

CHILDREN WITH HAIRLOSS, INC.
South Rockwood, Michigan
FINANCIAL STATEMENTS
December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Children with Hair Loss, Inc.
South Rockwood, MI

We have audited the accompanying statement of Children with Hair Loss, Inc., (a Michigan non-profit corporation), which are comprised of the statements of financial position as of December 31, 2016, and the related statements of activities 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.

AUDITORS' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial

To the Board of Trustees
Children with Hair Loss, Inc.
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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 Children with Hair Loss, 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.

OTHER MATTER

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Holdan, Eperjesy & Associates, P.C.
February 9, 2017
Clinton Township, Michigan

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CHILDREN WITH HAIRLOSS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS

Current Assets:	
Cash and cash equivalents	\$139,676
Inventory of hair products	53,529

Total current assets	193,205
Property and equipment – net	288,748

Total Assets	\$481,953
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LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and other accrued expenses	8,356

Total current liabilities	8,356

Total Liabilities	8,356
Net Assets:	
Unrestricted	473,597

Total Liabilities and Net Assets	\$481,953
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The accompanying notes are an integral
part of the financial statements.

CHILDREN WITH HAIRLOSS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Grants	22,370	-	22,370
Donations	203,677	-	203,677
Special Events, net of expenses	542,568	-	542,568
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 Total revenue and support	 768,615	 -	 768,615
Functional expenses:			
Program services	694,506	-	694,506
Fundraising	3,754	-	3,754
Supporting services	82,710	-	82,710
	-----	-----	-----
Total functional expenses	780,970	-	780,970
	-----	-----	-----
(Decrease) in net assets	(12,355)	-	(12,355)
Net assets at beginning of year	485,952	-	485,952
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Net assets at end of year	\$476,597	-	\$473,597
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The accompanying notes are an integral
part of the financial statements.

CHILDREN WITH HAIRLOSS, INC.
STATEMENT OF FUNCTIONAL EXPENSES (990)
For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Fundraising</u>	<u>Supporting Services</u>	<u>Total</u>
Hair replacement expense	\$212,394	-	-	\$212,394
In-kind replacements	118,107	-	-	118,107
Compensation of officers and directors	132,577	-	9,979	142,556
Payroll taxes	10,435	-	785	11,220
Legal fees	-	3,754	3,753	7,507
Accounting	-	-	6,160	6,160
Advertising	30,825	-	-	30,825
Office	77,764	-	5,852	83,616
Occupancy	14,352	-	6,151	20,503
Travel	38,732	-	-	38,732
Conferences, conventions, and meetings	-	-	10,964	10,964
Depreciation	10,770	-	1,197	11,967
Bank charges	3,922	-	3,923	7,845
Dues and subscriptions	3,636	-	-	3,636
Other expenses	2,897	-	367	3,264
Information Technology	15,938	-	28,335	44,273
Insurance	-	-	3,576	3,576
Health & Life Insurance	22,157	-	1,668	23,825
	----- \$694,506 =====	----- \$ 3,754 =====	----- \$82,710 =====	----- \$ 780,970 =====

The accompanying notes are an integral part of the financial statements.

CHILDREN WITH HAIRLOSS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

Operating Activities	
Net (loss)	\$(12,355)
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Depreciation	11,967
Increase in inventory	(3,483)
Decrease in liabilities	(455)

Net Cash (Used) by Operating Activities	(4,326)

Net (Decrease) in Cash	(4,326)
Cash at the Beginning of the Year	144,002

Cash at the End of the Year	\$139,676
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The accompanying notes are an integral
part of the financial statements.

CHILDREN WITH HAIRLOSS, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016
(See accompanying accountant's report)

NOTE 1 – STATEMENT OF PURPOSE

Children with Hairloss, Inc. (the Organization) is a non-profit, non-stock Michigan corporation providing hair replacements, turbans, hats, bands of hair, custom fitting and cleaning packages for children up to age 21 due to medically related hair loss. The Organization helps as many children as possible by improving their lives with a new degree of self-confidence and renewed self-esteem.

The Organization's support comes primarily from public contributions and fund raising support. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CHILDREN WITH HAIRLOSS, INC.
NOTES TO THE FINANCIAL STATEMENTS – (contd.)
December 31, 2016
(See accompanying accountant's report)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers operating bank accounts as cash and all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents, for the purpose of the statement of cash flows, exclude permanently restricted cash and cash equivalents.

Inventory

Inventory is stated at cost, using first-in, first-out method of valuation.

Property Assets

Property and equipment purchased is carried at cost. Generally, the Organization capitalizes property and equipment with a cost of more than \$1,500. Donated fixed assets are carried at their estimated fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation expense totaled \$11,967 for the year ended December 31, 2016.

Contributions

The Organization has adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

CHILDREN WITH HAIRLOSS, INC.
NOTES TO THE FINANCIAL STATEMENTS – (contd.)
December 31, 2016
(See accompanying accountant’s report)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions – (contd.)

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted support is reported as an increase in the unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restriction.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when conditions on which they depend are substantially met and the promises become unconditional.

Special Events

Revenues from special events are reported as such. Certain special events, such as raffles, generate large amounts of receipts and direct costs, resulting in direct costs that are significant in comparison to the revenue from such special events.

Donated Services

Donated services are recorded as support and revenue on the date of receipt as estimated fair market value when an objective basis is available to measure their value. Donated services consisted of professional hair replacement services. As of December 31, 2016, professional hair replacement services were not estimated. Hundreds of hours were donated but an objective basis was not available to measure their value.

CHILDREN WITH HAIRLOSS, INC.
NOTES TO THE FINANCIAL STATEMENTS – (contd.)
December 31, 2016
(See accompanying accountant's report)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restrictions expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

If the contribution and use of the purpose-restricted donations occurs in the same period, then the support will be recorded as unrestricted.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting service benefits.

Concentration of Credit Risk

The Organization maintains cash balances in accounts insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Advertising

Advertising costs are expensed as incurred. Advertising costs totaled \$30,825 for the year ended December 31, 2016.

NOTE 3 – LEASING OF SPACE TO LIBRARY AND SALON

On August 31, 2005, the Organization entered into a 15 year lease in the amount of \$1.00 per year with Berlin Charter Township. The Library will pay up to \$300 per month toward utilities.

CHILDREN WITH HAIRLOSS, INC.
NOTES TO THE FINANCIAL STATEMENTS – (contd.)
December 31, 2016
(See accompanying accountant's report)

NOTE 3 – LEASING OF SPACE TO LIBRARY AND SALON (Continued)

The library informed the Organization that as of December 31, 2016 they would no longer be in the building or paying for utilities. The lease was entered into with the understanding that the Organization would not be liable for property taxes on the building. In 2006, the Organization was assessed taxes due to it using part of its space for a for-profit hair salon. An appeal was made but, denied by the township to waive the taxes. The for-profit hair salon does pay rent and a portion of the utilities. The Organization contends that the hair salon is vital to its operations. An appeal to the Michigan Tribunal has been made and they found that the property is 91% exempt from tax.

NOTE 4 – INCOME TAXES

The Organization has been granted tax-exempt status as provided by Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision has been included for federal or state taxes in the accompanying financial statements. The renting of the space is currently being considered an unrelated business activity and being reported starting in 2007 to the Internal Revenue Service. The activity is not designed to make a profit, no taxes are currently due.