

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

Financial Statements and
Supplementary Information

June 30, 2018 and 2017



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, 2018 and 2017, and the related statements of activities and 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, 2018 and 2017, 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 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements

Other Matter

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 statements of functional expenses on page 12 are presented for the purpose of additional analysis and are 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
November 13, 2018

Warm Blankets Children's Foundation, Inc.
 DBA: Kinship United
 Statements of Financial Position
 June 30, 2018 and 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,148,925	\$ 980,377
Prepaid Expenses and Other Assets	15,319	12,666
Other Receivable	-	1,000
	<hr/>	<hr/>
Total Current Assets	\$ 1,164,244	\$ 994,043
	<hr/>	<hr/>
CONTRIBUTIONS RECEIVABLE FROM TRUSTS (Note 6)	\$ 39,132	\$ 40,543
	<hr/>	<hr/>
FURNITURE AND EQUIPMENT		
Furniture and Equipment	\$ 248,875	\$ 248,875
Less Accumulated Depreciation	(243,354)	(239,945)
	<hr/>	<hr/>
Net Furniture and Equipment	\$ 5,521	\$ 8,930
	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,208,897	\$ 1,043,516
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Accounts Payable	\$ 17,848	\$ 1,525
Accrued Expenses	4,587	4,000
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 22,435	\$ 5,525
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	\$ 1,002,805	\$ 930,862
Temporarily Restricted (Note 3)	183,657	107,129
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 1,186,462	\$ 1,037,991
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 1,208,897	\$ 1,043,516
	<hr/> <hr/>	<hr/> <hr/>

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, 2018 with Comparative Totals for 2017

	<u>2018</u>			<u>2017</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions	\$ 1,147,335	\$ 720,941	\$ 1,868,276	\$ 1,513,341
In-Kind Contributions (Note 4)	4,610,569	-	4,610,569	2,277,173
Realized Gain on Investments	-	-	-	2,846
Interest and Dividends	9,850	-	9,850	2,520
Change in Value of Contributions Receivable from Trusts (Note 6)	(1,411)	-	(1,411)	(1,624)
Net Assets Released from Restrictions	644,413	(644,413)	-	-
TOTAL REVENUE	<u>\$ 6,410,756</u>	<u>\$ 76,528</u>	<u>\$ 6,487,284</u>	<u>\$ 3,794,256</u>
EXPENSES				
Program Expenses	\$ 5,910,295	\$ -	\$ 5,910,295	\$ 3,602,564
General and Administrative Expenses	177,536	-	177,536	169,794
Fundraising Expenses	250,982	-	250,982	314,554
TOTAL EXPENSES	<u>\$ 6,338,813</u>	<u>\$ -</u>	<u>\$ 6,338,813</u>	<u>\$ 4,086,912</u>
INCREASE (DECREASE) IN TOTAL NET ASSETS	<u>\$ 71,943</u>	<u>\$ 76,528</u>	<u>\$ 148,471</u>	<u>\$ (292,656)</u>
NET ASSETS - BEGINNING OF YEAR	<u>930,862</u>	<u>107,129</u>	<u>1,037,991</u>	<u>1,330,647</u>
NET ASSETS - END OF YEAR	<u>\$ 1,002,805</u>	<u>\$ 183,657</u>	<u>\$ 1,186,462</u>	<u>\$ 1,037,991</u>

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Total Net Assets	\$ 148,471	\$ (292,656)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	3,409	4,903
(Increase) Decrease in:		
Prepaid Expenses and Other Assets	(2,653)	19,079
Other Receivable	1,000	(1,000)
Contributions Receivable from Trusts	1,411	1,624
 Increase (Decrease) in:		
Accounts Payable	16,323	(21,257)
Accrued Expenses	587	(13,135)
 Net Cash Provided by (Used in) Operating Activities	\$ 168,548	\$ (302,442)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (Increase) Decrease in Trading Securities	\$ -	\$ 205,688
 Net Cash Provided by (Used in) Investing Activities	\$ -	\$ 205,688
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 168,548	\$ (96,754)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	980,377	1,077,131
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,148,925	\$ 980,377
 <u>Supplemental Disclosures:</u>		
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, 2018

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 unite people separated by war and tragedy, rebuild loving families for orphans and widows, and create networks of local churches and rescue centers. 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.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The net assets of the Foundation are classified into two net asset groups as follows:

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by the Association over time.

Unrestricted Net Assets – Net assets that are not temporarily restricted as described above.

Temporarily Restricted Contributions

The Association presents contributions as temporarily restricted if they are received with donor stipulations that impose specified purpose or time restrictions. When donor time restrictions expire or when a specific purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets.

Temporarily Restricted Net Assets totaled \$183,657 and \$109,129 on June 30, 2018 and 2017, respectively.

Property and Equipment

The Foundation generally capitalizes purchases of property and equipment in excess of \$2,500. 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.

See Independent Auditor's Report

Warm Blankets Children's Foundation, Inc.
DBA: Kinship United
Notes to Financial Statements (Continued)
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Materials and other assets received as donations are presented in the accompanying financial statements at their fair value at the date of receipt.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statements 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.

See Independent Auditor's Report

Warm Blankets Children's Foundation, Inc.
DBA: Kinship United
Notes to Financial Statements (Continued)
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Foundation's tax filings are subject to audit by various taxing authorities. As of June 30, 2018, the Foundation's federal and state income tax returns for fiscal years ended June 30, 2015, 2016, 2017, and 2018 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, 2018 and 2017, the Foundation presents temporarily restricted net assets available for the following projects:

	<u>2018</u>	<u>2017</u>
Support for orphan rescue and care	\$ 144,525	\$ 66,586
Contributions receivable from trusts	<u>39,132</u>	<u>40,543</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 183,657</u>	<u>\$ 107,129</u>

NOTE 4 – DONATED GOODS AND SERVICES

The Foundation received in-kind donations valued at \$4,610,569 and \$2,277,173, during years ending June 30, 2018 and 2017, respectively. Such donations included non-perishable food, pharmaceuticals, supplies, and materials to be used in various foreign countries. Donations are presented in the accompanying financial statements at their fair value at the date of receipt. The international pharmaceutical donations are determined by an online third-party, micromedexsolutions.com.

NOTE 5 – OPERATING LEASE

The Foundation leases office space pursuant to an operating lease agreement with an expiration date of January 31, 2019. The Foundation is in the process of looking for a new office space to rent. The monthly payments on this lease range from \$4,000 to \$4,244. The monthly rents during fiscal year ending June 30, 2018 and 2017 totaled \$4,244 and \$4,120, respectively.

The Foundation incurred rent expense of \$50,184 and \$48,720, during the years ended June 30, 2018 and 2017, respectively.

See Independent Auditor's Report

Warm Blankets Children's Foundation, Inc.
 DBA: Kinship United
 Notes to Financial Statements (Continued)
 June 30, 2018

NOTE 5 – OPERATING LEASE (CONTINUED)

The following is a schedule by year of future minimum lease payments for fiscal years ended June 30,

2019	\$ 29,708
TOTAL FUTURE MINIMUM LEASE PAYMENTS	\$ 29,708

NOTE 6 – CONTRIBUTIONS RECEIVABLE FROM TRUSTS

The Foundation has a beneficial interest in two charitable remainder trusts. The present value of estimated future distributions from these trusts is \$39,132, 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, 2018 and 2017 are as follows:

<u>Assets</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>Total</u>
Trading Securities	\$ -	\$ -	\$ -	\$ -
Contribution receivable, beneficial interest in charitable remainder trust totals	-	-	39,132	39,132
at June 30, 2018	\$ -	\$ -	\$ 39,132	\$ 39,132

See Independent Auditor's Report

Warm Blankets Children's Foundation, Inc.
 DBA: Kinship United
 Notes to Financial Statements (Continued)
 June 30, 2018

NOTE 6 – CONTRIBUTIONS RECEIVABLE FROM TRUSTS (CONTINUED)

<u>Assets</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>Total</u>
Trading Securities	\$ -	\$ -	\$ -	\$ -
Contribution receivable, beneficial interest in charitable remainder trust totals	-	-	40,543	40,543
at June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,543</u>	<u>\$ 40,543</u>

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, 2018 and 2017.

Contributions Receivable from Trusts

	<u>2018</u>	<u>2017</u>
BALANCE, BEGINNING OF YEAR	\$ 40,543	\$ 42,167
Change in value of beneficial interest	<u>(1,411)</u>	<u>(1,624)</u>
BALANCE, END OF YEAR	<u>\$ 39,132</u>	<u>\$ 40,543</u>

NOTE 7 – TRADING SECURITIES

The Foundation classifies its investments in equity securities and mutual funds, trading securities and carries such investment on the balance sheet at fair market value based on quoted market prices of the securities. 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. As of June 30, 2018 and 2017, the Foundation had no trading securities.

During the year ended June 30, 2017, all trading securities were sold for \$208,466. The Foundation realized a gain on the sale of investments of \$2,846. The realized gain on the sale of investments is included in interest and dividends on the Statements of Activities and Changes in Net Assets.

Warm Blankets Children's Foundation, Inc.
DBA: Kinship United
Notes to Financial Statements (Continued)
June 30, 2018

NOTE 8 – SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2018. As of November 13, 2018, 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, 2018 with Comparative Totals for 2017

	2018				2017
	Program	General and Administrative		Fundraising	Total
					Total
Contributions for Orphan Care:					
Fiscal Support	\$ 966,197	\$ -	\$ -	\$ 966,197	\$ 1,015,403
Supplies (Note 4)	4,610,569	-	-	4,610,569	2,277,173
Salaries and Wages	170,687	48,704	168,018	387,409	420,802
Other Employee Benefits	13,376	1,235	1,938	16,549	19,900
Payroll Taxes	22,402	3,953	6,589	32,944	41,162
Professional Fees	-	19,157	-	19,157	12,104
Supplies	9,746	635	381	10,762	5,268
Telecommunications	10,067	2,236	1,760	14,063	11,757
Insurance	-	3,410	-	3,410	2,779
Occupancy	7,889	31,549	13,146	52,584	51,120
Dues and Subscriptions	-	777	7,169	7,946	8,350
Postage and Delivery	1,141	761	2,063	3,965	5,574
Printing and Publications	-	-	12,989	12,989	10,749
Bank Charges	-	17,638	-	17,638	19,029
Travel	22,162	-	-	22,162	17,885
Utilities	884	1,497	597	2,978	3,328
Office	33,195	25,700	6,009	64,904	71,152
Consultants	41,980	16,875	29,375	88,230	68,608
Advertising	-	-	948	948	19,866
Depreciation	-	3,409	-	3,409	4,903
TOTAL FUNCTIONAL EXPENSES	\$ 5,910,295	\$ 177,536	\$ 250,982	\$ 6,338,813	\$ 4,086,912

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