

**GIFT OF ADOPTION FUND, INC.**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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

YEAR ENDED DECEMBER 31, 2022

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## **Independent Auditors' Report**

Board of Governors  
Gift of Adoption Fund, Inc.

### **Opinion**

We have audited the accompanying financial statements of Gift of Adoption Fund, Inc. (a Wisconsin corporation), which comprise the statement of financial position as of December 31, 2022, 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, 2022, 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 Gift of Adoption Fund, Inc. 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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, Gift of Adoption Fund, Inc. adopted ASU 2016-02, *Leases (Topic 842)* effective January 1, 2022. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gift of Adoption Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gift of Adoption Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*Ostrow Reisin Berk & Abrams, Ltd.*

March 16, 2023

# GIFT OF ADOPTION FUND, INC.

## STATEMENT OF FINANCIAL POSITION

December 31, 2022

### ASSETS

Cash	\$ 1,627,653
Investments	1,838,195
Contributions receivable, net of allowance for uncollectible contributions of \$7,500	471,573
Prepaid expenses	22,154
Operating lease right-of-use asset	78,087
<b>Total assets</b>	<b>\$ 4,037,662</b>

### LIABILITIES AND NET ASSETS

#### Liabilities:

Grants payable	\$ 1,124,154
Accounts payable and accrued expenses	65,305
Operating lease liability	78,966
Deferred revenue	36,547
<b>Total liabilities</b>	<b>1,304,972</b>

#### Net assets:

Without donor restrictions	1,902,574
With donor restrictions	830,116
<b>Total net assets</b>	<b>2,732,690</b>

<b>Total liabilities and net assets</b>	<b>\$ 4,037,662</b>
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*See notes to financial statements.*

# GIFT OF ADOPTION FUND, INC.

## STATEMENT OF ACTIVITIES

Year ended December 31, 2022	Without donor restrictions	With donor restrictions	Total
Revenues:			
Contributions	\$ 1,540,816	\$ 1,029,098	\$ 2,569,914
Special events revenue	1,395,331		1,395,331
Special events expense	(361,702)		(361,702)
Grant application fees	45,700		45,700
Net investment loss	(84,999)	(16,770)	(101,769)
Forgiveness of debt - PPP	110,497		110,497
Net assets released from restrictions	981,705	(981,705)	
<b>Total revenues</b>	<b>3,627,348</b>	<b>30,623</b>	<b>3,657,971</b>
Expenses:			
Program services	2,585,263		2,585,263
Management and general	370,542		370,542
Fundraising	334,385		334,385
<b>Total expenses</b>	<b>3,290,190</b>		<b>3,290,190</b>
Change in net assets	337,158	30,623	367,781
Net assets:			
Beginning of year	1,565,416	799,493	2,364,909
End of year	\$ 1,902,574	\$ 830,116	\$ 2,732,690

See notes to financial statements.

# GIFT OF ADOPTION FUND, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022	Program services	Management and general	Fundraising	Special events expense	Total
Adoption assistance grants	\$ 2,171,616				\$ 2,171,616
Dues, subscriptions and fees	19,630	\$ 18,757	\$ 18,298		56,685
Insurance	2,936	2,805	2,737		8,478
Marketing, contract and professional services	50,274	48,250	18,468		116,992
Occupancy	5,872	5,611	5,474		16,957
Office supplies and equipment	6,103	5,832	5,689		17,624
Postage and printing	9,543	9,118	8,895		27,556
Provision for uncollectible contributions	7,455				7,455
Salaries and related benefits	288,130	275,317	268,577		832,024
Special events expense				\$ 361,702	361,702
Travel	2,055	1,965	1,917		5,937
Volunteer and board services	21,649	2,887	4,330		28,866
<b>Total expenses</b>	<b>2,585,263</b>	<b>370,542</b>	<b>334,385</b>	<b>361,702</b>	<b>3,651,892</b>
Less expenses included with revenues on the statement of activities				(361,702)	(361,702)
<b>Total expenses included in the expenses section of the statement of activities</b>	<b>\$ 2,585,263</b>	<b>\$ 370,542</b>	<b>\$ 334,385</b>	<b>\$ -</b>	<b>\$ 3,290,190</b>

*See notes to financial statements.*

# GIFT OF ADOPTION FUND, INC.

## STATEMENT OF CASH FLOWS

Year ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ 367,781
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Contributions restricted in perpetuity	(125,000)
Forgiveness of debt - PPP	(110,497)
Net realized and unrealized losses on investments	143,681
Reinvested dividends	(41,240)
Provision for uncollectible contributions	7,455
Amortization of operating lease right-of-use asset	11,674
(Increase) decrease in operating assets:	
Contributions receivable	35,952
Prepaid expenses	(9,630)
Increase (decrease) in operating liabilities:	
Grants payable	168,006
Accounts payable and accrued expenses	20,920
Operating lease liability	(10,795)
Deferred revenue	26,271
Net cash provided by operating activities	484,578
Cash flows from investing activities:	
Purchase of investments	(1,110,000)
Sale of investments	2,500
Net cash used in investing activities	(1,107,500)
Cash flows from financing activity:	
Contributions restricted in perpetuity	125,000
Net cash provided by financing activity	125,000
Net decrease in cash	(497,922)
Cash, beginning of year	2,125,575
Cash, end of year	\$ 1,627,653

See notes to financial statements.



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

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

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Year ended December 31, 2022

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Supplemental disclosure of non-cash investing activity:

Acquisition of shares through reinvested dividends	\$ 41,240
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Supplemental cash flows information related to leases

is as follows:

Cash paid for amounts included in the measurement  
of lease liability:

Operating cash flows from operating lease	\$ 12,186
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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 27 unchartered local chapters located in various states throughout the United States.

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

The Organization adopted ASU 2016-02, *Leases (Topic 842)* using the modified retrospective transition method. This guidance requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The Organization elected the package of practical expedients to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any existing leases. In addition, the Organization elected to use hindsight to determine the lease terms of existing leases and assess impairment of right-of-use assets at the adoption date. The adoption of this standard resulted in the recognition of an operating lease right-of-use asset of \$89,761 and an operating lease liability of \$89,761 at January 1, 2022.

### **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.

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

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

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

#### **Basis of presentation: (continued)**

**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.

#### **Investments:**

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

#### **Contributions receivable:**

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for uncollectible contributions and an adjustment to a valuation allowance based on an assessment of the current status of individual contributions owed. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable.

# **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.

#### **Leases:**

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

#### **Deferred 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.

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

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

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

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

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

#### **Expense allocation:**

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

#### **Use of estimates:**

The preparation of the financial statements in accordance with 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 16, 2023, the date the financial statements were available to be issued.

# GIFT OF ADOPTION FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. Liquidity and availability

The following represents the Organization's financial assets available to meet general expenditures at December 31, 2022:

<u>December 31, 2022</u>	
Financial assets at year-end:	
Cash	\$ 1,627,653
Investments	1,838,195
Contributions receivable	471,573
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Total financial assets	3,937,421
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Less amounts not available to be used within one year:	
Contributions receivable - due after one year	145,494
Amounts restricted by donors to be held in perpetuity	260,000
Amounts unavailable to management without Board approval	591,710
Board-designated net assets to function as an endowment	47,233
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Total amounts not available to be used within one year	1,044,437
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Financial assets available to meet general expenditures within one year	\$ 2,892,984

Contributions, special events revenue and grant application fees 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)**

### **4. Contributions receivable**

Contributions receivable are as follows:

<u>December 31, 2022</u>	
Receivable in less than one year	\$ 333,579
Receivable in one to five years	145,494
Total contributions receivable	479,073
Less provision for uncollectible pledges	7,500
Contributions receivable, net	\$ 471,573

### **5. Investments**

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

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

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

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

### **5. Investments (continued)**

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

Investments are summarized as follows:

<u>December 31, 2022</u>	
Level 1:	
Mutual funds	\$ 838,195
<u>Certificates of deposit</u>	<u>1,000,000</u>
<u>Total investments</u>	<u>\$ 1,838,195</u>

### **6. PPP loan payable**

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 accounted for the PPP loan under the debt model. In February 2021, the Organization applied for and received a PPP loan in the amount of \$110,497. The Organization received full forgiveness from the SBA in February 2022.



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

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

### **7. Lease**

The Organization leases its office facility with an operating lease expiring on May 1, 2025. The lease provides for a fixed annual escalation of \$279 over the term of the lease. Additionally, the lease provides for a four-year renewal option for a lease period commencing on May 2, 2025 and expiring on May 1, 2029. The Organization is reasonably certain they will exercise the renewal option. The exercise of the renewal option is at the Organization's sole discretion. The lease payments during the lease renewal period are considered variable lease payments as they are based on fair market value rent at the time of the lease renewal. The weighted average discount rate for the operating lease is 1.55% and the weighted average remaining lease term including the four-year renewal period is 6.33 years. Operating lease cost was \$13,065 for the year ended December 31, 2022.

Future minimum payments on the operating lease are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2023	\$ 12,465
2024	12,744
2025	13,023
2026	13,302
2027	13,581
2028	13,860
2029	4,651
<hr/>	
Total lease payments	83,626
Less imputed interest	4,660
<hr/>	
Present value of operating lease liability	\$ 78,966

Operating lease payments above include approximately \$54,000 related to the optional lease renewal period.

### **8. Board-designated net assets**

Board-designated net assets was \$47,233 at December 31, 2022, which was designated by the Board of Directors to function as an endowment.

# GIFT OF ADOPTION FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. Net assets with donor restrictions

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

<u>December 31, 2022</u>	
Subject to passage of time:	
Time-restricted contributions	\$ 444,073
Subject to expenditure for specified purpose:	
Grants to families in the final stage of adoption process	136,800
Endowment subject to spending policy and appropriation	260,000
Endowment subject to the appropriation and expenditure when a specified event occurs:	
Donor-restricted funds in the nature of an endowment	(10,757)
<u>Total net assets with donor restrictions</u>	<u>\$ 830,116</u>

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, 2022</u>	
Purpose-restricted contributions:	
Grants to families in the final stage of adoption process	\$ 371,100
Time-restricted contributions	610,605
<u>Total net assets released from donor restrictions</u>	<u>\$ 981,705</u>

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

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

### **10. Endowments**

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

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

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

# GIFT OF ADOPTION FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 10. 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, 2022 is as follows:

December 31, 2022	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds		\$ 249,243	\$ 249,243
Board-designated endowment	\$ 47,233		47,233
Total funds	\$ 47,233	\$ 249,243	\$ 296,476

At December 31, 2022, funds with original gift values of \$260,000, fair values of \$249,243, and deficiencies of \$10,757 were reported in net assets with donor restrictions. There were no amounts appropriated for spending from underwater endowment funds during the year ended December 31, 2022.

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

Year ended December 31, 2022	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 55,964	\$ 141,013	\$ 196,977
Contributions		125,000	125,000
Amount appropriated for expenditure	(2,500)		(2,500)
Net investment loss	(6,231)	(16,770)	(23,001)
Endowment net assets, end of year	\$ 47,233	\$ 249,243	\$ 296,476

# GIFT OF ADOPTION FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. Revenue from contracts with customers

#### Performance obligations:

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

#### *Special event revenue*

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

#### *Grant application fees*

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

There is no variable consideration with the above revenue streams.

#### Disaggregation of revenue:

The Organization's revenue from contract with customers is disaggregated by timing of satisfaction of performance obligations for the year ended December 31, 2022 as follows:

<u>Year ended December 31, 2022</u>	
Performance obligations satisfied at a point in time:	
Special events revenue	\$ 320,128
Grant application fees	45,700
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Total performance obligations satisfied at a point in time	\$ 365,828

#### Contract balances:

There were no accounts receivable related to revenue from contracts with customers at December 31, 2022 and 2021.

There were no contract assets or contract liabilities related to revenue from contracts with customers at December 31, 2022 and 2021.

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

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

### **11. Revenue from contracts with customers (continued)**

#### **Significant judgments:**

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

### **12. 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 \$13,656 for the year ended December 31, 2022. No discretionary contribution was approved for the year ended December 31, 2022.

### **13. Cash concentration**

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 \$1,421,000 at December 31, 2022. Management believes that the Organization is not exposed to any significant credit risk on cash.

### **14. 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.