

Maggie's Wigs 4 Kids
of Michigan, Inc.

Audited Financial Statements

For the year ended December
31, 2020

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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, 2020, 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 of Michigan, Inc. as of December 31, 2020, 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.

Fraser, MI
April 24, 2021

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

CURRENT ASSETS	
Cash and cash equivalents	\$ 196,083
Pledges receivable, net	679
Inventories	8,487
Other current assets	<u>25,496</u>
TOTAL CURRENT ASSETS	<u>230,745</u>
PROPERTY AND EQUIPMENT	
Net of depreciation	<u>1,183,387</u>
OTHER ASSETS	
Deposits	<u>1,000</u>
TOTAL OTHER ASSETS	<u>1,000</u>
TOTAL ASSETS	<u><u>1,415,132</u></u>
CURRENT LIABILITIES	
Accounts payable	4,026
Notes payable - SBA	<u>49,946</u>
TOTAL CURRENT LIABILITIES	<u>53,972</u>
TOTAL LIABILITIES	<u>53,972</u>
NET ASSETS	
Net assets without donor restrictions	1,215,060
Net assets with donor restrictions	<u>146,100</u>
TOTAL NET ASSETS	<u>1,361,160</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,415,132</u></u>

See independent auditor's report and financial statements

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Merchandise Income	\$ 38,575	\$ -	\$ 38,575
Public Support and Revenue			
Donations	210,236	-	210,236
Sponsorships	71,542	42,600	114,142
Fundraising	98,619	-	98,619
Foundations	70,727	-	70,727
Grants	56,079	-	56,079
In-kind donations	186,254	-	186,254
Reclass of net assets with donor restrictions	<u>45,600</u>	<u>(45,600)</u>	<u>-</u>
Total public support and revenue	<u>739,057</u>	<u>(3,000)</u>	<u>736,057</u>
Other revenue			
Gain on sale of donated building	1,310	-	1,310
Interest income	13	-	13
Lease revenue	12,000	-	12,000
PPP loan forgiveness	<u>57,800</u>	<u>-</u>	<u>57,800</u>
Total other revenue	<u>71,123</u>	<u>-</u>	<u>71,123</u>
Total revenue	848,755	(3,000)	845,755
Expenses			
Cost of sales	9,571	-	9,571
Program services	547,960	-	547,960
Management and general	91,020	-	91,020
Fundraising	<u>34,630</u>	<u>-</u>	<u>34,630</u>
Total expense	<u>683,181</u>	<u>-</u>	<u>683,181</u>
Change in net assets	165,574	(3,000)	162,574
Net assets, beginning of period	<u>1,049,486</u>	<u>149,100</u>	<u>1,198,586</u>
Net assets, end of period	<u>\$ 1,215,060</u>	<u>\$ 146,100</u>	<u>\$ 1,361,160</u>

See independent auditor's report and financial statements

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services		Total
	Wigs & Supplies	Management and General	Fundraising	
Compensation and Related Expense				
Wage expense	\$ 169,438	\$ 27,534	\$ 14,825	\$ 211,797
Workers' compensation insurance	1,112	181	97	1,390
Employee benefits	10,214	1,660	893	12,767
Payroll taxes	14,731	2,394	1,289	18,414
Total compensation and related	195,495	31,769	17,104	244,368
Direct Expenses				
Wigs and supplies	30,158	-	-	30,158
Medical support	5,248	-	-	5,248
Education and Social	8,829	-	-	8,829
Wellness center	-	39,610	-	39,610
Direct event expenses	-	-	6,950	6,950
Total direct expenses	44,235	39,610	6,950	90,795
Occupancy Expenses				
General liability insurance	4,920	800	430	6,150
Rent	17,606	2,861	1,540	22,007
Utilities	9,665	1,571	845	12,081
Maintenance	11,762	1,911	1,030	14,703
Telephone	3,504	569	307	4,380
Total occupancy expenses	47,457	7,712	4,152	59,321
Administrative Expenses				
Printing and postage	10,873	1,767	952	13,592
Office	6,822	1,109	597	8,528
Depreciation and amortization	28,800	4,680	2,520	36,000
Legal and accounting	7,952	1,292	696	9,940
Web and social media support	4,123	670	361	5,154
Computer support	5,846	950	511	7,307
Membership fees	1,828	297	160	2,285
Bank service charge	1,717	279	150	2,146
Total administrative expenses	67,961	11,044	5,947	84,952
Other Expenses				
Board expenses	1,641	-	-	1,641
Transportation expenses	1,273	207	111	1,591
Community outreach	2,087	339	183	2,609
Interest	1,104	179	97	1,380
Misc. other	983	160	86	1,229
In-kind donations	185,724	-	-	185,724
Total other expenses	192,812	885	477	194,174
Total functional expenses	\$ 547,960	\$ 91,020	\$ 34,630	\$ 673,610

See independent auditor's report and financial statements

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:

Change in net assets	\$ 162,574
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	36,000
Change in in-kind inventory	(530)
PPP loan forgiveness	(57,800)
(Increase) decrease in assets:	
Pledges receivable	(679)
Inventory	(886)
Prepaid expenses	3,375
Deposits	4,025
Increase (decrease) in liabilities:	
Accounts payable	<u>(120,731)</u>
Net cash provided by operating activities	<u>25,348</u>
Cash flows from investing activities:	
Purchases of fixed assets	<u>(250,431)</u>
Net cash used in investing activities	<u>(250,431)</u>
Cash flows from financing activities:	
Net borrowing (repayment) obligations	<u>107,746</u>
Net cash provided by financing activities	<u>107,746</u>
Net decrease in cash and cash equivalents	(117,337)
Cash and cash equivalents, beginning of period	<u>313,420</u>
Cash and cash equivalents, end of period	<u>\$ 196,083</u>

See independent auditor's report and financial statements

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 "Cuts 4 a Cause" Professional Training Program will ensure the stability and longevity of the Maggie's Wigs 4 Kids of Michigan program by training licensed cosmetologists to work with children.

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.

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.

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, 2020, the Organization held no bank deposits 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, 2020, the Organization believes that all pledges are collectible.

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Financial Assets

The Organization has \$196,762, of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$196,083, and receivables of \$679. 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 \$80,000. 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.

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.

NOTE 3 - INVENTORY

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

T-Shirts and Sweaters	\$ 3,284
Scarves, Hats, and Ties	2,476
Pens, Patches, Books, and Other	1,927
Necklaces	632
Holiday Cards	<u>168</u>
Total	<u>\$ 8,487</u>

See independent auditor's report and financial statements

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 – PROPERTY AND EQUIPMENT

The principal categories of equipment are summarized as follows:

Equipment	\$ 36,413
Furniture	16,247
Website	3,500
Building and improvements	1,020,926
Land	<u>140,000</u>
Total cost of property and equipment	1,217,086
Less: accumulated depreciation	<u>33,699</u>
Total property and equipment, net	<u>\$1,183,387</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, 2020 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. The organization exited this lease on June 30, 2020.

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. The organization exited this lease on June 30, 2020.

Rent expense for the year ended December 31, 2020 totaled \$22,007.

NOTE 7 – NOTES PAYABLE

Paycheck Protection Program

On April 22, 2020, the Organization received loan proceeds in the amount of \$57,800 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. On February 16, 2021, the full amount of the loan was forgiven and is recorded on the Statement of Activities.

MAGGIE'S WIGS 4 KIDS OF MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 – NOTES PAYABLE (CONTINUED)

Note Payable – SBA EIDL

On July 31, 2020, the Organization was awarded and Economic Injury Disaster Loan (EIDL) from the Small Business Administration in the amount of \$150,000. The terms of the note provide for deferment of the first payment for one year after the agreement. The note bears an interest rate of 2.75%, is payable in 330 monthly installments of \$641. The note is collateralized by the general assets of the business. This note was paid in full on January 8, 2021.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

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

The following table summarizes the portion of net assets that are restricted for the following purposes or periods at December 31, 2020:

Adopt-a-Kid	<u>\$ 146,100</u>
Total	<u>\$ 146,100</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	\$ 95,486
Donated Goods	<u>90,768</u>
Total In-Kind Donations	<u>\$ 186,254</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, 2020 was \$25,496.

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.

Subsequent to the Statement of Financial Position date, the Organization received loan forgiveness in full for the Paycheck Protection Program loan. That amount is recorded as revenue on the Statement of Activities. The Organization repaid its SBA EIDL Loan in full on January 8, 2021. The entire amount of the remaining note liability is recorded as a current liability on the Statement of Financial Position.