

GIFT OF ADOPTION FUND, INC.

YEARS ENDED JUNE 30, 2010 AND 2009

GIFT OF ADOPTION FUND, INC.

YEARS ENDED JUNE 30, 2010 AND 2009

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Independent Auditors' Report

*Independent Affiliate
of BKR International*

Board of Directors
Gift of Adoption Fund, Inc.
Techny, Illinois

We have audited the accompanying consolidated statement of financial position of Gift of Adoption Fund, Inc. (the Organization) as of June 30, 2010 and 2009 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gift of Adoption Fund, Inc. as of June 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ostrow Reisin Berk + Abrams, Ltd.

October 15, 2010

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30,	2010	2009
ASSETS		
Cash	\$ 105,219	\$ 148,025
Investments (Note 2)	181,311	202,421
Pledges and contributions receivable (Note 4)	154,628	116,535
Prepaid expenses	4,278	4,675
Property and equipment, net (Note 6)	15,000	
Cash surrender value of life insurance	43,800	42,264
Other assets	1,014	500
Total assets	\$ 505,250	\$ 514,420
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	\$ 86,592	\$ 92,446
Accounts payable		5,900
Accrued expenses	4,027	4,027
Total liabilities	90,619	102,373
Net assets:		
Unrestricted	250,003	285,512
Temporarily restricted (Note 8)	164,628	126,535
Total net assets	414,631	412,047
Total liabilities and net assets	\$ 505,250	\$ 514,420

See notes to consolidated financial statements.

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Years ended June 30,	2010		2009		Total	Temporarily restricted	Unrestricted	Temporarily restricted	Total
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted					
Support and revenue:									
Contributions	\$ 306,126	\$ 106,003	\$ 412,129	\$ 279,095	\$ 691,254	\$ 106,535	\$ 385,630	\$ 1,076,884	
Special events revenue	234,268		234,268	263,905	498,173		263,905	761,348	
Special events expense	(89,160)		(89,160)	(85,025)	(174,185)		(85,025)	(359,210)	
In-kind donations	44,828		44,828	46,421	91,249	50,000	96,421	187,670	
Program service fees	23,880		23,880	25,927	49,807		25,927	75,734	
Realized and unrealized net gain (loss) on investments	24,517		24,517	(65,784)	(41,267)		(65,784)	(106,051)	
Interest, dividends and capital gain distributions	5,573		5,573	10,242	15,815		10,242	26,057	
Miscellaneous revenue	1,535		1,535	6,299	7,834		6,299	14,133	
Net assets released from restrictions (Note 9)	67,910	(67,910)		40,000	(27,900)	(40,000)		(67,900)	
Total support and revenue	619,477	38,093	657,570	521,080	1,178,650	116,535	637,615	1,816,265	
Expenses:									
Program	491,993		491,993	501,940	993,933		501,940	1,495,873	
Supporting services:									
Management and general	71,151		71,151	77,879	149,030		77,879	226,909	
Fundraising	91,842		91,842	90,891	182,733		90,891	373,524	
Total expenses	654,986		654,986	670,710	1,325,702		670,710	2,151,226	
Change in net assets	(35,509)	38,093	2,584	(149,630)	(114,571)	116,535	(33,095)	(47,541)	
Net assets:									
Beginning of year	285,512	126,535	412,047	435,142	847,189	10,000	445,142	892,331	
End of year	\$ 250,003	\$ 164,628	\$ 414,631	\$ 285,512	\$ 640,161	\$ 126,535	\$ 412,047	\$ 1,052,196	

See notes to consolidated financial statements.

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	2010			2009			
	Supporting services		Total	Supporting services		Total	
	Program	Management and general Fundraising		Program	Management and general Fundraising		
Salaries and wages	\$ 112,872	\$ 41,140	\$ 54,966	\$ 108,964	\$ 47,004	\$ 57,687	\$ 213,655
Employee benefits	9,432	3,438	4,593	7,212	3,111	3,818	14,141
Payroll taxes	7,425	2,706	3,616	6,100	2,631	3,229	11,960
	129,729	47,284	63,175	122,276	52,746	64,734	239,756
Bank charges	4,517	1,646	2,200	2,077	896	1,099	4,072
Computer maintenance	86	31	42				
Depreciation	4,850		150				
Grants	303,594			291,768	846	1,039	291,768
Insurance	2,115	771	1,030	1,962		4,315	3,847
Marketing and promotion	26,950	114	1,270	34,915		259	39,230
Meals and entertainment	93	34	45	490	211		960
Occupancy	2,863	1,044	1,394	4,119	1,777	2,181	8,077
Office supplies	530	193	258	2,207	952	1,169	4,328
Other	1,206	441	588	2,698	1,164	1,427	5,289
Planned gift premiums			8,661			4,979	4,979
Postage	1,359	495	662	2,059	888	1,090	4,037
Printing	101	37	49	707	305	374	1,386
Professional fees	8,412	18,209	7,549	4,656	16,841	5,786	27,283
Subscriptions	2,301		71	517	223	274	1,014
Telephone/internet	1,900	693	925	1,691	729	895	3,315
Travel	436	159	213	698	301	370	1,369
Uncollectible pledges			3,560				
Volunteer services	951			29,100	900		30,000
Website design							
	\$ 491,993	\$ 71,151	\$ 91,842	\$ 501,940	\$ 77,879	\$ 90,891	\$ 670,710

See notes to consolidated financial statements.

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended June 30,	2010	2009
Operating activities:		
Change in net assets	\$ 2,584	\$ (33,095)
Adjustments to reconcile above to cash used in operating activities:		
Depreciation	5,000	
Realized and unrealized net (gain) loss on investments	(24,517)	65,784
(Increase) decrease in operating assets:		
Pledges and contributions receivable	(58,093)	(92,820)
Prepaid expenses	397	(1,909)
Cash surrender value of life insurance	(1,536)	(6,298)
Other assets	(514)	
Increase (decrease) in operating liabilities:		
Grants payable	(5,854)	47,439
Accounts payable	(5,900)	(8,935)
Cash used in operating activities	(88,433)	(29,834)
Investing activities:		
Proceeds from sale of investments	80,000	
Purchase of investments	(34,373)	(10,004)
Cash provided by (used in) investing activities	45,627	(10,004)
Decrease in cash	(42,806)	(39,838)
Cash:		
Beginning of year	148,025	187,863
End of year	\$ 105,219	\$ 148,025

Summary of non-cash investing activity:

During the year ended June 30, 2009, the Organization was awarded an in-kind grant for services to redesign its website valued at \$20,000. The website was placed in service during the year ended June 30, 2010.

See notes to consolidated financial statements.

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Description of organization:

Gift of Adoption Fund, Inc. (the Organization), a nonprofit entity located in Techny, Illinois, was founded in 1996 by two adoptive parents. The Organization focuses on providing grants to families who incur costs in the process of child adoption. Financial support for the Organization comes from individual, corporate and foundation donors.

Basis of accounting:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Consolidated financial statements:

The consolidated financial statements include the accounts of the Organization and its six chartered local chapters, located in various states throughout the United States. All intercompany transactions and accounts are eliminated.

During the year ended June 30, 2010, three chapters dissolved their local charter but will continue operations under the National charter and exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of presentation:

The consolidated financial statement presentation follows FASB Accounting Standards Codification (the Codification) for *Financial Statements of Not-for-Profit Organizations*. Under the Codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets at June 30, 2010 and 2009.

Pledges receivable:

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value (if significant) of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

Grants payable:

The Organization records a liability and expense for grants, which are payable in future years, in the year in which they are awarded.

Investments:

Investments are reported in the consolidated statement of financial position at their fair value, with any realized and unrealized gains and losses reported in the consolidated statement of activities.

Property and equipment and related depreciation:

Expenditures for property and equipment in excess of \$1,000 for individual purchases are capitalized at cost. Donated property and equipment are recorded at fair value at date of receipt. Depreciation is provided over the estimated useful lives of the assets using an accelerated method.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the contributions are recognized. All other temporarily restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Permanently restricted contributions represent amounts received which must remain in trust in perpetuity. There were no permanently restricted contributions received for the years ended June 30, 2010 and 2009.

Contributed goods and services:

The Organization follows the recommendations of the Codification for *Accounting for Contributions Received and Contributions Made*, which requires the Organization to recognize as revenue the fair value of contributed (donated) goods and services. The Organization was the recipient of donated goods and services in the amount of \$44,828 and \$96,421 for the years ended June 30, 2010 and 2009, respectively.

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

Functional expenses:

Operating expenses identified directly with a functional area are charged to that area and where these expenses affect more than one area, they are allocated on the basis of ratios estimated by management.

Use of estimates:

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Fair value measurements

Financial Accounting Standards Board Accounting Standards Codification 820 (FASB ASC 820) *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value in generally accepted accounting principles. 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 under FASB ASC 820 are described as follows:

Level 1	Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
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Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• 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.
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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.
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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.

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Fair value measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010 and 2009.

Mutual funds: Valued at the Net Asset Value (NAV) of shares held by the Organization at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes that 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 tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2010 and 2009.

Total assets at fair value as of June 30, 2010:

	<u>Level 1</u>
Mutual funds:	
Balanced funds	\$ 51,886
Equity funds	48,449
Fixed income funds	44,565
International stock funds	36,411
Total assets at fair value	\$ 181,311

Total assets at fair value as of June 30, 2009:

	<u>Level 1</u>
Mutual funds:	
Balanced funds	\$ 93,164
Equity funds	55,547
Fixed income funds	13,893
International stock funds	39,817
Total assets at fair value	\$ 202,421

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Accordingly, no provision for income or excise tax has been made in the accompanying consolidated financial statements.

4. Pledges and contributions receivable

Pledges and contributions receivable are as follows:

June 30,	2010	2009
Receivable in less than one year	\$ 114,628	\$ 79,035
Receivable in one to five years	40,000	37,500
Total unconditional promises to give	\$ 154,628	\$ 116,535

5. Conditional promise to give

Conditional promise to give at June 30, 2010 is \$20,000, representing a service grant award from the Taproot Foundation for in-kind marketing and public relations services. The satisfaction of the promise is contingent on the Organization meeting certain participation criteria and time deadlines.

6. Property and equipment

Property and equipment consist of the following:

June 30,	2010	2009
Computer equipment	\$ 8,613	\$ 8,613
Website	20,000	
	28,613	8,613
Less accumulated depreciation and amortization	13,613	8,613
Property and equipment, net	\$ 15,000	\$ -

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Leases

The Organization leases office space in Techny, Illinois under an operating lease that expires on August 31, 2011. Monthly rent is \$395.

The Organization also rents a postage meter under an operating lease which expires in October 2012. Future annual minimum lease payments under this equipment lease agreement are as follows:

Year ending June 30:	Amount
2011	\$ 664
2012	664
2013	221
Total	\$ 1,549

8. Temporarily restricted net assets

Temporarily restricted net assets represent contributions for a specific purpose or designated for a future period as follows:

June 30,	2010	2009
Purpose-restricted contribution:		
Grants to families in the final stage of adoption process	\$ 10,000	\$ 10,000
Time-restricted contributions	154,628	116,535
Total temporarily restricted net assets	\$ 164,628	\$ 126,535

9. Net assets released from restrictions

Net assets were released from donor restrictions by incurrence of expenses satisfying the restricted purpose or by occurrence of events specified by the donor.

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2010, the consolidated financial statement date through October 15, 2010, the date the consolidated financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these consolidated financial statements as required by generally accepted accounting principles.