

**GIFT OF ADOPTION FUND, INC.**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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

YEAR ENDED DECEMBER 31, 2021

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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. (the Organization), (a Wisconsin corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the Organization'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 the Organization'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 the Organization'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 17, 2022

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

## **STATEMENT OF FINANCIAL POSITION**

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December 31, 2021

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### ASSETS

Cash	\$ 2,125,575
Investments	833,136
Contributions receivable, net of allowance for uncollectible contributions of \$7,500	514,980
Prepaid expenses	12,524
<b>Total assets</b>	<b>\$ 3,486,215</b>

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### LIABILITIES AND NET ASSETS

#### Liabilities:

Loan payable	\$ 110,497
Grants payable	956,148
Accounts payable and accrued expenses	44,385
Deferred revenue	10,276
<b>Total liabilities</b>	<b>1,121,306</b>

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#### Net assets:

Without donor restrictions	1,565,416
With donor restrictions	799,493
<b>Total net assets</b>	<b>2,364,909</b>

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<b>Total liabilities and net assets</b>	<b>\$ 3,486,215</b>
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*See notes to financial statements.*

# GIFT OF ADOPTION FUND, INC.

## STATEMENT OF ACTIVITIES

Year ended December 31, 2021	Without donor restrictions	With donor restrictions	Total
Revenues:			
Contributions	\$ 1,496,301	\$ 1,011,500	\$ 2,507,801
Special events revenue	1,322,619		1,322,619
Special events expense	(388,702)		(388,702)
Program service fees	41,500		41,500
Investment return, net	91,177	6,013	97,190
Paycheck Protection Program loan forgiveness	104,647		104,647
Net assets released from restrictions	992,727	(992,727)	
Total revenues	3,660,269	24,786	3,685,055
Expenses:			
Program services	2,238,858		2,238,858
Management and general	349,467		349,467
Fundraising	286,615		286,615
Total expenses	2,874,940		2,874,940
Change in net assets	785,329	24,786	810,115
Net assets:			
Beginning of year	780,087	774,707	1,554,794
End of year	\$ 1,565,416	\$ 799,493	\$ 2,364,909

See notes to financial statements.

# GIFT OF ADOPTION FUND, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021	Program services	Management and general	Fundraising	Special events expense	Total
Adoption assistance grants	\$ 1,857,714				\$ 1,857,714
Dues, subscriptions and fees	21,935	\$ 19,404	\$ 18,090		59,429
Insurance	3,062	2,708	2,525		8,295
Marketing, contract and professional services	19,021	48,287	5,269		72,577
Occupancy	5,257	4,651	4,336		14,244
Office supplies and equipment	6,491	5,742	5,354		17,587
Postage and printing	7,368	6,518	6,076		19,962
Provision for uncollectible contributions	15,455				15,455
Salaries and related benefits	292,854	259,054	241,520		793,428
Special events expense				\$ 388,702	388,702
Travel	2,409	2,131	1,987		6,527
Volunteer and board services	7,292	972	1,458		9,722
<b>Total expenses by function</b>	<b>2,238,858</b>	<b>349,467</b>	<b>286,615</b>	<b>388,702</b>	<b>3,263,642</b>
Less expenses included with revenues on the statement of activities				(388,702)	(388,702)
<b>Total expenses included in the expenses section of the statement of activities</b>	<b>\$ 2,238,858</b>	<b>\$ 349,467</b>	<b>\$ 286,615</b>	<b>\$ -</b>	<b>\$ 2,874,940</b>

*See notes to financial statements.*

# GIFT OF ADOPTION FUND, INC.

## STATEMENT OF CASH FLOWS

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Year ended December 31, 2021

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Cash flows from operating activities:

Change in net assets	\$ 810,115
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Contributions restricted in perpetuity	(135,000)
Forgiveness of Paycheck Protection Program loan	(104,647)
Net unrealized gains on investments	(56,139)
Reinvested dividends	(41,469)
Provision for uncollectible contributions	15,455
Decrease in operating assets:	
Contributions receivable	130,347
Prepaid expenses	45,165
Increase (decrease) in operating liabilities:	
Grants payable	305,290
Accounts payable and accrued expenses	14,867
Deferred revenue	(1,205)

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Net cash provided by operating activities	982,779
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Cash flows from investing activity:

Purchase of investments	(299,221)
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Net cash used in investing activity	(299,221)
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*See notes to financial statements.*



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

## **STATEMENT OF CASH FLOWS (CONTINUED)**

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Year ended December 31, 2021	
Cash flows from financing activities:	
Proceeds from loan payable	\$ 110,497
Contributions restricted in perpetuity	135,000
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Net cash provided by financing activities	245,497
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Net increase in cash	929,055
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Cash, beginning of year	1,196,520
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Cash, end of year	\$ 2,125,575
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Supplemental disclosure of non-cash investing activity:	
Acquisition of shares through reinvested dividends	\$ (41,469)
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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 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 26 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 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 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.

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

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

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

#### **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.

#### **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 records the fair value of contributed goods and services provided that the contributed services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation. The Organization was the recipient of contributed goods and services in the amount of \$164,457 for the year ended December 31, 2021. Contributed goods, consisting primarily of goods used for special events, totaled \$164,114. Contributed services of \$343 consisted primarily of marketing and promotion services and other consulting services.

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

Special events expense consists 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 March 17, 2022, the date the financial statements were available to be issued.

### **3. COVID-19**

The COVID-19 pandemic has impacted the Organization's operations of special events being supported by direct appeals and replaced with or re-imagined as virtual events during the year ended December 31, 2021. Additionally, grants payable has increased due to placement and travel delays for international adoptions. 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 safely return to 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 may occur in the future. Therefore, the Organization cannot reasonably estimate the impact of the COVID-19 pandemic on the year ending December 31, 2022.

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

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

### **4. Revenue from contracts with customers**

#### **Performance obligations:**

Revenue from contracts with customers includes a portion of special events revenue reflecting the exchange element based upon the fair value of direct benefits donors receive which is recognized at a point in time when the special event takes place. There is no variable consideration with this revenue stream.

#### **Disaggregation of revenue:**

Revenue from contracts with customers for the year ended December 31, 2021 consisted of \$245,957 of special events revenue.

#### **Contract balances:**

Accounts receivable related to revenue from contracts with customers was \$-0- at December 31, 2021 and 2020. There were no contract assets or contract liabilities related to revenue from contracts with customers at December 31, 2021 and 2020.

#### **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. Significant judgment was also required when determining whether revenue from contracts with customers was earned at a point in time or over time.

# GIFT OF ADOPTION FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Liquidity and availability

The following represents the Organization's financial assets available to meet general expenditures at December 31, 2021:

<u>December 31, 2021</u>	
Financial assets at year-end:	
Cash	\$ 2,125,575
Investments	833,136
Contributions receivable	514,980
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Total financial assets	3,473,691
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Less amounts not available to be used within one year:	
Contributions receivable - due after one year	136,192
Amounts restricted by donors to be held in perpetuity	135,000
Amounts unavailable to management without board approval	671,151
Board-designated net assets	55,964
Amounts in excess of the Organization's endowment spending policy	6,013
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Total amounts not available to be used within one year	1,004,320
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Financial assets available to meet general expenditures within one year	\$ 2,469,371

Contributions, special events revenue and program service revenue are the primary sources of liquidity 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. Management monitors liquidity throughout the year through a monthly review of budgets and financial reports. Cash in excess of the minimum 30 days of general expenditures 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.

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

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

### **6. 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 \$1,903,000 at December 31, 2021. Management believes that the Organization is not exposed to any significant credit risk on cash.

### **7. 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.

### **8. Contributions receivable**

Contributions receivable are as follows:

<u>December 31, 2021</u>	
Receivable in less than one year	\$ 386,288
Receivable in one to five years	136,192
Total contributions receivable	522,480
Less provision for uncollectible pledges	7,500
Contributions receivable, net	<u>\$ 514,980</u>

### **9. Loan payable**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Organization applied for and received \$104,647 during the year ended December 31, 2020. The Organization has accounted for the PPP loan under the debt model. The Organization received forgiveness of the loan as well as accrued interest in April 2021.



# GIFT OF ADOPTION FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. Loan payable (continued)

On February 8, 2021, the Organization borrowed an additional \$110,497 under the expansion of the Paycheck Protection Program. The loan has a maturity date of February 8, 2026. The loan bears an annual interest rate of 1%. The loan is guaranteed by the U.S. Small Business Administration (SBA). The Organization intends to apply for forgiveness of the loan as well as accrued interest under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the lender and the SBA. The Organization is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses.

The Organization has accounted for the PPP loan under the debt model in which the loan will remain a liability of the Organization until such time that the Organization's application for forgiveness is approved by the SBA. At the time the application for forgiveness is approved, the Organization will recognize revenue to the extent of the amount forgiven. The Organization has up to 10 months after the end of the 24-week period following the loan disbursement date to apply for loan forgiveness. To the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end of the 24-week period following disbursement date, then payments are to begin at that time.

If the Organization were to not submit an application for forgiveness by 10 months after the end of the 24-week period, principal payments due on the PPP loan would be:

Year ending December 31:	Amount
2022	\$ 17,185
2023	29,460
2024	29,460
2025	29,460
2026	4,932
Total	\$ 110,497

On February 11, 2022, the Organization received forgiveness of the loan as well as accrued interest.

# GIFT OF ADOPTION FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 10. Lease

The Organization leases office space in Northbrook, Illinois under an operating lease that expires on April 30, 2025. Future annual minimum lease payments under this lease agreement are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2022	\$ 12,000
2023	12,000
2024	12,000
2025	4,000
<u>Total</u>	<u>\$ 40,000</u>

Rent expense was \$10,392 for the year ended December 31, 2021.

### 11. Board-designated net assets

Board-designated net assets was \$55,964 at December 31, 2021, which was designated by the Board of Directors to function as an endowment.

### 12. Net assets with donor restrictions

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

<u>December 31, 2021</u>	
Subject to passage of time:	
Time-restricted contributions	\$ 508,230
Subject to expenditure for specified purpose:	
Grants to families in the final stage of adoption process	150,250
Endowment subject to spending policy and appropriation	135,000
Endowment subject to the appropriation and expenditure when a specified event occurs:	
Donor-restricted funds in the nature of an endowment	6,013
<u>Total net assets with donor restrictions</u>	<u>\$ 799,493</u>

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

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

### **12. 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 December 31, 2021</u>	
Purpose-restricted contributions:	
Grants to families in the final stage of adoption process	\$ 420,925
<u>Time-restricted contributions</u>	<u>571,802</u>
<u>Total net assets released from donor restrictions</u>	<u>\$ 992,727</u>

### **13. Endowments**

The Organization's endowment consists of three 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.

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

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

### **13. Endowments (continued)**

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. At December 31, 2021, there were no underwater endowments.

*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)

### 13. Endowments (continued)

*Spending Policy.* The Organization has adopted a policy of appropriating for distribution 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, 2021 is as follows:

December 31, 2021	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 141,013	\$ 141,013
Board-designated endowment	55,964		55,964
Total funds	\$ 55,964	\$ 141,013	\$ 196,977

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

Year ended December 31, 2021	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Contributions	50,000	135,000	185,000
Investment return	5,964	6,013	11,977
Endowment net assets, end of year	\$ 55,964	\$ 141,013	\$ 196,977

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

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

### **14. 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. The Organization made matching contributions of \$9,467 for the year ended December 31, 2021. No discretionary contribution was approved for the year ended December 31, 2021.