

WARM BLANKETS  
CHILDREN'S FOUNDATION, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

For the Year Ended  
June 30, 2013



CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT .....	3-4
FINANCIAL STATEMENTS	
Statement of Financial Position .....	5
Statement of Activities.....	6
Statement of Functional Expenses .....	7
Statement of Cash Flows.....	8
Notes to Financial Statements.....	9-13



1415 W. Diehl Road, Suite 400  
Naperville, Illinois 60563

Certified Public Accountants & Advisors  
*Members of American Institute of Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Warm Blankets Children's  
Foundation, Inc.  
Rolling Meadows, Illinois

We have audited the accompanying financial statements of Warm Blankets Children's Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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. as of June 30, 2013, 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.

Naperville, Illinois  
January 9, 2014

*Arthur LLP*

## FINANCIAL STATEMENTS

WARM BLANKETS CHILDREN'S FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

For the Year Ended June 30, 2013

---

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,377,227
Accounts receivable	2,666
Prepaid expenses and other assets	<u>23,278</u>
Total current assets	<u>1,403,171</u>
CONTRIBUTIONS RECEIVABLE FROM TRUSTS	<u>41,292</u>
FURNITURE AND EQUIPMENT	
Furniture and equipment	233,456
Less accumulated depreciation	<u>(190,315)</u>
Net furniture and equipment	<u>43,141</u>
TOTAL ASSETS	<u><u>\$ 1,487,604</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 22,469
Accrued expenses	<u>15,726</u>
Total current liabilities	<u>38,195</u>
NET ASSETS	
Unrestricted	588,550
Temporarily restricted	<u>860,859</u>
Total net assets	<u>1,449,409</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,487,604</u></u>

See accompanying notes to financial statements.

WARM BLANKETS CHILDREN'S FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Contributions	\$ 830,948	\$ 1,069,832	\$ 1,900,780
In-kind contributions	1,962,963	-	1,962,963
Interest and dividends	873	-	873
Unrealized gain on investments	2,191	-	2,191
Change in value of contributions receivable from trusts	-	1,265	1,265
Net assets released from restrictions	1,199,783	(1,199,783)	-
<b>Total revenues</b>	<b>3,996,758</b>	<b>(128,686)</b>	<b>3,868,072</b>
<b>EXPENSES</b>			
Program	3,327,863	-	3,327,863
General and administrative	223,822	-	223,822
Fundraising	225,272	-	225,272
<b>Total expenses</b>	<b>3,776,957</b>	<b>-</b>	<b>3,776,957</b>
<b>CHANGE IN NET ASSETS</b>	<b>219,801</b>	<b>(128,686)</b>	<b>91,115</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>368,749</b>	<b>989,545</b>	<b>1,358,294</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 588,550</b>	<b>\$ 860,859</b>	<b>\$ 1,449,409</b>

See accompanying notes to financial statements.

WARM BLANKETS CHILDREN'S FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013

	Program	General and Administrative	Fundraising	Total
Contributions for orphan care				
Fiscal support	\$ 1,039,870	\$ -	\$ -	\$ 1,039,870
Supplies	1,962,963	-	-	1,962,963
Salaries and wages	179,442	60,911	116,384	356,737
Other employee benefits	-	5,500	4,770	10,270
Payroll taxes	19,619	6,648	12,622	38,889
Professional fees	792	15,108	-	15,900
Supplies	14,163	2,699	468	17,330
Telecommunications	5,831	3,365	1,327	10,523
Insurance	-	3,503	-	3,503
Occupancy	-	31,487	10,430	41,917
Dues and subscriptions	-	855	4,213	5,068
Postage and delivery	1,762	2,269	1,762	5,793
Printing and publication	-	-	14,921	14,921
Bank charges	-	23,189	-	23,189
Travel	55,608	40	8,471	64,119
Utilities	1,212	2,566	1,213	4,991
Office	30,045	17,516	13,204	60,765
Consultants	16,556	16,250	16,250	49,056
Advertising	-	558	19,237	19,795
Depreciation	-	31,358	-	31,358
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,327,863</b>	<b>\$ 223,822</b>	<b>\$ 225,272</b>	<b>\$ 3,776,957</b>

See accompanying notes to financial statements.



WARM BLANKETS CHILDREN'S FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

---

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	<u>\$ 91,115</u>
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	31,358
(Increase) decrease in	
Accounts receivable	383
Contributions receivable from trusts	2,458
Prepaid expenses and other assets	(2,876)
Increase (decrease) in	
Accounts payable	7,037
Accrued expenses	<u>529</u>
Total adjustments	<u>38,889</u>
Net cash from operating activities	<u>130,004</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of equipment	<u>(4,305)</u>
Net cash from investing activities	<u>(4,305)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	125,699
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,251,528</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,377,227</u></u>

See accompanying notes to financial statements.

WARM BLANKETS CHILDREN'S FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

---

1. NATURE OF ACTIVITIES

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.

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.

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, 2013.

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 Illinois. In the normal course of business, the Foundation is subject to examination by taxing authorities.

The Foundation's information returns for years subsequent to fiscal 2009 are open, by statute, for review by authorities. However, at present, there are no ongoing income tax audits or unresolved disputes with the various tax authorities that the Foundation currently files or has filed with.

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.

WARM BLANKETS CHILDREN'S FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)

---

3. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2013, the Foundation had temporarily restricted net assets available for the following projects:

Support for orphan rescue and care	\$ 819,567
Contributions receivable from trusts	<u>41,292</u>
 TOTAL TEMPORARILY RESTRICTED NET ASSETS	 <u>\$ 860,859</u>

4. OPERATING LEASE

The Foundation leases an office pursuant to an operating lease agreement with an expiration date of December 31, 2012, which was renewed through December 31, 2015. The monthly rate on this lease ranges from \$3,146 to \$4,167. The Foundation paid \$41,917 for the space it occupies during the year ended June 30, 2013.

The following is a schedule by year of future minimum lease payments at June 30, 2013.

2014	\$ 47,844
2015	49,278
2016	<u>25,002</u>
 TOTAL FUTURE MINIMUM LEASE PAYMENTS	 <u>\$ 122,124</u>

5. SUPPLEMENTAL CASH FLOW INFORMATION

During the fiscal year, the Foundation made no cash payments for interest or income taxes.

6. DONATED GOODS AND SERVICES

The Foundation received in-kind donations of various supplies and materials to be used in various foreign countries totaling \$1,962,963, the fair market value at the time of donation.

7. CONTRIBUTIONS RECEIVABLE FROM TRUSTS

The Foundation has a beneficial interest in a charitable lead trust and charitable remainder trusts. The beneficial interest in these trusts are measured annually based on the discounted present value of the remainder interest for each charitable remainder trust based on actuarial tables established by the IRS.

The Foundation received its' final annual payment from the lead trust in the amount of \$3,722 in 2013.

WARM BLANKETS CHILDREN'S FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. CONTRIBUTIONS RECEIVABLE FROM TRUSTS (Continued)

The Foundation also has a beneficial interest in three similar charitable remainder trusts. The present value of estimated future distributions from these trusts is \$41,292 which is reflected in contributions receivable from trusts in the accompanying financial statements. 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, 2013 are 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
Contribution receivable, beneficial interest in charitable remainder trust	\$ -	\$ -	\$ 41,292	\$ 41,292

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, 2013.

	Contributions receivable from trusts
BALANCE, BEGINNING OF YEAR	\$ 43,750
Change in value of beneficial interest	1,264
Payment from charitable lead annuity trust	<u>(3,722)</u>
BALANCE, END OF YEAR	<u>\$ 41,292</u>

8. CONCENTRATIONS

The Foundation maintains its cash in bank deposit accounts at financial institutions. The balances, at times, may exceed federally insured limits.

9. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through January 9, 2014, which was the date that these financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date.