

GIFT OF ADOPTION FUND, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

GIFT OF ADOPTION FUND, INC.

YEARS ENDED JUNE 30, 2018 AND 2017

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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, 2018 and 2017, 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 the 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, 2018 and 2017, 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 14, 2018

GIFT OF ADOPTION FUND, INC.

STATEMENTS OF FINANCIAL POSITION

June 30,	2018	2017
ASSETS		
Cash	\$ 665,404	\$ 609,236
Investments	244,121	174,106
Contributions receivable, net of allowance for uncollectible contributions of \$7,500 in 2018 and \$5,000 in 2017	630,669	422,323
Prepaid expenses	3,539	3,539
Property and equipment, net	2,843	9,343
Other assets	500	1,326
Total assets	\$ 1,547,076	\$ 1,219,873
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	\$ 425,185	\$ 252,769
Accounts payable	40,224	30,504
Accrued expenses	14,572	19,563
Deferred revenue	21,910	21,350
Total liabilities	501,891	324,186
Net assets:		
Unrestricted	387,516	445,564
Temporarily restricted	657,669	450,123
Total net assets	1,045,185	895,687
Total liabilities and net assets	\$ 1,547,076	\$ 1,219,873

See notes to financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENTS OF ACTIVITIES

Years ended June 30,	2018			2017		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Contributions	\$ 481,513	\$ 498,513	\$ 980,026	\$ 653,723	\$ 485,688	\$ 1,139,411
Special events revenue (including in-kind donations of \$170,046 in 2018 and \$96,677 in 2017)	1,364,766		1,364,766	990,392		990,392
Special events expense	(515,402)		(515,402)	(433,506)		(433,506)
In-kind donations	8,710		8,710	21,702		21,702
Program service fees	26,564		26,564	34,064		34,064
Net realized and unrealized gain on investments	3,790		3,790	15,344		15,344
Dividends and capital gain distributions	12,767		12,767	4,353		4,353
Net assets released from restrictions	290,967	(290,967)		270,781	(270,781)	
Total support and revenue	1,673,675	207,546	1,881,221	1,556,853	214,907	1,771,760
Expenses:						
Program	1,379,264		1,379,264	1,269,385		1,269,385
Supporting services:						
Management and general	116,217		116,217	117,609		117,609
Fundraising	236,242		236,242	250,697		250,697
Total expenses	1,731,723		1,731,723	1,637,691		1,637,691
Change in net assets	(58,048)	207,546	149,498	(80,838)	214,907	134,069
Net assets:						
Beginning of year	445,564	450,123	895,687	526,402	235,216	761,618
End of year	\$ 387,516	\$ 657,669	\$ 1,045,185	\$ 445,564	\$ 450,123	\$ 895,687

See notes to financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2018				2017			
	Program	Supporting services			Program	Supporting services		
		Management and general	Fundraising	Total		Management and general	Fundraising	Total
Salaries and wages	\$ 196,103	\$ 78,441	\$ 161,240	\$ 435,784	\$ 185,838	\$ 75,041	\$ 166,096	\$ 426,975
Employee benefits	7,353	2,941	6,045	16,339	8,030	3,243	7,177	18,450
Payroll taxes	15,194	6,078	12,493	33,765	15,245	6,156	13,626	35,027
Retirement plan contribution	1,759	703	1,446	3,908	1,663	672	1,487	3,822
	220,409	88,163	181,224	489,796	210,776	85,112	188,386	484,274
Bank charges	13,523	5,409	11,119	30,051	14,881	6,009	13,301	34,191
Board governance	2,116	846	1,739	4,701	2,985	1,206	2,669	6,860
Computer maintenance	1,090	436	896	2,422	692	279	618	1,589
Depreciation	6,305		195	6,500	6,305		195	6,500
Grants	1,036,658			1,036,658	896,848			896,848
Insurance	2,012	805	1,654	4,471	2,483	1,002	2,219	5,704
Marketing and promotion	40,473		3,046	43,519	80,592		178	80,770
Occupancy	2,684	1,074	2,207	5,965	2,755	1,113	2,462	6,330
Office supplies	1,188	475	976	2,639	721	291	645	1,657
Postage	3,245	1,298	2,668	7,211	3,085	1,246	2,758	7,089
Printing	1,931	773	1,588	4,292	5,378	2,172	4,806	12,356
Professional fees	7,803	12,225	5,982	26,010	6,020	13,825	6,259	26,104
Provision for uncollectible contributions			12,353	12,353			13,174	13,174
Subscriptions	14,127		437	14,564	9,716		387	10,103
Telephone/internet	2,045	818	1,682	4,545	2,207	891	1,972	5,070
Temporary staffing	10,818	1,745	4,886	17,449	14,076	2,284	6,483	22,843
Travel	1,645	658	1,352	3,655	3,188	1,288	2,850	7,326
Volunteer services	11,192	1,492	2,238	14,922	6,677	891	1,335	8,903
Total expenses before special events expense	1,379,264	116,217	236,242	1,731,723	1,269,385	117,609	250,697	1,637,691
Special events expense				515,402				433,506
Total expenses	\$ 1,379,264	\$ 116,217	\$ 236,242	\$ 2,247,125	\$ 1,269,385	\$ 117,609	\$ 250,697	\$ 2,071,197

See notes to financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30,	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 149,498	\$ 134,069
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,500	6,500
Net realized and unrealized gain on investments	(3,790)	(15,344)
Reinvested dividends	(11,225)	(3,574)
Provision for uncollectible contributions	12,353	13,174
(Increase) decrease in operating assets:		
Contributions receivable	(220,699)	(226,781)
Adoption loans receivable		14,328
Prepaid expenses		(1,127)
Other assets	826	
Increase (decrease) in operating liabilities:		
Grants payable	172,416	(24,664)
Accounts payable	9,720	3,189
Accrued expenses	(4,991)	15,993
Deferred revenue	560	21,350
Net cash provided by (used in) operating activities	111,168	(62,887)
Cash flows from investing activity:		
Purchase of investments	(55,000)	
Net cash used in investing activity	(55,000)	
Net increase (decrease) in cash	56,168	(62,887)
Cash:		
Beginning of year	609,236	672,123
End of year	\$ 665,404	\$ 609,236
Supplemental disclosure of non-cash investing activity:		
Acquisition of shares through reinvested dividends	\$ (11,225)	\$ (3,574)

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 21 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, 2018 and 2017.

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.

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)

2. Summary of significant accounting policies (continued)

Investments:

The Organization uses a fair value hierarchy to determine the fair value of investments using inputs that range from most observable (Level 1) through least observable (Level 3). Investments, which consist of various mutual funds, 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.

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, 2018 and 2017.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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 \$178,756 and \$118,379 for the years ended June 30, 2018 and 2017, 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.

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 \$370,000 and \$348,000 at June 30, 2018 and 2017, 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. 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 as an organization described in Section 501(c)(3). Contributions to the Organization are deductible for income tax purposes within limitations of the law.

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Contributions receivable

Contributions receivable are as follows:

June 30,	2018	2017
Receivable in less than one year	\$ 456,440	\$ 259,789
Receivable in one to five years	181,729	167,534
Total contributions receivable	638,169	427,323
Less provision for uncollectible pledges	7,500	5,000
Contributions receivable, net	\$ 630,669	\$ 422,323

6. Property and equipment

Property and equipment consist of the following:

June 30,	2018	2017
Website	\$ 19,667	\$ 19,667
Less accumulated depreciation	16,824	10,324
Property and equipment, net	\$ 2,843	\$ 9,343

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. 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>
2019	\$ 7,235
2020	6,870
2021	1,150
Total	\$ 15,255

Rent expense was \$5,965 and \$6,330 for the years ended June 30, 2018 and 2017, respectively.

8. 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>2018</u>	<u>2017</u>
Purpose-restricted contributions:		
Grants to families in the final stage of adoption process	\$ 17,000	\$ 22,500
Outreach efforts to raise awareness of adoption	2,500	300
Time-restricted contributions	638,169	427,323
Total temporarily restricted net assets	\$ 657,669	\$ 450,123

GIFT OF ADOPTION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. 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>2018</u>	<u>2017</u>
Purpose-restricted contributions:		
Grants to families in the final stage of adoption process	\$ 13,000	\$ 32,000
Outreach efforts to raise awareness of adoption	300	700
Time-restricted contributions	<u>277,667</u>	<u>238,081</u>
Net assets released from restrictions	<u>\$ 290,967</u>	<u>\$ 270,781</u>

9. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2018, the financial statement date, through September 14, 2018, the date the financial statements were available to be issued.