

**HEARTS AND NOSES HOSPITAL
CLOWN TROUPE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019, and the related statements of activities, functional 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

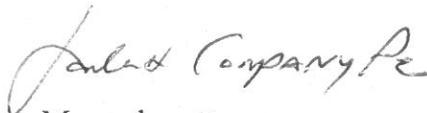
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and 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
December 8, 2021

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 143,318	\$ 121,671
Prepaid expenses	361	361
Total assets	\$ 143,679	\$ 122,032

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 2,076	\$ 2,191
Accrued retirement plan contribution	1,214	1,214
Paycheck Protection Program loan	12,887	-
	16,177	3,405
Net assets without donor restrictions	127,502	118,627
Total liabilities and net assets	\$ 143,679	\$ 122,032

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Support and revenue:		
Donated services	\$ 45,000	\$ 173,800
Contributions	90,890	105,648
Training fees and manual sales	591	600
Donated facilities	3,000	3,000
Interest income	27	7
Total support and revenue	<u>139,508</u>	<u>283,055</u>
Expenses:		
Program services	92,366	247,100
Fundraising	19,280	32,772
General and administrative	18,987	25,896
Total expenses	<u>130,633</u>	<u>305,768</u>
Increase (decrease) in net assets without donor restrictions	8,875	(22,713)
Net assets without donor restrictions at beginning of year	<u>118,627</u>	<u>141,340</u>
Net assets without donor restrictions at end of year	<u>\$ 127,502</u>	<u>\$ 118,627</u>

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General and Administrative</u>
Salaries				
Executive director	\$ 27,024	\$ 16,215	\$ 2,702	\$ 8,107
Administrative assistant	9,677	5,806	968	2,903
Artistic director	7,722	7,722	-	-
Paid clowns	4,797	4,797	-	-
Payroll taxes	5,174	3,105	517	1,552
Retirement plan	1,222	733	122	367
Accounting	2,000	-	-	2,000
Computer services	488	488	-	-
Consulting services -				
Marketing	11,497	1,841	9,197	459
Support services	1,837	-	1,837	-
Clown services - donated	45,000	45,000	-	-
Dues and subscriptions	3,455	-	3,259	196
Insurance	2,572	1,543	257	772
Payroll service fees	710	426	71	213
Printing and brochures	225	-	-	225
Postage	297	178	30	89
Rent - donated facilities	3,000	1,800	300	900
Supplies	244	244	-	-
Telephone	200	120	20	60
Training	687	687	-	-
Travel and meals	1,661	1,661	-	-
Other	1,144	-	-	1,144
	<u>\$ 130,633</u>	<u>\$ 92,366</u>	<u>\$ 19,280</u>	<u>\$ 18,987</u>

See accompanying notes and independent accountant's report

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General and Administrative</u>
Salaries				
Executive director	\$ 33,234	\$ 19,941	\$ 3,323	\$ 9,970
Administrative assistant	11,785	7,070	1,179	3,536
Artistic director	14,587	14,587	-	-
Payroll taxes	6,282	3,769	628	1,885
Retirement plan	1,259	755	126	378
Accounting	2,750	-	-	2,750
Computer services	559	559	-	-
Consulting services -				
Marketing	26,030	4,165	20,824	1,041
Support services	2,779	-	2,779	-
Clown services - donated	173,800	173,800	-	-
Dues and subscriptions	4,010	-	3,259	751
Insurance	2,022	1,213	202	607
Payroll service fees	703	422	70	211
Printing and brochures	1,066	-	-	1,066
Postage	520	312	52	156
Rent - donated facilities	3,000	1,800	300	900
Supplies	403	403	-	-
Telephone	302	181	30	91
Training	13,566	13,566	-	-
Travel and meals	4,557	4,557	-	-
Other	2,554	-	-	2,554
	<u>\$ 305,768</u>	<u>\$ 247,100</u>	<u>\$ 32,772</u>	<u>\$ 25,896</u>

See accompanying notes and independent accountant's report

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets without donor restrictions	\$ 8,875	\$ (22,713)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Decrease in accounts payable and accrued expenses	(115)	(491)
Net cash provided (used) by operating activities	8,760	(23,204)
Net cash provided by financing activities:		
Proceeds from Paycheck Protection Program loan	12,887	-
Net increase (decrease) in cash	21,647	(23,204)
Cash at the beginning of the year	121,671	144,875
Cash at the end of the year	\$ 143,318	\$ 121,671

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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.

In March 2020 the World Health Organization declared the outbreak of the Covid-19 virus a pandemic. Within a few weeks of this declaration the government of the United States declared a national emergency and major sectors of economic activity were shut down by state or federal government action. In response to the pandemic, hospitals and other medical settings suspended the entertainment events provided by the Organization. The Organization did not conduct any entertainment performances in the last nine months of 2020 and during most of 2021. The Organization has been able to maintain its administration functions at a reduced level with the support of contributions and the Paycheck Protection Program loan described in Note 7.

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.

Cash and Cash Equivalents

Money market funds are considered to be cash equivalents.

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. Significant Accounting Policies (continued)

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.

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 \$45,000 in 2020 and \$173,800 in 2019.

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.

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. Significant Accounting Policies (continued)

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.

3. Adoption of Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2018-08: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update clarify and improve current guidance about whether a transfer of assets should be accounted for as contributions (nonreciprocal transactions) within the scope of ASU 2018-08, or as exchanges (reciprocal transactions) subject to other guidance. Additional provisions determine whether a contribution is conditional. The amendments in this ASU were effective for the Organization for the year ending December 31, 2019. The amendments did not have a material impact on its financial statements.

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 a money market account.

There are no donor-imposed restrictions or internal designations on financial assets as of the balance sheet date. Net assets as of December 31, 2020 and 2019 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 38% of total contributions in 2020 and 38% of total contributions in 2019.

6. Concentration of Credit Risk

The Organization maintains some of its cash in a money market account at a bank. The Organization’s bank accounts are insured up to the federal limit of \$250,000.

See independent accountant’s review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

7. Note Payable – Paycheck Protection Program

In March 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) to help businesses and other entities retain employees through the Paycheck Protection Program (“PPP”). In May 2020, the Organization received a loan of \$12,887 from Eastern Bank as part of the PPP which is administered by the Small Business Administration (“SBA”). The loan had a maturity date in two years with interest at a fixed rate of 1.0%. Payments were deferred for a period of 6 months. The loan and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent and utilities and maintains payroll levels. During 2020. The loan is shown as a liability on the statement of financial position as of December 31, 2020.

The SBA approved forgiveness of the loan early in 2021. The forgiveness will be reflected as elimination of the liability and as a gain from forgiveness of debt in the financial statements for 2021.

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 \$1,222 in 2020 and \$1,259 in 2019.

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 2020 and 2019 amounted to \$3,000.

10. Subsequent Events

The PPP loan which was outstanding as of December 31, 2020 was forgiven in 2021. By the end of 2021, the Organization has resumed performances at 2 of the hospital partners.

Management has evaluated subsequent events through December 8, 2021, the date the financial statements were available to be issued, and has determined that there are no other subsequent events which occurred that require recognition or additional disclosure in these financial statements.

See independent accountant’s review report.