

GIFT OF ADOPTION FUND, INC.

YEARS ENDED JUNE 30, 2015 AND 2014

GIFT OF ADOPTION FUND, INC.

YEARS ENDED JUNE 30, 2015 AND 2014

CONTENTS

	Page
Independent auditor's report	1-2
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 financial statements of Gift of Adoption Fund, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2015 and 2014 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Gift of Adoption Fund, Inc. as of June 30, 2015 and 2014 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, 2015

GIFT OF ADOPTION FUND, INC.

STATEMENT OF FINANCIAL POSITION

June 30,	2015	2014
		(As restated)
ASSETS		
Cash	\$ 292,152	\$ 194,705
Investments (Note 2)	149,241	154,928
Contributions receivable, net of provision for uncollectible pledges of \$7,500 in 2015 and 2014 (Note 4)	237,653	232,170
Adoption loans receivable	34,448	27,991
Prepaid expenses	6,527	6,147
Property and equipment, net (Note 5)	-	-
Cash surrender value of life insurance	64,514	59,572
Other assets	7,167	500
Total assets	\$ 791,702	\$ 676,013
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	\$ 177,258	\$ 132,253
Accounts payable	31,849	1,000
Accrued expenses	8,913	10,660
Total liabilities	218,020	143,913
Net assets:		
Unrestricted	211,029	214,430
Temporarily restricted (Note 7)	362,653	317,670
Total net assets	573,682	532,100
Total liabilities and net assets	\$ 791,702	\$ 676,013

See notes to financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENT OF ACTIVITIES

Years ended June 30,	2015			2014 (As restated)		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Contributions	\$ 496,277	\$ 251,337	\$ 747,614	\$ 412,385	\$ 229,102	\$ 641,487
Special events revenue (including in-kind donations of \$47,409 in 2015 and \$39,350 in 2014)	556,905		556,905	496,934		496,934
Special events expense	(242,608)		(242,608)	(185,129)		(185,129)
In-kind donations	29,034		29,034			
Program service fees	31,450		31,450	25,587		25,587
Realized and unrealized net gain (loss) on investments	(4,798)		(4,798)	21,550		21,550
Dividends and capital gain distributions	7,818		7,818	3,914		3,914
Miscellaneous revenue	4,942		4,942	4,015		4,015
Net assets released from restrictions (Notes 7 and 9)	206,354	(206,354)		174,829	(174,829)	
Total support and revenue	1,085,374	44,983	1,130,357	954,085	54,273	1,008,358
Expenses:						
Program	856,788		856,788	762,726		762,726
Supporting services:						
Management and general	125,034		125,034	91,815		91,815
Fundraising	106,953		106,953	95,336		95,336
Total expenses	1,088,775		1,088,775	949,877		949,877
Change in net assets	(3,401)	44,983	41,582	4,208	54,273	58,481
Net assets:						
Beginning of year	214,430	317,670	532,100	210,222	263,397	473,619
End of year	\$ 211,029	\$ 362,653	\$ 573,682	\$ 214,430	\$ 317,670	\$ 532,100

See notes to financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Years ended June 30,	2015				2014 (As restated)			
	Program	Supporting services			Program	Supporting services		
		Management and general	Fundraising	Total		Management and general	Fundraising	Total
Salaries and wages	\$ 136,662	\$ 61,067	\$ 48,508	\$ 246,237	\$ 142,515	\$ 57,649	\$ 45,466	\$ 245,630
Employee benefits	7,540	3,369	2,676	13,585	10,877	4,400	3,470	18,747
Payroll taxes	9,926	4,435	3,524	17,885	9,640	3,900	3,075	16,615
	154,128	68,871	54,708	277,707	163,032	65,949	52,011	280,992
Bank charges	8,632	3,857	3,064	15,553	8,322	3,366	2,655	14,343
Board governance	713	319	253	1,285				
Computer maintenance	527	236	187	950	356	144	114	614
Grants	629,723			629,723	532,050			532,050
Insurance	1,722	770	611	3,103	2,436	985	777	4,198
Marketing and promotion	25,926	537	403	26,866	25,770	522	411	26,703
Occupancy	3,313	1,481	1,176	5,970	3,359	1,359	1,072	5,790
Office supplies	857	383	304	1,544	853	345	272	1,470
Other	1,460	653	520	2,633	939	380	299	1,618
Planned gift premiums			9,461	9,461			9,388	9,388
Postage	2,113	944	751	3,808	1,684	681	537	2,902
Printing					691	280	221	1,192
Professional fees	5,289	37,022	10,578	52,889	4,718	14,257	5,104	24,079
Provision for uncollectible contributions			4,600	4,600			16,914	16,914
Retirement plan contribution	939	419	333	1,691				
Subscriptions	2,943		91	3,034	3,550		110	3,660
Telephone/internet	3,201	1,430	1,136	5,767	2,730	1,105	871	4,706
Temporary staffing	2,305	2,305	14,164	18,774	1,200	1,200	3,600	6,000
Travel	1,789	799	635	3,223	3,071	1,242	980	5,293
Volunteer services	11,208	5,008	3,978	20,194	7,965			7,965
Total expenses before special events expense	856,788	125,034	106,953	1,088,775	762,726	91,815	95,336	949,877
Special events expense				242,608				185,129
Total expenses	\$ 856,788	\$ 125,034	\$ 106,953	\$ 1,331,383	\$ 762,726	\$ 91,815	\$ 95,336	\$ 1,135,006

See notes to financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENT OF CASH FLOWS

Years ended June 30,	2015	2014
		(As restated)
Operating activities:		
Change in net assets	\$ 41,582	\$ 58,481
Adjustments to reconcile above to cash provided by operating activities:		
Realized and unrealized net (gain) loss on investments	4,798	(21,550)
Reinvested dividends	(7,818)	(3,914)
Provision for uncollectible contributions		7,500
(Increase) decrease in operating assets:		
Contributions receivable	(5,483)	(6,273)
Adoption loans receivable	(6,457)	(27,991)
Prepaid expenses	(380)	261
Cash surrender value of life insurance	(4,942)	(4,015)
Increase (decrease) in operating liabilities:		
Grants payable	45,005	37,498
Accounts payable	30,849	1,000
Accrued expenses	(1,747)	8,977
Cash provided by operating activities	95,407	49,974
Investing activities:		
Proceeds from sale of investments	8,707	8,679
Deposit for website development	(6,667)	
Cash provided by investing activities	2,040	8,679
Increase in cash	97,447	58,653
Cash:		
Beginning of year	194,705	136,052
End of year	\$ 292,152	\$ 194,705

See notes to financial statements.

GIFT OF ADOPTION FUND, INC.

NOTES TO 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 12 unchartered local chapters located in various states throughout the United States.

Basis of accounting:

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

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, 2015 and 2014.

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.

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.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

Contributions receivable: (continued)

Changes in the valuation allowance are as follows:

<u>Years ended June 30,</u>	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 7,500	\$ -
Add provision for uncollectible contributions	4,600	16,914
Less contributions written off	(5,100)	(9,414)
Add collection of amounts previously written off	500	
Balance, end of year	\$ 7,500	\$ 7,500

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, 2015 and 2014, no allowance for uncollectible loans was deemed necessary. The Organization discontinued the adoption loan program during the year ended June 30, 2015 and no new loans will be awarded after June 30, 2015.

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 \$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.

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.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

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 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, 2015 and 2014.

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 \$76,443 and \$39,350 for the years ended June 30, 2015 and 2014, 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.

Use of estimates:

The preparation of the 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 FINANCIAL STATEMENTS (CONTINUED)

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, 2015 and 2014:

<u>June 30,</u>	<u>2015</u>	<u>2014</u>
	Level 1	
Mutual funds:		
Balanced funds	\$ 75,145	\$ 73,995
Equity funds	37,927	36,192
Fixed income funds	7,289	16,773
International stock funds	28,880	27,968
Total assets at fair value	\$ 149,241	\$ 154,928

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 financial statements.

4. Contributions receivable

Contributions receivable are as follows:

<u>June 30,</u>	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 149,400	\$ 152,587
Receivable in one to five years	95,753	87,083
Total contributions receivable	245,153	239,670
Less provision for uncollectible pledges	7,500	7,500
Contributions receivable, net	\$ 237,653	\$ 232,170

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Property and equipment

Property and equipment consist of the following:

June 30,	2015	2014
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. Subsequent to June 30, 2015, the Organization entered into a new operating lease that expires on August 31, 2020. Future annual minimum lease payments under this rent agreement are as follows:

Year ending June 30:	Amount
2016	\$ 6,150
2017	6,330
2018	6,510
2019	6,690
2020	6,870
Thereafter	1,150
Total	\$ 33,700

GIFT OF ADOPTION FUND, INC.

NOTES TO 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:

June 30,	2015	2014
Purpose-restricted contributions:		
Grants to families in the final stage of adoption process	\$ 52,500	\$ 18,000
Contribution to fund loan program for adoptive families	65,000	60,000
Time-restricted contributions	245,153	239,670
Total temporarily restricted net assets	\$ 362,653	\$ 317,670

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

Years ended June 30,	2015	2014
		(As restated)
Purpose-restricted contributions:		
Grants to families in the final stage of adoption process	\$ 47,500	\$ 17,000
Time-restricted contributions	158,854	157,829
Net assets released from restrictions	\$ 206,354	\$ 174,829

8. Commitments

During the year ended June 30, 2015, the Organization entered into a \$20,000 contract agreement for a new website. The first installment of \$6,667 was paid during the year ended June 30, 2015, per the terms of the agreement. The second installment of \$6,665 was paid subsequent to June 30, 2015. The remaining installment of \$6,668 will be paid during the year ending June 30, 2016 upon completion of the website project.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Restatement of net assets

Net assets at June 30, 2014 were reclassified related to the issuance of adoption loans during the year ended June 30, 2014 that were improperly reclassified from temporarily restricted net assets to unrestricted net assets.

June 30, 2014	Unrestricted	Temporarily restricted	Total
Net assets, as previously reported	\$ 246,874	\$ 285,226	\$ 532,100
Restatement of net assets	(32,444)	32,444	
Net assets, as adjusted	\$ 214,430	\$ 317,670	\$ 532,100

10. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2015, the financial statement date, through October 9, 2015, the date the financial statements were available to be issued. No events, other than as disclosed in Notes 6 and 8, have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.