

WIGS 4 KIDS, INC.
(a not-for-profit corporation)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

WIGS 4 KIDS, INC.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wigs 4 Kids, Inc.
St. Clair Shores, Michigan

We have audited the accompanying financial statements of Wigs 4 Kids, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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 Wigs 4 Kids, Inc. as of December 31, 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.

Jason F. Clausen, P.C.
St. Clair Shores, MI

March 12, 2015

WIGS 4 KIDS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

CURRENT ASSETS	
Cash and cash equivalents	\$ 206,853
Inventories	5,265
Other current assets	<u>12,628</u>
TOTAL CURRENT ASSETS	224,746
PROPERTY AND EQUIPMENT	
Net of depreciation	210,773
DEPOSIT	<u>6,840</u>
TOTAL ASSETS	<u><u>\$ 442,359</u></u>
CURRENT LIABILITIES	
Accounts payable	<u>\$ 3,376</u>
TOTAL CURRENT LIABILITIES	<u>3,376</u>
TOTAL LIABILITIES	<u>3,376</u>
NET ASSETS	
Unrestricted	438,983
Temporarily restricted	<u>-</u>
TOTAL NET ASSETS	<u>438,983</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 442,359</u></u>

See independent auditor's report and notes to the financial statements

WIGS 4 KIDS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
Merchandise Income	\$ 19,057	\$ -	\$ 19,057
Public Support and Revenue			
Donations	97,303	-	97,303
Sponsorships	187,278	-	187,278
Fundraising	149,993	-	149,993
Foundations	37,856	-	37,856
Grants	31,249	-	31,249
In-kind donations	187,374	-	187,374
Total public support and revenue	691,053	-	691,053
Other revenue			
Lease revenue	12,000	-	12,000
Total other revenue	12,000	-	12,000
Total revenue	722,110	-	722,110
Expenses			
Cost of sales	7,070	-	7,070
Program services	562,306	-	562,306
Fundraising	75,768	-	75,768
Management and general	16,408	-	16,408
Total expense	661,552	-	661,552
Release of Net Assets from Restrictions	-	-	-
Change in net assets	60,558	-	60,558
Net assets, beginning of period	378,425	-	378,425
Net assets, end of period	\$ 438,983	\$ -	\$ 438,983

See independent auditor's report and notes to the financial statements

WIGS 4 KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services Wigs & Supplies	Supporting Services		
		Fundraising	Management and General	Total
Compensation and Related Expense				
Wage expense	\$ 157,504	\$ 12,250	\$ 5,250	\$ 175,004
Workers' compensation insurance	1,142	89	38	1,269
Employee benefits	4,475	697	374	5,546
Payroll taxes	14,970	1,164	499	16,633
Total compensation and related expenses	178,091	14,200	6,161	198,452
Direct Expenses				
Wigs and supplies	30,187	-	-	30,187
Wigs and supplies - in-kind donations	47,069	-	-	47,069
Medical support	2,646	-	-	2,646
Education and Social	1,110	-	-	1,110
Direct event expenses	-	42,562	-	42,562
Total direct expenses	81,012	42,562	-	123,574
Occupancy Expenses				
General liability insurance	1,338	217	117	1,672
Rent	19,594	3,184	1,714	24,492
Utilities	6,127	996	536	7,659
Maintenance	10,939	1,778	957	13,674
Telephone	2,749	447	241	3,437
Total occupancy expenses	40,747	6,622	3,565	50,934
Administrative Expenses				
Printing	5,841	949	511	7,301
Postage	3,514	803	433	4,750
Office	7,840	1,274	686	9,800
Depreciation and amortization	30,357	4,933	2,656	37,946
Professional development fees	1,911	311	167	2,389
Legal and accounting	11,997	1,950	1,050	14,997
Web and social media support	3,120	507	273	3,900
Computer support	3,262	530	285	4,077
Membership fees	1,810	44	24	1,878
Bank service charge	1,443	236	141	1,820
Total administrative expenses	71,095	11,537	6,226	88,858
Other Expenses				
Board expenses	1,060	-	-	1,060
Transportation expenses	3,180	517	278	3,975
Community outreach	2,032	330	178	2,540
In-kind donations	185,089	-	-	185,089
Total other expenses	191,361	847	456	192,664
Total functional expenses	<u>\$ 562,306</u>	<u>\$ 75,768</u>	<u>\$ 16,408</u>	<u>\$ 654,482</u>

See independent auditor's report and notes to the financial statements

WIGS 4 KIDS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

Cash flows from operating activities:

Change in net assets	\$ 60,558
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	37,946
Change in in-kind inventory	(7,050)
(Increase) decrease in assets:	
Pledges receivable	315
Inventory	4,018
Increase (decrease) in liabilities:	
Accounts payable	888
Net cash provided by operating activities	<u>96,675</u>

Cash flows from investing activities:

Purchases of fixed assets	<u>(5,067)</u>
Net cash used in investing activities	<u>(5,067)</u>

Net increase in cash and cash equivalents 91,608

Cash and cash equivalents, beginning of period 115,245

Cash and cash equivalents, end of period \$ 206,853

Total cash paid for interest in 2014 was \$-0-

See independent auditor's report and notes to the financial statements

WIGS 4 KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1 – Nature of Organization

Wigs 4 Kids, Inc. (the Organization) is a non-profit corporation located in St. Clair Shores, Michigan that helps children and young adults with hair loss. The Organization was formed in order to make cancer patients and those with related challenges feel as good as possible about themselves by providing wigs and services at no cost. The Organization's source of revenue is principally fundraising events.

The Organization has three primary programs:

Wigs 4 Kids Adopt-a-Kid Program provides hair replacement units and support services to help the self-esteem of Michigan children as they journey through their health challenge empowering them to look and feel better.

Wigs 4 Kids Educational & Medical Teams offer a social setting to children and teens with hair loss by providing holistic care, allied health services, goods, information, educational and professional guidance in an affirming setting to help kids deal with the appearance related side effects of treatment.

Wigs 4 Kids Cosmetology Program is committed to community service and promotes healthy living, growth, and balance by maintaining integrity in the goods and services provided, aiding in sustainability, while respecting the dignity and privacy of the children and teens served.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and accordingly, reflect all significant receivables, payables, and other liabilities.

The financial statements are presented in accordance with FASB ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments with maturities of three months or less when purchased are considered cash equivalents and recorded at cost, which approximates fair value. The Organization places its temporary cash investments with high credit quality financial institutions.

See independent auditor's report and financial statements

WIGS 4 KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 2 – Summary of Significant Accounting Policies (continued)

Pledges Receivable

The Organization receives pledges from donors throughout the year. The pledges are recorded as revenue when pledged, and held as receivable until paid. As of December 31, 2014, there is no allowance for uncollectible pledges, as the Organization believes that all pledges existing as of the date of this report are collectible.

Property and Equipment

Property and equipment are carried at cost or, if donated, at estimated fair market value at the time of the donation. Depreciation is provided on a straight-line basis over the estimated useful life of the assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Classification of Net Assets

Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified as temporarily restricted, permanently restricted, or unrestricted. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements results in temporarily restricted net assets.

Unrestricted Net Assets – This portion of the Organization’s net assets is available for general obligations and is not subject to any donor-imposed restrictions. Revenues earned, program services provided, unrestricted contributions and all operating expenses are reported in this category. The Organization records donor-restricted contributions, whose restrictions have been satisfied in the same reporting period, as unrestricted support in such year.

Temporarily Restricted Net Assets – This portion of the Organization’s net assets is limited to use specified by donor-imposed restrictions. When donor restrictions expire, or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and report in the accompanying statement of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets – net assets subject to “donor-imposed” restrictions that they be maintained in perpetuity. Restrictions that require an asset be invested and only allow the income to be used are classified as permanently restricted net assets.

Donated Materials and Services

The Organization receives donations of material and services from various sources. The donated materials and services received are reflected in the accompanying financial statements at their fair market value in accordance with FASB ASC 958-605.

See independent auditor’s report and financial statements

WIGS 4 KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 2 – Summary of Significant Accounting Policies (continued)

Functional Expenses

The costs of providing program and supporting services have been reported on a functional basis in the statement of activities and changes in net assets. Direct and indirect costs have been allocated between program, general, and administrative based on estimates from management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Organization is a private, not-for-profit organization operating in accordance with Section 501(c)(3) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Note 3 – Inventory

Inventory is stated at the lower of cost or market and is comprised of the following:

T-Shirts and Sweaters	\$ 2,002
Scarves and Ties	1,860
Pens, Decals, Stickers	1,102
Other	<u>301</u>
Total	<u>\$ 5,265</u>

Note 4 – Equipment

The principal categories of equipment are summarized as follows:

Equipment	\$ 53,304
Furniture	87,486
Website	3,500
Leasehold Improvements	<u>238,434</u>
Total Cost	382,724
Less accumulated depreciation	<u>171,951</u>
Total assets, net of depreciation	<u>\$ 210,773</u>

See independent auditor's report and financial statements

WIGS 4 KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 5 – Related Party Transactions

SUBLEASE

The Organization subleased its space to a related party for \$1,000 per month for 12 months during the year ended December 31, 2014 under a non-cancellable operating agreement.

Note 6 – Operating Lease

On December 29, 2009, the Organization entered into an operating lease agreement for its primary office. The agreement has a term for 62 months, calling for monthly payments of \$1,920. The Organization maintains two months deposit on this lease.

The remaining required payments on this lease are as follows:

2015	<u>\$ 11,520</u>
Total	<u>\$ 11,520</u>

Note 7 – In-Kind Donations

Donated contributions are reflected in the accompanying statements at their estimated values at date of receipt. The value of donated materials and services included in the financial statements and the corresponding expenses for the year are as follows:

Donated Services	\$ 106,353
Donated Goods	<u>81,020</u>
Total In-Kind Donations	<u>\$ 187,373</u>
Other In-Kind Donations:	
Donated Wigs & Supplies for direct programs	<u>\$ 47,069</u>

Donated Goods included in inventory used for Annual Gala amounted to \$12,628 as of December 31, 2014.

Note 8 – Date of Management's Review

These financial statements have been reviewed and include all pertinent information through March 12, 2015, the date upon which these financial statements were made available.

See independent auditor's report and financial statements