

**GIFT OF ADOPTION FUND, INC.**

YEARS ENDED JUNE 30, 2014 AND 2013

# **GIFT OF ADOPTION FUND, INC.**

YEARS ENDED JUNE 30, 2014 AND 2013

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## **Independent Auditor's Report**

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

We have audited the accompanying consolidated financial statements of Gift of Adoption Fund, Inc. (the Organization), which comprise the consolidated statement of financial position as of June 30, 2014 and 2013 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

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

Management is responsible for 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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 Gift of Adoption Fund, Inc. as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Ostrow Reisin Berk & Abrams, Ltd.*

October 9, 2014

# GIFT OF ADOPTION FUND, INC.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| June 30,   | 2014              | 2013              |
|--|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |
| Cash   | \$ 194,705        | \$ 136,052        |
| Investments (Note 2)   | 154,928           | 138,143           |
| Contributions receivable, net of provision for uncollectible pledges of \$7,500 in 2014 and \$-0- in 2013 (Note 4) | 232,170           | 233,397           |
| Adoption loans receivable  | 27,991            |                   |
| Prepaid expenses   | 6,147             | 6,408             |
| Property and equipment, net (Note 5)   | -                 | -                 |
| Cash surrender value of life insurance   | 59,572            | 55,557            |
| Other assets   | 500               | 500               |
| <b>Total assets</b>  | <b>\$ 676,013</b> | <b>\$ 570,057</b> |
| <b>LIABILITIES AND NET ASSETS</b>  |                   |                   |
| <b>Liabilities:</b>  |                   |                   |
| Grants payable   | \$ 132,253        | \$ 94,755         |
| Accounts payable   | 1,000             |                   |
| Accrued expenses   | 10,660            | 1,683             |
| <b>Total liabilities</b>   | <b>143,913</b>    | <b>96,438</b>     |
| <b>Net assets:</b>   |                   |                   |
| Unrestricted   | 246,874           | 210,222           |
| Temporarily restricted (Note 7)  | 285,226           | 263,397           |
| <b>Total net assets</b>  | <b>532,100</b>    | <b>473,619</b>    |
| <b>Total liabilities and net assets</b>  | <b>\$ 676,013</b> | <b>\$ 570,057</b> |

See notes to consolidated financial statements.

**GIFT OF ADOPTION FUND, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

| Years ended June 30,  | 2014           |                        |                  | 2013           |                        |                |
|---|----------------|------------------------|------------------|----------------|------------------------|----------------|
|   | Unrestricted   | Temporarily restricted | Total            | Unrestricted   | Temporarily restricted | Total          |
| Support and revenue:  |                |                        |                  |                |                        |                |
| Contributions   | \$ 412,385     | \$ 229,102             | \$ 641,487       | \$ 299,171     | \$ 164,023             | \$ 463,194     |
| Special events revenue (including in-kind donations of \$39,350 in 2014 and \$12,014 in 2013) | 496,934        |                        | 496,934          | 412,709        |                        | 412,709        |
| Special events expense  | (185,129)      |                        | (185,129)        | (155,560)      |                        | (155,560)      |
| In-kind donations   |                |                        |                  | 12,757         |                        | 12,757         |
| Program service fees  | 25,587         |                        | 25,587           | 28,591         |                        | 28,591         |
| Realized and unrealized net gain on investments   | 21,550         |                        | 21,550           | 14,222         |                        | 14,222         |
| Dividends and capital gain distributions  | 3,914          |                        | 3,914            | 3,706          |                        | 3,706          |
| Miscellaneous revenue   | 4,015          |                        | 4,015            | 8,402          |                        | 8,402          |
| Net assets released from restrictions (Note 7)  | 207,273        | (207,273)              |                  | 122,153        | (122,153)              |                |
| <b>Total support and revenue</b>  | <b>986,529</b> | <b>21,829</b>          | <b>1,008,358</b> | <b>746,151</b> | <b>41,870</b>          | <b>788,021</b> |
| Expenses:   |                |                        |                  |                |                        |                |
| Program   | 762,726        |                        | 762,726          | 624,102        |                        | 624,102        |
| Supporting services:  |                |                        |                  |                |                        |                |
| Management and general  | 91,815         |                        | 91,815           | 83,981         |                        | 83,981         |
| Fundraising   | 95,336         |                        | 95,336           | 68,636         |                        | 68,636         |
| <b>Total expenses</b>   | <b>949,877</b> |                        | <b>949,877</b>   | <b>776,719</b> |                        | <b>776,719</b> |
| Change in net assets  | 36,652         | 21,829                 | 58,481           | (30,568)       | 41,870                 | 11,302         |
| Net assets:   |                |                        |                  |                |                        |                |
| Beginning of year   | 210,222        | 263,397                | 473,619          | 240,790        | 221,527                | 462,317        |
| End of year   | \$ 246,874     | \$ 285,226             | \$ 532,100       | \$ 210,222     | \$ 263,397             | \$ 473,619     |

*See notes to consolidated financial statements.*

**GIFT OF ADOPTION FUND, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

| Years ended June 30,                         | 2014              |                        |                  |                     | 2013       |                        |             |            |
|--|-------------------|------------------------|------------------|---------------------|------------|------------------------|-------------|------------|
|  | Program           | Supporting services    |                  |                     | Program    | Supporting services    |             |            |
|  |                   | Management and general | Fundraising      | Total               |            | Management and general | Fundraising | Total      |
| Salaries and wages                           | \$ 142,515        | \$ 57,649              | \$ 45,466        | \$ 245,630          | \$ 128,930 | \$ 52,156              | \$ 41,127   | \$ 222,213 |
| Employee benefits                            | 10,877            | 4,400                  | 3,470            | 18,747              | 10,824     | 4,379                  | 3,453       | 18,656     |
| Payroll taxes                                | 9,640             | 3,900                  | 3,075            | 16,615              | 9,408      | 3,806                  | 3,001       | 16,215     |
|  | <b>163,032</b>    | <b>65,949</b>          | <b>52,011</b>    | <b>280,992</b>      | 149,162    | 60,341                 | 47,581      | 257,084    |
| Bank charges                                 | 8,322             | 3,366                  | 2,655            | 14,343              | 6,240      | 2,524                  | 1,991       | 10,755     |
| Board governance                             |                   |                        |                  |                     |            | 415                    |             | 415        |
| Computer maintenance                         | 356               | 144                    | 114              | 614                 | 938        | 380                    | 299         | 1,617      |
| Depreciation                                 |                   |                        |                  |                     | 1,616      |                        | 50          | 1,666      |
| Grants                                       | 532,050           |                        |                  | 532,050             | 399,409    |                        |             | 399,409    |
| Insurance                                    | 2,436             | 985                    | 777              | 4,198               | 2,390      | 967                    | 763         | 4,120      |
| Marketing and promotion                      | 25,770            | 522                    | 411              | 26,703              | 38,179     | 650                    | 793         | 39,622     |
| Occupancy                                    | 3,359             | 1,359                  | 1,072            | 5,790               | 3,546      | 1,435                  | 1,131       | 6,112      |
| Office supplies                              | 853               | 345                    | 272              | 1,470               | 587        | 238                    | 187         | 1,012      |
| Other  | 939               | 380                    | 299              | 1,618               |            |                        | 167         | 167        |
| Planned gift premiums                        |                   |                        | 9,388            | 9,388               |            |                        | 8,661       | 8,661      |
| Postage                                      | 1,684             | 681                    | 537              | 2,902               | 1,770      | 716                    | 564         | 3,050      |
| Printing                                     | 691               | 280                    | 221              | 1,192               | 81         | 31                     | 25          | 137        |
| Professional fees                            | 4,718             | 14,257                 | 5,104            | 24,079              | 4,628      | 14,567                 | 4,712       | 23,907     |
| Provision for uncollectible contributions    |                   |                        | 16,914           | 16,914              |            |                        | 250         | 250        |
| Subscriptions                                | 3,550             |                        | 110              | 3,660               | 3,477      |                        | 108         | 3,585      |
| Telephone/internet                           | 2,730             | 1,105                  | 871              | 4,706               | 3,136      | 1,269                  | 1,000       | 5,405      |
| Temporary staffing                           | 1,200             | 1,200                  | 3,600            | 6,000               |            |                        |             |            |
| Travel                                       | 3,071             | 1,242                  | 980              | 5,293               | 1,108      | 448                    | 354         | 1,910      |
| Volunteer services                           | 7,965             |                        |                  | 7,965               | 7,835      |                        |             | 7,835      |
| Total expenses before special events expense | <b>762,726</b>    | <b>91,815</b>          | <b>95,336</b>    | <b>949,877</b>      | 624,102    | 83,981                 | 68,636      | 776,719    |
| Special events expense                       |                   |                        |                  | <b>185,129</b>      |            |                        |             | 155,560    |
| Total expenses                               | <b>\$ 762,726</b> | <b>\$ 91,815</b>       | <b>\$ 95,336</b> | <b>\$ 1,135,006</b> | \$ 624,102 | \$ 83,981              | \$ 68,636   | \$ 932,279 |

*See notes to consolidated financial statements.*

# GIFT OF ADOPTION FUND, INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

| Years ended June 30,   | 2014       | 2013       |
|--|------------|------------|
| Operating activities:  |            |            |
| Change in net assets   | \$ 58,481  | \$ 11,302  |
| Adjustments to reconcile above to cash provided by (used in) operating activities: |            |            |
| Depreciation   |            | 1,666      |
| Realized and unrealized net gain on investments                                    | (21,550)   | (14,222)   |
| Provision for uncollectible contributions  | 7,500      |            |
| (Increase) decrease in operating assets:   |            |            |
| Contributions receivable   | (6,273)    | (21,870)   |
| Adoption loans receivable  | (27,991)   |            |
| Prepaid expenses   | 261        | (1,673)    |
| Cash surrender value of life insurance   | (4,015)    | (4,399)    |
| Increase (decrease) in operating liabilities:                                      |            |            |
| Grants payable   | 37,498     | 9,404      |
| Accounts payable   | 1,000      | (14,931)   |
| Accrued expenses   | 8,977      | (5,093)    |
| Cash provided by (used in) operating activities                                    | 53,888     | (39,816)   |
| Investing activities:  |            |            |
| Proceeds from sale of investments  | 8,679      | 8,988      |
| Purchase of investments  | (3,914)    | (3,572)    |
| Cash provided by investing activities  | 4,765      | 5,416      |
| Increase (decrease) in cash  | 58,653     | (34,400)   |
| Cash:  |            |            |
| Beginning of year  | 136,052    | 170,452    |
| End of year  | \$ 194,705 | \$ 136,052 |

*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.

There are 10 unchartered local chapters located in various states throughout the United States. All chapters operate under the National charter and are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

#### **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 one chartered local chapter located in Minnesota. All intercompany transactions and accounts were eliminated in the consolidation. During the year ended June 30, 2014, the Minnesota chapter dissolved its local charter but will continue operations under the National charter.

#### **Basis of presentation:**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. There were no permanently restricted net assets at June 30, 2014 and 2013.

#### **Contributions 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)**

#### **Contributions receivable: (continued)**

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for uncollectible contributions and an adjustment to a valuation allowance based on its assessment of the current status of individual contributions owed. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable. Changes in the valuation allowance are as follows:

| <u>Years ended June 30,</u>                   | <u>2014</u>     | <u>2013</u>  |
|---|-----------------|--------------|
| Balance, beginning of year                    | \$ -            | \$ -         |
| Add provision for uncollectible contributions | <b>16,914</b>   | 250          |
| <u>Less contributions written off</u>         | <u>(9,414)</u>  | <u>(250)</u> |
| Balance, end of year                          | <b>\$ 7,500</b> | \$ -         |

#### **Adoption loans receivable:**

During the year ended June 30, 2014, the Organization implemented an adoption loan program. Qualifying families who are unable to receive a grant from the Organization now have the opportunity to apply for an interest-free loan, to be repaid to the Organization in monthly installments over a period of 24 months, 30 months or 36 months. As of June 30, 2014, no allowance for uncollectible loans was deemed necessary.

#### **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.

# **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.

#### **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 same 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, 2014 and 2013.

#### **Contributed goods and services:**

The Organization is required 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 \$39,350 and \$24,771 for the years ended June 30, 2014 and 2013, respectively. Contributed goods consisted primarily of goods used for special events. Contributed services consisted primarily of marketing and promotion services and other consulting services.

#### **Functional expenses:**

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

Special events expense consist of facility rental fees, food and beverages, entertainment fees and other related costs.

# **GIFT OF ADOPTION FUND, INC.**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **1. Summary of significant accounting policies (continued)**

#### **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.

### **2. Investments**

Investments are carried at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at June 30, 2014 and 2013:

| June 30,                   | <b>2014</b>       | 2013       |
|----------------------------|-------------------|------------|
|                            | Level 1           |            |
| Mutual funds:              |                   |            |
| Balanced funds             | \$ <b>73,995</b>  | \$ 63,068  |
| Equity funds               | <b>36,192</b>     | 33,783     |
| Fixed income funds         | <b>16,773</b>     | 15,449     |
| International stock funds  | <b>27,968</b>     | 25,843     |
| Total assets at fair value | \$ <b>154,928</b> | \$ 138,143 |

### **3. Tax status**

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

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, is no longer subject to examination by the Internal Revenue Service for years ended prior to June, 30, 2011.

## **GIFT OF ADOPTION FUND, INC.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

#### **4. Contributions receivable**

Contributions receivable are as follows:

| June 30,                         | 2014       | 2013       |
|----------------------------------|------------|------------|
| Receivable in less than one year | \$ 152,587 | \$ 173,356 |
| Receivable in one to five years  | 87,083     | 60,041     |
| Total                            | \$ 239,670 | \$ 233,397 |

#### **5. Property and equipment**

Property and equipment consist of the following:

| June 30,                      | 2014     | 2013     |
|-------------------------------|----------|----------|
| Computer equipment            | \$ 8,613 | \$ 8,613 |
| Website                       | 20,000   | 20,000   |
|                               | 28,613   | 28,613   |
| Less accumulated depreciation | 28,613   | 28,613   |
| Property and equipment, net   | \$ -     | \$ -     |

#### **6. Leases**

The Organization leases office space in Techny, Illinois under an operating lease that expires on August 31, 2015. Future annual minimum lease payments under this rent agreement are as follows:

| Year ending June 30: | Amount   |
|----------------------|----------|
| 2015                 | \$ 5,790 |
| 2016                 | 1,000    |
| Total                | \$ 6,790 |

## **GIFT OF ADOPTION FUND, INC.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

#### **7. Temporarily restricted net assets**

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

| <b>June 30,</b>   | <b>2014</b>       | <b>2013</b> |
|---|-------------------|-------------|
| Purpose-restricted contributions:                         |                   |             |
| Grants to families in the final stage of adoption process | \$ 18,000         | \$ 10,000   |
| Contribution to fund loan program for adoptive families   | 27,556            | 20,000      |
| Time-restricted contributions                             | <b>239,670</b>    | 233,397     |
| Total temporarily restricted net assets                   | <b>\$ 285,226</b> | \$ 263,397  |

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

#### **8. Subsequent events**

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2014, the consolidated financial statement date, through October 9, 2014, 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.