

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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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, 2017, 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, 2017, 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 23, 2018

**WIGS 4 KIDS OF MICHIGAN, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

CURRENT ASSETS	
Cash and cash equivalents	\$ 545,590
Investments	26,284
Pledges receivable, net	2,045
Inventories	8,188
Other current assets	<u>14,933</u>
 TOTAL CURRENT ASSETS	 597,040
PROPERTY AND EQUIPMENT	
Net of depreciation	112,435
OTHER ASSETS	
Deposits	<u>2,425</u>
 TOTAL OTHER ASSETS	 <u>2,425</u>
 TOTAL ASSETS	 <u><u>711,900</u></u>
CURRENT LIABILITIES	
Accounts payable	<u>2,741</u>
 TOTAL CURRENT LIABILITIES	 <u>2,741</u>
 TOTAL LIABILITIES	 <u>2,741</u>
NET ASSETS	
Unrestricted	481,999
Temporarily restricted	<u>227,160</u>
 TOTAL NET ASSETS	 <u>709,159</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 711,900</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, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Merchandise Income	\$ 24,984	\$ -	\$ 24,984
Public Support and Revenue			
Donations	138,993	92,093	231,086
Sponsorships	103,269	72,675	175,944
Fundraising	150,247	-	150,247
Foundations	46,397	-	46,397
Grants	116,635	-	116,635
In-kind donations	236,552	-	236,552
Other income	613	-	613
Reclass of Temp. restricted net assets	<u>62,933</u>	<u>(62,933)</u>	<u>-</u>
Total public support and revenue	<u>855,639</u>	<u>101,835</u>	<u>957,474</u>
Other revenue			
Lease revenue	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total other revenue	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total revenue	892,623	101,835	994,458
Expenses			
Cost of sales	11,791	-	11,791
Program services	633,837	-	633,837
Management and general	65,639	-	65,639
Fundraising	<u>70,870</u>	<u>-</u>	<u>70,870</u>
Total expense	782,137	-	782,137
Change in net assets	110,486	101,835	212,321
Net assets, beginning of period	<u>371,513</u>	<u>125,325</u>	<u>496,838</u>
Net assets, end of period	<u>\$ 481,999</u>	<u>\$ 227,160</u>	<u>\$ 709,159</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, 2017**

	Program	Supporting Services		Total
	Services	Management	Fundraising	
	Wigs & Supplies	and General		
<b>Compensation and Related Expense</b>				
Wage expense	\$ 185,253	\$ 30,104	\$ 16,209	\$ 231,566
Workers' compensation insurance	1,205	196	105	1,506
Employee benefits	8,307	1,350	727	10,384
Payroll taxes	17,642	2,867	1,543	22,052
<b>Total compensation and related expenses</b>	<b>212,407</b>	<b>34,517</b>	<b>18,584</b>	<b>265,508</b>
<b>Direct Expenses</b>				
Wigs and supplies	30,147	-	-	30,147
Medical support	1,552	-	-	1,552
Education and Social	7,770	-	-	7,770
Wellness center	-	7,279	-	7,279
Direct event expenses	910	-	39,021	39,931
<b>Total direct expenses</b>	<b>40,379</b>	<b>7,279</b>	<b>39,021</b>	<b>86,679</b>
<b>Occupancy Expenses</b>				
General liability insurance	1,422	231	124	1,777
Rent	34,045	5,532	2,979	42,556
Utilities	5,504	894	482	6,880
Maintenance	11,052	1,796	967	13,815
Telephone	2,718	442	238	3,398
<b>Total occupancy expenses</b>	<b>54,741</b>	<b>8,895</b>	<b>4,790</b>	<b>68,426</b>
<b>Administrative Expenses</b>				
Printing	3,498	568	307	4,373
Postage	6,927	1,126	606	8,659
Office	10,810	1,757	946	13,513
Depreciation and amortization	28,690	4,662	2,511	35,863
Professional development fees	1,002	163	87	1,252
Legal and accounting	15,976	2,596	1,398	19,970
Sponsorships and marketing	-	-	1,142	1,142
Web and social media support	3,568	580	312	4,460
Computer support	4,174	678	365	5,217
Membership fees	144	1,353	13	1,510
Bank service charge	2,066	336	180	2,582
<b>Total administrative expenses</b>	<b>76,855</b>	<b>13,819</b>	<b>7,867</b>	<b>98,541</b>
<b>Other Expenses</b>				
Board expenses	778	-	-	778
Transportation expenses	4,169	677	365	5,211
Community outreach	2,779	452	243	3,474
In-kind donations	241,729	-	-	241,729
<b>Total other expenses</b>	<b>249,455</b>	<b>1,129</b>	<b>608</b>	<b>251,192</b>
<b>Total functional expenses</b>	<b>\$ 633,837</b>	<b>\$ 65,639</b>	<b>\$ 70,870</b>	<b>\$ 770,346</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, 2017

Cash flows from operating activities:

Change in net assets	\$ 212,321
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	35,863
Change in in-kind inventory	5,177
Donation of investments	(26,284)
(Increase) decrease in assets:	
Pledges receivable	(1,315)
Inventory	112
Prepaid expenses	2,700
Deposits	2,755
Increase (decrease) in liabilities:	
Accounts payable	<u>(462)</u>
Net cash provided by operating activities	<u>230,867</u>
Net increase in cash and cash equivalents	230,867
Cash and cash equivalents, beginning of period	<u>314,723</u>
Cash and cash equivalents, end of period	<u><u>\$ 545,590</u></u>

Total cash paid for interest in 2017 was \$-0-

**WIGS 4 KIDS OF MICHIGAN, INC.**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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 cash and temporary cash investments with high credit quality financial institutions, and at times may maintain balances that exceed federally insured limits. As of December 31, 2017, the Organization held bank deposits of \$298,100 in excess of federally insured limits.

*Pledges Receivable, Net*

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, 2017, there is no allowance for uncollectible pledges, as the Organization believes that all pledges existing as of the date of this report are collectible.

See independent auditor's report and financial statements



**WIGS 4 KIDS OF MICHIGAN, INC.**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

*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. Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

See independent auditor’s report and financial statements

**WIGS 4 KIDS OF MICHIGAN, INC.**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Use of 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 – INVESTMENTS**

Generally accepted accounting principles (GAAP) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

*Basis of Fair Value Measurement*

Level 1:

Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2:

Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3:

Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As required by GAAP, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

The following table presents financial assets measured at fair value on a recurring basis as of December 31, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Levels 3</u>
Money Market	\$ 26,284	\$ 26,284	\$ -	\$ -
Total	<u>\$ 26,284</u>	<u>\$ 26,284</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income for the year ended December 31, 2017, reported as a net of realized gains and losses, dividends and interest, brokerage fees of \$5, and market fluctuations was \$484.

See independent auditor's report and financial statements

**WIGS 4 KIDS OF MICHIGAN, INC.**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 4 - INVENTORY**

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

T-Shirts and Sweaters	\$ 2,348
Scarves and Ties	3,258
Pens, Patches, Books, and Other	1,222
Necklaces	953
Holiday Cards	<u>407</u>
Total	<u>\$ 8,188</u>

**NOTE 5 - 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>279,029</u>
Total assets, net of depreciation	<u>\$ 112,435</u>

**NOTE 6 - 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, 2017 under a non-cancellable operating agreement.

**NOTE 7 - OPERATING LEASE**

On January 20, 2010, the Organization entered into an operating lease agreement for its primary office. The agreement had an original term of 62 months. On April 28, 2016, the lease was extended through July 31, 2017 calling for monthly payments of \$2,700. Effective July 31, 2017 the lease is month-to-month at a rate of \$3,375 per month.

On July 1, 2017, the Organization entered into an operating lease agreement for storage space. The agreement has a term of 18 month and calls for monthly payments of \$185.

Rent expense for the year ended December 31, 2017 totaled \$42,556.

The remaining required payments under operating leases is as follows:

2018	<u>\$ 2,214</u>
Total	<u><u>\$ 2,214</u></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, 2017

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2017, the Organization had Temporarily Restricted Net Assets available for the following uses:

Adopt-a-Kid	\$ 142,000
Building Fund	80,610
Bulk mailing expenses	<u>4,550</u>
Total	<u>\$ 227,160</u>

**NOTE 9 – 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	\$ 135,602
Donated Goods	<u>100,950</u>
Total In-Kind Donations	<u>\$ 236,552</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, 2017 and \$14,933.

**NOTE 10 – 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