

GIFT OF ADOPTION FUND, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

GIFT OF ADOPTION FUND, INC.

YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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 13, 2019

GIFT OF ADOPTION FUND, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Cash	\$ 1,041,619
Investments	317,387
Contributions receivable, net of allowance for uncollectible contributions of \$7,500	606,229
Prepaid expenses	10,394
Other assets	500

Total assets	\$ 1,976,129
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LIABILITIES AND NET ASSETS

Liabilities:

Grants payable	\$ 457,498
Accounts payable	11,757
Accrued expenses	32,936
Deferred revenue	7,429

Total liabilities	509,620
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Net assets:

Without donor restrictions	639,780
With donor restrictions	826,729

Total net assets	1,466,509
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Total liabilities and net assets	\$ 1,976,129
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See notes to financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2019	Without donor restrictions	With donor restrictions	Total
Revenues:			
Contributions	\$ 566,195	\$ 748,101	\$ 1,314,296
Special events revenue	1,550,280		1,550,280
Special events expense	(495,081)		(495,081)
In-kind donations	7,151		7,151
Program service fees	31,945		31,945
Investment return	23,390		23,390
Net assets released from restrictions	579,041	(579,041)	
Total revenues	2,262,921	169,060	2,431,981
Expenses:			
Program services	1,587,693		1,587,693
Management and general	216,648		216,648
Fundraising	206,316		206,316
Total expenses	2,010,657		2,010,657
Change in net assets	252,264	169,060	421,324
Net assets:			
Beginning of year	387,516	657,669	1,045,185
End of year	\$ 639,780	\$ 826,729	\$ 1,466,509

See notes to financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019	Program services	Management and general	Fundraising	Special events expense	Total
Adoption assistance grants	\$ 1,257,183				\$ 1,257,183
Depreciation	2,758		\$ 85		2,843
Dues, subscriptions and fees	19,022	\$ 13,436	13,713		46,171
Insurance	3,321	2,346	2,393		8,060
Marketing, contract and professional services	51,449	26,899	12,112		90,460
Occupancy	4,732	3,343	3,412		11,487
Office supplies and equipment	4,882	3,448	3,519		11,849
Provision for uncollectible contributions	1,800				1,800
Postage and printing	8,299	5,862	5,982		20,143
Salaries and related benefits	223,930	158,165	161,426		543,521
Special events expense				\$ 495,081	495,081
Travel	1,613	1,139	1,162		3,914
Volunteer and board services	8,704	2,010	2,512		13,226
Total expenses by function	1,587,693	216,648	206,316	495,081	2,505,738
Less expenses included with revenues on the statement of activities				(495,081)	(495,081)
Total expenses included in the expense section on the statement of activities	\$ 1,587,693	\$ 216,648	\$ 206,316	\$ -	\$ 2,010,657

See notes to financial statements.

GIFT OF ADOPTION FUND, INC.

STATEMENT OF CASH FLOWS

Year ended June 30, 2019

Cash flows from operating activities:

Change in net assets	\$ 421,324
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,843
Net realized and unrealized gain on investments	(4,724)
Reinvested dividends	(18,542)
Provision for uncollectible contributions	1,800
(Increase) decrease in operating assets:	
Contributions receivable	22,640
Prepaid expenses	(6,855)
Other assets	
Grants payable	32,313
Accounts payable	(28,467)
Accrued expenses	18,364
Deferred revenue	(14,481)

Net cash provided by operating activities	426,215
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Cash flows from investing activity:

Purchase of investments	(50,000)
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Net cash used in investing activity	(50,000)
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Net increase in cash	376,215
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Cash:

Beginning of year	665,404
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End of year	\$ 1,041,619
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Supplemental disclosure of non-cash investing activity:

Acquisition of shares through reinvested dividends	\$ (18,542)
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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 23 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 – Net assets subject to donor-imposed 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 of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. 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. The Organization has a website with an original cost of approximately \$20,000 which was fully depreciated during the year ended June 30, 2019.

Grants payable:

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

Deferred revenue:

Revenue received in advance for special events that are held subsequent to year-end is deferred and recognized in the year of the event.

Contributions:

Contributions are 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 \$162,421 for the year ended June 30, 2019. Contributed goods consisting primarily of goods used for special events totaled \$155,270. Contributed services 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 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.

Subsequent events:

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2019, the financial statement date, through September 13, 2019, 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 at June 30, 2019:

June 30, 2019	
Financial assets at year-end:	
Cash	\$ 1,041,619
Investments	317,387
Contributions receivable	606,229
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Total financial assets	1,965,235
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Less amounts not available to be used within one year:	
Contributions receivable - due after one year	180,068
Purpose restricted net assets	213,000
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Total financial assets not available to be used within one year	393,068
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Financial assets available to meet general expenditures within one year	\$ 1,572,167
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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). Cash in excess of operating costs is transferred to the investments account to maximize investment income.

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 \$780,000 at June 30, 2019. 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, 2019</u>	
Receivable in less than one year	\$ 433,661
Receivable in one to five years	180,068
Total contributions receivable	613,729
Less provision for uncollectible pledges	7,500
Contributions receivable, net	<u>\$ 606,229</u>

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>
2020	\$ 6,870
2021	1,150
<u>Total</u>	<u>\$ 8,020</u>

Rent expense was \$6,690 for the year ended June 30, 2019.

8. Net assets with donor restrictions

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

<u>June 30, 2019</u>	
Purpose-restricted contributions:	
Grants to families in the final stage of adoption process	\$ 188,000
Grant to hire social media and public relations manager	25,000
Time-restricted contributions	613,729
<u>Total net assets with donor restrictions</u>	<u>\$ 826,729</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 June 30, 2019</u>	
Purpose-restricted contributions:	
Grants to families in the final stage of adoption process	\$ 96,000
Outreach efforts to raise awareness of adoption	2,500
Time-restricted contributions	480,541
<u>Total net assets released from donor restrictions</u>	<u>\$ 579,041</u>