

**GIFT OF ADOPTION FUND, INC.**

YEARS ENDED JUNE 30, 2016 AND 2015

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

YEARS ENDED JUNE 30, 2016 AND 2015

## CONTENTS

	Page
<b>Independent auditor's report</b>	1-2
<b>Financial statements:</b>	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-13

## **Independent Auditor's Report**

Board of Directors  
Gift of Adoption Fund, Inc.  
Techny, Illinois

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, 2016 and 2015 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gift of Adoption Fund, Inc. as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Ostrow Reisin Berk & Abrams, Ltd.*

October 5, 2016

# GIFT OF ADOPTION FUND, INC.

## STATEMENT OF FINANCIAL POSITION

June 30,	2016	2015
<b>ASSETS</b>		
Cash	\$ 672,123	\$ 292,152
Investments (Note 3)	155,188	149,241
Contributions receivable, net of provision for uncollectible pledges of \$7,500 in 2016 and 2015 (Note 5)	208,716	237,653
Adoption loans receivable	15,154	34,448
Prepaid expenses	2,412	6,527
Property and equipment, net (Note 6)	15,843	
Cash surrender value of life insurance		64,514
Other assets	500	7,167
<b>Total assets</b>	<b>\$ 1,069,936</b>	<b>\$ 791,702</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Grants payable	\$ 277,433	\$ 177,258
Accounts payable	27,315	31,849
Accrued expenses	3,570	8,913
<b>Total liabilities</b>	<b>308,318</b>	<b>218,020</b>
<b>Net assets:</b>		
Unrestricted	526,402	211,029
Temporarily restricted (Note 8)	235,216	362,653
<b>Total net assets</b>	<b>761,618</b>	<b>573,682</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,069,936</b>	<b>\$ 791,702</b>

See notes to financial statements.

**GIFT OF ADOPTION FUND, INC.**

STATEMENT OF ACTIVITIES

Years ended June 30,	2016			2015		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Contributions	\$ 595,340	\$ 153,095	\$ 748,435	\$ 496,277	\$ 251,337	\$ 747,614
Special events revenue (including in-kind donations of \$34,922 in 2016 and \$47,409 in 2015)	876,816		876,816	556,905		556,905
Special events expense	(321,140)		(321,140)	(242,608)		(242,608)
In-kind donations	714		714	29,034		29,034
Program service fees	27,800		27,800	31,450		31,450
Realized and unrealized net loss on investments	(1,292)		(1,292)	(4,798)		(4,798)
Dividends and capital gain distributions	7,502		7,502	7,818		7,818
Life insurance benefits, net	215,486		215,486			
Miscellaneous revenue				4,942		4,942
Net assets released from restrictions (Note 8)	280,532	(280,532)		206,354	(206,354)	
<b>Total support and revenue</b>	<b>1,681,758</b>	<b>(127,437)</b>	<b>1,554,321</b>	<b>1,085,374</b>	<b>44,983</b>	<b>1,130,357</b>
Expenses:						
Program	1,033,792		1,033,792	856,788		856,788
Supporting services:						
Management and general	158,090		158,090	125,034		125,034
Fundraising	174,503		174,503	106,953		106,953
<b>Total expenses</b>	<b>1,366,385</b>		<b>1,366,385</b>	<b>1,088,775</b>		<b>1,088,775</b>
Change in net assets	315,373	(127,437)	187,936	(3,401)	44,983	41,582
Net assets:						
Beginning of year	211,029	362,653	573,682	214,430	317,670	532,100
End of year	\$ 526,402	\$ 235,216	\$ 761,618	\$ 211,029	\$ 362,653	\$ 573,682

*See notes to financial statements.*

**GIFT OF ADOPTION FUND, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Years ended June 30,	2016				2015			
	Program	Supporting services			Program	Supporting services		
		Management and general	Fundraising	Total		Management and general	Fundraising	Total
Salaries and wages	\$ 166,615	\$ 106,485	\$ 102,244	\$ 375,344	\$ 136,662	\$ 61,067	\$ 48,508	\$ 246,237
Employee benefits	8,111	5,184	4,977	18,272	7,540	3,369	2,676	13,585
Payroll taxes	12,807	8,185	7,859	28,851	9,926	4,435	3,524	17,885
Retirement plan contribution	1,610	1,029	988	3,627	939	419	333	1,691
	<b>189,143</b>	<b>120,883</b>	<b>116,068</b>	<b>426,094</b>	155,067	69,290	55,041	279,398
Bank charges	12,576	8,038	7,717	28,331	8,632	3,857	3,064	15,553
Board governance	220	140	135	495	713	319	253	1,285
Computer maintenance	175	112	107	394	527	236	187	950
Depreciation	3,709		115	3,824				
Grants	749,498			749,498	629,723			629,723
Insurance	1,907	1,219	1,170	4,296	1,722	770	611	3,103
Marketing and promotion	37,350		3,112	40,462	25,926	537	403	26,866
Occupancy	2,730	1,745	1,675	6,150	3,313	1,481	1,176	5,970
Office supplies	1,399	894	858	3,151	857	383	304	1,544
Other					1,460	653	520	2,633
Planned gift premiums			1,746	1,746			9,461	9,461
Postage	2,738	1,750	1,681	6,169	2,113	944	751	3,808
Professional fees	9,854	15,605	7,570	33,029	5,289	37,022	10,578	52,889
Provision for uncollectible contributions			6,490	6,490			4,600	4,600
Subscriptions	3,398		105	3,503	2,943		91	3,034
Telephone/internet	2,300	1,470	1,411	5,181	3,201	1,430	1,136	5,767
Temporary staffing	6,516	3,441	21,325	31,282	2,305	2,305	14,164	18,774
Travel	2,811	1,797	1,725	6,333	1,789	799	635	3,223
Volunteer services	7,468	996	1,493	9,957	11,208	5,008	3,978	20,194
Total expenses before special events expense	<b>1,033,792</b>	<b>158,090</b>	<b>174,503</b>	<b>1,366,385</b>	856,788	125,034	106,953	1,088,775
Special events expense				<b>321,140</b>				242,608
Total expenses	<b>\$ 1,033,792</b>	<b>\$ 158,090</b>	<b>\$ 174,503</b>	<b>\$ 1,687,525</b>	<b>\$ 856,788</b>	<b>\$ 125,034</b>	<b>\$ 106,953</b>	<b>\$ 1,331,383</b>

*See notes to financial statements.*

# GIFT OF ADOPTION FUND, INC.

## STATEMENT OF CASH FLOWS

Years ended June 30,	2016	2015
Operating activities:		
Change in net assets	\$ 187,936	\$ 41,582
Adjustments to reconcile above to cash provided by operating activities:		
Depreciation	3,824	
Realized and unrealized net loss on investments	1,292	4,798
Reinvested dividends	(7,239)	(7,818)
Life insurance benefits, net	(215,486)	
(Increase) decrease in operating assets:		
Contributions receivable	28,937	(5,483)
Adoption loans receivable	19,294	(6,457)
Prepaid expenses	4,115	(380)
Cash surrender value of life insurance		(4,942)
Increase (decrease) in operating liabilities:		
Grants payable	100,175	45,005
Accounts payable	(4,534)	30,849
Accrued expenses	(5,343)	(1,747)
Cash provided by operating activities	112,971	95,407
Investing activities:		
Proceeds from life insurance benefits	280,000	
Proceeds from sale of investments		8,707
Purchase of property and equipment	(13,000)	(6,667)
Cash provided by investing activities	267,000	2,040
Increase in cash	379,971	97,447
Cash:		
Beginning of year	292,152	194,705
End of year	\$ 672,123	\$ 292,152

See notes to financial statements.



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

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Summary of significant accounting policies**

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

#### **Basis of accounting:**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **Basis of presentation:**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. There were no permanently restricted net assets at June 30, 2016 and 2015.

#### **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 (if significant) of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

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

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

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

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

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

Changes in the valuation allowance are as follows:

<u>Years ended June 30,</u>	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 7,500	\$ 7,500
Add provision for uncollectible contributions	6,490	4,600
Less contributions written off	(6,490)	(5,100)
Add collection of amounts previously written off		500
<u>Balance, end of year</u>	<u>\$ 7,500</u>	<u>\$ 7,500</u>

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

During the year ended June 30, 2014, the Organization implemented an adoption loan program. Qualifying families who are unable to receive a grant from the Organization had the opportunity to apply for an interest-free loan, to be repaid to the Organization in monthly installments over a period of 24 months, 30 months or 36 months. As of June 30, 2016 and 2015, no allowance for uncollectible loans was deemed necessary. The Organization discontinued the adoption loan program during the year ended June 30, 2015 and no new loans were awarded after June 30, 2015.

#### **Investments:**

Investments are reported in the statement of financial position at their fair value, with any realized and unrealized gains and losses reported in the statement of activities.

#### **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 date of receipt. Depreciation is provided over the estimated useful lives of the assets using an accelerated method.

#### **Grants payable:**

The Organization records a liability and expense for grants, which are payable in future years, in the year in which they are awarded.

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

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

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

#### **Contributions:**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the contributions are recognized. All other temporarily restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted contributions represent amounts received which must remain in trust in perpetuity. There were no permanently restricted contributions received for the years ended June 30, 2016 and 2015.

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

The Organization is required to recognize as revenue the fair value of contributed (donated) goods and services. The Organization was the recipient of donated goods and services in the amount of \$35,636 and \$76,443 for the years ended June 30, 2016 and 2015, respectively. Contributed goods consisted primarily of goods used for special events. Contributed services consisted primarily of marketing and promotion services and other consulting services.

#### **Functional expenses:**

Operating expenses identified directly with a functional area are charged to that area and when these expenses affect more than one area, they are allocated on the basis of ratios estimated by management.

Special events expense consist of facility rental fees, food and beverages, entertainment fees and other related costs.

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

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# GIFT OF ADOPTION FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 1. Summary of significant accounting policies (continued)

#### Early adoption of accounting standard:

During the year ended June 30, 2016, management has elected to early adopt FASB ASU 2016-15, *Statement of Cash Flows*. This ASU states that cash proceeds received from the settlement of corporate-owned life insurance policies should be classified as cash inflows from investing activities. Cash payments for premiums on corporate-owned life insurance policies may be classified as cash outflows for investing activities, operating activities or a combination of cash outflows for investing and operating activities. This ASU was required to be adopted retrospectively. There was no impact on the statement of cash flows for the year ended June 30, 2015.

### 2. Cash and cash equivalents

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The amount held in excess of federally-insured limits was approximately \$426,000 and \$44,000 at June 30, 2016 and 2015, respectively. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk on cash.

### 3. Investments

Investments are carried at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at June 30, 2016 and 2015:

June 30,	2016	2015
	Level 1	
Mutual funds:		
Balanced funds	\$ 79,125	\$ 75,145
Equity funds	40,139	37,927
Fixed income funds	7,771	7,289
International stock funds	28,153	28,880
Total assets at fair value	\$ 155,188	\$ 149,241

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

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

### **4. Tax status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined to be an organization that is not a private foundation under Section 509(a) of the Code. Accordingly, no provision for income or excise tax has been made in the accompanying financial statements.

### **5. Contributions receivable**

Contributions receivable are as follows:

<u>June 30,</u>	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 163,008	\$ 149,400
Receivable in one to five years	53,208	95,753
Total contributions receivable	216,216	245,153
Less provision for uncollectible pledges	7,500	7,500
Contributions receivable, net	\$ 208,716	\$ 237,653

### **6. Property and equipment**

Property and equipment consist of the following:

<u>June 30,</u>	<u>2016</u>	<u>2015</u>
Computer equipment		\$ 8,613
Website	\$ 19,667	20,000
	19,667	28,613
Less accumulated depreciation	3,824	28,613
Property and equipment, net	\$ 15,843	\$ -

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

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

#### **7. Leases**

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

<u>Year ending June 30:</u>	<u>Amount</u>
2017	\$ 6,330
2018	6,510
2019	6,690
2020	6,870
2021	1,150
<b>Total</b>	<b>\$ 27,550</b>

#### **8. Temporarily restricted net assets**

Temporarily restricted net assets represent contributions for a specific purpose or designated for a future period as follows:

<u>June 30,</u>	<u>2016</u>	<u>2015</u>
Purpose-restricted contributions:		
Grants to families in the final stage of adoption process	\$ 19,000	\$ 52,500
Contribution to fund loan program for adoptive families		65,000
Time-restricted contributions	<b>216,216</b>	245,153
<b>Total temporarily restricted net assets</b>	<b>\$ 235,216</b>	<b>\$ 362,653</b>

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

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

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

Net assets were released from donor restrictions by incurrence of expenses satisfying the restricted purpose or by occurrence of events specified by the donor as follows:

<b>Years ended June 30,</b>	<b>2016</b>	<b>2015</b>
<b>Purpose-restricted contributions:</b>		
Grants to families in the final stage of adoption process	<b>\$ 58,500</b>	\$ 47,500
Loan program for adoptive families (A)	<b>65,000</b>	
<b>Time-restricted contributions</b>	<b>157,032</b>	158,854
<b>Net assets released from restrictions</b>	<b>\$ 280,532</b>	\$ 206,354

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

### **9. Subsequent events**

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2016, the financial statement date, through October 5, 2016, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.