

**HEARTS AND NOSES HOSPITAL
CLOWN TROUPE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

**HEARTS AND NOSES HOSPITAL
CLOWN TROUPE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

CONTENTS

Independent Accountant's Review Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-10

Independent Accountant's Review Report

To the Board of Directors
Heart and Noses Hospital Clown Troupe, Inc.
Needham, Massachusetts

We have reviewed the accompanying financial statements of Hearts and Noses Hospital Clown Troupe, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

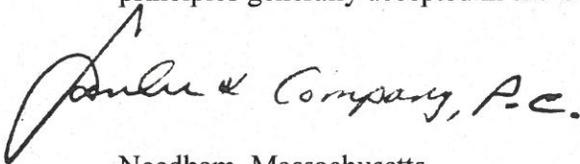
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Needham, Massachusetts
August 26, 2019

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
Current assets:		
Cash	\$ 144,875	\$ 96,262
Certificate of deposit	-	53,670
Prepaid expenses	361	4,514
Total assets	\$ 145,236	\$ 154,446

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 2,682	\$ 2,407
Accrued retirement plan contribution	1,214	1,214
	3,896	3,621
Net assets without donor restrictions	141,340	150,825
Total liabilities and net assets	\$ 145,236	\$ 154,446

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Support and revenue:		
Donated services	\$ 196,750	\$ 149,800
Contributions	107,091	93,241
Training fees and manual sales	1,920	440
Donated facilities	3,000	3,000
Interest income	1,132	126
Total support and revenue	<u>309,893</u>	<u>246,607</u>
 Expenses:		
Program services	272,654	216,139
Fundraising	26,546	27,568
General and administrative	20,178	20,386
Total expenses	<u>319,378</u>	<u>264,093</u>
 Decrease in net assets without donor restrictions	 (9,485)	 (17,486)
 Net assets without donor restrictions at beginning of year	 <u>150,825</u>	 <u>168,311</u>
 Net assets without donor restrictions at end of year	 <u>\$ 141,340</u>	 <u>\$ 150,825</u>

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General and Administrative</u>
Salaries				
Executive director	30,399	\$ 18,239	\$ 3,040	\$ 9,120
Administrative assistant	14,041	8,425	1,404	4,212
Artistic director	14,848	14,848	-	-
Payroll taxes	5,577	3,346	558	1,673
Retirement plan	936	561	94	281
Accounting	2,500	1,500	250	750
Computer services	716	716	-	-
Consulting services -				
Marketing	21,678	3,469	17,342	867
Support services	3,213	-	3,213	-
Clown services - donated	196,750	196,750	-	-
Dues and subscriptions	3,962	3,962	-	-
Insurance	2,058	1,235	206	617
Payroll service fees	676	405	68	203
Printing and brochures	225	225	-	-
Postage	409	245	41	123
Rent - donated facilities	3,000	1,800	300	900
Supplies	410	410	-	-
Telephone	302	181	30	91
Training	11,051	11,051	-	-
Travel and meals	5,286	5,286	-	-
Other	1,341	-	-	1,341
	<u>\$ 319,378</u>	<u>\$ 272,654</u>	<u>\$ 26,546</u>	<u>\$ 20,178</u>

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General and Administrative</u>
Salaries				
Executive director	\$ 29,817	\$ 17,890	\$ 2,982	\$ 8,945
Administrative assistant	15,222	9,133	1,522	4,567
Artistic director	10,294	10,294	-	-
Payroll taxes	4,850	2,910	485	1,455
Retirement plan	1,259	755	126	378
Accounting	2,500	1,500	250	750
Computer services	1,505	1,505	-	-
Consulting services -				
Marketing	23,631	3,782	18,904	945
Support services	2,726	-	2,726	-
Clown services - donated	149,800	149,800	-	-
Dues and subscriptions	3,662	3,662	-	-
Insurance	1,330	798	133	399
Payroll service fees	671	403	67	201
Printing and brochures	1,198	1,198	-	-
Postage	427	256	43	128
Rent - donated facilities	3,000	1,800	300	900
Supplies	1,044	1,044	-	-
Telephone	300	180	30	90
Training	5,933	5,933	-	-
Travel and meals	3,296	3,296	-	-
Other	1,628	-	-	1,628
	<u>\$ 264,093</u>	<u>\$ 216,139</u>	<u>\$ 27,568</u>	<u>\$ 20,386</u>

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Decrease in net assets without donor restrictions	\$ (9,485)	\$ (17,486)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Decrease/(increase) in prepaid expenses	4,153	(4,153)
Increase/(decrease) in accounts payable and accrued expenses	<u>275</u>	<u>(163)</u>
Net cash used by operating activities	<u>(5,057)</u>	<u>(21,802)</u>
Cash flows from investing activities		
Purchase of certificate of deposit	(100,000)	(53,670)
Redemption of certificate of deposit	<u>153,670</u>	<u>53,566</u>
Net cash provided (used) by investing activities	<u>53,670</u>	<u>(104)</u>
Net increase (decrease) in cash	48,613	(21,906)
Cash at the beginning of the year	<u>96,262</u>	<u>118,168</u>
Cash at the end of the year	<u><u>\$ 144,875</u></u>	<u><u>\$ 96,262</u></u>

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Nature of Activities

Hearts and Noses Hospital Clown Troupe, Inc. (the “Organization”) provides ongoing training and administrative support to develop and maintain a highly skilled clown troupe which serves a full range of medical settings including but not limited to hospitals, clinics and hospices. The clown troupe promotes healing for sick children by helping to create a cheerful, positive and joyful hospital environment for the patients and their families. The Organization is a not-for-profit corporation.

2. Significant Accounting Policies

Basis of Presentation

Generally accepted accounting principles require the Organization 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. The Organization does not have any net assets with donor restrictions at the present time.

Use of 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.

Contributions

A contribution received by the Organization is recognized when the donor makes an unconditional promise to give to the Organization. Contributions received are recorded as with restrictions or without restrictions depending on the existence or nature of any donor restrictions.

See independent accountant’s review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. Significant Accounting Policies (continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

Members of the clown troupe perform as volunteers and are not paid by the Organization or by the medical facilities in which they perform. Clown services provided by the members of the clown troupe are recorded as donated services as management believes that recognizing the donated clown services in the financial statements will more accurately reflect the Organization's activities. The value of donated clown services is determined by using rates charged by professional clowns for similar performances at private functions. The value of donated clown services amounted to \$196,750 in 2018 and \$149,800 in 2017.

Members of the Board of Directors and other persons contribute significant amounts of time in administrative and fund-raising activities without being paid. These donated services are not recognized in the financial statements because they do not meet the criteria for recognition under generally accepted accounting principles.

Donated Facilities

Donated facilities are recorded as donations received and rental expense in the amount of the fair value of the premises.

Functional Expenses

The statements of expenses list expenses by type of expense (natural classification) and show the allocation between the functional classifications of program, fundraising, and general and administrative. Program services represent costs incurred to provide clowning performances to medical facilities. All allocations are determined by management equitably and on a time and effort basis.

Income Taxes

No provision for income taxes has been made in these financial statements because the Organization is a not-for-profit corporation, exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through August 26, 2019, the date the financial statements were available to be issued, and has determined that there are no subsequent events which occurred that require recognition or additional disclosure in these financial statements.

3. Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14: Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires changes to the financial reporting model of organizations which follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

4. Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows have seasonal variations during the year attributable to a concentration of contributions received near calendar year end. To manage liquidity, the Organization invests cash in excess of daily requirements in short-term investments.

There are no donor-imposed restrictions or internal designations on financial assets as of the balance sheet date. Net assets as of December 31, 2018 and 2017 as presented on the statements of financial position are financial assets available to meet cash needs for general expenditures within one year.

5. Major Donors

Three major donors provided 33% of total contributions in 2018 and 38% of total contributions in 2017.

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

6. Concentration of Credit Risk

The Organization maintains its cash in a bank checking account. The Organization's certificate of deposit held at December 31, 2017 was issued by the same bank. The Organization's checking account and certificates of deposit are insured by the Federal Deposit Insurance Corporation up to a limit of \$250,000 for each bank.

7. Certificate of Deposit

Certificate of deposit at the end of 2017 consisted of one certificate due in May 2018 with interest of 0.20%.

8. Retirement Plan

The Organization has a defined contribution retirement plan covering eligible employees. Under the provisions of the plan, employees can elect to have a portion of their salary withheld and contributed to a Simple Retirement Plan. The Organization may make a contribution to the plan each year at the discretion of the board of directors. The Organization's contribution was \$936 in 2018 and \$1,259 in 2017.

9. Related Party Transactions

The Executive Director donates office space, located in Needham, Massachusetts, to the Organization. The fair market rental of the donated facilities in 2018 and 2017 amounted to \$3,000.

See independent accountant's review report.