

**GIFT OF ADOPTION FUND, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

# **GIFT OF ADOPTION FUND, INC.**

YEARS ENDED JUNE 30, 2017 AND 2016

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## **Independent Auditors' Report**

Board of Directors  
Gift of Adoption Fund, Inc.

We have audited the accompanying financial statements of Gift of Adoption Fund, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

### **Auditors' 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, 2017 and 2016, 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.*

September 20, 2017

# **GIFT OF ADOPTION FUND, INC.**

## **STATEMENTS OF FINANCIAL POSITION**

<b>June 30,</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash	\$ <b>609,236</b>	\$ 672,123
Investments	<b>174,106</b>	155,188
Contributions receivable, net of provision for uncollectible pledges of \$5,000 in 2017 and \$7,500 in 2016	<b>422,323</b>	208,716
Adoption loans receivable	<b>826</b>	15,154
Prepaid expenses	<b>3,539</b>	2,412
Property and equipment, net	<b>9,343</b>	15,843
Other assets	<b>500</b>	500
<b>Total assets</b>	<b>\$ 1,219,873</b>	<b>\$ 1,069,936</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Grants payable	\$ <b>252,769</b>	\$ 277,433
Accounts payable	<b>30,504</b>	27,315
Accrued expenses	<b>19,563</b>	3,570
Deferred revenue	<b>21,350</b>	
<b>Total liabilities</b>	<b>324,186</b>	308,318
<b>Net assets:</b>		
Unrestricted	<b>445,564</b>	526,402
Temporarily restricted	<b>450,123</b>	235,216
<b>Total net assets</b>	<b>895,687</b>	761,618
<b>Total liabilities and net assets</b>	<b>\$ 1,219,873</b>	<b>\$ 1,069,936</b>

*See notes to financial statements.*

**GIFT OF ADOPTION FUND, INC.**

STATEMENTS OF ACTIVITIES

Years ended June 30,	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Contributions	\$ 653,723	\$ 485,688	\$ 1,139,411	\$ 595,340	\$ 153,095	\$ 748,435
Special events revenue (including in-kind donations of \$96,677 in 2017 and \$34,922 in 2016)	990,392		990,392	876,816		876,816
Special events expense	(433,506)		(433,506)	(321,140)		(321,140)
In-kind donations	21,702		21,702	714		714
Program service fees	34,064		34,064	27,800		27,800
Net realized and unrealized gain (loss) on investments	15,344		15,344	(1,292)		(1,292)
Dividends and capital gain distributions	4,353		4,353	7,502		7,502
Life insurance benefits, net				215,486		215,486
Net assets released from restrictions	270,781	(270,781)		280,532	(280,532)	
<b>Total support and revenue</b>	<b>1,556,853</b>	<b>214,907</b>	<b>1,771,760</b>	<b>1,681,758</b>	<b>(127,437)</b>	<b>1,554,321</b>
Expenses:						
Program	1,269,385		1,269,385	1,033,792		1,033,792
Supporting services:						
Management and general	117,609		117,609	158,090		158,090
Fundraising	250,697		250,697	174,503		174,503
<b>Total expenses</b>	<b>1,637,691</b>		<b>1,637,691</b>	<b>1,366,385</b>		<b>1,366,385</b>
Change in net assets	(80,838)	214,907	134,069	315,373	(127,437)	187,936
Net assets:						
Beginning of year	526,402	235,216	761,618	211,029	362,653	573,682
End of year	\$ 445,564	\$ 450,123	\$ 895,687	\$ 526,402	\$ 235,216	\$ 761,618

*See notes to financial statements.*

**GIFT OF ADOPTION FUND, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2017				2016			
	Program	Supporting services			Program	Supporting services		
		Management and general	Fundraising	Total		Management and general	Fundraising	Total
Salaries and wages	\$ 185,838	\$ 75,041	\$ 166,096	\$ 426,975	\$ 166,615	\$ 106,485	\$ 102,244	\$ 375,344
Employee benefits	8,030	3,243	7,177	18,450	8,111	5,184	4,977	18,272
Payroll taxes	15,245	6,156	13,626	35,027	12,807	8,185	7,859	28,851
Retirement plan contribution	1,663	672	1,487	3,822	1,610	1,029	988	3,627
	<b>210,776</b>	<b>85,112</b>	<b>188,386</b>	<b>484,274</b>	<b>189,143</b>	<b>120,883</b>	<b>116,068</b>	<b>426,094</b>
Bank charges	14,881	6,009	13,301	34,191	12,576	8,038	7,717	28,331
Board governance	2,985	1,206	2,669	6,860	220	140	135	495
Computer maintenance	692	279	618	1,589	175	112	107	394
Depreciation	6,305		195	6,500	3,709		115	3,824
Grants	896,848			896,848	749,498			749,498
Insurance	2,483	1,002	2,219	5,704	1,907	1,219	1,170	4,296
Marketing and promotion	80,592		178	80,770	37,350		3,112	40,462
Occupancy	2,755	1,113	2,462	6,330	2,730	1,745	1,675	6,150
Office supplies	721	291	645	1,657	1,399	894	858	3,151
Planned gift premiums							1,746	1,746
Postage	3,085	1,246	2,758	7,089	2,738	1,750	1,681	6,169
Printing	5,378	2,172	4,806	12,356	4,014	2,565	2,463	9,042
Professional fees	6,020	13,825	6,259	26,104	5,840	13,040	5,107	23,987
Provision for uncollectible contributions			13,174	13,174			6,490	6,490
Subscriptions	9,716		387	10,103	3,398		105	3,503
Telephone/internet	2,207	891	1,972	5,070	2,300	1,470	1,411	5,181
Temporary staffing	14,076	2,284	6,483	22,843	6,516	3,441	21,325	31,282
Travel	3,188	1,288	2,850	7,326	2,811	1,797	1,725	6,333
Volunteer services	6,677	891	1,335	8,903	7,468	996	1,493	9,957
Total expenses before special events expense	<b>1,269,385</b>	<b>117,609</b>	<b>250,697</b>	<b>1,637,691</b>	<b>1,033,792</b>	<b>158,090</b>	<b>174,503</b>	<b>1,366,385</b>
Special events expense				<b>433,506</b>				<b>321,140</b>
Total expenses	<b>\$ 1,269,385</b>	<b>\$ 117,609</b>	<b>\$ 250,697</b>	<b>\$ 2,071,197</b>	<b>\$ 1,033,792</b>	<b>\$ 158,090</b>	<b>\$ 174,503</b>	<b>\$ 1,687,525</b>

*See notes to financial statements.*

# GIFT OF ADOPTION FUND, INC.

## STATEMENTS OF CASH FLOWS

Years ended June 30,	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 134,069	\$ 187,936
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,500	3,824
Net realized and unrealized (gain) loss on investments	(15,344)	1,292
Reinvested dividends	(3,574)	(7,239)
Life insurance benefits, net		(215,486)
Provision for uncollectible contributions	13,174	6,490
(Increase) decrease in operating assets:		
Contributions receivable	(226,781)	22,447
Adoption loans receivable	14,328	19,294
Prepaid expenses	(1,127)	4,115
Increase (decrease) in operating liabilities:		
Grants payable	(24,664)	100,175
Accounts payable	3,189	(4,534)
Accrued expenses	15,993	(5,343)
Deferred revenue	21,350	
Net cash provided by (used in) operating activities	(62,887)	112,971
Cash flows from investing activities:		
Proceeds from life insurance benefits		280,000
Purchase of property and equipment		(13,000)
Net cash provided by investing activities		267,000
Net increase (decrease) in cash	(62,887)	379,971
Cash:		
Beginning of year	672,123	292,152
End of year	\$ 609,236	\$ 672,123

*See notes to 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 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 20 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 on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **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, 2017 and 2016.

#### **Reclassifications:**

Certain amounts in the 2016 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

#### **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 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 FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Contributions receivable: (continued)**

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.

#### **Adoption loans receivable:**

Under the Organization's adoption loan program, qualifying families who are unable to receive a grant from the Organization had 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, 2017 and 2016, 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 were awarded after June 30, 2015.

#### **Investments:**

Investments are reported at fair value based on quoted prices in active markets (all Level 1 inputs). Dividends are recorded on the ex-dividend date. Investment income, including net realized and unrealized gains and losses, is reflected in the statements of activities as an increase (decrease) in net assets.

#### **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 the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

#### **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)**

### **2. Summary of significant accounting policies (continued)**

#### **Deferred revenue:**

Revenue 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 reported 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 statements 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, 2017 and 2016.

#### **Contributed goods and services:**

The Organization recognizes 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 \$118,379 and \$35,636 for the years ended June 30, 2017 and 2016, 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.

# **GIFT OF ADOPTION FUND, INC.**

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

### **2. Summary of significant accounting policies (continued)**

#### **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.

### **3. Cash and cash equivalents**

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The amount held in excess of federally-insured limits was approximately \$348,000 and \$426,000 at June 30, 2017 and 2016, respectively. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk on cash.

### **4. Investments**

Investments are summarized as follows:

<u>June 30,</u>	<u>2017</u>	<u>2016</u>
	Level 1	
Mutual funds:		
Balanced funds	\$ 86,657	\$ 79,125
Equity funds	46,359	40,139
Fixed income funds	7,252	7,771
International stock funds	33,838	28,153
Total assets at fair value	\$ 174,106	\$ 155,188

### **5. 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.

## **GIFT OF ADOPTION FUND, INC.**

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

#### **6. Contributions receivable**

Contributions receivable are as follows:

<u>June 30,</u>	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ <b>259,789</b>	\$ 163,008
Receivable in one to five years	<b>167,534</b>	53,208
Total contributions receivable	<b>427,323</b>	216,216
Less provision for uncollectible pledges	<b>5,000</b>	7,500
Contributions receivable, net	\$ <b>422,323</b>	\$ 208,716

#### **7. Property and equipment**

Property and equipment consist of the following:

<u>June 30,</u>	<u>2017</u>	<u>2016</u>
Website	\$ <b>19,667</b>	\$ 19,667
Less accumulated depreciation	<b>10,324</b>	3,824
Property and equipment, net	\$ <b>9,343</b>	\$ 15,843

## **GIFT OF ADOPTION FUND, INC.**

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

#### **8. Leases**

The Organization leases office space in Techny, Illinois under an operating lease that expires on August 31, 2020. Future annual minimum lease payments under this rent agreement are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 6,510
2019	6,690
2020	6,870
2021	1,150
<b>Total</b>	<b>\$ 21,220</b>

Rent expense was \$6,330 and \$6,150 for the years ended June 30, 2017 and 2016, respectively.

#### **9. 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>2017</u>	<u>2016</u>
Purpose-restricted contributions:		
Grants to families in the final stage of adoption process	\$ 22,500	\$ 19,000
Outreach efforts to raise awareness of adoption	300	
Time-restricted contributions	<b>427,323</b>	216,216
<b>Total temporarily restricted net assets</b>	<b>\$ 450,123</b>	<b>\$ 235,216</b>

# **GIFT OF ADOPTION FUND, INC.**

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

### **9. Temporarily restricted net assets (continued)**

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:

<u>Years ended June 30,</u>	<u>2017</u>	<u>2016</u>
Purpose-restricted contributions:		
Grants to families in the final stage of adoption process	\$ 32,000	\$ 58,500
Outreach efforts to raise awareness of adoption	700	
Loan program for adoptive families (A)		65,000
Time-restricted contributions	<b>238,081</b>	157,032
Net assets released from restrictions	<b>\$ 270,781</b>	\$ 280,532

(A) In conjunction with the discontinuance of the adoption loan program, donors who previously made contributions to the program agreed to allow their previously restricted contributions to be used for either adoption grants to families or for other unrestricted needs of the Organization.

### **10. Subsequent events**

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2017, the financial statement date, through September 20, 2017, the date the financial statements were available to be issued.