

**WARM BLANKETS
CHILDREN'S FOUNDATION, INC.
DBA KINSHIP UNITED
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Contents

INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7

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, 2022, 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, 2022, 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.

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

We have previously audited Warm Blankets Children's Foundation, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

ATA Group, LLP

November 29, 2022

Financial Statements

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022
with Comparative Totals for 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,807,714	\$ 1,332,562
Prepaid Expenses and Other Assets	<u>8,743</u>	<u>7,283</u>
Total Current Assets	<u>1,816,457</u>	<u>1,339,845</u>
CONTRIBUTIONS RECEIVABLE FROM TRUSTS	<u>42,941</u>	<u>48,769</u>
PROPERTY AND EQUIPMENT		
Equipment and Leasehold Improvements	21,147	17,224
Less Accumulated Depreciation and Amortization	<u>(17,502)</u>	<u>(16,091)</u>
Net Furniture and Equipment	<u>3,645</u>	<u>1,133</u>
Total Assets	<u>\$ 1,863,043</u>	<u>\$ 1,389,747</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 33,540	\$ 25,402
Accrued Expenses	<u>23,225</u>	<u>18,024</u>
Total Liabilities	<u>56,765</u>	<u>43,426</u>
NET ASSETS		
Without Donor Restrictions	1,639,029	1,199,560
With Donor Restrictions	<u>167,249</u>	<u>146,761</u>
Total Net Assets	<u>1,806,278</u>	<u>1,346,321</u>
Total Liabilities and Net Assets	<u>\$ 1,863,043</u>	<u>\$ 1,389,747</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 ACTIVITIES

YEAR ENDED JUNE 30, 2022
with Comparative Totals for 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 1,587,873	\$ 896,348	\$ 2,484,221	\$ 2,122,998
In-kind Contributions (Note 5)	5,762,239	-	5,762,239	6,005,651
Change in Value of Contributions Receivable from Trusts	-	(5,828)	(5,828)	14,738
Investment Income (Loss)	(1,389)	-	(1,389)	73
Grant - Paycheck Protection Program Loan Forgiveness	-	-	-	49,502
	7,348,723	890,520	8,239,243	8,192,962
Net Assets Released from Restrictions	870,032	(870,032)	-	-
Total Revenues, Gains, and Other Support	8,218,755	20,488	8,239,243	8,192,962
EXPENSES				
Program	7,237,398	-	7,237,398	7,450,032
Management and General	174,904	-	174,904	172,307
Fund Raising	366,984	-	366,984	220,889
Total Expenses	7,779,286	-	7,779,286	7,843,228
Change in Net Assets	439,469	20,488	459,957	349,734
NET ASSETS, Beginning of Year	1,199,560	146,761	1,346,321	996,587
NET ASSETS, End of Year	\$ 1,639,029	\$ 167,249	\$ 1,806,278	\$ 1,346,321

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, 2022
with Comparative Totals for 2021

	2022				2021
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries and Wages	\$ 160,014	\$ 61,552	\$ 163,034	\$ 384,600	\$ 352,210
Employee Benefits	3,615	-	6,355	9,970	6,561
Payroll Taxes	14,263	4,716	11,267	30,246	26,454
Total Personnel	177,892	66,268	180,656	424,816	385,225
Contributions for Orphan Care					
Fiscal Support	1,326,457	-	-	1,326,457	1,208,677
Supplies	5,662,733	-	-	5,662,733	6,005,651
Professional Fees	-	13,600	-	13,600	12,318
Supplies	330	772	-	1,102	1,059
Telecommunications	7,570	-	-	7,570	8,645
Insurance	-	5,032	-	5,032	4,935
Occupancy	8,298	20,344	11,656	40,298	36,312
Dues and Subscriptions	-	1,097	4,547	5,644	7,412
Postage and Delivery	219	206	197	622	911
Printing and Publications	-	-	11,510	11,510	9,359
Bank Charges	-	22,353	-	22,353	23,416
Travel and Meetings	2,317	319	-	2,636	648
Utilities	430	785	305	1,520	1,411
Office	35,622	27,187	23,171	85,980	70,332
Consultants	15,530	15,530	21,529	52,589	62,624
Advertising	-	-	113,413	113,413	338
Depreciation and Amortization	-	1,411	-	1,411	3,955
Total Expenses	<u>\$ 7,237,398</u>	<u>\$ 174,904</u>	<u>\$ 366,984</u>	<u>\$ 7,779,286</u>	<u>\$ 7,843,228</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, 2022
with Comparative Totals for 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 459,957	\$ 349,734
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and Amortization	1,411	3,955
Contributions of Stock	(78,826)	(97,167)
Loss on Sale of Stock	1,534	162
(Increase) Decrease in:		
Prepaid Expenses and Other Assets	(1,460)	17,130
Contributions Receivable from Trusts	5,828	(14,738)
Increase (Decrease) in:		
Accounts Payable	8,138	5,643
Forgiveness of Paycheck Protection Program Loan	-	(49,502)
Accrued Expenses	5,201	561
Net Cash Provided by Operating Activities	401,783	215,778
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(3,923)	-
Proceeds from Sale of Stock	77,292	97,005
Net Cash Provided by Investing Activities	73,369	97,005
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Paycheck Protection Program Loan	-	(320)
Net Cash Provided by (Used in) Financing Activities	-	(320)
Net Increase in Cash and Cash Equivalents	475,152	312,463
Cash and Cash Equivalents, Beginning of Year	1,332,562	1,020,099
Cash and Cash Equivalents, End of Year	\$ 1,807,714	\$ 1,332,562

No amounts were paid for taxes or interest during 2022 and 2021.

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)*. 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, 2022.

F. In-Kind Support

The Foundation may receive various types of in-kind support including contributed assets, professional services, advertising and materials. Recognition of contributed tangible assets is recorded at estimated fair market value when received. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation receives a significant amount of unskilled, contributed time that does not fully meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

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 are expensed as incurred. Advertising expense was \$113,413. An in-kind grant received from Google Ad Grant provided \$99,506 of this cost. See Note 5.

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, 2021, 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, 2022, the Foundation's federal and state income tax returns for fiscal years ended June 30, 2019, 2020, and 2021 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, 2022 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, 2022 is \$53,044. The present value of estimated future distributions from these trusts is \$42,941, 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, a discount rate of 3%, and other factors.

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 (Continued)

Contributions receivable from trusts measured at fair value on a recurring basis at June 30, 2022 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, 2022	\$ -	\$ -	\$ 42,941	\$ 42,941

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, 2022.

Contributions Receivable from Trusts

Balance, Beginning of Year	\$ 48,769
Change in Value of Beneficial Interest	(5,828)
Balance, End of Year	\$ 42,941

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	\$ 124,308
Contributions receivable from trusts	42,941
Total net assets with donor restrictions	\$ 167,249

Note 4: 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 \$1,807,714.

Notes to Financial Statements

Note 4: Liquidity and Availability of Financial Assets (Continued)

The Foundation's cash and cash equivalent financial institution balances amount to \$1,734,595, of which \$332,826 is covered by depository insurance and the remaining \$1,401,769 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 5: In-Kind Contributions

The Foundation received in-kind donations valued at \$5,762,239 during the year ended June 30, 2022. Such donations included non-perishable food, pharmaceuticals, supplies, and materials to be used in various foreign countries. In addition, donations include advertising costs used for fundraising efforts. 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 is 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 \$4,927,158.

Google Inc. offers qualifying nonprofit organizations access to up to \$10,000 per month in search ads showing on Google.com through Google Ad Grants. The Organization enrolled in this program and received \$99,506 in in-kind grants for the year, used for advertising purposes.

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 \$40,298 for the year ended June 30, 2022.

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

2023	\$	33,828
2024		34,844
2025		<u>26,738</u>
Total Future Minimum Lease Payments	\$	<u>95,410</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.

The Foundation entered into a one-year lease for office space in Florida for \$675 per month.

Notes to Financial Statements

Note 7: Concentration of Donors

The Foundation received \$2,484,221 in total contributions. Two donors accounted for 36% of total contributions and an additional four donors accounted for 17% of total contributions. As such there is a concentration risk in the area of support.

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, 2022 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.

Note 10: Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842). This guidance will require the right and obligations of new and existing lease arrangements to be recognized as assets and liabilities on the balance sheet. The guidance will also require disclosures to better inform financial statement users of the amount, timing and uncertainty of cash flows arising from leases. The primary impact of this guidance, which will be effective for periods beginning after December 31, 2021, will be to record right-of-use assets and obligations for current operating leases.