

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Maggie's Wigs 4 Kids of Michigan, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 Maggie's Wigs 4 Kids, Inc. as of December 31, 2018, 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 26, 2019

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.**STATEMENT OF FINANCIAL POSITION****DECEMBER 31, 2018**

CURRENT ASSETS	
Cash and cash equivalents	\$ 456,250
Inventories	9,055
Prepaid expenses	4,308
Other current assets	<u>10,327</u>
TOTAL CURRENT ASSETS	<u>479,940</u>
PROPERTY AND EQUIPMENT	
Net of depreciation	<u>356,122</u>
OTHER ASSETS	
Deposits	<u>5,025</u>
TOTAL OTHER ASSETS	<u>5,025</u>
TOTAL ASSETS	<u><u>841,087</u></u>
CURRENT LIABILITIES	
Accounts payable	<u>5,635</u>
TOTAL CURRENT LIABILITIES	<u>5,635</u>
TOTAL LIABILITIES	<u>5,635</u>
NET ASSETS	
Net assets without donor restrictions	685,552
Net assets with donor restrictions	<u>149,900</u>
TOTAL NET ASSETS	<u>835,452</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 841,087</u></u>

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

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Merchandise Income	\$ 30,120	\$ -	\$ 30,120
Public Support and Revenue			
Donations	166,434		166,434
Sponsorships	127,968	67,300	195,268
Fundraising	157,450	-	157,450
Foundations	54,791	-	54,791
Grants	46,418	-	46,418
In-kind donations	257,924	-	257,924
Other income	165	-	165
Reclass of Temp. restricted net assets	144,560	(144,560)	-
Total public support and revenue	<u>955,710</u>	<u>(77,260)</u>	<u>878,450</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	997,830	(77,260)	920,570
Expenses			
Cost of sales	11,062	-	11,062
Program services	624,853	-	624,853
Management and general	82,907	-	82,907
Fundraising	<u>75,455</u>	<u>-</u>	<u>75,455</u>
Total expense	794,277	-	794,277
Change in net assets	203,553	(77,260)	126,293
Net assets, beginning of period	<u>481,999</u>	<u>227,160</u>	<u>709,159</u>
Net assets, end of period	<u>\$ 685,552</u>	<u>\$ 149,900</u>	<u>\$ 835,452</u>

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

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total
	Wigs & Supplies	Management and General	Fundraising	
Compensation and Related Expense				
Wage expense	\$ 180,152	\$ 29,275	\$ 15,763	\$ 225,190
Workers' compensation insurance	1,238	201	109	1,548
Employee benefits	9,430	1,532	825	11,787
Payroll taxes	18,741	3,045	1,640	23,426
Total compensation and related expenses	<u>209,561</u>	<u>34,053</u>	<u>18,337</u>	<u>261,951</u>
Direct Expenses				
Wigs and supplies	65,640	-	-	65,640
Medical support	3,382	-	-	3,382
Education and Social	2,888	-	-	2,888
Wellness center	-	24,139	-	24,139
Direct event expenses	-	-	44,613	44,613
Total direct expenses	<u>71,910</u>	<u>24,139</u>	<u>44,613</u>	<u>140,662</u>
Occupancy Expenses				
General liability insurance	1,427	232	125	1,784
Rent	34,024	5,529	2,977	42,530
Utilities	6,902	1,122	603	8,627
Maintenance	11,430	1,857	1,001	14,288
Telephone	2,784	452	244	3,480
Total occupancy expenses	<u>56,567</u>	<u>9,192</u>	<u>4,950</u>	<u>70,709</u>
Administrative Expenses				
Printing and postage	2,285	2,447	1,317	6,049
Office	11,994	1,949	1,049	14,992
Depreciation and amortization	28,800	4,680	2,520	36,000
Professional development fees	979	159	86	1,224
Legal and accounting	9,113	1,481	797	11,391
Sponsorships and marketing	1,914	311	167	2,392
Web and social media support	3,977	646	348	4,971
Computer support	4,717	766	413	5,896
Membership fees	240	1,529	21	1,790
Bank service charge	2,033	330	178	2,541
Total administrative expenses	<u>66,052</u>	<u>14,298</u>	<u>6,896</u>	<u>87,246</u>
Other Expenses				
Board expenses	700	-	-	700
Transportation expenses	3,554	578	311	4,443
Community outreach	3,979	647	348	4,974
In-kind donations	212,530	-	-	212,530
Total other expenses	<u>220,763</u>	<u>1,225</u>	<u>659</u>	<u>222,647</u>
Total functional expenses	<u>\$ 624,853</u>	<u>\$ 82,907</u>	<u>\$ 75,455</u>	<u>\$ 783,215</u>

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

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:

Change in net assets	\$ 126,293
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	36,000
Change in in-kind inventory	4,606
In-kind donation of property	(50,000)
Gain on sale of investments	(19)
 (Increase) decrease in assets:	
Pledges receivable	2,045
Inventory	(867)
Prepaid expenses	(4,308)
Deposits	(2,600)
Increase (decrease) in liabilities:	
Accounts payable	2,894
 Net cash provided by operating activities	114,044
 Cash flows from investing activities:	
Proceeds from sale of investments	26,303
Purchases of fixed assets	(229,687)
 Net cash used in investing activities	(203,384)
 Net decrease in cash and cash equivalents	(89,340)
Cash and cash equivalents, beginning of period	545,590
Cash and cash equivalents, end of period	\$ 456,250

Total cash paid for interest in 2018 was \$-0-

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – NATURE OF ORGANIZATION

Maggie's 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:

Maggie's 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.

Maggie's 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.

Maggie's 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, 2018, the Organization held bank deposits of \$203,868 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, 2018, 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

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Financial Assets

The Organization has \$479,940 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$456,250, and the inventory, prepaid expenses, and other current assets totaling \$276,279. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$100,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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

The Organization prepares its financial statements in accordance with FASB ASC 958-205, "Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. As permitted under the provisions of FASB 958-605, the Organization records donor-restricted contributions whose restrictions have been satisfied in the same reporting period as unrestricted support in such year.

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.

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.

See independent auditor's report and financial statements

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - INVENTORY

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

T-Shirts and Sweaters	\$ 3,572
Scarves and Ties	2,872
Pens, Patches, Books, and Other	1,544
Necklaces	785
Holiday Cards	<u>282</u>
Total	<u>\$ 9,055</u>

NOTE 4 - PROPERTY AND EQUIPMENT

The principal categories of equipment are summarized as follows:

Equipment	\$ 61,916
Furniture	89,375
Website	3,500
Leasehold Improvements	238,433
Buildings	137,927
Land	<u>140,000</u>
Total Cost	671,151
Less accumulated depreciation	<u>315,029</u>
Total assets, net of depreciation	<u>\$ 356,122</u>

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, 2018 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 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. The operating lease was renewed in 2019 on a month-to-month basis.

Rent expense for the year ended December 31, 2018 totaled \$42,530.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

The Organization receives support from varying sources that are restricted, either by purpose or passage of time.

See independent auditor's report and financial statements

MAGGIE’S WIGS 4 KIDS OF MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The following table summarizes the portion of net assets that are restricted for the following purposes or periods at December 31, 2018:

Adopt-a-Kid	<u>\$ 149,900</u>
Total	<u>\$ 149,900</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	\$ 126,291
Donated Goods	81,633
Donated Building	<u>50,000</u>
Total In-Kind Donations	<u>\$ 257,924</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, 2018 was \$10,327.

The donated building received by the Organization has not been placed in use as of December 31, 2018. The building will be depreciated upon being placed in service, or will be recorded as part of a gain or loss upon sale.

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