

**Tentative and Preliminary  
for Discussion Purposes Only**

**GIFT OF ADOPTION FUND, INC.**

**YEARS ENDED JUNE 30, 2012 AND 2011**

**Tentative and Preliminary  
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**GIFT OF ADOPTION FUND, INC.**

YEARS ENDED JUNE 30, 2012 AND 2011

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**GIFT OF ADOPTION FUND, INC.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

June 30,	2012	2011
<b>ASSETS</b>		
Cash	\$ 170,452	\$ 64,579
Investments (Note 2)	129,337	154,025
Pledges and contributions receivable (Note 4)	211,527	194,784
Prepaid expenses	4,735	4,278
Property and equipment, net (Note 5)	1,666	8,333
Cash surrender value of life insurance	51,158	48,241
Other assets	500	500
<b>Total assets</b>	<b>\$ 569,375</b>	<b>\$ 474,740</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Grants payable	\$ 85,351	\$ 58,636
Accounts payable	14,931	
Accrued expenses	6,776	3,788
<b>Total liabilities</b>	<b>107,058</b>	<b>62,424</b>
<b>Net assets:</b>		
Unrestricted	240,790	207,532
Temporarily restricted (Note 7)	221,527	204,784
<b>Total net assets</b>	<b>462,317</b>	<b>412,316</b>
<b>Total liabilities and net assets</b>	<b>\$ 569,375</b>	<b>\$ 474,740</b>

*See notes to consolidated financial statements.*

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## GIFT OF ADOPTION FUND, INC.

### CONSOLIDATED STATEMENT OF ACTIVITIES

Years ended June 30,	2012		2011	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Support and revenue:				
Contributions	\$ 300,339	\$ 134,940	\$ 281,493	\$ 145,065
Special events revenue (including in-kind donations of \$25,989 in 2012 and \$26,475 in 2011)	396,735	396,735	221,034	221,034
Special events expense	(132,408)	(132,408)	(65,461)	(65,461)
In-kind donations	17,920	17,920	20,000	20,000
Program service fees	25,107	25,107	25,168	25,168
Realized and unrealized net gain (loss) on investments	(874)	(874)	31,042	31,042
Interest, dividends and capital gain distributions	3,592	3,592	2,323	2,323
Miscellaneous revenue	2,916	2,916	4,441	4,441
Net assets released from restrictions (Note 8)	118,197	(118,197)	104,909	(104,909)
<b>Total support and revenue</b>	<b>731,524</b>	<b>16,743</b>	<b>748,267</b>	<b>40,156</b>
Expenses:				
Program	551,983		502,256	502,256
Supporting services:				
Management and general	81,084		77,012	77,012
Fundraising	65,199		88,152	88,152
<b>Total expenses</b>	<b>698,266</b>		<b>667,420</b>	<b>667,420</b>
Change in net assets	33,258	16,743	(42,471)	40,156
Net assets:				
Beginning of year	207,532	204,784	250,003	164,628
End of year	\$ 240,790	\$ 221,527	\$ 207,532	\$ 204,784
			\$ 462,317	\$ 412,316

See notes to consolidated financial statements.

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## GIFT OF ADOPTION FUND, INC.

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	2012		2011		Total
	Supporting services		Supporting services		
	Program	Management and general	Program	Management and general	
Salaries and wages	\$ 116,132	\$ 46,979	\$ 37,045	\$ 200,156	\$ 230,426
Employee benefits	8,740	3,535	2,788	15,063	15,882
Payroll taxes	8,438	3,413	2,691	14,542	14,385
	133,310	53,927	42,524	229,761	260,693
Bank charges	4,617	1,868	1,473	7,958	8,275
Board governance	5,500	95	75	404	8,387
Computer maintenance	234	6,467	200	6,667	555
Depreciation	346,457	2,070	660	346,457	6,667
Grants	2,070	837	350	3,567	294,541
Insurance	35,857	16	5	36,207	4,427
Marketing and promotion	16	6	5	27	1,200
Meals and entertainment	3,518	1,423	1,122	6,063	21,294
Occupancy	1,101	445	351	1,897	646
Office supplies	41	17	383	441	5,508
Other	1,288	521	411	2,220	1,307
Planned gift premiums	844	342	269	1,455	7,749
Postage	5,000	14,318	4,728	24,046	8,661
Printing	2,580	1,059	80	2,660	8,661
Professional fees	2,616	1,059	835	4,510	8,661
Subscriptions	1,794	726	572	3,092	2,579
Telephone/internet	4,173	2,500	2,500	4,173	2,579
Travel					61
Uncollectible pledges					820
Volunteer services					551
				927	2,318
<b>Total expenses</b>	<b>\$ 551,983</b>	<b>\$ 81,084</b>	<b>\$ 65,199</b>	<b>\$ 698,266</b>	<b>\$ 667,420</b>
				<b>\$ 502,256</b>	<b>\$ 88,152</b>

See notes to consolidated financial statements.

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**GIFT OF ADOPTION FUND, INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Years ended June 30,	2012	2011
Operating activities:		
Change in net assets	\$ 50,001	\$ (2,315)
Adjustments to reconcile above to cash provided by (used in) operating activities:		
Depreciation	6,667	6,667
Realized and unrealized net loss (gain) on investments	874	(31,042)
(Increase) decrease in operating assets:		
Pledges and contributions receivable	(16,743)	(40,156)
Prepaid expenses	(457)	
Cash surrender value of life insurance	(2,917)	(4,441)
Other assets		514
Increase (decrease) in operating liabilities:		
Grants payable	26,715	(27,956)
Accounts payable	14,931	
Accrued expenses	2,988	(239)
Cash provided by (used in) operating activities	82,059	(98,968)
Investing activities:		
Proceeds from sale of investments	27,456	60,673
Purchase of investments	(3,642)	(2,345)
Cash provided by investing activities	23,814	58,328
Increase (decrease) in cash	105,873	(40,640)
Cash:		
Beginning of year	64,579	105,219
End of year	\$ 170,452	\$ 64,579

*See notes to consolidated financial statements.*

# Tentative and Preliminary for Discussion Purposes Only

## **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 are eliminated.

In addition to the one chartered local chapter, there are six 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, 2012 and 2011.

##### **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.

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**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, 2012 and 2011.

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**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 \$43,909 and \$46,475 for the years ended June 30, 2012 and 2011, 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 where these expenses affect more than one area, they are allocated on the basis of ratios estimated by management.

**Reclassifications:**

Certain amounts reported in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The reclassification had not impact on the change in net assets for the year ended June 30, 2011.

**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.

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**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:

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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"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul>
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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.

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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.

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**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, 2012 and 2011.

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 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,	2012	2011
	Level 1	
Mutual funds:		
Balanced funds	\$ 55,561	\$ 53,020
Equity funds	32,827	31,783
Fixed income funds	15,647	42,652
International stock funds	25,302	26,570
Total assets at fair value	\$ 129,337	\$ 154,025

**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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**4. Pledges and contributions receivable**

Pledges and contributions receivable are as follows:

June 30,	2012	2011
Receivable in less than one year	\$ 142,194	\$ 128,951
Receivable in one to five years	69,333	65,833
<b>Total unconditional promises to give</b>	<b>\$ 211,527</b>	<b>\$ 194,784</b>

**5. Property and equipment**

Property and equipment consist of the following:

June 30,	2012	2011
Computer equipment	\$ 8,613	\$ 8,613
Website	20,000	20,000
	28,613	28,613
Less accumulated depreciation	26,947	20,280
<b>Property and equipment, net</b>	<b>\$ 1,666</b>	<b>\$ 8,333</b>

**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
2013	\$ 5,614
2014	5,790
2015	5,970
2016	1,000
<b>Total</b>	<b>\$ 18,374</b>

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

**6. Leases (continued)**

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 \$221 for the year ending June 30, 2013.

**7. Temporarily restricted net assets**

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

June 30,	2012	2011
Purpose-restricted contribution:		
Grants to families in the final stage of adoption process	\$ 10,000	\$ 10,000
Time-restricted contributions	211,527	194,784
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Total temporarily restricted net assets	\$ 221,527	\$ 204,784

**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, 2012, the consolidated financial statement date, through \_\_\_\_\_, 2012, 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.