

GIFT OF ADOPTION FUND, INC.

YEARS ENDED JUNE 30, 2013 AND 2012

GIFT OF ADOPTION FUND, INC.

YEARS ENDED JUNE 30, 2013 AND 2012

CONTENTS

	Page
Independent auditor's report	1-2
Consolidated financial statements:	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-13

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, 2013 and 2012 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, 2013 and 2012 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.

November 22, 2013

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30,	2013	2012
ASSETS		
Cash	\$ 136,052	\$ 170,452
Investments (Note 2)	138,143	129,337
Pledges and contributions receivable (Note 4)	233,397	211,527
Prepaid expenses	6,408	4,735
Property and equipment, net (Note 5)		1,666
Cash surrender value of life insurance	55,557	51,158
Other assets	500	500
Total assets	\$ 570,057	\$ 569,375
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	\$ 94,755	\$ 85,351
Accounts payable		14,931
Accrued expenses	1,683	6,776
Total liabilities	96,438	107,058
Net assets:		
Unrestricted	210,222	240,790
Temporarily restricted (Note 7)	263,397	221,527
Total net assets	473,619	462,317
Total liabilities and net assets	\$ 570,057	\$ 569,375

See notes to consolidated financial statements.

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Years ended June 30,	2013			2012		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Contributions	\$ 299,171	\$ 164,023	\$ 463,194	\$ 300,339	\$ 134,940	\$ 435,279
Special events revenue (including in-kind donations of \$12,014 in 2013 and \$25,989 in 2012)	412,709		412,709	396,735		396,735
Special events expense	(155,560)		(155,560)	(132,408)		(132,408)
In-kind donations	12,757		12,757	17,920		17,920
Program service fees	28,591		28,591	25,107		25,107
Realized and unrealized net gain (loss) on investments	14,222		14,222	(874)		(874)
Interest, dividends and capital gain distributions	3,706		3,706	3,592		3,592
Miscellaneous revenue	8,402		8,402	2,916		2,916
Net assets released from restrictions (Note 8)	122,153	(122,153)		118,197	(118,197)	
Total support and revenue	746,151	41,870	788,021	731,524	16,743	748,267
Expenses:						
Program	624,102		624,102	551,983		551,983
Supporting services:						
Management and general	83,981		83,981	81,084		81,084
Fundraising	68,636		68,636	65,199		65,199
Total expenses	776,719		776,719	698,266		698,266
Change in net assets	(30,568)	41,870	11,302	33,258	16,743	50,001
Net assets:						
Beginning of year	240,790	221,527	462,317	207,532	204,784	412,316
End of year	\$ 210,222	\$ 263,397	\$ 473,619	\$ 240,790	\$ 221,527	\$ 462,317

See notes to consolidated financial statements.

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Years ended June 30,	2013				2012			
	Supporting services				Supporting services			
	Program	Management and general	Fundraising	Total	Program	Management and general	Fundraising	Total
Salaries and wages	\$ 128,930	\$ 52,156	\$ 41,127	\$ 222,213	\$ 116,132	\$ 46,979	\$ 37,045	\$ 200,156
Employee benefits	10,824	4,379	3,453	18,656	8,740	3,535	2,788	15,063
Payroll taxes	9,408	3,806	3,001	16,215	8,438	3,413	2,691	14,542
	149,162	60,341	47,581	257,084	133,310	53,927	42,524	229,761
Bank charges	6,240	2,524	1,991	10,755	4,617	1,868	1,473	7,958
Board governance		415		415		5,500		5,500
Computer maintenance	938	380	299	1,617	234	95	75	404
Depreciation	1,616		50	1,666	6,467		200	6,667
Grants	399,409			399,409	346,457			346,457
Insurance	2,390	967	763	4,120	2,070	837	660	3,567
Marketing and promotion	38,179	650	793	39,622	35,857		350	36,207
Meals and entertainment					16	6	5	27
Occupancy	3,546	1,435	1,131	6,112	3,518	1,423	1,122	6,063
Office supplies	587	238	187	1,012	1,101	445	351	1,897
Other			167	167	41	17	383	441
Planned gift premiums			8,661	8,661			8,661	8,661
Postage	1,770	716	564	3,050	1,288	521	411	2,220
Printing	81	31	25	137	844	342	269	1,455
Professional fees	4,628	14,567	4,712	23,907	5,000	14,318	4,728	24,046
Subscriptions	3,477		108	3,585	2,580		80	2,660
Telephone/internet	3,136	1,269	1,000	5,405	2,616	1,059	835	4,510
Travel	1,108	448	354	1,910	1,794	726	572	3,092
Uncollectible pledges			250	250			2,500	2,500
Volunteer services	7,835			7,835	4,173			4,173
Total expenses before special events expense	624,102	83,981	68,636	776,719	551,983	81,084	65,199	698,266
Special events expense				155,560				132,408
Total expenses	\$ 624,102	\$ 83,981	\$ 68,636	\$ 932,279	\$ 551,983	\$ 81,084	\$ 65,199	\$ 830,674

See notes to consolidated financial statements.

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended June 30,	2013	2012
Operating activities:		
Change in net assets	\$ 11,302	\$ 50,001
Adjustments to reconcile above to cash provided by (used in) operating activities:		
Depreciation	1,666	6,667
Realized and unrealized net (gain) loss on investments	(14,222)	874
Increase in operating assets:		
Pledges and contributions receivable	(21,870)	(16,743)
Prepaid expenses	(1,673)	(457)
Cash surrender value of life insurance	(4,399)	(2,917)
Increase (decrease) in operating liabilities:		
Grants payable	9,404	26,715
Accounts payable	(14,931)	14,931
Accrued expenses	(5,093)	2,988
Cash provided by (used in) operating activities	(39,816)	82,059
Investing activities:		
Proceeds from sale of investments	8,988	27,456
Purchase of investments	(3,572)	(3,642)
Cash provided by investing activities	5,416	23,814
Increase (decrease) in cash	(34,400)	105,873
Cash:		
Beginning of year	170,452	64,579
End of year	\$ 136,052	\$ 170,452

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 one chartered local chapter located in Minnesota. All intercompany transactions and accounts were eliminated in the consolidation.

In addition to the one chartered local chapter, there are seven unchartered local chapters located in various states throughout the United States. These 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 presentation:

The consolidated financial statement presentation follows Financial Accounting Standards Board (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, temporarily restricted and permanently restricted. There were no permanently restricted net assets at June 30, 2013 and 2012.

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 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, 2013 and 2012.

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

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 \$24,771 and \$43,909 for the years ended June 30, 2013 and 2012, 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.

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. 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 methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2013 and 2012.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year-end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Management believes that the Organization's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, the Organization's assets at fair value, which all fall within the Level 1 hierarchy:

June 30,	2013	2012
	Level 1	
Mutual funds:		
Balanced funds	\$ 63,068	\$ 55,561
Equity funds	33,783	32,827
Fixed income funds	15,449	15,647
International stock funds	25,843	25,302
Total assets at fair value	\$ 138,143	\$ 129,337

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.

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Pledges and contributions receivable

Pledges and contributions receivable are as follows:

June 30,	2013	2012
Receivable in less than one year	\$ 173,356	\$ 142,194
Receivable in one to five years	60,041	69,333
Total unconditional promises to give	\$ 233,397	\$ 211,527

5. Property and equipment

Property and equipment consist of the following:

June 30,	2013	2012
Computer equipment	\$ 8,613	\$ 8,613
Website	20,000	20,000
	28,613	28,613
Less accumulated depreciation	28,613	26,947
Property and equipment, net	\$ -	\$ 1,666

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:

Year ending June 30:	Amount
2014	\$ 5,790
2015	5,970
2016	1,000
Total	\$ 12,760

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:

<u>June 30,</u>	<u>2013</u>	<u>2012</u>
Purpose-restricted contributions:		
Grants to families in the final stage of adoption process	\$ 10,000	\$ 10,000
Contribution to fund loan program for adoptive families	20,000	
Time-restricted contributions	233,397	211,527
Total temporarily restricted net assets	\$ 263,397	\$ 221,527

8. 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.

9. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2013, the consolidated financial statement date, through November 22, 2013, 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.