

**WARM BLANKETS
CHILDREN'S FOUNDATION, INC.
DBA KINSHIP UNITED
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Warm Blankets Children's Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Warm Blankets Children's Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Warm Blankets Children's Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

In Association With:

MCCLURE INSERRA
& COMPANY CHARTERED
ACCOUNTANTS AND CONSULTANTS



Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Warm Blankets Children's Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Warm Blankets Children's Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

Another auditor has previously audited Warm Blankets Children's Foundation, Inc.'s 2020 financial statements, and they expressed an unmodified audit opinion on those audited financial statements in their report dated January 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

March 8, 2022

ATA Group, LLP

Financial Statements

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
DBA: KINSHIP UNITED

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021
with Comparative Totals for 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,332,562	\$ 1,020,099
Prepaid Expenses and Other Assets	7,283	24,413
Total Current Assets	1,339,845	1,044,512
CONTRIBUTIONS RECEIVABLE FROM TRUSTS	48,769	34,031
PROPERTY AND EQUIPMENT		
Equipment and Leasehold Improvements	17,224	255,675
Less Accumulated Depreciation and Amortization	(16,091)	(250,587)
Net Furniture and Equipment	1,133	5,088
Total Assets	\$ 1,389,747	\$ 1,083,631
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 25,402	\$ 19,759
Paycheck Protection Program Loan	-	49,822
Accrued Expenses	18,024	17,463
Total Liabilities	43,426	87,044
NET ASSETS		
Without Donor Restrictions	1,199,560	818,262
With Donor Restrictions	146,761	178,325
Total Net Assets	1,346,321	996,587
Total Liabilities and Net Assets	\$ 1,389,747	\$ 1,083,631

The accompanying notes are an integral part of these financial statements.

Financial Statements

WARM BLANKETS CHILDREN'S FOUNDATION, INC. DBA: KINSHIP UNITED

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021
with Comparative Totals for 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 1,293,832	\$ 829,166	\$ 2,122,998	\$ 1,681,308
In-kind Contributions (Note 1 F)	6,005,651	-	6,005,651	5,712,808
Change in Value of Contributions Receivable from Trusts	-	14,738	14,738	(1,219)
Investment Income	73	-	73	11,650
Grant - Paycheck Protection Program Loan Forgiveness	-	49,502	49,502	14,966
	7,299,556	893,406	8,192,962	7,419,513
Net Assets Released from Restrictions	924,970	(924,970)	-	-
Total Revenues, Gains, and Other Support	8,224,526	(31,564)	8,192,962	7,419,513
EXPENSES				
Program	7,450,032	-	7,450,032	7,046,085
Management and General	172,307	-	172,307	172,763
Fund Raising	220,889	-	220,889	188,434
Total Expenses	7,843,228	-	7,843,228	7,407,282
Change in Net Assets	381,298	(31,564)	349,734	12,231
NET ASSETS, Beginning of Year	818,262	178,325	996,587	984,356
NET ASSETS, End of Year	\$ 1,199,560	\$ 146,761	\$ 1,346,321	\$ 996,587

The accompanying notes are an integral part of these financial statements.

Financial Statements

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
DBA: KINSHIP UNITED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021
with Comparative Totals for 2020

	2021				2020
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries and Wages	\$ 157,675	\$ 60,325	\$ 134,210	\$ 352,210	\$ 323,560
Employee Benefits	6,561	-	-	6,561	12,159
Payroll Taxes	11,904	4,497	10,053	26,454	25,833
Total Personnel	176,140	64,822	144,263	385,225	361,552
Contributions for Orphan Care					
Fiscal Support	1,208,677	-	-	1,208,677	1,014,160
Supplies (Note 1 F)	6,005,651	-	-	6,005,651	5,712,808
Professional Fees	-	12,318	-	12,318	14,125
Supplies	953	106	-	1,059	1,053
Telecommunications	8,645	-	-	8,645	13,818
Insurance	-	4,935	-	4,935	4,751
Occupancy	5,447	21,787	9,078	36,312	35,325
Dues and Subscriptions	-	275	7,137	7,412	5,464
Postage and Delivery	244	402	265	911	4,619
Printing and Publications	-	-	9,359	9,359	12,632
Bank Charges	-	23,416	-	23,416	21,910
Travel and Meetings	648	-	-	648	5,508
Utilities	394	733	284	1,411	2,026
Office	29,075	25,400	15,857	70,332	70,439
Consultants	14,158	14,158	34,308	62,624	71,682
Advertising	-	-	338	338	51,746
Depreciation and Amortization	-	3,955	-	3,955	3,664
Total Expenses	<u>\$ 7,450,032</u>	<u>\$ 172,307</u>	<u>\$ 220,889</u>	<u>\$ 7,843,228</u>	<u>\$ 7,407,282</u>

The accompanying notes are an integral part of these financial statements.

Financial Statements

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
DBA: KINSHIP UNITED

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021
with Comparative Totals for 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 349,734	\$ 12,231
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and Amortization	3,955	3,664
Contributions of Stock	(97,167)	-
Loss on Sale of Stock	162	-
(Increase) Decrease in:		
Prepaid Expenses and Other Assets	17,130	(7,562)
Contributions Receivable from Trusts	(14,738)	1,219
Increase (Decrease) in:		
Accounts Payable	5,643	8,406
Forgiveness of Paycheck Protection Program Loan	(49,502)	(14,966)
Accrued Expenses	561	13,363
Net Cash Provided by Operating Activities	215,778	16,355
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Stock	97,005	-
Net Cash Provided by Investing Activities	97,005	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Paycheck Protection Program Loan	(320)	-
Proceeds from Paycheck Protection Program Loan	-	64,788
Net Cash Provided by (Used in) Financing Activities	(320)	64,788
Net Increase in Cash and Cash Equivalents	312,463	81,143
Cash and Cash Equivalents, Beginning of Year	1,020,099	938,956
Cash and Cash Equivalents, End of Year	\$ 1,332,562	\$ 1,020,099

No amounts were paid for taxes or interest during 2021 and 2020.

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

This summary of significant accounting policies of Warm Blankets Children's Foundation, Inc. (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies are in accordance with accounting principles generally accepted in the United States of America.

A. Nature of Foundation Activities

Warm Blankets Children's Foundation, Inc. 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.

B. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The net assets of the Foundation 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.

C. Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, funds in a demand deposit account at a bank, and cash held in a brokerage account.

D. 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 and amortization are computed on a straight-line basis over the useful lives of the assets, which

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

generally range from 3 to 5 years.

E. Revenue Recognition

Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give with due dates extending beyond one year are discounted. Donor restricted contributions are reported as increases in the donor restricted fund. When a restriction is satisfied, restricted net assets are reclassified to unrestricted net assets.

The Foundation has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* during the year. FASB ASC 606 establishes a comprehensive, principles-based framework for recognizing revenue. The guidance in FASB ASC 606 is based on the principle that revenue from contracts with customers should be recognized when an entity satisfies its obligation(s) under a contract by transferring the promised goods or services to the customer. The amount recognized is the amount the entity expects to be entitled to receive from the customer. Management has evaluated FASB ASC 606 and has found that it has not changed the manner of recognizing revenue from contracts with customers. There are no outstanding contract assets or obligations at the beginning or end of the year ended June 30, 2021.

F. Donated Goods and Services

The Foundation received in-kind donations valued at \$6,005,651 during the year ended June 30, 2021. 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 fair value and quality of non-perishable food is based on certification from the donor. The valuation for pharmaceuticals are based on a fair value at Level 2 input prices. This pricing was determined by an online third-party source, micromedexsolutions.com. These prices are determined by principal markets and an exit price to be an amount received based on highest and best value or the most advantageous market. The fair value estimate of pharmaceutical donations is \$4,704,424. The actual cost paid for these pharmaceuticals is \$22,055.

G. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Accordingly, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, payroll taxes, and consultants, which are allocated on the basis of estimates of time and effort; occupancy costs, which are allocated on a square footage basis.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

H. Advertising Costs

Advertising costs of \$338 are expensed as incurred.

I. 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.

J. Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or by functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

K. Income Tax Status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. As such, the Foundation has incurred no income tax expense or liability.

The Foundation's tax filings are subject to audit by various taxing authorities. As of June 30, 2021, the Foundation's federal and state income tax returns for fiscal years ended June 30, 2018, 2019, and 2020 remained open to examination by the taxing authorities. The Foundation had no uncertain income tax positions that qualify for recognition or disclosure in the financial statements. The tax return for June 30, 2021 has not yet been filed.

Note 2: Contributions Receivable from Trusts

The Foundation has a beneficial interest in three charitable remainder trusts. The fair market value of these three trusts as of June 30, 2021 is \$65,518. The present value of estimated future distributions from these trusts is \$48,769, which is reflected in contributions receivable from trusts in the accompanying statements of financial position. This estimate is based upon life expectancies of the three current recipients, 8% annual distributions, 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.

Notes to Financial Statements

Note 2: Contributions Receivable from Trusts

Contributions receivable from trusts measured at fair value on a recurring basis at June 30, 2021 is as follows:

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Contributions receivable, beneficial interest in charitable remainder trusts totals at June 30, 2021	\$ -	\$ -	\$ 48,769	\$ 48,769

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, 2021.

Contributions Receivable from Trusts

Balance, Beginning of Year	\$ 34,031
Change in Value of Beneficial Interest	<u>14,738</u>
Balance, End of Year	<u>\$ 48,769</u>

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.

Support for orphan rescue and care	\$ 97,992
Contributions receivable from trusts	<u>48,769</u>
Total net assets with donor restrictions	<u>\$ 146,761</u>

Note 4: Grant – Payroll Protection Loan and Forgiveness

In June 2020, the Foundation applied for a loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of \$64,788. The Foundation used the funds to cover payroll and occupancy costs over the period from June 18, 2020 through August 12, 2020. In September 2020, the Foundation applied for forgiveness of loan and on October 26, 2020, the Small Business Association approved the forgiveness of the loan in the amount of \$64,468. The Foundation had recognized the forgiveness of the loan as Grant Income of \$14,966 as of June 30, 2020 for the coverage period

Notes to Financial Statements

Note 4: Grant – Payroll Protection Loan and Forgiveness (Continued)

of June 18, 2020 through June 30, 2020. The Foundation now has recognized \$49,502 as grant income over the remaining covered period. The remaining \$320 was not forgiven and was paid in full in December 2020.

Note 5: Liquidity and Availability of Financial Assets

The Foundation has all of its cash and cash equivalents in a demand deposit account at a bank and in a brokerage account, to ensure that adequate financial assets are available to meet general expenditures, liabilities and other obligations as they become due.

Financial assets available within one year of the statement of financial position date for general expenditures include: cash and cash equivalents of \$1,332,562.

The Foundation's cash and cash equivalent financial institution balances amount to \$1,327,800, of which \$524,001 is covered by depository insurance and the remaining \$803,799 is uninsured and uncollateralized. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant bank/financial institution risks.

Note 6: Operating Leases

The Foundation leases office space pursuant to an operating lease agreement with an expiration date of February 28, 2022. The lease was renewed on October 26, 2021, extending the lease to March 31, 2025. The Foundation incurred rent for the office space of \$36,312 for the year ended June 30, 2021.

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

2022	\$	34,164
2023		34,332
2024		35,360
2025		<u>8,972</u>
Total Future Minimum Lease Payments	\$	<u>112,828</u>

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

Subsequent to year end, the Foundation entered into a one-year lease for office space in Florida for \$675 per month.

Note 7: Concentration of Donors

The Foundation received \$1,293,832 in total unrestricted contributions. Three donors accounted for 51% of total unrestricted contributions. As such there is a concentration risk in the area of support.

Notes to Financial Statements

Note 8: COVID-19 Pandemic

The spread of COVID-19 and the resulting containment and mitigation measures worldwide has caused economic uncertainties which have led to adverse economic conditions. The duration of these uncertainties and any potential negative impacts on the Foundation's financial condition cannot be reasonably estimated at this time.

Note 9: Subsequent Events

Management has evaluated material subsequent events from the balance sheet date of June 30, 2021 through the financial statement report date shown on the independent auditor's report. This date represents the date the financial statements are available to be issued. Subsequent events noted are the leases entered into as described in Note 6.