

GIFT OF ADOPTION FUND, INC.

YEARS ENDED JUNE 30, 2008 AND 2007

GIFT OF ADOPTION FUND, INC.

YEARS ENDED JUNE 30, 2008 AND 2007

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Independent Auditors' Report

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, 2008 and the related consolidated statements of activities, functional expenses and cash flows for the year 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 audit. The consolidated financial statements of Gift of Adoption Fund, Inc. as of June 30, 2007, were audited by other auditors whose report dated August 30, 2007, expressed an unqualified opinion on those statements.

We conducted our audit 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 financial statement presentation. We believe that that our audit provides 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, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ostrow Reisin Berk & Abrams, Ltd.

February 2, 2009

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30,	2008	2007
ASSETS		
Cash and cash equivalents	\$ 187,863	\$ 309,426
Investments (Note 3)	258,201	281,699
Pledges receivable (Note 4)	23,715	20,719
Prepaid expenses	2,766	3,802
Property and equipment, net (Note 5)		1,432
Cash surrender value of life insurance	35,966	36,535
Security deposit	500	
Total assets	\$ 509,011	\$ 653,613
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	\$ 45,007	\$ 41,000
Accounts payable	14,835	6,620
Accrued expenses	4,027	3,773
Total liabilities	63,869	51,393
Net assets:		
Unrestricted:		
Undesignated	27,403	123,633
Designated for:		
Chapter allocations for grants	90,566	116,592
National and chapter grants awarded but not paid	45,007	41,000
Chapter endowment	272,166	291,295
Total unrestricted net assets	435,142	572,520
Temporarily restricted (Note 7)	10,000	29,700
Total net assets	445,142	602,220
Total liabilities and net assets	\$ 509,011	\$ 653,613

See notes to consolidated financial statements.

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Years ended June 30,	2008			2007		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Contributions	\$ 223,491	\$ 15,500	\$ 238,991	\$ 274,237	\$ 29,700	\$ 303,937
Special events revenue	350,664		350,664	387,491		387,491
Special events expense	(171,397)		(171,397)	(128,290)		(128,290)
In-kind donations	43,478		43,478	3,023		3,023
Program service fees	21,710		21,710	23,200		23,200
Realized and unrealized gain (loss) on investments	(45,124)		(45,124)	60,102		60,102
Interest, dividends and capital gain distributions	25,552		25,552	27,267		27,267
Miscellaneous revenue	246		246	28		28
Net assets released from restrictions (Note 8)	35,200	(35,200)		29,917	(29,917)	
Total support and revenue	483,820	(19,700)	464,120	676,975	(217)	676,758
Expenses:						
Program	451,456		451,456	391,932		391,932
Supporting services:						
Management and general	76,689		76,689	65,555		65,555
Fundraising	93,053		93,053	52,328		52,328
Total expenses	621,198		621,198	509,815		509,815
Change in net assets	(137,378)	(19,700)	(157,078)	167,160	(217)	166,943
Net assets:						
Beginning of year	572,520	29,700	602,220	405,360	29,917	435,277
End of year	\$ 435,142	\$ 10,000	\$ 445,142	\$ 572,520	\$ 29,700	\$ 602,220

See notes to consolidated financial statements.

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	2008				2007				
	Supporting services		Supporting services		Supporting services		Supporting services		
	Program and general	Fundraising	Program and general	Fundraising	Program and general	Fundraising	Program and general	Fundraising	
Years ended June 30,									
Salaries and wages	\$ 96,615	\$ 38,646	\$ 57,969	\$ 193,230	\$ 84,562	\$ 35,234	\$ 21,141	\$ 140,937	
Employee benefits	8,695	3,478	5,217	17,390		4,417		4,417	
Retirement plan contributions		337		337					
Payroll taxes	9,593	3,837	5,756	19,186	7,407	3,086	1,852	12,345	
	114,903	46,298	68,942	230,143	91,969	42,737	22,993	157,699	
Bank charges	2,172	869	1,303	4,344	3,116	890	445	4,451	
Computer maintenance	100	40	60	200	5,908	739	738	7,385	
Depreciation	716	286	430	1,432	619	309	309	1,237	
Grants	280,967			280,967	231,295			231,295	
Insurance	1,106	442	664	2,212	4,214	1,756	1,053	7,023	
Meals and entertainment	70	28	42	140	380	127	127	634	
Occupancy	6,045	2,418	3,627	12,090	23,699	6,771	3,385	33,855	
Office supplies	1,687	675	1,012	3,374	2,898	580	386	3,864	
Other	1,155	462	693	2,310	172	690		862	
Planned gift premiums				7,116				7,282	
Postage	1,800	720	1,080	3,600	4,531	1,046	1,394	6,971	
Printing	1,712	685	1,027	3,424	4,046	1,349	1,349	6,744	
Professional fees	18,453	15,197	2,533	36,183	10,905	5,072	9,383	25,360	
Promotion	12,659			12,659	38		37	75	
Registration fee					328			328	
Subscriptions	370			370		271		271	
Telephone/internet	2,470	988	1,482	4,940	3,515	1,172	1,172	5,859	
Temporary staffing	4,534	1,813	2,720	9,067	3,863	1,610	966	6,439	
Travel	537	215	322	1,074	436	436	1,309	2,181	
Uncollectible pledges		5,553		5,553					
	\$ 451,456	\$ 76,689	\$ 93,053	\$ 621,198	\$ 391,932	\$ 65,555	\$ 52,328	\$ 509,815	

See notes to consolidated financial statements.

GIFT OF ADOPTION FUND, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended June 30,	2008	2007
Operating activities:		
Change in net assets	\$ (157,078)	\$ 166,943
Adjustments to reconcile above to cash provided by (used in) operating activities:		
Depreciation	1,432	1,237
Realized and unrealized (gain) loss on investments	45,124	(60,102)
(Increase) decrease in operating assets:		
Pledges receivable	(2,996)	(19,819)
Prepaid expenses	1,036	(775)
Cash surrender value of life insurance	569	(4,201)
Security deposits	(500)	
Increase (decrease) in operating liabilities:		
Grants payable	4,007	4,116
Accounts payable	8,215	4,241
Accrued expenses	254	(4,013)
Cash provided by (used in) operating activities	(99,937)	87,627
Investing activities:		
Proceeds from sale of investments		610,785
Purchase of investments	(21,626)	(427,856)
Cash provided by (used in) investing activities	(21,626)	182,929
Increase (decrease) in cash and cash equivalents	(121,563)	270,556
Cash and cash equivalents:		
Beginning of year	309,426	38,870
End of year	\$ 187,863	\$ 309,426

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 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.

Basis of presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, 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, 2008 and 2007.

Cash and cash equivalents:

The Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The carrying value of cash equivalents approximates fair value.

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. Management believes all receivables will be collected in accordance with the terms of the agreements. Thus, no allowance for uncollectible pledges is necessary at the end of the year.

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

Investments:

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

Property and equipment and related depreciation:

Expenditures for property and equipment in excess of \$500 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.

Revenue recognition:

Contributions that are restricted by the donor 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 revenue is recognized. All other donor-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 statement of activities as net assets released from restrictions. There are no permanently restricted contributions.

Contributed goods and services:

Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", 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 \$43,478 and \$3,023 during 2008 and 2007, respectively.

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 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. 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 financial statements.

3. Investments

Investments consist of 10 various mutual funds from the American Funds Family of mutual funds. The mutual funds consist of balanced, growth and income, bond, equity income and growth funds.

Investments at their fair market value are as follows at June 30, 2008:

	Cost	Market value	Excess of market value over cost
Mutual funds	\$ 247,183	\$ 258,201	\$ 11,018

Investments at their fair market value are as follows at June 30, 2007:

	Cost	Market value	Excess of market value over cost
Mutual funds	\$ 221,837	\$ 281,699	\$ 59,862

4. Pledges receivable

Pledges receivable are as follows:

June 30,	2008	2007
Receivable in less than one year	\$ 18,715	\$ 20,719
Receivable in one to five years	5,000	
Total pledges receivable	\$ 23,715	\$ 20,719

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Property and equipment

Property and equipment consist of the following:

June 30,	2008	2007
Computer equipment	\$ 8,613	\$ 39,454
Furniture and fixtures		15,184
Office equipment		12,302
Leasehold improvements		1,965
	8,613	68,905
Accumulated depreciation and amortization	(8,613)	(67,473)
Property and equipment, net	\$ -	\$ 1,432

6. Leases

The Organization leases office space in Techny, Illinois under an operating lease that expires on August 31, 2009. Monthly rent is \$370.

The Organization also rents a copying machine and a postage meter under operating leases which expire in January 2009 and October 2012. Future annual minimum lease payments under these equipment lease agreements are as follows:

Year ending June 30:	Amount
2009	\$ 2,036
2010	664
2011	664
2012	664
2013	221
Total	\$ 4,249

GIFT OF ADOPTION FUND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Temporarily restricted net assets

At June 30, 2008 and 2007, temporarily restricted net assets total \$10,000 and \$29,700, respectively and were available to provide grants to families in the final stage of the adoption process.

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. Retirement plan

The Organization had a SIMPLE-IRA retirement plan covering all employees who meet the eligibility requirements. The Organization makes matching contributions to the plan equal to 100% of employee deferrals, up to a maximum of 3% of employee compensation for a calendar year. Contributions to the plan were \$337 and \$4,417 for the years ended June 30, 2008 and 2007, respectively. The Organization discontinued the plan during the year ended June 30, 2008.