

**HEARTS AND NOSES HOSPITAL
CLOWN TROUPE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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CONTENTS

Independent Accountant's Review Report	1
Statements of Financial Position December 31, 2010 and 2009	2
Statements of Activities Years ended December 31, 2010 and 2009	3
Statements of Cash Flows Years ended December 31, 2010 and 2009	4
Notes to Financial Statements	5-8
Supplemental Information – Schedules of Expenses	9-10

Independent Accountant's Review Report

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

We have reviewed the accompanying statements of financial position of Hearts and Noses Hospital Clown Troupe, Inc. as of December 31, 2010 and 2009, 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.

October 28, 2011
Needham, Massachusetts



HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	2010	2009
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 43,132	\$ 80,410
Certificates of deposit	87,297	51,719
Prepaid insurance	578	578
Total assets	<u>\$ 131,007</u>	<u>\$ 132,707</u>

LIABILITIES & NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 2,386	\$ 3,120
Accrued retirement plan contribution	699	699
	3,085	3,819
Net assets - unrestricted	127,922	128,888
Total liabilities and net assets	<u>\$ 131,007</u>	<u>\$ 132,707</u>

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Changes in net assets:		
Support and revenue:		
Donated services	\$ 197,150	\$ -
Contributions	67,228	55,101
Training fees and manual sales	5,014	3,857
Donated facilities	3,000	3,000
Interest income	582	1,690
Total support and revenue	272,974	63,648
Expenses:		
Program services	229,177	30,467
Fundraising	29,703	29,255
General and administrative	15,060	18,306
Total expenses	273,940	78,028
Decrease in net assets	(966)	(14,380)
Net assets at beginning of year	128,888	143,268
Net assets at end of year	\$ 127,922	\$ 128,888

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash flows from operating activities		
Decrease in net assets	\$ (966)	\$ (14,380)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Interest added to certificates of deposit	(578)	(1,292)
Decrease in accounts payable and accrued expenses	(734)	(2,631)
Net cash used by operating activities	(2,278)	(18,303)
Cash flows from investing activities		
Purchase of certificate of deposit	(35,000)	-
Net cash used by investing activities	(35,000)	-
Net decrease in cash and cash equivalents	(37,278)	(18,303)
Cash and cash equivalents at beginning of year	80,410	98,713
Cash and cash equivalents at end of year	\$ 43,132	\$ 80,410

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 2010, certificates of deposit with principal amount of \$86,719 and interest of \$578 were rolled over into new certificates of deposit. In 2009, certificates of deposit with principal amount of \$50,427 and interest of \$1,292 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, 2010 AND 2009

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.

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.

See independent accountant’s review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

2. Significant Accounting Policies (continued)

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 parties. 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 amount 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.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ended December 31, 2010, 2009, and 2008 are subject to examination by the Internal Revenue Service.

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

2. Significant Accounting Policies (continued)

Subsequent Events

The Organization has evaluated subsequent events through October 28, 2011, the date on which the financial statements were available to be issued.

3. Major Donors

Five donors provided 55% of total contributions during 2010 and four donors provided 54%, of the total contributions during 2009.

4. Concentration of Credit Risk

From time to time the Organization holds checking and savings account balances that exceed the \$250,000 amount covered by Federal Deposit Insurance.

5. Certificates of Deposit

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

	<u>2010</u>	<u>2009</u>
Certificate due in May 2011 with interest at 0.65%	\$ 35,085	\$ -
Certificate due in June 2011 with interest at 0.65%	52,212	-
Certificate due in May 2010 with interest at 1.24%	<u>-</u>	<u>51,719</u>
Total	<u>\$ 87,297</u>	<u>\$ 51,719</u>

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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 \$699 in 2010 and \$699 in 2009.

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 2010 and 2009 amounted to \$3,000.

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 \$197,150 in 2010.

Management has decided not to apply the new policy retroactively, and accordingly the 2009 financial statements have not been restated. The value of donated clown services as disclosed in the 2009 financial statements was \$32,500.

See independent accountant's review report.

SUPPLEMENTAL INFORMATION

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.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2009

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General & Administrative</u>
Salaries				
Executive Director	\$ 23,295	\$ 13,976	\$ 2,330	\$ 6,989
Payroll taxes	2,656	1,594	266	796
Retirement plan	699	419	70	210
Accounting	2,400	-	-	2,400
Administrative assistant	4,760	-	-	4,760
Advertising	447	447	-	-
Computer services	1,204	1,204	-	-
Consulting services:				
Marketing	21,932	-	21,932	-
Support services	3,454	-	3,454	-
Dues & subscriptions	1,108	1,108	-	-
Insurance	1,253	752	125	376
Payroll service fees	658	395	66	197
Printing & brochures	2,858	2,453	405	-
Professional fees	272	272	-	-
Postage	430	152	237	41
Rent-donated facilities	3,000	1,500	240	1,260
Supplies	103	103	-	-
Telephone	260	104	130	26
Training	5,686	5,686	-	-
Travel & meals	302	302	-	-
Other	1,251	-	-	1,251
	<u>\$ 78,028</u>	<u>\$ 30,467</u>	<u>\$ 29,255</u>	<u>\$ 18,306</u>

See independent accountant's review report.