

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

**WIGS 4 KIDS OF MICHIGAN, INC.**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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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 of Michigan, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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**

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, 2016, 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

April 20, 2017

**WIGS 4 KIDS OF MICHIGAN, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

CURRENT ASSETS	
Cash and cash equivalents	\$ 314,723
Pledges receivable	730
Inventories	8,300
Prepaid expenses	2,700
Other current assets	<u>20,110</u>
 TOTAL CURRENT ASSETS	 346,563
 PROPERTY AND EQUIPMENT	
Net of depreciation	148,298
 OTHER ASSETS	
Deposits	<u>5,180</u>
 TOTAL OTHER ASSETS	 <u>5,180</u>
 TOTAL ASSETS	 <u><u>\$ 500,041</u></u>
 CURRENT LIABILITIES	
Accounts payable	<u>\$ 3,203</u>
 TOTAL CURRENT LIABILITIES	 <u>3,203</u>
 TOTAL LIABILITIES	 <u>3,203</u>
 NET ASSETS	
Unrestricted	371,513
Temporarily restricted	<u>125,325</u>
 TOTAL NET ASSETS	 <u>496,838</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 500,041</u></u>

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

**WIGS 4 KIDS OF MICHIGAN, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Merchandise Income	\$ 23,860	\$ -	\$ 23,860
Public Support and Revenue			
Donations	87,255	-	87,255
Sponsorships	97,742	92,119	189,861
Fundraising	127,657	-	127,657
Foundations	42,669	-	42,669
Grants	33,968	-	33,968
In-kind donations	253,126	-	253,126
Other income	23	-	23
Reclass of Temp. restricted net assets	<u>70,399</u>	<u>(70,399)</u>	<u>-</u>
Total public support and revenue	<u>712,839</u>	<u>21,720</u>	<u>734,559</u>
Other revenue			
Gain on sale of donated house	32,470	-	32,470
Lease revenue	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total other revenue	<u>44,470</u>	<u>-</u>	<u>44,470</u>
Total revenue	781,169	21,720	802,889
Expenses			
Cost of sales	13,972	-	13,972
Program services	602,967	-	602,967
Fundraising	107,414	-	107,414
Management and general	<u>51,124</u>	<u>-</u>	<u>51,124</u>
Total expense	775,477	-	775,477
Change in net assets	5,692	21,720	27,412
Net assets, beginning of period	<u>365,821</u>	<u>103,605</u>	<u>469,426</u>
Net assets, end of period	<u>\$ 371,513</u>	<u>\$ 125,325</u>	<u>\$ 496,838</u>

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

**WIGS 4 KIDS OF MICHIGAN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services	Supporting Services		Total
	Wigs & Supplies	Fundraising	Management and General	
<b>Compensation and Related Expense</b>				
Wage expense	\$ 174,133	\$ 28,297	\$ 15,237	\$ 217,667
Workers' compensation insurance	1,220	198	107	1,525
Employee benefits	6,705	1,090	587	8,382
Payroll taxes	16,374	2,661	1,433	20,468
<b>Total compensation and related expenses</b>	<b>198,432</b>	<b>32,246</b>	<b>17,364</b>	<b>248,042</b>
<b>Direct Expenses</b>				
Wigs and supplies	40,814	-	-	40,814
Medical support	3,505	-	-	3,505
Education and Social	1,223	-	-	1,223
Wellness center	-	16,052	23,736	39,788
Direct event expenses	-	37,884	-	37,884
<b>Total direct expenses</b>	<b>45,542</b>	<b>53,936</b>	<b>23,736</b>	<b>123,214</b>
<b>Occupancy Expenses</b>				
General liability insurance	1,417	230	124	1,771
Rent	24,732	4,019	2,164	30,915
Utilities	6,148	999	538	7,685
Maintenance	10,748	1,747	940	13,435
Telephone	2,658	432	233	3,323
<b>Total occupancy expenses</b>	<b>45,703</b>	<b>7,427</b>	<b>3,999</b>	<b>57,129</b>
<b>Administrative Expenses</b>				
Printing	4,761	774	416	5,951
Postage	3,063	1,139	613	4,815
Office	7,826	1,272	684	9,782
Depreciation and amortization	28,426	4,619	2,487	35,532
Professional development fees	702	114	61	877
Legal and accounting	4,360	709	381	5,450
Sponsorships and marketing	1,210	1,489	106	2,805
Web and social media support	3,840	624	336	4,800
Computer support	2,745	446	240	3,431
Membership fees	304	1,369	27	1,700
Bank service charge	1,962	319	172	2,453
<b>Total administrative expenses</b>	<b>59,199</b>	<b>12,874</b>	<b>5,523</b>	<b>77,596</b>
<b>Other Expenses</b>				
Board expenses	679	-	-	679
Transportation expenses	2,888	469	253	3,610
Community outreach	2,845	462	249	3,556
In-kind donations	247,679	-	-	247,679
<b>Total other expenses</b>	<b>254,091</b>	<b>931</b>	<b>502</b>	<b>255,524</b>
<b>Total functional expenses</b>	<b>\$ 602,967</b>	<b>\$ 107,414</b>	<b>\$ 51,124</b>	<b>\$ 761,505</b>

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

**WIGS 4 KIDS OF MICHIGAN, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash flows from operating activities:	
Change in net assets	\$ 27,412
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	35,532
Change in in-kind inventory	(5,447)
Gain on sale of donated house	(32,470)
(Increase) decrease in assets:	
Pledges receivable	1,584
Inventory	(2,716)
Prepaid expenses	(2,700)
Deposits	2,100
Increase (decrease) in liabilities:	
Accounts payable	<u>(1,847)</u>
Net cash provided by operating activities	<u>21,448</u>
Cash flows from investing activities:	
Proceeds from sale of donated house	57,570
Purchases of fixed assets	<u>(3,533)</u>
Net cash provided by investing activities	<u>54,037</u>
Net increase in cash and cash equivalents	75,485
Cash and cash equivalents, beginning of period	<u>239,238</u>
Cash and cash equivalents, end of period	<u><u>\$ 314,723</u></u>

Total cash paid for interest in 2016 was \$-0-

**WIGS 4 KIDS OF MICHIGAN, INC.**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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 health challenges feel as good as possible about themselves by providing wigs and support services at no cost. The Organization's sources of revenue are principally donations and 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 OF MICHIGAN, INC.**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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, 2016, 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 OF MICHIGAN, INC.**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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	\$ 2,564
Scarves and Ties	3,483
Pens, Patches, and Books	542
Necklaces	1,063
Holiday Cards	<u>648</u>
Total	<u>\$ 8,300</u>

**Note 4 – Property and Equipment**

The principal categories of equipment are summarized as follows:

Equipment	\$ 60,155
Furniture	89,375
Website	3,500
Leasehold Improvements	<u>238,434</u>
Total Cost	391,464
Less accumulated depreciation	<u>243,166</u>
Total assets, net of depreciation	<u>\$ 148,298</u>

See independent auditor's report and financial statements

**WIGS 4 KIDS OF MICHIGAN, INC.**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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, 2016 under a non-cancellable operating agreement.

**Note 6 – Operating Lease**

On January 20, 2010, the Organization entered into an operating lease agreement for its primary office. The agreement has a term for 62 months. On April 28, 2016, the lease was extended through July 31, 2017 calling for monthly payments of \$2,700.

The remaining required payments on this lease are as follows:

2017	<u>\$ 16,200</u>
Total	<u>\$ 16,200</u>

**Note 7 – Temporarily Restricted Net Assets**

As of December 31, 2016, the Organization had Temporarily Restricted Net Assets consisting of:

Adopt-a-Kid	<u>\$ 125,325</u>
Total	<u>\$ 125,325</u>

**Note 8 – 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	\$ 134,723
Donated Goods	<u>118,403</u>
Total In-Kind Donations	<u>\$ 253,126</u>

The donated goods received by Organization that have not been used as of the end of the year and inventoried, and recorded at their estimated value on the Statement of Financial Position. These goods are expensed when used. The amount of in-kind goods included in inventory as of December 31, 2016 and \$20,110.

**Note 9 – Date of Management’s Review**

These financial statements have been reviewed and include all pertinent information through the date of this report, upon which these financial statements were made available.

See independent auditor’s report and financial statements