

WARM BLANKETS
CHILDREN'S FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2015 AND 2014



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Warm Blankets Children's Foundation, Inc.
Rolling Meadows, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Warm Blankets Children's Foundation, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, changes in net assets, 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 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.

Auditor's 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 Warm Blankets Children's Foundation, Inc., as of June 30, 2015 and 2014, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements of Warm Blankets Children's Foundation, Inc. (the Foundation) taken as a whole. The schedule of functional expenses on page 10 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Foundation. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Cukierski & Kowal, LLC

Schaumburg, Illinois
December 30, 2015

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2015 AND 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,570,507	\$ 1,448,292
Prepaid Expenses and Other Assets	<u>151,450</u>	<u>54,609</u>
Total Current Assets	<u>\$ 1,721,957</u>	<u>\$ 1,502,901</u>
CONTRIBUTIONS RECEIVABLE FROM TRUSTS (Note 6)	<u>\$ 45,144</u>	<u>\$ 38,505</u>
FURNITURE AND EQUIPMENT		
Furniture and Equipment	\$ 243,850	\$ 239,908
Less Accumulated Depreciation	<u>(226,956)</u>	<u>(211,919)</u>
Net Furniture and Equipment	<u>\$ 16,894</u>	<u>\$ 27,989</u>
TOTAL ASSETS	<u><u>\$ 1,783,995</u></u>	<u><u>\$ 1,569,395</u></u>
LIABILITIES		
Accounts Payable	\$ 7,291	\$ 12,428
Accrued Expenses	<u>17,207</u>	<u>14,100</u>
TOTAL LIABILITIES	<u>\$ 24,498</u>	<u>\$ 26,528</u>
NET ASSETS		
Unrestricted	\$ 1,321,259	\$ 665,048
Temporarily Restricted (Note 3)	<u>438,238</u>	<u>877,819</u>
TOTAL NET ASSETS	<u>\$ 1,759,497</u>	<u>\$ 1,542,867</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,783,995</u></u>	<u><u>\$ 1,569,395</u></u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES				
Contributions	\$ 1,575,854	\$ 1,056,761	\$ 2,632,615	\$ 1,779,134
In-Kind Contributions (Note 4)	2,239,857	-	2,239,857	2,635,396
Interest and Dividends	2,314	-	2,314	1,413
Unrealized Gain on Investments	8,815	-	8,815	7,268
Change in Value of Contributions Receivable from Trusts (Note 6)	6,639	-	6,639	(2,787)
Net Assets Released from Restrictions	1,496,342	(1,496,342)	-	-
TOTAL REVENUES	\$ 5,329,821	\$ (439,581)	\$ 4,890,240	\$ 4,420,424
EXPENSES				
Program Expenses	\$ 4,203,554	\$ -	\$ 4,203,554	\$ 3,851,157
General and Administrative Expenses	198,906	-	198,906	228,498
Fundraising Expenses	271,150	-	271,150	247,311
TOTAL EXPENSES	\$ 4,673,610	\$ -	\$ 4,673,610	\$ 4,326,966
INCREASE (DECREASE) IN TOTAL NET ASSETS	\$ 656,211	\$ (439,581)	\$ 216,630	\$ 93,458
NET ASSETS - BEGINNING OF YEAR	665,048	877,819	1,542,867	1,449,409
NET ASSETS - END OF YEAR	\$ 1,321,259	\$ 438,238	\$ 1,759,497	\$ 1,542,867

See Independent Auditor's Report and Accompanying Notes to Financial Statements

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (Decrease) in Total Net Assets	\$ 216,630	\$ 93,458
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	15,037	21,239
(Increase) Decrease in:		
Accounts Receivable	-	2,666
Contributions Receivable from Trusts	(6,639)	2,787
Prepaid Expenses and Other Assets	(96,841)	(31,331)
 Increase (Decrease) in:		
Accounts Payable	(5,137)	(10,041)
Accrued Expenses	3,107	(1,626)
	<hr/>	<hr/>
Net Cash Provided by (Used in) Operating Activities	\$ 126,157	\$ 77,152

CASH FLOWS FROM INVESTING ACTIVITIES:

Net (Increase) Decrease in Fixed Assets	\$ (3,942)	\$ (6,087)
	<hr/>	<hr/>
Net Cash Provided by (Used in) Investing Activities	\$ (3,942)	\$ (6,087)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 122,215	\$ 71,065
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,448,292	1,377,227
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,570,507	\$ 1,448,292
	<hr/> <hr/>	<hr/> <hr/>

Supplemental Disclosures:

Cash paid during the year for Interest	\$ -	\$ -
	<hr/>	<hr/>
Cash paid during the year for Income Taxes	\$ -	\$ -
	<hr/>	<hr/>

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – NATURE OF ORGANIZATION

Warm Blankets Children's Foundation, Inc. (the Foundation) is a nonprofit Christian mission dedicated to the rescue of orphans and widows through third world church planting and outreach. The Foundation's mission is to restore the lives of orphans in partnership with churches, corporations, and individuals who have a passion to help needy, parentless children.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposit accounts, and highly liquid investments with an initial maturity of three months or less.

Fair Value Measurements

The Foundation follows the authoritative guidance issued by the Financial Accounting Standards Board (FASB) which defines fair value, establishes a framework for measuring fair value by providing a hierarchy used to classify the source of the information measuring fair value, and expands disclosures about fair value measurements.

Assets and liabilities carried at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Property and Equipment

The Foundation generally capitalizes purchases of property and equipment in excess of \$500. Purchased property and equipment are capitalized at cost. Donated assets are recorded at the estimated fair market value at the date of donation. Depreciation is computed on a straight-line basis over the useful lives of the assets, which generally range from 5 to 10 years.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary 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. The Foundation had no permanently restricted net assets during the fiscal year ended June 30, 2015.

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 2 – CONTINUED

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of functional expenses. Certain indirect expenses have been allocated among the program and supporting services benefited.

Income Taxes

Pursuant to a letter dated June 3, 2005, the Foundation has been determined by the Internal Revenue Service (IRS) as exempt from federal income taxes under the provisions of section 501(c)(3) of the Internal Revenue Code and classified as a public charity.

The Foundation follows authoritative guidance issued by FASB that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses derecognition, classification, interest and penalties, disclosure, and transition. The Foundation conducts business solely in the U.S. and, as a result, files information returns for U.S. and the State of Illinois. In the normal course of business, the Foundation is subject to examination by taxing authorities.

The Foundation's tax filings are subject to audit by various taxing authorities. As of June 30, 2015, the Foundation's federal and state income tax returns for fiscal year end June 30, 2012, 2013, 2014, and 2015 remained open to examination by the taxing authorities.

Use of Estimates

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

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2015, the Foundation had temporarily restricted net assets available for the following projects:

Support for orphan rescue and care	\$ 393,094
Contributions receivable from trusts	<u>45,144</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 438,238</u>

NOTE 4 – DONATED GOODS AND SERVICES

At June 30, 2015 and 2014, the Foundation received in-kind donations that were valued at \$2,239,857 and \$2,635,396, respectively, which included non-perishable food, pharmaceuticals, supplies and materials to be used in various foreign countries.

See Independent Auditor's Report

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 5 – OPERATING LEASE

The Foundation leases an office pursuant to an operating lease agreement with an expiration date of December 31, 2015. The monthly rate on this lease ranges from \$3,928 to \$4,167. The Foundation paid \$49,278 for the space it occupies during the year ended June 30, 2015.

The following is a schedule by year of future minimum lease payments at June 30,

2016	<u>\$ 25,002</u>
TOTAL FUTURE MINIMUM LEASE PAYMENTS	<u>\$ 25,002</u>

NOTE 6 – CONTRIBUTIONS RECEIVABLE FROM TRUSTS

The Foundation has a beneficial interest in three charitable remainder trusts. The present value of estimated future distributions from these trusts is \$45,144, which is reflected in contributions receivable from trusts in the accompanying financial statements. This estimate is based upon life expectancies of the two current recipients and a discount rate of 3%.

Revaluations of the expected future distributions are recognized in the accompanying statement of activities as changes in the value of contributions receivable from trusts.

Contributions receivable from trusts measured at fair value on a recurring basis at June 30, 2015 are as follows:

<u>Assets</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Contribution receivable, beneficial interest in charitable remainder trust	\$ _____ -	\$ _____ -	\$ 45,144	\$ 45,144

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2015.

	<u>Contributions Receivable from Trusts</u>
BALANCE, BEGINNING OF YEAR	\$ 38,505
Change in value of beneficial interest	<u>6,639</u>
BALANCE, END OF YEAR	<u>\$ 45,144</u>

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 7 – CONCENTRATIONS

The Foundation maintains its cash in bank deposit accounts at financial institutions in the United States of America. The balances, at times, may exceed federally insured limits.

NOTE 8 – SUBSEQUENT EVENTS

In October 2015, the Foundation adopted the new name, "Kinship United." The name change is a better representation of the ongoing mission of the organization.

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2015. As of December 30, 2015, which is the date these financial statements were available to be issued, no other material events have occurred which require recognition or disclosure in the financial statements.

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015				2014
	Program	General and Administrative	Fundraising	Total	Total
FUNCTIONAL EXPENSES					
Contributions for Orphan Care					
Fiscal Support	\$ 1,593,724	\$ -	\$ -	\$ 1,593,724	\$ 934,758
Supplies (Note 4)	2,239,857	-	-	2,239,857	2,635,396
Salaries and Wages	190,329	41,414	144,390	376,133	331,967
Other Employee Benefits	13,435	252	1,616	15,303	12,061
Payroll Taxes	27,334	4,061	13,264	44,659	37,412
Professional Fees	4,875	10,848	-	15,723	14,759
Supplies	551	2,288	50	2,889	18,168
Telecommunications	5,916	5,143	1,422	12,481	10,079
Insurance	-	2,286	-	2,286	3,821
Occupancy	7,752	31,007	12,920	51,679	50,244
Dues and Subscriptions	-	3,164	-	3,164	300
Postage and Delivery	2,549	2,081	3,932	8,562	7,515
Printing and Publications	-	-	14,704	14,704	8,054
Network Services	-	-	1,066	1,066	-
Bank Charges	-	24,834	-	24,834	22,266
Travel	26,552	120	419	27,091	46,083
Utilities	1,414	2,478	947	4,839	3,656
Office	39,368	38,218	12,372	89,958	81,182
Consultants	49,898	15,625	15,625	81,148	65,412
Advertising	-	50	48,423	48,473	22,594
Depreciation	-	15,037	-	15,037	21,239
TOTAL FUNCTIONAL EXPENSES	\$ 4,203,554	\$ 198,906	\$ 271,150	\$ 4,673,610	\$ 4,326,966

See Independent Auditor's Report and Accompanying Notes to Financial Statements