

**HEARTS AND NOSES HOSPITAL
CLOWN TROUPE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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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, 2022 and 2021, 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.

We are required to be independent of Hearts and Noses Hospital Clown Troupe, Inc. and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

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
October 19, 2023

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 188,717	\$ 175,730
Total assets	\$ 188,717	\$ 175,730
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,495	\$ 2,476
Accrued retirement plan contribution	1,073	853
	3,568	3,329
Net assets without donor restrictions	185,149	172,401
Total liabilities and net assets	\$ 188,717	\$ 175,730

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Support and revenue:		
Donated services	\$ 191,500	\$ 173,800
Contributions	104,205	98,152
Training fees and manual sales	408	174
Government grant (Paycheck Protection Plan loan forgiveness)	-	12,887
Donated facilities	3,000	3,000
Interest income	66	19
Total support and revenue	<u>299,179</u>	<u>288,032</u>
Expenses:		
Program services	243,537	207,638
Fundraising	21,225	13,136
General and administrative	21,669	22,359
Total expenses	<u>286,431</u>	<u>243,133</u>
Increase in net assets without donor restrictions	12,748	44,899
Net assets without donor restrictions at beginning of year	<u>172,401</u>	<u>127,502</u>
Net assets without donor restrictions at end of year	<u>\$ 185,149</u>	<u>\$ 172,401</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, 2022

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General and Administrative</u>
Salaries				
Executive director	\$ 23,019	\$ 13,811	\$ 2,302	\$ 6,906
Administrative assistant	14,921	8,953	1,492	4,476
Artistic director	7,722	7,722	-	-
Paid clowns	11,850	11,850	-	-
Payroll taxes	5,691	3,415	569	1,707
Retirement plan	1,230	738	123	369
Accounting	2,500	-	-	2,500
Computer services	19	19	-	-
Consulting services -				
Fund-raising	7,332	-	7,332	-
Support services	5,066	-	5,066	-
Clown services - donated	191,500	191,500	-	-
Dues and subscriptions	4,546	-	3,259	1,287
Insurance	1,630	978	163	489
Payroll service fees	781	469	78	234
Printing and brochures	1,412	50	500	862
Postage	279	167	28	84
Rent - donated facilities	3,000	1,800	300	900
Supplies	1,091	1,091	-	-
Telephone	127	76	13	38
Training	281	281	-	-
Travel and meals	617	617	-	-
Other	1,817	-	-	1,817
	<u>\$ 286,431</u>	<u>\$ 243,537</u>	<u>\$ 21,225</u>	<u>\$ 21,669</u>

See accompanying notes and independent accountant's report

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General and Administrative</u>
Salaries				
Executive director	\$ 18,267	\$ 10,960	\$ 1,827	\$ 5,480
Administrative assistant	11,041	6,625	1,104	3,312
Artistic director	7,722	7,722	-	-
Paid clowns	450	450	-	-
Payroll taxes	4,392	2,635	439	1,318
Retirement plan	861	517	86	258
Accounting	3,600	-	-	3,600
Computer services	118	118	-	-
Consulting services -				
Marketing	5,088	815	4,070	203
Support services	1,684	-	1,684	-
Clown services - donated	173,800	173,800	-	-
Dues and subscriptions	4,137	-	3,259	878
Insurance	2,626	1,576	263	787
Payroll service fees	682	409	68	205
Printing and brochures	3,766	-	-	3,766
Postage	225	135	23	67
Rent - donated facilities	3,000	1,800	300	900
Telephone	127	76	13	38
Other	1,547	-	-	1,547
	<u>\$ 243,133</u>	<u>\$ 207,638</u>	<u>\$ 13,136</u>	<u>\$ 22,359</u>

See accompanying notes and independent accountant's report

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets without donor restrictions	\$ 12,748	\$ 44,899
Adjustments to reconcile change in net assets to net cash from operating activities:		
Decrease in prepaid expenses	-	361
Government grant (Paycheck Protection Plan loan forgiveness)	-	(12,887)
Increase (decrease) in accounts payable and accrued expenses	19	400
Decrease in accrued retirement plan contribution	220	(361)
	12,987	32,412
Net cash provided by operating activities	12,987	32,412
Net increase in cash	12,987	32,412
Cash at beginning of year	175,730	143,318
Cash at end of year	\$ 188,717	\$ 175,730

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 part of 2021. The Organization was able to maintain its administration functions at a reduced level with the support of contributions and the Paycheck Protection Program loan described in Note 6.

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, 2022 AND 2021

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 \$191,500 in 2022 and \$173,800 in 2021.

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, 2022 AND 2021

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. 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 reporting date. Net assets as of December 31, 2022 and 2021 as presented on the statements of financial position are financial assets available to meet cash needs for general expenditures within one year.

4. Major Donors

Two major donors provided 28% of total contributions in 2022 and three major donors provided 28% of total contributions in 2021.

5. 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, 2022 AND 2021

6. 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. The loan was 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 is reflected as elimination of the liability and as a gain from forgiveness of debt in the financial statements for 2021.

7. 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 \$1,231 in 2022 and \$861 in 2021.

8. 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 2022 and 2021 amounted to \$3,000.

9. Subsequent Events

Management has evaluated subsequent events through October 19, 2023, 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.

See independent accountant’s review report.