

**GIFT OF ADOPTION FUND, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

YEAR ENDED JUNE 30, 2020

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## **Independent Auditors' Report**

Board of Governors  
Gift of Adoption Fund, Inc.

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Ostrow Reisin Berk & Abrams, Ltd.*

September 18, 2020

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

## **STATEMENT OF FINANCIAL POSITION**

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June 30, 2020

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### ASSETS

Cash	\$ 1,159,900
Investments	377,890
Contributions receivable, net of allowance for uncollectible contributions of \$7,500	569,389
Prepaid expenses	57,689
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Total assets	\$ 2,164,868

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### LIABILITIES AND NET ASSETS

#### Liabilities:

Loan payable	\$ 104,647
Grants payable	539,492
Accounts payable	29,399
Accrued expenses	10,105
Deferred revenue	310

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Total liabilities	683,953
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#### Net assets:

Without donor restrictions	755,226
With donor restrictions	725,689

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Total net assets	1,480,915
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Total liabilities and net assets	\$ 2,164,868
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*See notes to financial statements.*

# GIFT OF ADOPTION FUND, INC.

## STATEMENT OF ACTIVITIES

Year ended June 30, 2020	Without donor restrictions	With donor restrictions	Total
Revenues:			
Contributions	\$ 863,198	\$ 543,962	\$ 1,407,160
Special events revenue	1,091,783		1,091,783
Special events expense	(373,394)		(373,394)
In-kind donations	9,552		9,552
Program service fees	42,207		42,207
Investment return	11,372		11,372
Net assets released from restrictions	645,002	(645,002)	
Total revenues	2,289,720	(101,040)	2,188,680
Expenses:			
Program services	1,708,097		1,708,097
Management and general	272,608		272,608
Fundraising	193,569		193,569
Total expenses	2,174,274		2,174,274
Change in net assets	115,446	(101,040)	14,406
Net assets:			
Beginning of year	639,780	826,729	1,466,509
End of year	\$ 755,226	\$ 725,689	\$ 1,480,915

See notes to financial statements.

## GIFT OF ADOPTION FUND, INC.

### STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020	Program services	Management and general	Fundraising	Special events expense	Total
Adoption assistance grants	\$ 1,376,382				\$ 1,376,382
Dues, subscriptions and fees	15,292	\$ 13,310	\$ 9,966		38,568
Insurance	2,781	2,421	1,813		7,015
Marketing, contract and professional services	35,049	27,065	8,909		71,023
Occupancy	4,684	4,077	3,053		11,814
Office supplies and equipment	3,418	2,975	2,228		8,621
Postage and printing	5,875	5,113	3,828		14,816
Provision for uncollectible contributions	7,750				7,750
Salaries and related benefits	246,239	214,318	160,475		621,032
Special events expense				\$ 373,394	373,394
Travel	2,594	2,258	1,690		6,542
Volunteer and board services	8,033	1,071	1,607		10,711
<b>Total expenses by function</b>	<b>1,708,097</b>	<b>272,608</b>	<b>193,569</b>	<b>373,394</b>	<b>2,547,668</b>
Less expenses included with revenues on the statement of activities				(373,394)	(373,394)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 1,708,097</b>	<b>\$ 272,608</b>	<b>\$ 193,569</b>	<b>\$ -</b>	<b>\$ 2,174,274</b>

*See notes to financial statements.*

# GIFT OF ADOPTION FUND, INC.

## STATEMENT OF CASH FLOWS

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Year ended June 30, 2020	
Cash flows from operating activities:	
Change in net assets	\$ 14,406
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized loss on investments	7,328
Reinvested dividends	(17,831)
Provision for uncollectible contributions	7,750
(Increase) decrease in operating assets:	
Contributions receivable	29,090
Prepaid expenses	(46,795)
Increase (decrease) in operating liabilities:	
Grants payable	81,994
Accounts payable	17,642
Accrued expenses	(22,831)
Deferred revenue	(7,119)
Net cash provided by operating activities	63,634
Cash flows from investing activity:	
Purchase of investments	(50,000)
Net cash used in investing activity	(50,000)
Cash flows from financing activity:	
Proceeds from loan payable	104,647
Net cash provided by financing activity	104,647
Net increase in cash	118,281
Cash:	
Beginning of year	1,041,619
End of year	\$ 1,159,900
Supplemental disclosure of non-cash investing activity:	
Acquisition of shares through reinvested dividends	\$ (17,831)

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*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 24 unchartered local chapters located in various states throughout the United States.

The COVID-19 pandemic has impacted the Organization's operations by way of cancellation and/or postponement of several special events during the year ended June 30, 2020. The extent to which the COVID-19 pandemic continues to impact the Organization's future operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted. These developments include, but are not limited to, the effects of the COVID-19 pandemic on the Organization's donors and the ability to host in-person special events. Even after the COVID-19 pandemic has subsided, the Organization may experience adverse impacts to its operations as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Organization cannot reasonably estimate the impact on the twelve months ending June 30, 2021.

#### **Change in fiscal year-end:**

During the year ended June 30, 2020, the Board of Governors approved a change in the fiscal year-end of the Organization. Effective July 1, 2020, the Organization changed its year-end from June 30 to December 31<sup>st</sup> to more closely coincide with a calendar year budget cycle.

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

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

### **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.

#### **Recent accounting pronouncement:**

Effective July 1, 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction.

#### **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 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 statement 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)**

#### **Fair value measurements:**

The Organization utilizes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1            Quoted prices for identical instruments in active markets.
- Level 2            Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3            Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### **Investments:**

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 return is reported in the statement of activities and consists of dividend income, capital gain distributions and realized and unrealized gains and losses.

#### **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 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.

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

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

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

#### **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 the grant is 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 recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

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

The Organization recognizes as revenue the fair value of contributed goods and services. The Organization was the recipient of contributed goods and services in the amount of \$209,343 for the year ended June 30, 2020. Contributed goods consisting primarily of goods used for special events totaled \$199,790. Contributed services of \$9,552 consisted primarily of marketing and promotion services and other consulting services.

#### **Special events expense:**

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)**

#### **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 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.

#### **Subsequent events:**

Management of the Organization has reviewed and evaluated subsequent events through September 18, 2020, 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 June 30, 2020:

<u>June 30, 2020</u>	
Financial assets at year-end:	
Cash	\$ 1,159,900
Investments	377,890
Contributions receivable	569,389
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Total financial assets	2,107,179
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Less amounts not available to be used within one year:	
Contributions receivable - due after one year	192,580
Net assets restricted for specified purposes	148,800
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Total financial assets not available to be used within one year	341,380
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Financial assets available to meet general expenditures within one year	\$ 1,765,799
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The Organization manages available cash to meet general expenditures following these principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to provide reasonable assurance that grant commitments and obligations will continue to be met, ensuring the sustainability of the Organization.

The sources of liquidity available to the Organization are cash, investments, and contributions receivable. The Organization's checking account is maintained at a level to support 90 days of operating costs, including adoption assistance grants (approximately \$600,000).

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

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

### **4. Cash**

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 \$892,000 at June 30, 2020. Management believes that the Organization is not exposed to any significant credit risk on cash.

### **5. 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.

### **6. Contributions receivable**

Contributions receivable are as follows:

<u>June 30, 2020</u>	
Receivable in less than one year	\$ 384,309
Receivable in one to five years	192,580
Total contributions receivable	576,889
Less provision for uncollectible pledges	7,500
Contributions receivable, net	<u>\$ 569,389</u>

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

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

### **7. Loan payable**

On May 3, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from its primary bank, for an aggregate principal amount of \$104,647. The loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred through October 2020, has a term of two years, and is uncollateralized and guaranteed by the U.S. Small Business Administration. The principal amount of the loan is subject to forgiveness upon the Organization's request to the extent that the loan proceeds are used to pay allowable expenses, including payroll costs, covered rent, and covered utility costs. The Organization intends to apply for forgiveness of the loan with respect to these covered expenses during the twelve months ending June 30, 2021. To the extent that all or part of the loan is not forgiven, the Organization will be required to pay principal and interest commencing in November 2020 through the maturity date of May 3, 2022.

Future minimum principal payments are as follows:

<u>Twelve months ending June 30:</u>	<u>Amount</u>
2021	\$ 34,211
2022	70,436
<u>Total</u>	<u>\$ 104,647</u>



# **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. Subsequent to June 30, 2020, the Organization entered into a new operating lease that expires on August 31, 2025. Future annual minimum lease payments under this lease agreement are as follows:

<u>Twelve months ending June 30:</u>	<u>Amount</u>
2021	\$ 7,130
2022	7,406
2023	7,682
2024	7,958
2025	8,234
Thereafter	1,380
<u>Total</u>	<u>\$ 39,790</u>

Rent expense was \$6,870 for the year ended June 30, 2020.

### **9. Net assets with donor restrictions**

Net assets with donor restrictions are restricted for the following purpose or time restrictions:

<u>June 30, 2020</u>	
Purpose-restricted contributions:	
Grants to families in the final stage of adoption process	\$ 123,800
Grant to hire social media and public relations manager	25,000
<u>Time-restricted contributions</u>	<u>576,889</u>
<u>Total net assets with donor restrictions</u>	<u>\$ 725,689</u>

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

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

### **9. Net assets with donor restrictions (continued)**

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

<u>Year ended June 30, 2020</u>	
Purpose-restricted contributions:	
Grants to families in the final stage of adoption process	\$ 122,200
Grant to hire social media and public relations manager	25,000
Time-restricted contributions	497,802
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Total net assets released from donor restrictions	\$ 645,002