

**HEARTS AND NOSES HOSPITAL
CLOWN TROUPE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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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, 2012 and 2011, 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.

October 11, 2013
Needham, Massachusetts



Sandler & Company, P.C.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 70,879	\$ 63,623
Certificates of deposit	88,719	87,943
Prepaid insurance	578	578
Total assets	\$ 160,176	\$ 152,144

LIABILITIES & NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 1,510	\$ 1,746
Accrued retirement plan contribution	1,034	991
	2,544	2,737
Net assets - unrestricted	157,632	149,407
Total liabilities and net assets	\$ 160,176	\$ 152,144

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Changes in net assets:		
Support and revenue:		
Donated services	\$ 183,500	\$ 183,500
Contributions	91,154	103,501
Training fees and manual sales	4,223	2,580
Donated facilities	3,000	3,000
Interest income	776	646
Total support and revenue	282,653	293,227
Expenses:		
Program services	222,257	225,271
Fundraising	29,933	29,101
General and administrative	22,238	17,370
Total expenses	274,428	271,742
Increase in net assets	8,225	21,485
Net assets at beginning of year	149,407	127,922
Net assets at end of year	\$ 157,632	\$ 149,407

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash flows from operating activities		
Increase in net assets	\$ 8,225	\$ 21,485
Adjustments to reconcile change in net assets to net cash from operating activities:		
Interest added to certificates of deposit	(776)	(646)
Decrease in accounts payable and accrued expenses	(193)	(348)
Net cash provided by operating activities	7,256	20,491
Net increase in cash and cash equivalents	7,256	20,491
Cash and cash equivalents at beginning of year	63,623	43,132
Cash and cash equivalents at end of year	\$ 70,879	\$ 63,623

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 2012, certificates of deposit with principal amount of \$88,456 and interest of \$513 were rolled over into new certificates of deposit. In 2011, certificates of deposit with principal amount of \$87,297 and interest of \$558 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, 2012 AND 2011

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, 2012 AND 2011

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. 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 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, 2012 AND 2011

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, 2012.

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 October 11, 2013, the date on which the financial statements were available to be issued.

3. Major Donors

Five donors provided 48% of total contributions during 2012 and five donors provided 52% of the total contributions during 2011.

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, 2012 AND 2011

5. Certificates of Deposit

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

	<u>2012</u>	<u>2011</u>
Certificate due in January 2013 with interest at 1.00%	\$ 35,586	\$ -
Certificate due in January 2013 with interest at 1.00%	52,870	-
Certificate due in November 2012 with interest at 1.00%	-	35,380
Certificate due in December 2012 with interest at 1.00%	<u>-</u>	<u>52,563</u>
Total	<u>\$ 88,456</u>	<u>\$ 87,943</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 \$1,034 in 2012 and \$991 in 2011.

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 2012 and 2011 amounted to \$3,000.

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

8. Change in Accounting Policy Regarding Donated Clown Services

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 2012 and 2011.

See independent accountant's review report.

SUPPLEMENTAL INFORMATION

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2012

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General & Administrative</u>
Salaries				
Executive Director	\$ 20,998	\$ 12,599	\$ 2,100	\$ 6,299
Payroll taxes	2,716	1,630	271	815
Retirement plan	945	567	94	284
Accounting	2,500	-	-	2,500
Administrative assistant	7,014	-	-	7,014
Advertising	227	227	-	-
Computer services	64	64	-	-
Consulting services:				
Marketing	24,235	3,878	19,388	969
Support services	7,301	-	7,301	-
Clown services-donated	183,500	183,500	-	-
Dues & subscriptions	1,490	1,490	-	-
Insurance	1,258	755	126	377
Payroll service fees	629	377	63	189
Printing & brochures	3,732	3,732	-	-
Postage	360	127	198	35
Rent-donated facilities	3,000	1,500	240	1,260
Supplies	242	242	-	-
Telephone	302	121	152	29
Training	10,835	10,835	-	-
Travel & meals	613	613	-	-
Other	2,467	-	-	2,467
	<u>\$ 274,428</u>	<u>\$ 222,257</u>	<u>\$ 29,933</u>	<u>\$ 22,238</u>

See independent accountant's review report.

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.