

**GIFT OF ADOPTION FUND, INC.**

YEARS ENDED JUNE 30, 2009 AND 2008

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

YEARS ENDED JUNE 30, 2009 AND 2008

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## Independent Auditors' Report

*Independent Affiliate  
of BKR International*

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

We have audited the accompanying consolidated statement of financial position of Gift of Adoption Fund, Inc. (the Organization) as of June 30, 2009 and 2008 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gift of Adoption Fund, Inc. as of June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Ostrow Reisin Berk + Abrams, Ltd.*

October 21, 2009

# GIFT OF ADOPTION FUND, INC.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30,	2009	2008
<b>ASSETS</b>		
Cash	\$ 148,025	\$ 187,863
Investments (Note 3)	202,421	258,201
Pledges and contributions receivable (Note 4)	116,535	23,715
Prepaid expenses	4,675	2,766
Property and equipment, net (Note 5)	-	-
Cash surrender value of life insurance	42,264	35,966
Security deposit	500	500
<b>Total assets</b>	<b>\$ 514,420</b>	<b>\$ 509,011</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Grants payable	\$ 92,446	\$ 45,007
Accounts payable	5,900	14,835
Accrued expenses	4,027	4,027
<b>Total liabilities</b>	<b>102,373</b>	<b>63,869</b>
<b>Net assets:</b>		
Unrestricted	285,512	435,142
Temporarily restricted (Note 7)	126,535	10,000
<b>Total net assets</b>	<b>412,047</b>	<b>445,142</b>
<b>Total liabilities and net assets</b>	<b>\$ 514,420</b>	<b>\$ 509,011</b>

See notes to consolidated financial statements.

**GIFT OF ADOPTION FUND, INC.**

CONSOLIDATED STATEMENT OF ACTIVITIES

Years ended June 30,	2009			2008		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Contributions	\$ 279,095	\$ 106,535	\$ 385,630	\$ 223,491	\$ 15,500	\$ 238,991
Special events revenue	263,905		263,905	350,664		350,664
Special events expense	(85,025)		(85,025)	(171,397)		(171,397)
In-kind donations	46,421	50,000	96,421	43,478		43,478
Program service fees	25,927		25,927	21,710		21,710
Realized and unrealized net loss on investments	(65,784)		(65,784)	(45,124)		(45,124)
Interest, dividends and capital gain distributions	10,242		10,242	25,552		25,552
Miscellaneous revenue	6,299		6,299	246		246
Net assets released from restrictions (Note 8)	40,000	(40,000)		35,200	(35,200)	
	521,080	116,535	637,615	483,820	(19,700)	464,120
Total support and revenue						
Expenses:						
Program	501,940		501,940	451,456		451,456
Supporting services:						
Management and general	77,879		77,879	76,689		76,689
Fundraising	90,891		90,891	93,053		93,053
Total expenses	670,710		670,710	621,198		621,198
Change in net assets	(149,630)	116,535	(33,095)	(137,378)	(19,700)	(157,078)
Net assets:						
Beginning of year	435,142	10,000	445,142	572,520	29,700	602,220
End of year	\$ 285,512	\$ 126,535	\$ 412,047	\$ 435,142	\$ 10,000	\$ 445,142

See notes to consolidated financial statements.

**GIFT OF ADOPTION FUND, INC.**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	2009		2008					
	Supporting services		Supporting services					
	Program	Management and general	Fundraising	Total	Program	Management and general	Fundraising	Total
Salaries and wages	\$ 108,964	\$ 47,004	\$ 57,687	\$ 213,655	\$ 100,403	\$ 40,160	\$ 60,242	\$ 200,805
Employee benefits	7,212	3,111	3,818	14,141	4,907	1,964	2,944	9,815
Payroll taxes	6,100	2,631	3,229	11,960	9,593	3,837	5,756	19,186
Retirement plan contributions						337		337
	122,276	52,746	64,734	239,756	114,903	46,298	68,942	230,143
Bank charges	2,077	896	1,099	4,072	2,172	869	1,303	4,344
Computer maintenance					100	40	60	200
Depreciation					716	286	430	1,432
Grants	291,768			291,768	280,967			280,967
Insurance	1,962	846	1,039	3,847	1,106	442	664	2,212
Marketing and promotion	34,915		4,315	39,230	12,659			12,659
Meals and entertainment	490	211	259	960	70	28	42	140
Occupancy	4,119	1,777	2,181	8,077	6,045	2,418	3,627	12,090
Office supplies	2,207	952	1,169	4,328	1,687	675	1,012	3,374
Other	2,698	1,164	1,427	5,289	1,155	462	693	2,310
Planned gift premiums			4,979	4,979			7,116	7,116
Postage	2,059	888	1,090	4,037	1,800	720	1,080	3,600
Printing	707	305	374	1,386	1,712	685	1,027	3,424
Professional fees	4,656	16,841	5,786	27,283	18,453	15,197	2,533	36,183
Subscriptions	517	223	274	1,014	370			370
Telephone/internet	1,691	729	895	3,315	2,470	988	1,482	4,940
Temporary staffing					4,534	1,813	2,720	9,067
Travel	698	301	370	1,369	537	215	322	1,074
Uncollectible pledges						5,553		5,553
Website design	29,100		900	30,000				
	\$ 501,940	\$ 77,879	\$ 90,891	\$ 670,710	\$ 451,456	\$ 76,689	\$ 93,053	\$ 621,198

See notes to consolidated financial statements.

# GIFT OF ADOPTION FUND, INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended June 30,	2009	2008
Operating activities:		
Change in net assets	\$ (33,095)	\$ (157,078)
Adjustments to reconcile above to cash used in operating activities:		
Depreciation		1,432
Realized and unrealized net loss on investments	65,784	45,124
(Increase) decrease in operating assets:		
Pledges receivable	(92,820)	(2,996)
Prepaid expenses	(1,909)	1,036
Cash surrender value of life insurance	(6,298)	569
Security deposit		(500)
Increase (decrease) in operating liabilities:		
Grants payable	47,439	4,007
Accounts payable	(8,935)	8,215
Accrued expenses		254
Cash used in operating activities	(29,834)	(99,937)
Investing activity:		
Purchase of investments	(10,004)	(21,626)
Cash used in investing activity	(10,004)	(21,626)
Decrease in cash	(39,838)	(121,563)
Cash:		
Beginning of year	187,863	309,426
End of year	\$ 148,025	\$ 187,863

See notes to consolidated financial statements.

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

## **NOTES TO CONSOLIDATED 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.

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

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

#### **Consolidated financial statements:**

The consolidated financial statements include the accounts of the Organization and its six chartered local chapters, located in various states throughout the United States. All intercompany transactions and accounts are eliminated.

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets at June 30, 2009 and 2008.

#### **Pledges 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.

#### **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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

#### **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.

#### **Revenue recognition:**

Contributions that are restricted by the donor 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 reporting period in which the revenue is recognized. All other donor-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. There are no permanently restricted contributions.

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

Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", requires the Organization 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 \$96,421 and \$43,478 for the years ended June 30, 2009 and 2008, respectively.

#### **Functional expenses:**

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

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

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

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

#### **Valuation:**

During the year ended June 30, 2009, the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, expands the disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The value of all of the Organization's assets and liabilities which are required to be carried at fair value are considered Level 1 assets and liabilities since there are quoted prices available in active markets for identical assets and liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

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

The preparation of the consolidated 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.

### **2. Tax status**

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

### **3. Investments**

Investments consist of 10 various mutual funds from the American Funds Family of mutual funds. The mutual funds consist of balanced, growth and income, bond, equity income and growth funds.

Investments at their fair market value are as follows at June 30, 2009:

	<b>Cost</b>	<b>Market value</b>	<b>Excess of cost over market value</b>
<b>Mutual funds</b>	<b>\$ 257,085</b>	<b>\$ 202,421</b>	<b>\$ (54,664)</b>

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

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

#### **3. Investments (continued)**

Investments at their fair market value are as follows at June 30, 2008:

	Cost	Market value	Excess of market value over cost
Mutual funds	\$ 247,183	\$ 258,201	\$ 11,018

#### **4. Pledges and contributions receivable**

Pledges and contributions receivable are as follows:

June 30,	2009	2008
Receivable in less than one year	\$ 79,035	\$ 18,715
Receivable in one to five years	37,500	5,000
Total unconditional promises to give	\$ 116,535	\$ 23,715

#### **5. Property and equipment**

Property and equipment consist of the following:

June 30,	2009	2008
Computer equipment	\$ 8,613	\$ 8,613
Accumulated depreciation and amortization	(8,613)	(8,613)
Property and equipment, net	\$ -	\$ -

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

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

#### **6. Leases**

The Organization leases office space in Techny, Illinois under an operating lease that expires on August 31, 2010. Monthly rent is \$395.

The Organization also rents a postage meter under an operating lease which expires in October 2012. Future annual minimum lease payments under this equipment lease agreement are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2010	\$ 664
2011	664
2012	664
2013	221
<u>Total</u>	<u>\$ 2,213</u>

#### **7. 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>2009</u>	<u>2008</u>
<u>Purpose-restricted contribution:</u>		
Grants to families in the final stage of adoption process	\$ 10,000	\$ 10,000
<u>Time-restricted contributions</u>	<u>116,535</u>	
<u>Total temporarily restricted net assets</u>	<u>\$ 126,535</u>	<u>\$ 10,000</u>

#### **8. Net assets released from restrictions**

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

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

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

### **9. Subsequent events**

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2009, the financial statement date through October 21, 2009, 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 (GAAP).