

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

**FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

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

FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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

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

TABLE OF CONTENTS

December 31, 2018 and 2017

---

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to the Financial Statements	8

# BERGER, GHERSI & LADUKE PLC

## CERTIFIED PUBLIC ACCOUNTANTS

300 East Long Lake Road, Suite 135  
Bloomfield Hills, Michigan 48304-2430  
(248) 333-3680 Fax (248) 333-0226  
Website: www.bglcpas.com

### 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, 2018 and 2017, and the related Statements of Activities, Functional Expenses, 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***

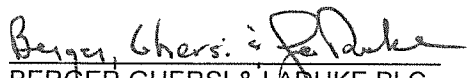
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2018 and 2017, 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 28, 2019

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

STATEMENTS OF FINANCIAL POSITION  
December 31, 2018 and 2017

---

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash	\$ 1,163,637	\$ 414,562
Short-term investments	1,000,000	
Prepaid expenses	<u>12,875</u>	<u>16,853</u>
Total current assets	2,176,512	431,415
Net property and equipment	<u>119,119</u>	<u>62,847</u>
Total assets	<u>\$ 2,295,631</u>	<u>\$ 494,262</u>

LIABILITY AND NET ASSETS

Current liability:		
Accounts payable	<u>\$ 17,132</u>	<u>\$ 4,362</u>
Net assets:		
Without donor restrictions		
Undesignated	1,903,222	474,900
Designation by the Board	<u>117,065</u>	<u>          </u>
	2,020,287	474,900
With donor restrictions		
Designated by donor	<u>258,212</u>	<u>15,000</u>
	258,212	15,000
Total net assets	<u>2,278,499</u>	<u>489,900</u>
Total liability and net assets	<u>\$ 2,295,631</u>	<u>\$ 494,262</u>

See accompanying notes to the financial statements.

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

STATEMENTS OF ACTIVITIES  
For the years ended December 31, 2018 and 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contribution income	\$ 2,827,707	\$ 317,000	\$ 3,144,707
State grants	117,813		117,813
Investment income	5,179		5,179
Donated materials and services	284,356		284,356
Net assets released from restrictions	<u>73,788</u>	<u>(73,788)</u>	
Total revenue	<u>3,308,843</u>	<u>243,212</u>	<u>3,552,055</u>
Expenses:			
Program expenses	1,343,493		1,343,493
Management and general	238,345		238,345
Fundraising	<u>181,618</u>		<u>181,618</u>
Total expenses	<u>1,763,456</u>		<u>1,763,456</u>
Change in net assets	1,545,387	243,212	1,788,599
Net assets, beginning of year	<u>474,900</u>	<u>15,000</u>	<u>489,900</u>
Net assets, end of year	<u>\$ 2,020,287</u>	<u>\$ 258,212</u>	<u>\$ 2,278,499</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contribution income	\$ 1,156,921	\$ 20,000	\$ 1,176,921
Donated materials and services	456,816		456,816
Net assets released from restrictions	<u>5,000</u>	<u>(5,000)</u>	
Total revenue	<u>1,618,737</u>	<u>15,000</u>	<u>1,633,737</u>
Expenses:			
Program expenses	1,234,891		1,234,891
Management and general	159,986		159,986
Fundraising	<u>198,144</u>		<u>198,144</u>
Total expenses	<u>1,593,021</u>		<u>1,593,021</u>
Change in net assets	25,716	15,000	40,716
Net assets, beginning of year	<u>449,184</u>		<u>449,184</u>
Net assets, end of year	<u>\$ 474,900</u>	<u>\$ 15,000</u>	<u>\$ 489,900</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, 2018 and 2017

---

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,788,599	\$ 40,716
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	19,213	5,589
Changes in assets and liabilities:		
Prepaid expenses	3,978	(7,921)
Accounts payable	<u>12,771</u>	<u>(6,155)</u>
Cash flows from operating activities	1,824,561	32,229
Cash flows from investing activities:		
Purchase of investments	(1,000,000)	
Acquisition of fixed assets	<u>(75,486)</u>	<u>(66,461)</u>
Net change in cash and cash equivalents	749,075	(34,232)
Cash, beginning of year	<u>414,562</u>	<u>448,794</u>
Cash, end of year	<u>\$ 1,163,637</u>	<u>\$ 414,562</u>
Supplemental disclosures:		
Interest paid	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the financial statements.



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

**STATEMENTS OF FUNCTIONAL EXPENSES**  
(continued)

For the years ended December 31, 2018 and 2017

	2018			
	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 427,330	\$ 97,676	\$ 85,466	\$ 610,472
Payroll tax expense	34,039	7,780	6,808	48,627
Health insurance	26,854	6,138	5,371	38,363
Employer 401(k) match	5,762	1,317	1,152	8,231
Payroll and benefit services		5,329		5,329
Worker's compensation insurance	<u>2,665</u>	<u>610</u>	<u>533</u>	<u>3,808</u>
<b>Total payroll expenses</b>	<b>496,650</b>	<b>118,850</b>	<b>99,330</b>	<b>714,830</b>
Advertising	806	807	806	2,419
Automobile expenses	3,310	207	621	4,138
Business expenses	2,180	2,181	2,180	6,541
Credit card processing fees		4,111		4,111
Depreciation	18,686	264	263	19,213
Design services	3,026		3,027	6,053
Donated services	108,385			108,385
Family support	1,350			1,350
Fundraising	9,967		39,870	49,837
Insurance	13,963	4,508		18,471
Occupancy costs	33,120	8,280	7,306	48,706
Office and business expenses	11,824	5,913	5,913	23,650
Outside contract services	243,045	74,845		317,890
Patient transportation	10,143			10,143
Postage and delivery	2,409	2,409	2,409	7,227
Printing	6,029	1,508	7,536	15,073
Professional fees		7,610		7,610
Program expenses	207,178			207,198
Program instructors	72,178			72,178
Supplies	17,822			17,822
Travel expenses	55,571		5,506	61,077
Uniforms and equipment	19,000			19,000
Utilities	<u>6,851</u>	<u>6,852</u>	<u>6,851</u>	<u>20,554</u>
<b>Total expenses</b>	<b><u>\$ 1,343,493</u></b>	<b><u>\$ 238,345</u></b>	<b><u>\$ 181,618</u></b>	<b><u>\$ 1,763,456</u></b>

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, 2018 and 2017

	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	1,958	529	622	3,109
<b>Total payroll expenses</b>	<b>420,573</b>	<b>110,932</b>	<b>132,854</b>	<b>664,359</b>
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	3,679	3,679	3,679	11,037
<b>Total expenses</b>	<b>\$ 1,234,891</b>	<b>\$ 159,986</b>	<b>\$ 198,144</b>	<b>\$ 1,593,021</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, 2018 and 2017

---

**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.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Promises to give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions. There were no unconditional promises to give made in 2018 or 2017 that were not received by year end.

Accounts receivable - The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As there were no unconditional promises to give not collected by December 31, 2018 or 2017, there are no accounts receivable recorded in these financial statements. Accordingly, no allowance for doubtful accounts is necessary at December 31, 2018 and 2017.

Property and equipment - Capital additions to property and equipment exceeding \$2,500 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, 2018 and 2017 was \$19,213 and \$5,589, respectively.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

December 31, 2018 and 2017

---

**NOTE A - Summary of Significant Accounting Policies (continued)**

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets from a grant received to cover expenses related to their developing virtual reality program.

Net assets with donor restrictions – Net assets subject to donor-(or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

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.

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, and those differences could be material.

**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.**  
**(a Michigan not-for-profit corporation)**

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

December 31, 2018 and 2017

---

**NOTE D - Property and Equipment**

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

	Depreciable Lives	2018	2017
Computers and equipment	5 to 10 years	\$ 3,950	\$ 57,468
Furniture and fixtures	5 to 7 years		3,554
Program/Medical equipment	5 years	38,747	
Vehicles	5 years	143,770	107,032
Total property and equipment		186,467	168,054
Less: Accumulated depreciation		67,348	105,207
Net property and equipment		\$ 119,119	\$ 62,847

**NOTE E - Donated Materials and Services**

The value of donated materials, included as contributions on the Statement of Activities, was \$212,187 and \$385,023 for the years ended December 31, 2018 and 2017, respectively. These materials were used for and are included in program expenses with on the Statements of Functional Expenses, with \$5,000 of donated materials per year categorized in uniforms.

The value of donated services, included as contributions on the Statements of Activities, was \$72,178 and \$76,793 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 was \$2,419 and \$2,665, respectively.

**NOTE G - Concentration of Donors**

In 2018 and 2017, approximately 38% and 14%, respectively, of total revenue was received from one donor.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**

December 31, 2018 and 2017

---

**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, 2018 and 2017 totaled \$48,000 and \$48,000, 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, 2015. The total amount paid on this lease in 2018 and 2017 was \$2,368 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
------	----	-------

KKC has an automobile lease with an original lease date of August 20, 2018. Monthly payments of \$318 commenced on August 20, 2018. The total amount paid on this lease in 2018 was \$1,590. 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:

2019	\$	3,811
2020		3,811
2021		2,326

**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.

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

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

December 31, 2018 and 2017

**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 \$8,231 and \$5,041 for the years ended December 31, 2018 and 2017, respectively.

**NOTE K – Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose:		
Designated for fundraising staff member	\$	\$ 15,000
Martial Arts Art Therapy Program	91,701	
KKC - Oak Park Schools Program	166,511	
Total	\$ 258,212	\$ 15,000

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Subject to expenditure for specified purpose:		
Salary for fundraising staff member	\$ 15,000	\$ 5,000
Martial Arts Art Therapy Program	25,299	
KKC - Oak Park Schools Program	33,489	
Total	\$ 73,788	\$ 15,000

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.

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

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

December 31, 2018 and 2017

---

**NOTE L – Board Designations Net Assets Without Restrictions**

KKC's governing board through specific action or through management policy has created self-imposed limits on net assets without donor restrictions. The board has earmarked \$117,065 for the following purposes as of December 31, 2018

	2018
For funding KKC's virtual reality program	\$117,065

**NOTE M – Liquidity and Availability of Financial Assets**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet, comprise the following:

	2018	2017
Cash and cash equivalents	\$ 1,163,637	\$ 414,562
Short-term investments	1,000,000	
Total	\$ 2,163,637	\$ 414,562

All board and donor amounts with restrictions limiting use at year end were designated to be used within a year.

As part of KKC's liquidity management plan, KKC invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

**NOTE N - Fair Value Measurements**

KKC reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, KKC attempts to utilize valuation methods that maximize the use of observable inputs. Based on the observability of the inputs used in the valuation methods, the information is provided according to the fair value hierarchy, classified in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

KKC holds short-term investments that are excess operating cash. These investments are meant to be short-term and able to convert to cash if needed to cover operating expenses. Short-term investments consist of commercial paper with original maturities of greater than three months but less than one year. These investments are considered available-for-sale and are recorded at fair value. As of December 31, 2018, the difference between the fair value of the short-term investments and the original cost was not material.



The following is a description of the valuation methodologies used for assets:

*Certificates of deposit (traditional)*: Valued at cost, which approximates fair value. As of December 31, 2018, short term investments consisted of certificate of deposit at financial institutions, with interest rates ranging from 2.45% to 2.7% and with various maturity dates.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2018:

	Assets at Fair Value as of:			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2018:				
Certificates of deposit	\$ 1,000,000	\$ _____	\$ 1,000,000	\$ _____
Total investments at fair value	\$ 1,000,000	\$ _____	\$ 1,000,000	\$ _____