

WARM BLANKETS
CHILDREN'S FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2008



Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Warm Blankets Children's Foundation, Inc. (the Foundation) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Aurora, Illinois
December 5, 2008

A handwritten signature in cursive script that reads 'Sikich LLP'.

FINANCIAL STATEMENTS

WARM BLANKETS CHILDREN'S FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

For the Year Ended June 30, 2008

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 987,383
Accounts receivable	3,292
Contributions receivable from trusts - current portion	29,450
Prepaid expenses and other assets	<u>3,957</u>
Total current assets	<u>1,024,082</u>
CONTRIBUTIONS RECEIVABLE FROM TRUSTS, NET OF CURRENT PORTION	<u>204,167</u>
FURNITURE AND EQUIPMENT	
Furniture and equipment	86,870
Less accumulated depreciation	<u>(47,792)</u>
Net furniture and equipment	<u>39,078</u>
TOTAL ASSETS	<u><u>\$ 1,267,327</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 4,559
Accrued expenses	<u>6,821</u>
Total current liabilities	<u>11,380</u>
NET ASSETS	
Unrestricted	187,891
Temporarily restricted	<u>1,068,056</u>
Total net assets	<u>1,255,947</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,267,327</u></u>

See accompanying notes to financial statements.

WARM BLANKETS CHILDREN'S FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 506,034	\$ 1,700,766	\$ 2,206,800
In-kind contributions	194,985	-	194,985
Interest and dividends	14,284	-	14,284
Realized loss on investments	(22,400)	-	(22,400)
Unrealized loss on investments	(207)	-	(207)
Change in value of contributions receivable from trusts	-	53,583	53,583
Net assets released from restrictions	1,306,044	(1,306,044)	-
Total revenues	1,998,740	448,305	2,447,045
EXPENSES			
Program	1,647,297	-	1,647,297
General and administrative	144,671	-	144,671
Fundraising	153,731	-	153,731
Total expenses	1,945,699	-	1,945,699
CHANGE IN NET ASSETS	53,041	448,305	501,346
NET ASSETS, BEGINNING OF YEAR	134,850	619,751	754,601
NET ASSETS, END OF YEAR	\$ 187,891	\$ 1,068,056	\$ 1,255,947

See accompanying notes to financial statements.

WARM BLANKETS CHILDREN'S FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2008

	Program	General and Administrative	Fundraising	Total
Contributions for orphan care				
Fiscal support	\$ 1,275,215	\$ -	\$ -	\$ 1,275,215
Supplies	175,800	-	-	175,800
Salaries and wages	110,274	49,477	76,172	235,923
Other employee benefits	18,453	3,080	13,695	35,228
Payroll taxes	8,812	3,537	6,087	18,436
Professional fees	-	8,643	-	8,643
Supplies	4,288	12,205	723	17,216
Telecommunications	6,058	1,813	1,813	9,684
Insurance	-	2,690	-	2,690
Occupancy	13,970	22,773	7,470	44,213
Dues and subscriptions	-	935	413	1,348
Postage and delivery	2,451	1,585	2,343	6,379
Printing and publication	-	-	3,190	3,190
Bank charges	-	12,986	-	12,986
Travel	20,761	569	2,784	24,114
Utilities	974	2,943	1,825	5,742
Office	9,926	8,583	7,179	25,688
Consultants	315	525	24,849	25,689
Advertising	-	-	5,188	5,188
Depreciation	-	12,327	-	12,327
TOTAL FUNCTIONAL EXPENSES	\$ 1,647,297	\$ 144,671	\$ 153,731	\$ 1,945,699

See accompanying notes to financial statements.

WARM BLANKETS CHILDREN'S FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 501,346
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	12,327
Realized loss on sale of investments	22,400
Unrealized loss on investments	207
(Increase) decrease in	
Accounts receivable	9,117
Contributions receivable from trusts	(24,133)
Prepaid expenses and other assets	2,369
Increase (decrease) in	
Accounts payable	(2,084)
Accrued expenses	1,773
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Total adjustments	21,976
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Net cash from operating activities	523,322
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CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(64,334)
Sales of investments	44,456
Purchases of equipment	(19,766)
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Net cash from investing activities	(39,644)
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NET INCREASE IN CASH AND CASH EQUIVALENTS	483,678
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	503,705
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 987,383
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See accompanying notes to financial statements.

WARM BLANKETS CHILDREN'S FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

1. NATURE OF ACTIVITIES

Warm Blankets Children's Foundation, Inc. (the Foundation) is a non-profit 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 heart for 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.

Investments

Investments are carried at fair value. Fair values are generally based upon quoted market prices. Realized and unrealized gains or losses are reflected in the statement of activities.

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, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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.

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.

3. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2008, the Foundation had temporarily restricted net assets available for the following projects:

Support specific orphanages in Cambodia	\$ 834,439
Contributions receivable from trusts	<u>233,617</u>
 TOTAL TEMPORARILY RESTRICTED NET ASSETS	 <u>\$ 1,068,056</u>

4. OPERATING LEASE

The Foundation leases an office pursuant to an operating lease agreement with an expiration date of December 31, 2008, which may be extended for an additional one year term. The monthly rate on this lease ranges from \$2,377 to \$2,521. The Foundation paid \$30,243 for the space it occupies during the year ended June 30, 2008. In addition, the Foundation received \$13,970 in in-kind rent donations at a separate facility during fiscal year 2008.

The following is a schedule by year of future minimum lease payments at June 30, 2008.

2009	<u>\$ 15,126</u>
 TOTAL FUTURE MINIMUM LEASE PAYMENTS	 <u>\$ 15,126</u>

5. SUPPLEMENTAL CASH FLOW INFORMATION

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

6. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at a financial institution in Buffalo Grove, Illinois. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. The total amount in excess of federally insured limits is \$799,650 at June 30, 2008.

7. DONATED GOODS AND SERVICES

The Foundation received in-kind donations of various supplies and materials to be used in Cambodia for \$175,800, the fair market value at the time of donation. The Foundation also received contributed professional services totaling \$5,215. Total in-kind contributions the Foundation received totaled \$194,985 which includes \$13,970 of an in-kind rent donation as further discussed in Note 4 of the financial statements.

8. CONTRIBUTIONS RECEIVABLE FROM TRUSTS

The Foundation has a beneficial interest in a charitable lead trust and charitable remainder trusts.

Pursuant to the charitable lead trust agreement, the Foundation expects to receive annual payments of \$29,450 through 2012. The present value of expected future distributions are estimated at \$168,531 using a discount rate of 3% and are reflected in contributions receivable from trusts in the accompanying financial statements.

The Foundation also has a beneficial interest in two similar charitable remainder trusts. The present value of estimated future distributions from these trusts is \$65,086 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 trust.