,498
<b>NONCURRENT ASSETS</b>				
Contributions receivable, less current portion	-	170,000	-	170,000
Assets held in remainder trust	47,141	-	-	47,141
Beneficial interest in perpetual trust	3,953,574	-	-	3,953,574
Beneficial interest in net assets of the Foundation	6,658,166	-	(6,658,166)	-
Property and equipment, net of accumulated depreciation	2,386,841	448	-	2,387,289
Total noncurrent assets	13,045,722	170,448	(6,658,166)	6,558,004
	<u>\$ 18,676,159</u>	<u>\$ 8,386,509</u>	<u>\$ (6,658,166)</u>	<u>\$ 20,404,502</u>
<u>LIABILITIES AND NET ASSETS</u>				
<b>CURRENT LIABILITIES</b>				
Line of credit	\$ -	\$ 1,700,000	\$ -	\$ 1,700,000
Accounts payable	51,623	6,022	-	57,645
Accrued payroll and benefits	139,972	-	-	139,972
Accrued vacation	142,370	10,384	-	152,754
Other accrued expenses	42,863	11,937	-	54,800
Total current liabilities	376,828	1,728,343	-	2,105,171
<b>LONG-TERM DEBT</b>				
Lease liability, less current portion	-	-	-	-
Total long-term debt	-	-	-	-
Total liabilities	376,828	1,728,343	-	2,105,171
<b>NET ASSETS</b>				
Without donor restrictions	8,812,559	1,160,848	(1,172,107)	8,801,300
With donor restrictions	9,486,772	5,497,318	(5,486,059)	9,498,031
Total net assets	18,299,331	6,658,166	(6,658,166)	18,299,331
	<u>\$ 18,676,159</u>	<u>\$ 8,386,509</u>	<u>\$ (6,658,166)</u>	<u>\$ 20,404,502</u>

# The Cradle Society

## CONSOLIDATING SCHEDULE OF ACTIVITIES

Year ended September 30, 2024

Revenues	Without Donor Restrictions			With Donor Restrictions			Consolidated		
	The Cradle	The Cradle Foundation	Eliminations	Total	The Cradle	The Cradle Foundation		Eliminations	Total
Public support									
Contributions									
Individuals and others	\$ 141,029	\$ 1,542,952	\$ -	\$ 1,683,981	\$ -	\$ 310,306	\$ -	\$ 310,306	\$ 1,994,287
Special event income	-	-	-	-	-	-	-	-	-
Trusts	148,412	-	-	148,412	-	-	-	-	148,412
Bequests	-	648,308	-	648,308	-	-	-	-	648,308
Contributed goods and services	48,041	-	-	48,041	-	-	-	-	48,041
Program revenue	337,482	2,191,260	-	2,528,742	-	310,306	-	310,306	2,839,048
Fee income	951,141	-	-	951,141	-	-	-	-	951,141
Other revenues (expenses), net									
Interest and dividends	398	210,300	-	210,698	-	19,790	-	19,790	230,488
Realized/unrealized net gains on investments	103	2,508,262	-	2,508,365	-	500,834	-	500,834	3,009,199
Changes in value of split-interest agreements and trusts	-	-	-	-	610,933	-	-	610,933	610,933
Administrative fee	482,143	-	(482,143)	-	-	-	-	-	-
	482,644	2,718,562	(482,143)	2,719,063	610,933	520,624	-	1,131,557	3,850,620
Net assets released from restrictions	-	124,278	-	124,278	-	(124,278)	-	(124,278)	-
Total revenues	1,771,267	5,034,100	(482,143)	6,323,224	610,933	706,652	-	1,317,585	7,640,809
									(Continued)



**The Cradle Society**  
CONSOLIDATING SCHEDULE OF ACTIVITIES (Continued)  
Year ended September 30, 2024

	Without Donor Restrictions			With Donor Restrictions		
	The Cradle	The Cradle Foundation	Eliminations	Total	The Cradle Foundation	Eliminations
<b>Expenses</b>						
Program services						
Social service	\$ 1,621,225	\$ -	\$ -	\$ 1,621,225	\$ -	\$ -
Nursery	829,132	-	-	829,132	-	-
Outreach and communications	586,583	-	-	586,583	-	-
Adoption Learning Partners	245,682	-	-	245,682	-	-
	3,282,622	-	-	3,282,622	-	-
Supporting services						
Management and general	1,707,051	416,937	(482,143)	1,641,845	-	-
Fundraising	-	460,553	-	460,553	-	-
	1,707,051	877,490	(482,143)	2,102,398	-	-
Total expenses	4,989,673	877,490	(482,143)	5,385,020	-	-
CHANGE IN NET ASSETS	(3,218,406)	4,156,610	-	938,204	610,933	-
Net assets, beginning of year	7,874,355	1,438,238	(1,449,497)	7,863,096	8,169,187	(4,779,407)
					4,790,666	8,180,446
Distributions	-	(4,434,000)	4,434,000	-	-	-
Change in beneficial interest in net assets of the Foundation	4,156,610	-	(4,156,610)	-	706,652	(706,652)
Net assets, end of year	\$ 8,812,559	\$ 1,160,848	\$ (1,172,107)	\$ 8,801,300	\$ 9,486,772	\$ (5,486,059)
					\$ 5,497,318	\$ 9,498,031
						\$ 18,299,331