

WARM BLANKETS
CHILDREN'S FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2014

WARM BLANKETS CHILDREN'S FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Warm Blankets Children's Foundation, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, changes in net assets, and cash flows for the year 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 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, 2014, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements of Warm Blankets Children's Foundation, Inc. (the Foundation) taken as a whole. The schedule of functional expenses on page 10 is presented for the purpose of additional analysis and is 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.

A handwritten signature in cursive script, appearing to read "C. Kowal".

Schaumburg, Illinois
December 30, 2014

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	1,448,292
Prepaid Expenses and Other Assets		<u>54,609</u>
Total Current Assets	\$	<u>1,502,901</u>

CONTRIBUTIONS RECEIVABLE FROM TRUSTS (Note 6)

\$ 38,505

FURNITURE AND EQUIPMENT

Furniture and Equipment	\$	239,908
Less Accumulated Depreciation		<u>(211,919)</u>
Net Furniture and Equipment	\$	<u>27,989</u>

TOTAL ASSETS

\$ 1,569,395

LIABILITIES

Accounts Payable	\$	12,428
Accrued Expenses		<u>14,100</u>

TOTAL LIABILITIES

\$ 26,528

NET ASSETS

Unrestricted	\$	665,048
Temporarily Restricted (Note 3)		<u>877,819</u>

TOTAL NET ASSETS

\$ 1,542,867

TOTAL LIABILITIES AND NET ASSETS

\$ 1,569,395

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
REVENUES			
Contributions	\$ 804,200	\$ 974,934	\$ 1,779,134
In-Kind Contributions (Note 4)	2,635,396	-	2,635,396
Interest and Dividends	1,413	-	1,413
Unrealized Gain on Investments	7,268	-	7,268
Change in Value of Contributions Receivable from Trusts (Note 6)	-	(2,787)	(2,787)
Net Assets Released from Restrictions	955,187	(955,187)	-
TOTAL REVENUES	\$ 4,403,464	\$ 16,960	\$ 4,420,424
EXPENSES			
Program	\$ 3,851,157	\$ -	\$ 3,851,157
General and Administrative	228,498	-	228,498
Fundraising	247,311	-	247,311
TOTAL EXPENSES	\$ 4,326,966	\$ -	\$ 4,326,966
INCREASE (DECREASE) IN TOTAL NET ASSETS	\$ 76,498	\$ 16,960	\$ 93,458
NET ASSETS - BEGINNING OF YEAR	588,550	860,859	1,449,409
NET ASSETS - END OF YEAR	\$ 665,048	\$ 877,819	\$ 1,542,867

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

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase (Decrease) in Total Net Assets	\$ 93,458
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	21,239
(Increase) Decrease in:	
Accounts Receivable	2,666
Contributions Receivable from Trusts	2,787
Prepaid Expenses and Other Assets	(31,331)
 Increase (Decrease) in:	
Accounts Payable	(10,041)
Accrued Expenses	(1,626)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	\$ 77,152
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Net (Increase) Decrease in Fixed Assets	\$ (6,087)
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Net Cash Provided by (Used in) Investing Activities	\$ (6,087)
	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 71,065
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>1,377,227</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 1,448,292</u></u>
 <u>Supplemental Disclosures:</u>	
Cash paid during the year for Interest	<u>\$ -</u>
Cash paid during the year for Income Taxes	<u>\$ -</u>

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

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 restore the lives of orphans in partnership with churches, corporations, and individuals who have a passion to help needy, parentless children.

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.

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.

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, 2014.

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

NOTE 2 – CONTINUED

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

The Foundation's tax filings are subject to audit by various taxing authorities. As of June 30, 2014, the Foundation's federal and state income tax returns for fiscal year end June 30, 2011, 2012, 2013, and 2014 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, 2014, the Foundation had temporarily restricted net assets available for the following projects:

Support for orphan rescue and care	\$ 839,314
Contributions receivable from trusts	<u>38,505</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 877,819</u>

NOTE 4 – DONATED GOODS AND SERVICES

At June 30, 2014, the Foundation received in-kind donations that were valued at \$2,635,396 which included non-perishable food, pharmaceuticals, supplies and materials to be used in various foreign countries.

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

NOTE 5 – OPERATING LEASE

The Foundation leases an office pursuant to an operating lease agreement with an expiration date of December 31, 2015. The monthly rate on this lease ranges from \$3,928 to \$4,167. The Foundation paid \$47,844 for the space it occupies during the year ended June 30, 2014.

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

2015	\$ 49,278
2016	<u>25,002</u>
TOTAL FUTURE MINIMUM LEASE PAYMENTS	<u>\$ 74,280</u>

NOTE 6 – CONTRIBUTIONS RECEIVABLE FROM TRUSTS

The Foundation has a beneficial interest in three charitable remainder trusts. The present value of estimated future distributions from these trusts is \$38,505, 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, 2014 are as follows:

<u>Assets</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Contribution receivable, beneficial interest in charitable remainder trust	\$ -	\$ -	\$ 38,505	\$ 38,505

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, 2014.

BALANCE, BEGINNING OF YEAR	Contributions receivable <u>from trusts</u> \$ 41,292
Change in value of beneficial interest	<u>(2,787)</u>
BALANCE, END OF YEAR	<u>\$ 38,505</u>

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

NOTE 7 – CONCENTRATIONS

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

NOTE 8 – SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2014. As of December 30, 2014, 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.

SUPPLEMENTARY INFORMATION

WARM BLANKETS CHILDREN'S FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program	General and Administrative	Fundraising	Total
FUNCTIONAL EXPENSES				
Contributions for Orphan Care				
Fiscal Support	\$ 934,758	\$ -	\$ -	\$ 934,758
Supplies (Note 4)	2,635,396	-	-	2,635,396
Salaries and Wages	147,471	64,274	120,222	331,967
Other Employee Benefits	3,977	3,162	4,922	12,061
Payroll Taxes	16,607	6,961	13,844	37,412
Professional Fees	-	14,759	-	14,759
Supplies	5,870	6,814	5,484	18,168
Telecommunications	4,970	4,205	904	10,079
Insurance	-	3,821	-	3,821
Occupancy	3,821	33,862	12,561	50,244
Dues and Subscriptions	-	300	-	300
Postage and Delivery	2,755	2,380	2,380	7,515
Printing and Publications	-	-	8,054	8,054
Bank Charges	-	22,266	-	22,266
Travel	41,097	69	4,917	46,083
Utilities	992	1,950	714	3,656
Office	37,193	26,111	17,878	81,182
Consultants	16,250	16,250	32,912	65,412
Advertising	-	75	22,519	22,594
Depreciation	-	21,239	-	21,239
TOTAL FUNCTIONAL EXPENSES	\$ 3,851,157	\$ 228,498	\$ 247,311	\$ 4,326,966

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