

GIFT OF ADOPTION FUND, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2024 AND 2023

GIFT OF ADOPTION FUND, INC.

YEARS ENDED DECEMBER 31, 2024 AND 2023

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Independent Auditors' Report

Board of Governors
Gift of Adoption Fund, Inc.

Opinion

We have audited the accompanying financial statements of Gift of Adoption Fund, Inc. (a Wisconsin corporation), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 December 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gift of Adoption Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gift of Adoption Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Gift of Adoption Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gift of Adoption Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ostrow Reisin Berk & Abrams, Ltd.

March 6, 2025

GIFT OF ADOPTION FUND, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,742,710	\$ 1,704,007
Investments	2,636,218	2,306,978
Contributions receivable, net of allowance for uncollectible contributions of \$7,500 in 2024 and 2023	567,943	471,930
Interest receivable	21,280	23,449
Prepaid expenses	60,317	11,086
Operating lease right-of-use asset	93,964	66,245
Total assets	\$ 5,122,432	\$ 4,583,695
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	\$ 1,464,612	\$ 1,341,684
Accounts payable and accrued expenses	73,782	78,139
Operating lease liability	96,028	67,721
Deferred contributions	55,376	32,702
Total liabilities	1,689,798	1,520,246
Net assets:		
Without donor restrictions	2,158,321	2,099,131
With donor restrictions	1,274,313	964,318
Total net assets	3,432,634	3,063,449
Total liabilities and net assets	\$ 5,122,432	\$ 4,583,695

See notes to the financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENTS OF ACTIVITIES

Years ended December 31,	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues:						
Contributions	\$ 1,637,380	\$ 1,660,918	\$ 3,298,298	\$ 1,830,266	\$ 1,165,517	\$ 2,995,783
Special events revenue	1,662,335		1,662,335	1,529,756		1,529,756
Special events expense	(519,957)		(519,957)	(457,738)		(457,738)
Grant application fees	50,508		50,508	48,400		48,400
Net investment return	222,864	52,772	275,636	179,471	33,669	213,140
Net assets released from restrictions	1,403,695	(1,403,695)		1,064,984	(1,064,984)	
Total revenues	4,456,825	309,995	4,766,820	4,195,139	134,202	4,329,341
Expenses:						
Program services	3,485,491		3,485,491	3,176,061		3,176,061
Management and general	541,774		541,774	465,636		465,636
Fundraising	370,370		370,370	356,885		356,885
Total expenses	4,397,635		4,397,635	3,998,582		3,998,582
Change in net assets	59,190	309,995	369,185	196,557	134,202	330,759
Net assets, beginning of year	2,099,131	964,318	3,063,449	1,902,574	830,116	2,732,690
Net assets, end of year	\$ 2,158,321	\$ 1,274,313	\$ 3,432,634	\$ 2,099,131	\$ 964,318	\$ 3,063,449

See notes to the financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31,	2024					2023				
	Program services	Management and general	Fundraising	Special events expense	Total	Program services	Management and general	Fundraising	Special events expense	Total
Adoption assistance grants	\$ 3,005,655				\$ 3,005,655	\$ 2,695,772				\$ 2,695,772
Dues, subscriptions and fees	22,470	\$ 24,785	\$ 17,286		64,541	22,010	\$ 23,857	\$ 19,208		65,075
Insurance	2,705	3,447	2,404		8,556	2,815	3,051	2,457		8,323
Marketing, contract and professional services	51,724	42,646	20,788		115,158	40,990	39,808	10,004		90,802
Meetings and conferences - volunteers and board	13,726	1,830	2,745		18,301	43,539	5,805	8,708		58,052
Occupancy	5,690	7,253	5,058		18,001	5,877	6,370	5,129		17,376
Office supplies and equipment	6,376	8,126	5,668		20,170	5,705	6,184	4,979		16,868
Postage and printing	5,317	6,778	4,727		16,822	10,094	10,941	8,808		29,843
Provision for uncollectible contributions	21,201				21,201	8,250				8,250
Salaries and related benefits	346,326	441,426	307,870		1,095,622	338,279	366,661	295,211		1,000,151
Special events expense				\$ 519,957	519,957				\$ 457,738	457,738
Travel	4,301	5,483	3,824		13,608	2,730	2,959	2,381		8,070
Total expenses	3,485,491	541,774	370,370	519,957	4,917,592	3,176,061	465,636	356,885	457,738	4,456,320
Less expenses included with revenues on the statements of activities				(519,957)	(519,957)				(457,738)	(457,738)
Total expenses included in the expenses section of the statements of activities	\$ 3,485,491	\$ 541,774	\$ 370,370	\$ -	\$ 4,397,635	\$ 3,176,061	\$ 465,636	\$ 356,885	\$ -	\$ 3,998,582

See notes to the financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31,	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 369,185	\$ 330,759
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Contributions restricted for endowment	(30,000)	(135,000)
Net realized and unrealized gains on investments	(62,168)	(92,415)
Reinvested dividends	(116,922)	(41,368)
Provision for uncollectible contributions	21,201	8,250
Amortization of operating lease right-of-use asset	11,011	11,842
(Increase) decrease in operating assets:		
Contributions receivable	(117,214)	(8,607)
Interest receivable	2,169	(23,449)
Prepaid expenses	(49,231)	11,068
Increase (decrease) in operating liabilities:		
Grants payable	122,928	217,530
Accounts payable and accrued expenses	(4,357)	12,834
Operating lease liability	(10,423)	(11,245)
Deferred contributions	22,674	(3,845)
Net cash and cash equivalents provided by operating activities	158,853	276,354
Cash flows from investing activities:		
Purchase of investments	(1,155,000)	(1,335,000)
Proceeds from sale of investments	1,004,850	1,000,000
Net cash and cash equivalents used in investing activities	(150,150)	(335,000)

See notes to the financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31,	2024	2023
Cash flows from financing activity:		
Contributions restricted for endowment	\$ 30,000	\$ 135,000
Net cash and cash equivalents provided by financing activity	30,000	135,000
Net increase in cash and cash equivalents	38,703	76,354
Cash and cash equivalents, beginning of year	1,704,007	1,627,653
Cash and cash equivalents, end of year	\$ 1,742,710	\$ 1,704,007
Supplemental disclosure of non-cash investing activity:		
Acquisition of shares through reinvested dividends	\$ 116,922	\$ 41,368
Supplemental cash flows information related to leases is as follows:		
Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows from operating lease	\$ 12,753	\$ 12,465
Right-of-use asset obtained in exchange for operating lease liability	\$ 38,730	

See notes to the financial statements.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization

Description of organization:

Gift of Adoption Fund, Inc. (the Organization), a nonprofit entity located in Northbrook, 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 29 unchartered local chapters located in various states throughout the United States.

2. Summary of significant accounting policies

Basis of accounting:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available to finance the general operations of the Organization. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization and the environment in which it operates.

Net assets with donor restrictions – Some donor-imposed restrictions are temporary in nature, such that they will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Cash and cash equivalents:

The Organization considers financial instruments with an original maturity of three months or less when purchased to be cash equivalents.

Investments:

Purchases of equity securities are recorded at cost or, if donated, at fair value on the date of donation. Thereafter, investments in equity securities are reported at their fair values in the statements of financial position. Purchases of certificates of deposit with original maturities of more than three months are recorded at cost as a component of investments in the statements of financial position. Thereafter, investments in certificates of deposit are reported at cost until redemption. Net investment return is reported in the statements of activities and consists of dividend income, interest income, capital gain distributions and realized and unrealized gains and losses, less investment expenses.

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 more than one year are recorded at the present value 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 an 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.

Property and equipment:

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 the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Property and equipment is fully depreciated at December 31, 2024 and 2023.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Grants payable:

The Organization records a liability and expense for grants in the year in which the grant is awarded.

Leases:

The Organization determines whether a contract is a lease at the contract's inception. Identified leases are subsequently measured, classified, and recognized at lease commencement as either a finance lease or an operating lease. The Organization reassesses its determination of the lease classification if the terms and conditions of the arrangement or contract are changed.

Right-of-use assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments to be made over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. The lease payments are discounted to present value using a discount rate based on a term commensurate with the lease terms at the lease commencement date. The Organization elected to use a risk-free discount rate for all classes of underlying assets. The portion of payments on operating lease liabilities related to interest, along with the amortization of the related right-of-use assets, is recognized as operating lease cost. Operating lease cost is recognized on a straight-line basis over the lease term. The Organization elected to treat the lease and non-lease components of a lease as a single lease component for all classes of underlying assets.

Deferred contributions:

Contributions received in advance for special events that are held subsequent to year-end is deferred and recognized in the year of the event.

Contributions:

Contributions are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Contributed goods and services:

The Organization recognizes the fair value of contributed services if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization towards fundraising activities, but these services do not meet the criteria for financial statement recognition.

Special events expense:

Special events expense consists primarily of facility rental fees, food and beverages, and entertainment fees.

Expense allocation:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related benefits, dues, subscriptions and fees, insurance, occupancy, office supplies and equipment, postage and printing, and travel, all of which are allocated on the basis of time and effort.

Use of estimates:

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management of the Organization has reviewed and evaluated subsequent events through March 6, 2025, the date the financial statements were available to be issued.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Liquidity and availability

The following represents the Organization's financial assets available to meet general expenditures at December 31, 2024 and 2023:

December 31,	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,742,710	\$ 1,704,007
Investments	2,636,218	2,306,978
Contributions receivable	567,943	471,930
Interest receivable	21,280	23,449
Total financial assets	4,968,151	4,506,364
Less amounts not available to be used within one year:		
Contributions receivable - due after one year	210,935	130,082
Amounts restricted by donors to be held in perpetuity	425,000	395,000
Amounts unavailable to management without Board approval	760,341	676,001
Board-designated net assets to function as an endowment	380,032	338,056
Total amounts not available to be used within one year	1,776,308	1,539,139
Financial assets available to meet general expenditures within one year	\$ 3,191,843	\$ 2,967,225

Contributions, special events revenue and grant application fees revenue are the primary sources to meet cash needs for general expenditures. General expenditures include grant commitments, administrative and general expenses, and fundraising expenses. The Organization's checking account is maintained at a level to support a minimum of 30 days of operating costs, including adoption assistance grants. Cash in excess of this goal provides additional liquidity in the event that the Organization's current revenue streams are not sufficient to meet its ongoing adoption grant commitments and other general expenditure obligations. Management monitors liquidity throughout the year through a monthly review of budgets and financial reports.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Contributions receivable

Contributions receivable are as follows:

December 31,	2024	2023
Receivable in less than one year	\$ 364,508	\$ 349,348
Receivable in one to five years	210,935	130,082
Total contributions receivable	575,443	479,430
Less allowance for uncollectible contributions	7,500	7,500
Contributions receivable, net	\$ 567,943	\$ 471,930

5. Investments

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. The three levels of the fair value hierarchy are as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Investments (continued)

Investments in mutual funds that are traded on a national securities exchange are stated at the last reported sales price on the day of valuation. These financial investments are classified as Level 1 in the fair value hierarchy.

A summary of investments are as follows:

December 31,	2024	2023
Level 1:		
Mutual funds	\$ 1,636,218	\$ 1,306,978
Certificates of deposit	1,000,000	1,000,000
Total investments	\$ 2,636,218	\$ 2,306,978

The Organization's investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statements of financial position.

6. Lease

The Organization leases its office facility under an operating lease which had an original termination date of May 1, 2025. Prior to June 1, 2024, the lease provided for a fixed annual escalation of \$279 over the lease term. Additionally, the lease provided for a four-year renewal option for a lease period commencing on May 2, 2025 and expiring on April 30, 2029. In June 2024, the Organization signed a lease extension through April 30, 2029, with a four-year renewal option that provided for a lease period commencing on May 1, 2029 and expiring on April 30, 2033. The Organization is reasonably certain they will exercise the renewal option. The exercise of the renewal option is at the Organization's sole discretion. In conjunction with the lease extension, the Company remeasured the existing right-of-use asset and lease liability for the change in the discount rate at the date of the lease modification and recognized \$38,730 of additional operating lease right-of-use asset and related lease liability for the extended term. The lease requires fixed monthly base rent payments which escalate annually over the lease term. The lease payments during the lease renewal period are considered variable lease payments as they are based on fair market value rent at the time of the lease renewal.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Lease (continued)

Future minimum payments on the operating lease at December 31, 2024 are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2025	\$ 13,011
2026	13,092
2027	13,276
2028	13,560
2029	13,838
Thereafter	48,069
Total undiscounted lease payments	114,846
<u>Less imputed interest</u>	<u>18,818</u>
Total operating lease liability	\$ 96,028

Operating lease cost was \$13,341 and \$13,065 during the years ended December 31, 2024 and 2023, respectively.

The weighted-average remaining lease term and discount rate are as follows:

<u>Years ended December 31,</u>	<u>2024</u>	<u>2023</u>
Weighted-average:		
Discount rate - operating lease	4.28%	1.55%
Remaining lease term (years) - operating lease	8.33	5.33

7. Board-designated net assets

Board-designated net assets at December 31, 2024 and 2023 were \$380,032 and \$338,056, respectively, which were designated by the Board of Directors to function as an endowment.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Net assets with donor restrictions

The components of net assets with donor restrictions are as follows:

December 31,	2024	2023
Subject to passage of time:		
Time-restricted contributions	\$ 456,624	\$ 416,930
Subject to expenditure for specified purpose:		
Grants to families in the final stage of adoption process	321,855	129,476
Endowment to be maintained in perpetuity	425,000	395,000
Endowment subject to the appropriation and expenditure when a specified event occurs:		
Donor-restricted funds in the nature of an endowment	70,834	22,912
Total net assets with donor restrictions	\$ 1,274,313	\$ 964,318

Net assets were released from donor restrictions by the passage of time or by incurring expenses satisfying purpose or time restrictions as follows:

Years ended December 31,	2024	2023
Purpose-restricted contributions:		
Grants to families in the final stage of adoption process	\$ 824,970	\$ 637,825
Time-restricted contributions	578,725	427,159
Total net assets released from donor restrictions	\$ 1,403,695	\$ 1,064,984

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Endowments

The Organization's endowment consists of seven individual funds established for the purpose of supporting adoption assistance. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. A portion of the net assets with donor restrictions are restricted as investments in perpetuity. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions maintained in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions maintained in perpetuity is classified as net assets with donor restrictions for purpose and time until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization and (7) the Organization's investment policies. From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that are designed to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution. Endowment assets are invested in mutual funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution not to exceed 5%, while achieving growth of the endowment funds if possible. Investment assets and allocation between asset classes and strategies are managed so as not to expose the fund to unacceptable levels of risk.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Endowments (continued)

Spending Policy. The Organization has adopted a policy of appropriating for distribution, at its discretion, each year up to 5% of its endowment fund's average market value for the prior three years. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type as of December 31, 2024 is as follows:

December 31, 2024	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds		\$ 495,834	\$ 495,834
Board-designated endowment	\$ 380,032		380,032
Total funds	\$ 380,032	\$ 495,834	\$ 875,866

There were no underwater endowments at December 31, 2024.

Changes in endowment net assets for the year ended December 31, 2024 are as follows:

Year ended December 31, 2024	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 338,056	\$ 417,912	\$ 755,968
Contributions		30,000	30,000
Appropriation for expenditure		(4,850)	(4,850)
Net investment return	41,976	52,772	94,748
Endowment net assets, end of year	\$ 380,032	\$ 495,834	\$ 875,866

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Endowments (continued)

Endowment net asset composition by type as of December 31, 2023 is as follows:

December 31, 2023	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds		\$ 417,912	\$ 417,912
Board-designated endowment	\$ 338,056		338,056
Total funds	\$ 338,056	\$ 417,912	\$ 755,968

There were no underwater endowments at December 31, 2023.

Changes in endowment net assets for the year ended December 31, 2023 are as follows:

Year ended December 31, 2023	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 47,233	\$ 249,243	\$ 296,476
Contributions	275,000	135,000	410,000
Net investment return	15,823	33,669	49,492
Endowment net assets, end of year	\$ 338,056	\$ 417,912	\$ 755,968

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Revenue from contracts with customers

Performance obligations:

The Organization's revenue from contracts with customers consisted of the following:

Special events revenue

Special events revenue includes an exchange element based upon the fair value of direct benefits donors receive from attending a special event. The exchange element of special events revenue is recognized as revenue at a point in time when the special event takes place.

Grant application fees

Adoption assistance grant application fees charged to grant applicants are nonrefundable and are due when the application is submitted and recognized at a point in time when the application process is completed.

There is no variable consideration with the above revenue streams.

Disaggregation of revenue:

The Organization's revenue from contract with customers disaggregated by timing of satisfaction of performance obligations for the years ended December 31, 2024 and 2023 are as follows:

<u>Years ended December 31,</u>	<u>2024</u>	<u>2023</u>
Performance obligations satisfied at a point in time:		
Special events revenue	\$ 451,405	\$ 393,393
Grant application fees	50,508	48,400
Total performance obligations satisfied at a point in time	\$ 501,913	\$ 441,793

Contract balances:

There were no accounts receivable related to revenue from contracts with customers at December 31, 2024, 2023 and 2022.

There were no contract assets or contract liabilities related to revenue from contracts with customers at December 31, 2024, 2023 and 2022.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Revenue from contracts with customers (continued)

Significant judgments:

Significant judgments are required to be made by management to determine the appropriate approach to applying the revenue recognition criteria. Management determined the transaction prices for benefits included in special events where stand-alone purchase prices were not available.

11. Employee retirement plan

The Organization has an employee retirement plan (the Plan) covering all eligible employees. Employees are allowed to make voluntary contributions to the Plan within stated limits set by the Plan. The Plan also provides for the Organization to make a mandatory matching contribution within the limits set by the Plan. The Plan also allows a contribution at the discretion of the Board of Directors. For the years ended December 31, 2024 and 2023, the Organization made matching contributions of \$21,015 and \$17,934, respectively. No discretionary contributions were approved for the years ended December 31, 2024 and 2023.

12. Tax status

The Organization has received a determination letter from the Internal Revenue Service that it is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) of the Code. Contributions to the Organization are deductible for income tax purposes within limitations of the law.

13. Cash and cash equivalents concentration

The Organization maintains its cash and cash equivalents in bank and brokerage accounts which, at times, may exceed federally-insured deposit limits. At December 31, 2024 and 2023, cash and cash equivalents in excess of these limits totaled approximately \$1,652,000 and \$1,538,000, respectively. The Organization believes that it is not exposed to any significant credit risk on cash and cash equivalents.