

**KIDS KICKING CANCER, INC.**  
(a Michigan not-for-profit corporation)

**FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

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(a Michigan not-for-profit corporation)

FINANCIAL STATEMENTS  
December 31, 2017 and 2016

**BERGER, GHERSI & LADUKE PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**KIDS KICKING CANCER, INC.**  
**(a Michigan not-for-profit corporation)**

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# BERGER, GHERSI & LADUKE PLC

## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
**Kids Kicking Cancer, Inc.**  
Southfield, Michigan

We have audited the accompanying financial statements of

**Kids Kicking Cancer, Inc.**  
(a Michigan not-for-profit corporation)

which comprise the Statements of Financial Position as of December 31, 2017 and 2016, and the related Statements of Activities and Cash Flows for the years 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 of 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 **Kids Kicking Cancer, Inc.** as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

  
BERGER GHERSI & LADUKE PLC  
Certified Public Accountants

May 7, 2018

**KIDS KICKING CANCER, INC.**  
**(a Michigan not-for-profit corporation)**

STATEMENTS OF FINANCIAL POSITION  
December 31, 2017 and 2016

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ASSETS

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 414,562	\$ 448,794
Prepaid expenses	<u>16,853</u>	<u>8,932</u>
Total current assets	431,415	457,726
Net property and equipment	<u>62,847</u>	<u>1,975</u>
Total assets	<u>\$ 494,262</u>	<u>\$ 459,701</u>

LIABILITY AND NET ASSETS

Current liability:		
Accounts payable	<u>\$ 4,362</u>	<u>\$ 10,517</u>
Net assets:		
Unrestricted	474,900	449,184
Temporarily restricted	<u>15,000</u>	<u>          </u>
Total net assets	<u>489,900</u>	<u>449,184</u>
Total liability and net assets	<u>\$ 494,262</u>	<u>\$ 459,701</u>

See accompanying notes to the financial statements.

**KIDS KICKING CANCER, INC.**  
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STATEMENTS OF ACTIVITIES  
For the years ended December 31, 2017 and 2016

UNRESTRICTED NET ASSETS

	<u>2017</u>	<u>2016</u>
Revenue:		
Contribution income	\$ 1,156,921	\$ 952,127
Donated materials and services	<u>461,816</u>	<u>370,476</u>
Total revenue	<u>1,618,737</u>	<u>1,322,603</u>
Expenses:		
Program expenses	1,234,891	1,115,070
Management and general	159,986	143,427
Fundraising	<u>198,144</u>	<u>128,872</u>
Total expenses	<u>1,593,021</u>	<u>1,387,369</u>
Change in unrestricted net assets	25,716	(64,766)

TEMPORARILY RESTRICTED NET ASSETS

Contributions	15,000	
Net assets released from donor restrictions	<u>                    </u>	<u>(10,000)</u>
Change in temporarily restricted net assets	<u>15,000</u>	<u>(10,000)</u>

TOTAL NET ASSETS

Change in net assets	40,716	(74,766)
Net assets, beginning of year	<u>449,184</u>	<u>523,950</u>
Net assets, end of year	<u>\$ 489,900</u>	<u>\$ 449,184</u>

See accompanying notes to the financial statements.

**KIDS KICKING CANCER, INC.**  
**(a Michigan not-for-profit corporation)**

**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2017 and 2016

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	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 40,716	\$ (74,766)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	5,589	790
Changes in assets and liabilities:		
Prepaid expenses	(7,921)	3
Accounts payable	<u>(6,155)</u>	<u>6,087</u>
Cash flows from operating activities	32,229	(67,886)
Cash flows from investing activities:		
Acquisition of fixed assets	<u>(66,461)</u>	<u>          </u>
Net change in cash and cash equivalents	(34,232)	(67,886)
Cash, beginning of year	<u>448,794</u>	<u>516,680</u>
Cash, end of year	<u>\$ 414,562</u>	<u>\$ 448,794</u>
Supplemental disclosures:		
Interest paid	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the financial statements.



**KIDS KICKING CANCER, INC.**  
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STATEMENTS OF FUNCTIONAL EXPENSES  
(continued)  
For the years ended December 31, 2017 and 2016

	2017			
	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 362,471	\$ 93,841	114,409	\$ 570,721
Payroll tax expense	26,579	7,172	8,438	42,189
Health insurance	25,391	6,851	8,060	40,302
Employer 401(k) match	4,174	1,126	1,325	6,625
Payroll service		1,413		1,413
Worker's compensation insurance	<u>1,958</u>	<u>529</u>	<u>622</u>	<u>3,109</u>
Total payroll expenses	420,573	110,932	132,854	664,359
Advertising	1,066	533	1,066	2,665
Automobile expenses	3,348	186	186	3,720
Credit card processing fees		5,915		5,915
Depreciation	3,801	950	838	5,589
Design services	2,692		2,693	5,385
Donated services	135,448			135,448
Family support	28,526			28,526
Fundraising	8,858		35,431	44,289
Insurance	14,551	2,165		16,716
Occupancy costs	32,640	8,160	7,200	48,000
Office and business expenses	2,209	4,418	2,209	8,836
Outside contract services	20,383	10,191		30,574
Patient transportation	7,245			7,245
Postage and delivery	2,153	2,089	2,089	6,331
Printing	5,029	1,257	6,286	12,572
Professional fees		7,610		7,610
Program expenses	380,023			380,023
Program instructors	76,793			76,793
Supplies	18,794	1,901	1,901	22,596
Travel expenses	49,316		1,712	51,028
Uniforms and equipment	17,764			17,764
Utilities	<u>3,679</u>	<u>3,679</u>	<u>3,679</u>	<u>11,037</u>
Total expenses	<u>\$ 1,234,891</u>	<u>\$ 159,986</u>	<u>\$ 198,144</u>	<u>\$ 1,593,021</u>

See accompanying notes to the financial statements.

**KIDS KICKING CANCER, INC.**  
**(a Michigan not-for-profit corporation)**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the years ended December 31, 2017 and 2016

	2016			
	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 341,748	\$ 85,437	\$ 75,386	\$ 502,571
Payroll tax expense	27,754	6,939	6,121	40,814
Health insurance	22,445	5,611	4,951	33,007
Employer 401(k) match	2,948	737	651	4,336
Payroll service		1,291		1,291
Worker's compensation insurance	1,857	464	410	2,731
<b>Total payroll expenses</b>	<b>396,752</b>	<b>100,479</b>	<b>87,519</b>	<b>584,750</b>
Advertising	612	306	611	1,529
Automobile expenses	14,801	551	551	15,903
Credit card processing fees		494		494
Depreciation	679	62	49	790
Donated services	59,440			59,440
Fundraising	16		62	78
Insurance	13,195	2,005		15,200
Occupancy costs	30,051	7,620	6,729	44,400
Office expenses	15,813	16,634	17,757	50,204
Outside computer services	448	436	436	1,320
Patient transportation	6,246			6,246
Postage and delivery	2,006	1,947	1,947	5,900
Printing	5,156	1,289	6,446	12,891
Professional fees		7,500		7,500
Program expenses	311,036			311,036
Program instructors	171,035			171,035
Supplies	18,726			18,726
Travel expenses	50,569		2,661	53,230
Uniforms and equipment	14,385			14,385
Utilities	4,104	4,104	4,104	12,312
<b>Total expenses</b>	<b>\$ 1,115,070</b>	<b>\$ 143,427</b>	<b>\$ 128,872</b>	<b>\$ 1,387,369</b>

See accompanying notes to the financial statements.

**KIDS KICKING CANCER, INC.**  
**(a Michigan not-for-profit corporation)**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

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NOTE A - Summary of Significant Accounting Policies

Nature of activities - Kids Kicking Cancer, Inc. (KKC) is a domestic, not-for-profit corporation whose purpose is to develop programs to ease the pain of very sick children throughout the United States of America, while empowering them to heal physically, spiritually and emotionally. KKC's operations are primarily in Michigan and New York.

Method of accounting - The financial statements are prepared on the accrual basis of accounting.

Cash and cash equivalents - KKC defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Promises to give - Unconditional promises to give made to KKC are recorded in the year the pledge is made. There were no unconditional promises to give made in 2017 or 2016 that were not received by year end.

Accounts receivable - As there were no unconditional promises to give not collected by December 31, 2017 or 2016, there are no accounts receivable recorded in these financial statements. Accordingly, no allowance for doubtful accounts is necessary at December 31, 2017 and 2016.

Property and equipment - Capital additions to property and equipment exceeding \$1,000 are recorded at cost if purchased or, if donated, at fair market value at the date of the gift. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, generally three to ten years. Total depreciation expense for the years ended December 31, 2017 and 2016 was \$5,589 and \$790, respectively.

Net assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of KKC are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of KKC pursuant to those stipulations.

Income taxes - KKC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

KKC's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

Revenue recognition - KKC receives substantially all of its revenue from individual and corporate donors in the form of contributions.

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend, are substantially met.

**KIDS KICKING CANCER, INC.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
(continued)

December 31, 2017 and 2016

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NOTE A - Summary of Significant Accounting Policies (continued)

KKC reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

During 2014, a contribution of \$10,000 was received with a donor restriction that the funds be used for new management structure. During 2016, the management structure was changed with a new staff member dedicated to fundraising and the amount was released. During 2017, a contribution of \$20,000 was received with a donor restriction that the funds be used towards the salary of the staff member dedicated to fundraising. \$5,000 of the contribution had been used for the staff member's salary and released. The remaining amount of \$15,000 had not met the donor imposed restriction as December 31, 2017 and was reported as a temporarily restricted net asset. The \$15,000 was returned to the donor in March 2018.

Functional allocation of expenses - The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reporting period. Actual results could differ from those estimates.

NOTE B - Concentration of Credit Risk

KKC has concentrated its credit risk for cash by maintaining deposits in financial institutions which may, at times, exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. KKC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NOTE C - Date of Management's Review

Management has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

**KIDS KICKING CANCER, INC.**  
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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

December 31, 2017 and 2016

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**NOTE D - Property and Equipment**

The major categories of property and equipment at December 31 are summarized as follows:

	Depreciable Lives	2017	2016
Computers and equipment	5 to 10 years	\$ 57,468	\$ 57,468
Furniture and fixtures	5 to 7 years	3,554	3,554
Vehicles	5 years	107,032	40,571
Total property and equipment		168,054	101,593
Less: Accumulated depreciation		105,207	99,618
Net property and equipment		\$ 62,847	\$ 1,975

**NOTE E - Donated Materials and Services**

The value of donated materials, included as contributions on the Statement of Activities, was \$380,023 and \$311,036 for the years ended December 31, 2017 and 2016, respectively. These materials were used for and are included in program expenses on the Statements of Functional Expenses.

The value of donated services, included as contributions on the Statements of Activities, was \$76,793 and \$59,440 for the years ended December 31, 2017 and 2016, respectively. These services were used for and are included in program expenses on the Statements of Functional Expenses.

**NOTE F - Advertising Costs**

Advertising costs were expensed as incurred. Total advertising expense for the years ended December 31, 2017 and 2016 was \$2,665 and \$1,529, respectively.

**NOTE G - Concentration of Donors**

In 2017 and 2016, approximately 14% and 13%, respectively, of total revenue was received from one donor.

**KIDS KICKING CANCER, INC.**  
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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

December 31, 2017 and 2016

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NOTE H - Leases

KKC has a 3 year lease agreement which began in June 2013 for its administrative office. On April 12, 2016, the lease was amended for an additional 3 year term. The lease calls for base rental payments of \$4,000 per month through June 30, 2019.

Minimum payments under the administrative lease are as follows for the years ending December 31:

2018	\$	48,000
2019		24,000

Total rental expense for the administrative offices for the years ended December 31, 2017 and 2016 totaled \$48,000 and \$44,240, respectively, and are included in occupancy costs on the Statements of Functional Expenses.

KKC has an automobile lease with an original lease date of August 28, 2015. Monthly payments of \$296 commenced on September 28, 2016. The total amount paid on this lease in 2017 and 2016 was \$3,552 and \$3,552, respectively. These amounts are included in automobile expenses on the Statements of Functional Expenses. The term of the lease is 36 months.

Minimum payments under this lease are as follows for the years ending December 31:

2018	\$	2,368
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NOTE I - Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE J - Retirement Plan

KKC started a 401(k) retirement savings plan in 2016, which covers all eligible employees. KKC matches employee contributions to a maximum of 2%. The matching contribution was \$5,041 and \$4,336 for the years ended December 31, 2017 and 2016, respectively.