

**HEARTS AND NOSES HOSPITAL
CLOWN TROUPE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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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 statements of financial position of Hearts and Noses Hospital Clown Troupe, Inc. as of December 31, 2011 and 2010, and the related statements of activities and cash flows and the supplemental schedules of expenses for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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

Our review has been made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The supplementary information accompanying the financial statements is presented only for purposes of additional analysis and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements. We did not become aware of any material modifications that should be made to the supplementary information.

July 5, 2012
Needham, Massachusetts



HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	2011	2010
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 63,623	\$ 43,132
Certificates of deposit	87,943	87,297
Prepaid insurance	578	578
Total assets	\$ 152,144	\$ 131,007

LIABILITIES & NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 1,746	\$ 2,386
Accrued retirement plan contribution	991	699
	2,737	3,085
Net assets - unrestricted	149,407	127,922
Total liabilities and net assets	\$ 152,144	\$ 131,007

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Changes in net assets:		
Support and revenue:		
Donated services	\$ 183,500	\$ 197,150
Contributions	103,501	67,228
Training fees and manual sales	2,580	5,014
Donated facilities	3,000	3,000
Interest income	646	582
Total support and revenue	293,227	272,974
Expenses:		
Program services	225,271	229,177
Fundraising	29,101	29,703
General and administrative	17,370	15,060
Total expenses	271,742	273,940
Increase (decrease) in net assets	21,485	(966)
Net assets at beginning of year	127,922	128,888
Net assets at end of year	\$ 149,407	\$ 127,922

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 21,485	\$ (966)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Interest added to certificates of deposit	(646)	(578)
Decrease in accounts payable and accrued expenses	(348)	(734)
Net cash provided (used) by operating activities	20,491	(2,278)
Cash flows from investing activities		
Purchase of certificate of deposit	-	(35,000)
Net cash used by investing activities	-	(35,000)
Net increase (decrease) in cash and cash equivalents	20,491	(37,278)
Cash and cash equivalents at beginning of year	43,132	80,410
Cash and cash equivalents at end of year	\$ 63,623	\$ 43,132

Non-cash Financial Transactions:

When the Organization's certificates of deposit matured, the proceeds together with interest earned were rolled over into new certificates with later maturity dates. In 2011, certificates of deposit with principal amount of \$87,297 and interest of \$558 were rolled over into new certificates of deposit. In 2010, certificates of deposit with principal amount of \$86,719 and interest of \$578 were rolled over into new certificates of deposit.

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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.

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any restricted net assets at the present time.

Cash and Cash Equivalents

Certificates of deposit with initial maturities of 90 days or less are considered to be cash equivalents.

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.

See independent accountant’s review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

2. Significant Accounting Policies (continued)

Contributions

The Organization accounts for contributions in accordance with generally accepted accounting principles. 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 unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donated Services

The Organization accounts for donated services in accordance with generally accepted accounting principles. 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. Beginning in the year ended December 31, 2010 the clown services provided by the members of the clown troupe were recorded as donated services. The value of donated clown services was determined by using rates charged by professional clowns for similar performances at private functions. See Note 8 regarding the Organization's change in policy regarding donated clown services.

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 were not recognized in the financial statements because they did 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.

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

2. Significant Accounting Policies (continued)

Nonprofit Status and Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Income tax benefits are recognized of income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operated. The Organization has taken the position that it meets the requirements of Section 501(c)(3) and its activities are not subject to income taxation. The Organization believes that this position will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect upon the Organization's statements of financial position, activities or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2011.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Subsequent Events

The Organization has evaluated subsequent events through July 5 2012, the date on which the financial statements were available to be issued.

3. Major Donors

Five donors provided 52% of total contributions during 2011 and five donors provided 55% of the total contributions during 2010.

4. Concentration of Credit Risk

The Organization maintains its cash in a bank checking account. The balances are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000.

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

5. Certificates of Deposit

Certificates of deposit at the end of the year consist of the following:

	<u>2011</u>	<u>2010</u>
Certificate due in November 2012 with interest at 1.00%	\$ 35,380	\$ -
Certificate due in December 2012 with interest at 1.00%	52,563	-
Certificate due in May 2011 with interest at 0.65%	-	35,085
Certificate due in June 2011 with interest at 0.65%	<u>-</u>	<u>52,212</u>
Total	<u>\$ 87,943</u>	<u>\$ 87,297</u>

6. 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 \$991 in 2011 and \$699 in 2010.

7. 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 2011 and 2010 amounted to \$3,000.

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

8. Change in Accounting Policy Regarding Donated Clown Services

In 2010 the Organization's management decided to change its accounting policy regarding donated clown services. Previously, the value of donated clown services was disclosed in the notes to financial statements, but was not reflected on the statement of activities as support or as expense. Under the new policy, the value of donated clown services is recognized as support received and as program expense. Management believes that recognizing the donated clown services in the financial statements in this manner will more accurately reflect the Organization's activities. The change has no effect on net assets since the support received is offset by the same amount of expense. The value of donated clown services was \$183,500 in 2011 and \$197,150 in 2010.

See independent accountant's review report.

SUPPLEMENTAL INFORMATION

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2011

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General & Administrative</u>
Salaries				
Executive Director	\$ 17,442	\$ 10,465	\$ 1,744	\$ 5,233
Payroll taxes	2,305	1,383	230	692
Retirement plan	830	498	83	249
Accounting	2,500	-	-	2,500
Administrative assistant	5,258	-	-	5,258
Advertising	3,375	3,375	-	-
Computer services	543	543	-	-
Consulting services:				
Marketing	23,408	-	23,408	-
Support services	2,872	-	2,872	-
Clown services-donated	183,500	183,500	-	-
Dues & subscriptions	1,912	1,912	-	-
Insurance	1,263	758	126	379
Payroll service fees	667	400	67	200
Printing & brochures	1,592	1,592	-	-
Professional fees	75			75
Postage	289	102	159	28
Rent-donated facilities	3,000	1,500	240	1,260
Supplies	358	358	-	-
Telephone	342	137	172	33
Training	17,121	17,121	-	-
Travel & meals	1,627	1,627	-	-
Other	1,463	-	-	1,463
	<u>\$ 271,742</u>	<u>\$ 225,271</u>	<u>\$ 29,101</u>	<u>\$ 17,370</u>

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2010

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General & Administrative</u>
Salaries				
Executive Director	\$ 19,198	\$ 11,519	\$ 1,920	\$ 5,759
Payroll taxes	2,680	1,608	268	804
Retirement plan	699	419	70	210
Accounting	2,300	-	-	2,300
Administrative assistant	4,013	-	-	4,013
Advertising	578	578	-	-
Computer services	4,841	4,841	-	-
Consulting services:				
Marketing	24,000	-	24,000	-
Support services	2,704	-	2,704	-
Clown services-donated	197,150	197,150	-	-
Dues & subscriptions	1,217	1,217	-	-
Insurance	1,310	786	131	393
Payroll service fees	652	391	65	196
Printing & brochures	75	75	-	-
				-
Postage	272	96	150	26
Rent-donated facilities	3,000	1,500	240	1,260
Supplies	22	22	-	-
Telephone	309	124	155	30
Training	8,657	8,657	-	-
Travel & meals	194	194	-	-
Other	69	-	-	69
	<u>\$ 273,940</u>	<u>\$ 229,177</u>	<u>\$ 29,703</u>	<u>\$ 15,060</u>

See independent accountant's review report.