

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

Financial Statements and
Supplementary Information

June 30, 2019 and 2018



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, 2019 and 2018, 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.

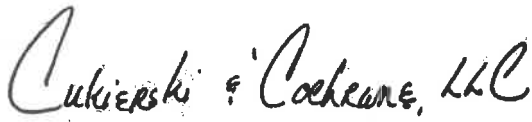
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, 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 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements.

Handwritten signature in black ink that reads "Cukierski & Cochrane, LLC". The signature is written in a cursive, flowing style.

Schaumburg, Illinois
January 8, 2020

Warm Blankets Children's Foundation, Inc.
 DBA: Kinship United
 Statements of Financial Position
 June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 938,956	\$ 1,148,925
Prepaid Expenses and Other Assets	16,851	15,319
	\$ 955,807	\$ 1,164,244
CONTRIBUTIONS RECEIVABLE FROM TRUSTS (Note 7)		
	\$ 35,250	\$ 39,132
FURNITURE AND EQUIPMENT		
Furniture and Equipment	\$ 255,675	\$ 248,875
Less Accumulated Depreciation	(246,923)	(243,354)
	\$ 8,752	\$ 5,521
	\$ 999,809	\$ 1,208,897
LIABILITIES		
Accounts Payable	\$ 11,353	\$ 17,848
Accrued Expenses	4,100	4,587
	\$ 15,453	\$ 22,435
NET ASSETS		
Without Donor Restrictions	\$ 850,307	\$ 1,002,805
With Donor Restrictions (Note 3)	134,049	183,657
	\$ 984,356	\$ 1,186,462
TOTAL LIABILITIES AND NET ASSETS	\$ 999,809	\$ 1,208,897

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, 2019 with Comparative Totals for 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING ACTIVITIES				
REVENUE				
Contributions	\$ 756,747	\$ 751,861	\$ 1,508,608	\$ 1,868,276
In-Kind Contributions (Note 4)	5,176,608	-	5,176,608	4,610,569
Total Revenue Before Releases	<u>\$ 5,933,355</u>	<u>\$ 751,861</u>	<u>\$ 6,685,216</u>	<u>\$ 6,478,845</u>
Net Assets Released from Restrictions	797,587	(797,587)	-	-
Total Revenue	<u>\$ 6,730,942</u>	<u>\$ (45,726)</u>	<u>\$ 6,685,216</u>	<u>\$ 6,478,845</u>
EXPENSES				
Program Expenses	\$ 6,536,715	\$ -	\$ 6,536,715	\$ 5,910,295
General and Administrative Expenses	163,961	-	163,961	177,536
Fundraising Expenses	201,513	-	201,513	250,982
Total Expenses	<u>\$ 6,902,189</u>	<u>\$ -</u>	<u>\$ 6,902,189</u>	<u>\$ 6,338,813</u>
Change in Net Assets from Operating Activities	<u>\$ (171,247)</u>	<u>\$ (45,726)</u>	<u>\$ (216,973)</u>	<u>\$ 140,032</u>
NON-OPERATING ACTIVITIES				
Interest and Dividends	\$ 18,749	\$ -	\$ 18,749	\$ 9,850
Change in Value of Contributions Receivable from Trusts	-	(3,882)	(3,882)	(1,411)
Change in Net Assets from Non-Operating Activities	<u>\$ 18,749</u>	<u>\$ (3,882)</u>	<u>\$ 14,867</u>	<u>\$ 8,439</u>
CHANGE IN NET ASSETS	<u>\$ (152,498)</u>	<u>\$ (49,608)</u>	<u>\$ (202,106)</u>	<u>\$ 148,471</u>
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>1,002,805</u>	<u>183,657</u>	<u>1,186,462</u>	<u>1,037,991</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 850,307</u></u>	<u><u>\$ 134,049</u></u>	<u><u>\$ 984,356</u></u>	<u><u>\$ 1,186,462</u></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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Total Net Assets	\$ (202,106)	\$ 148,471
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	3,569	3,409
(Increase) Decrease in:		
Prepaid Expenses and Other Assets	(1,532)	(2,653)
Other Receivable	-	1,000
Contributions Receivable from Trusts	3,882	1,411
Increase (Decrease) in:		
Accounts Payable	(6,495)	16,323
Accrued Expenses	(487)	587
Net Cash Provided by (Used in) Operating Activities	\$ (203,169)	\$ 168,548
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (Increase) Decrease in Furniture and Equipment	\$ (6,800)	\$ -
Net Cash Provided by (Used in) Investing Activities	\$ (6,800)	\$ -
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (209,969)	\$ 168,548
Cash and Cash Equivalents - Beginning of Year	1,148,925	980,377
Cash and Cash Equivalents - Ending of Year	\$ 938,956	\$ 1,148,925
<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, 2019

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 Association are classified as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. The restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Foundation. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless specially required to be included in donor restricted net assets by the donor or by applicable state law.

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 net assets with donor restrictions and increases that net asset class. When donor restrictions are met or time restriction expires, donor restricted net assets are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. See Note 3 for information regarding the donor restricted contributions.

See Independent Auditor's Report

Warm Blankets Children's Foundation, Inc.
DBA: Kinship United
Notes to Financial Statements (Continued)
June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Functional Allocation of Expenses

The cost of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. Such allocations are determined by management on a reasonable basis and applied consistently.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Compensation	Time and Effort
Employee Benefits	Full Time Equivalents
Telecommunications	Full Time Equivalents
Occupancy	Square Footage
Dues and Subscriptions	Full Time Equivalents
Travel	Time and Effort
Office Expenses and Supplies	Time and Effort
Consultants	Time and Effort

See Note 10 for a list of functional expenses by natural categories.

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.

See Independent Auditor's Report

Warm Blankets Children's Foundation, Inc.
DBA: Kinship United
Notes to Financial Statements (Continued)
June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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's tax filings are subject to audit by various taxing authorities. As of June 30, 2019, the Foundation's federal and state income tax returns for fiscal years ended June 30, 2016, 2017, 2018, and 2019 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.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Association's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

The Foundation presents contributions as 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, restricted net assets are released from restrictions.

	<u>2019</u>	<u>2018</u>
Support for orphan rescue and care	\$ 98,799	\$ 144,525
Contributions receivable from trusts	<u>35,250</u>	<u>39,132</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 134,049</u>	<u>\$ 183,657</u>

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Warm Blankets Children's Foundation, Inc.
DBA: Kinship United
Notes to Financial Statements (Continued)
June 30, 2019

NOTE 4 – DONATED GOODS AND SERVICES

The Foundation received in-kind donations valued at \$5,176,608 and \$4,610,569, during years ending June 30, 2019 and 2018, 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 – NEW ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions.

The ASU will also require changes in the way certain information is aggregated and reported, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the year ending June 30, 2019. The Association adopted the ASU effective July 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

NOTE 6 – OPERATING LEASE

The Foundation leases office space pursuant to an operating lease agreement with an expiration date of February 28, 2022. The lease was renewed on February 1, 2019 with reduced office rental square footage from 3,626 to 2,443. The monthly payments on this lease range from \$2,710 to \$2,875. The Foundation incurred rent for the office space of \$40,675 and \$50,184 during the years ended June 30, 2019 and 2018, respectively.

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

2020	\$ 32,925
2021	33,912
2022	<u>23,000</u>
Total Future Minimum Lease Payments	<u>\$ 89,837</u>

The Foundation maintains records in a storage facility. The annual rent is \$2,400 for the storage facility, which is also included in rent expense.

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Warm Blankets Children's Foundation, Inc.
 DBA: Kinship United
 Notes to Financial Statements (Continued)
 June 30, 2019

NOTE 7 – 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 \$35,250, 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, 2019 and 2018 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	-	-	35,250	35,250
at June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,250</u>	<u>\$ 35,250</u>

<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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,132</u>	<u>\$ 39,132</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, 2019 and 2018.

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Warm Blankets Children's Foundation, Inc.
 DBA: Kinship United
 Notes to Financial Statements (Continued)
 June 30, 2019

NOTE 7 – CONTRIBUTIONS RECEIVABLE FROM TRUSTS (CONTINUED)

Contributions Receivable from Trusts

	<u>2019</u>	<u>2018</u>
Balance, Beginning of Year	\$ 39,132	\$ 40,543
Change in Value of Beneficial Interest	<u>(3,882)</u>	<u>(1,411)</u>
Balance, End of Year	<u>\$ 35,250</u>	<u>\$ 39,132</u>

NOTE 8 – 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, 2019 and 2018, the Foundation had no trading securities.

NOTE 9 – LIQUIDITY

The Association's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and Cash Equivalents	\$ 938,956	
Prepaid Expenses	<u>16,851</u>	
	<u>\$ 955,807</u>	

NOTE 10 – FUNCTIONAL EXPENSES

The cost of providing program services and supporting activities has been summarized on a functional basis in the table below. Expenses directly attributable to a specific functional activity of the project are reported as expenses of those functional activities.

See Independent Auditor's Report

Warm Blankets Children's Foundation, Inc.
 DBA: Kinship United
 Schedule of Functional Expenses
 For the Year Ended June 30, 2018 with Comparative Totals for 2017

	2019			2018
	Program	General and Administrative	Fundraising	Total
Contributions for Orphan Care:				
Fiscal Support	\$ 1,023,569	\$ -	\$ -	\$ 1,023,569
Supplies (Note 4)	5,176,608	-	-	4,610,569
Salaries and Wages	170,873	55,172	130,556	387,409
Other Employee Benefits	13,870	836	-	16,549
Payroll Taxes	13,793	4,454	10,539	28,786
Professional Fees	-	11,100	-	19,157
Supplies	3,218	1,126	858	10,762
Telecommunications	10,447	1,972	1,984	14,063
Insurance	-	4,385	-	3,410
Occupancy	6,434	25,923	10,719	52,584
Dues and Subscriptions	-	636	3,749	7,946
Postage and Delivery	1,551	970	1,991	3,965
Printing and Publications	-	-	11,972	12,989
Bank Charges	-	18,571	-	17,638
Travel	14,522	60	879	22,162
Utilities	706	1,282	498	2,978
Office	31,854	21,905	5,684	64,904
Consultants	47,290	12,000	12,000	88,230
Advertising	21,980	-	10,084	948
Depreciation	-	3,569	-	3,409
TOTAL FUNCTIONAL EXPENSES	\$ 6,536,715	\$ 163,961	\$ 201,513	\$ 6,902,189
			\$ 6,902,189	\$ 6,338,813

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