

Warm Blankets Children's Foundation, Inc.  
DBA: Kinship United

Financial Statements and  
Supplementary Information

June 30, 2016 and 2015



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Warm Blankets Children's Foundation, Inc. (DBA: Kinship United), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 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 audits 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**

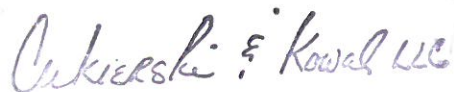
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Warm Blankets Children's Foundation, Inc. (DBA: Kinship United), as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Warm Blankets Children's Foundation, Inc.'s 2015 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements of Warm Blankets Children's Foundation, Inc. (DBA: Kinship United) (the Foundation) taken as a whole. The schedule of functional expenses on page 11 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.



Schaumburg, Illinois  
August 22, 2016

Warm Blankets Children's Foundation, Inc.  
 DBA: Kinship United  
 Statements of Financial Position  
 June 30, 2016 and 2015

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,077,131	\$ 1,570,507
Trading Securities (Note 7)	205,688	101,335
Prepaid Expenses and Other Assets	31,745	50,115
	<hr/>	<hr/>
Total Current Assets	\$ 1,314,564	\$ 1,721,957
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<b>CONTRIBUTIONS RECEIVABLE FROM TRUSTS (Note 6)</b>		
	\$ 42,167	\$ 45,144
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<b>FURNITURE AND EQUIPMENT</b>		
Furniture and Equipment	\$ 248,875	\$ 243,850
Less Accumulated Depreciation	(235,042)	(226,956)
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Net Furniture and Equipment	\$ 13,833	\$ 16,894
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 1,370,564</u>	<u>\$ 1,783,995</u>
 <b>LIABILITIES</b>		
Accounts Payable	\$ 22,782	\$ 7,291
Accrued Expenses	17,135	17,207
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	\$ 39,917	\$ 24,498
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Unrestricted	\$ 1,110,679	\$ 1,321,259
Temporarily Restricted (Note 3)	219,968	438,238
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<b>TOTAL NET ASSETS</b>	\$ 1,330,647	\$ 1,759,497
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,370,564</u>	<u>\$ 1,783,995</u>

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

Warm Blankets Children's Foundation, Inc.  
 DBA: Kinship United  
 Statements of Activities and Changes in Net Assets  
 For the Year Ended June 30, 2016 with Comparative Totals for 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUES</b>				
Contributions	\$ 880,287	\$ 709,219	\$ 1,589,506	\$ 2,632,615
In-Kind Contributions (Note 4)	3,297,682	-	3,297,682	2,239,857
Interest and Dividends	4,005	-	4,005	2,314
Unrealized Gain (Loss) on Investments	(7,090)	-	(7,090)	8,815
Change in Value of Contributions Receivable from Trusts (Note 6)	(2,977)	-	(2,977)	6,639
Net Assets Released from Restrictions	927,489	(927,489)	-	-
<b>TOTAL REVENUES</b>	<b>\$ 5,099,396</b>	<b>\$ (218,270)</b>	<b>\$ 4,881,126</b>	<b>\$ 4,890,240</b>
<b>EXPENSES</b>				
Program Expenses	\$ 4,781,452	\$ -	\$ 4,781,452	\$ 4,203,554
General and Administrative Expenses	185,627	-	185,627	198,906
Fundraising Expenses	342,897	-	342,897	271,150
<b>TOTAL EXPENSES</b>	<b>\$ 5,309,976</b>	<b>\$ -</b>	<b>\$ 5,309,976</b>	<b>\$ 4,673,610</b>
<b>INCREASE (DECREASE) IN TOTAL NET ASSETS</b>	<b>\$ (210,580)</b>	<b>\$ (218,270)</b>	<b>\$ (428,850)</b>	<b>\$ 216,630</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>1,321,259</b>	<b>438,238</b>	<b>1,759,497</b>	<b>1,542,867</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,110,679</b>	<b>\$ 219,968</b>	<b>\$ 1,330,647</b>	<b>\$ 1,759,497</b>

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

Warm Blankets Children's Foundation, Inc.  
 DBA: Kinship United  
 Statements of Cash Flows  
 For the Years Ended June 30, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (Decrease) in Total Net Assets	\$ (428,850)	\$ 216,630
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	8,086	15,037
(Increase) Decrease in:		
Contributions Receivable from Trusts	2,977	(6,639)
Prepaid Expenses and Other Assets	18,370	4,494
Increase (Decrease) in:		
Accounts Payable	15,491	(5,137)
Accrued Expenses	(72)	3,107
	<u>\$ (383,998)</u>	<u>\$ 227,492</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (Increase) Decrease in Trading Securities	\$ (104,353)	\$ (101,335)
Net (Increase) Decrease in Furniture and Equipment	(5,025)	(3,942)
	<u>\$ (109,378)</u>	<u>\$ (105,277)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (493,376)</b>	<b>\$ 122,215</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>1,570,507</b>	<b>1,448,292</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,077,131</b>	<b>\$ 1,570,507</b>
<b><u>Supplemental Disclosures:</u></b>		
Cash paid during the year for Interest	\$ -	\$ -
Cash paid during the year for Income Taxes	\$ -	\$ -

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

Warm Blankets Children's Foundation, Inc.  
DBA: Kinship United  
Notes to Financial Statements  
June 30, 2016

**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. In October 2015, the Foundation adopted the new name, "Kinship United," in order to more clearly represent the ongoing mission of the organization.

**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.

Warm Blankets Children's Foundation, Inc.  
DBA: Kinship United  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2016 and 2015.

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, 2016, the Foundation's federal and state income tax returns for 2013, 2014, 2015, and 2016 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.

See Independent Auditor's Report

Warm Blankets Children's Foundation, Inc.  
 DBA: Kinship United  
 Notes to Financial Statements (Continued)  
 June 30, 2016

**NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2016, the Foundation had temporarily restricted net assets available for the following projects:

Support for orphan rescue and care	\$ 177,801
Contributions receivable from trusts	<u>42,167</u>
TOTAL TEMPORARILY RESTRICTED NET ASSET	<u>\$ 219,968</u>

**NOTE 4 – DONATED GOODS AND SERVICES**

At June 30, 2016 and 2015, the Foundation received in-kind donations that were valued at \$3,297,682 and \$2,239,857, respectively, which included non-perishable food, pharmaceuticals, supplies, and materials to be used in various foreign countries.

**NOTE 5 – OPERATING LEASE**

The Foundation leases an office pursuant to an operating lease agreement with an expiration date of January 31, 2019. The Foundation renewed the office lease in December 2015. Per the lease, as amended, monthly base rent was abated for the first full calendar month of the renewed lease. Therefore, there were only eleven office rent payments paid in fiscal year ending June 30, 2016. The monthly payments on this lease ranges from \$4,000 to \$4,244. The Foundation paid \$45,002 and \$49,278, respectively, for the space it occupies during the years ended June 30, 2016 and 2015.

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

2017	\$ 48,720
2018	50,184
2019	<u>29,708</u>
TOTAL FUTURE MINIMUM LEASE PAYMENTS	<u>\$ 128,612</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 \$42,167, which is reflected in contributions receivable from trusts in the accompanying statements of financial position. 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, 2016 are as follows:

See Independent Auditor's Report

Warm Blankets Children's Foundation, Inc.  
 DBA: Kinship United  
 Notes to Financial Statements (Continued)  
 June 30, 2016

**NOTE 6 – CONTRIBUTIONS RECEIVABLE FROM TRUSTS (CONTINUED)**

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Trading Securities	\$ 205,668	\$ -	\$ -	\$ 205,668
Contribution receivable, beneficial interest in charitable remainder trust	-	-	42,167	42,167
<b>Totals</b>	<b>\$ 205,668</b>	<b>\$ -</b>	<b>\$ 42,167</b>	<b>\$ 247,835</b>

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, 2016.

Contributions Receivable from Trusts

BALANCE, BEGINNING OF YEAR	\$ 45,144
Change in value of beneficial interest	<u>(2,977)</u>
BALANCE, END OF YEAR	<u>\$ 42,167</u>

**NOTE 7 – TRADING SECURITIES**

The Foundation's short-term investments are comprised of equity securities and mutual funds, all of which are classified as trading securities and are carried on the balance sheet at fair market value based on quoted market prices of the securities as of June 30, 2016. Net realized and unrealized gains and losses on trading securities are included in net earnings. For the purpose of determining realized gains and losses, the cost of the securities sold is determined by specific identification.

Aggregate fair value, cost and unrealized gains and losses for the trading securities are as follows:

	Fair Value	Cost	Unrealized Gains (Losses)
As of June 30, 2016	\$ 205,688	\$ 204,788	\$ 900
As of June 30, 2015	\$ 101,335	\$ 96,930	\$ 4,405

See Independent Auditor's Report

Warm Blankets Children's Foundation, Inc.  
DBA: Kinship United  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 7 – TRADING SECURITIES (Continued)**

During the year ended June 30, 2016, trading securities with a cost of \$18,604 were sold. The realized gain on the sale totaled \$50, and is included in Interest and Dividends on the Statements of Activities and Changes in Net Assets.

**NOTE 8 – CONCENTRATIONS OF CREDIT RISK**

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 9 – SUBSEQUENT EVENTS**

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2016. As of August 22, 2016, which is the date these financial statements were available to be issued, no material events have occurred which require recognition or disclosure in the financial statements.

Warm Blankets Children's Foundation, Inc.  
 DBA: Kinship United  
 Statements of Functional Expenses  
 For the Year Ended June 30, 2016 with Comparative Totals for 2015

	2016			2015	
	Program	General and Administrative	Fundraising	Total	Total
<b>FUNCTIONAL EXPENSES</b>					
Contributions for Orphan Care					
Fiscal Support	\$ 1,089,208	\$ -	\$ -	\$ 1,089,208	\$ 1,593,724
Supplies (Note 4)	3,297,682	-	-	3,297,682	2,239,857
Salaries and Wages	204,126	44,252	190,024	438,402	376,133
Other Employee Benefits	12,043	2,753	6,442	21,238	15,303
Payroll Taxes	22,429	4,772	20,521	47,722	44,659
Professional Fees	-	11,779	-	11,779	15,723
Supplies	6,475	1,345	1,153	8,973	2,889
Telecommunications	15,818	2,757	1,492	20,067	12,481
Insurance	-	2,566	-	2,566	2,286
Occupancy	7,110	28,441	11,851	47,402	51,679
Dues and Subscriptions	-	388	2,523	2,911	3,164
Postage and Delivery	933	885	1,478	3,296	8,562
Printing and Publications	-	-	15,289	15,289	14,704
Network Services	-	-	-	-	1,066
Bank Charges	-	21,357	-	21,357	24,834
Travel	35,265	21	4,507	39,793	27,091
Utilities	1,264	1,985	853	4,102	4,839
Office	39,218	39,240	7,975	86,433	89,958
Consultants	49,881	15,000	43,229	108,110	81,148
Advertising	-	-	35,560	35,560	48,473
Depreciation	-	8,086	-	8,086	15,037
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 4,781,452</b>	<b>\$ 185,627</b>	<b>\$ 342,897</b>	<b>\$ 5,309,976</b>	<b>\$ 4,673,610</b>

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