

**HEARTS AND NOSES HOSPITAL
CLOWN TROUPE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, and the related statements of activities 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

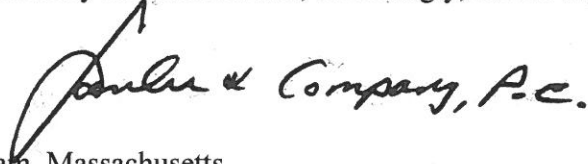
Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting 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.

Supplementary Information

The information in the schedules of expenses on pages 10-11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our reviews, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with generally accepted accounting principles. We have not audited the supplementary information and, accordingly, do not express an opinion on such information.

A handwritten signature in black ink that reads "Paul & Company, P.C." with a stylized flourish at the beginning.

Needham, Massachusetts
September 20, 2018

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
Current assets:		
Cash	\$ 96,262	\$ 118,168
Certificates of deposit	53,670	53,566
Prepaid expenses	4,514	361
Total assets	\$ 154,446	\$ 172,095

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 2,407	\$ 2,570
Accrued retirement plan contribution	1,214	1,214
	3,621	3,784
Net assets - unrestricted	150,825	168,311
Total liabilities and net assets	\$ 154,446	\$ 172,095

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Support and revenue:		
Donated services	\$ 149,800	\$ 198,450
Contributions	93,241	116,469
Training fees and manual sales	440	2,875
Donated facilities	3,000	3,000
Interest income	126	139
Total support and revenue	<u>246,607</u>	<u>320,933</u>
Expenses:		
Program services	216,139	252,857
Fundraising	27,568	23,437
General and administrative	20,386	16,837
Total expenses	<u>264,093</u>	<u>293,131</u>
Increase/(decrease) in unrestricted net assets	(17,486)	27,802
Unrestricted net assets at beginning of year	<u>168,311</u>	<u>140,509</u>
Unrestricted net assets at end of year	<u>\$ 150,825</u>	<u>\$ 168,311</u>

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities		
Increase/(decrease) in unrestricted net assets	\$ (17,486)	\$ 27,802
Adjustments to reconcile change in net assets to net cash from operating activities:		
Interest added to certificates of deposit	(104)	(107)
Increase in prepaid expenses	(4,153)	-
Increase/(decrease) in accounts payable and accrued expenses	(163)	467
Net cash provided/(used) for operating activities	(21,906)	28,162
Net increase/(decrease) in cash	(21,906)	28,162
Cash at the beginning of the year	118,168	90,006
Cash at the end of the year	\$ 96,262	\$ 118,168

Non-cash Investing Activities:

Interest earned on the certificates of deposit (\$104 in 2017 and \$107 in 2016) was added to the certificates rather than being received in cash. Maturing certificates of deposit were rolled over into new certificates of deposit with later maturity dates, in the amounts of \$53,670 in 2017 and \$53,566 in 2016.

See accompanying notes and independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 temporarily or permanently restricted net assets 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.

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 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, 2017 AND 2016

2. Significant Accounting Policies (continued)

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 \$149,800 in 2017 and \$198,450 in 2016.

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.

Income Taxes

No provision for income taxes has been made in these financial statements because the Organization is a nonprofit corporation, exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through September 20, 2018, 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.

3. Major Donors

Three donors provided 38% of total contributions in 2017 and four donors provided 42% of total contributions in 2016.

4. Concentration of Credit Risk

The Organization maintains its cash in a bank checking account. The Organization's certificate of deposits held at December 31, 2017 and December 31, 2016 are issued by the same bank. The Organization's checking account and certificates of deposit are insured by the Federal Deposit Insurance Corporation up to a limit of \$250,000 for each bank.

5. Certificates of Deposit

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

	<u>2017</u>	<u>2016</u>
Certificate due in May 2018 with interest at 0.20%	\$ 53,670	\$ -
Certificate due in May 2017 with interest at 0.20%	<u>-</u>	<u>53,566</u>
Total	<u>\$ 53,670</u>	<u>\$ 53,566</u>

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 \$1,259 in 2017 and \$1,162 in 2016.

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 2017 and 2016 amounted to \$3,000.

See independent accountant's review report.

SUPPLEMENTAL INFORMATION

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General and Administrative</u>
Salaries				
Executive director	\$ 29,817	\$ 17,890	\$ 2,982	\$ 8,945
Administrative assistant	15,222	9,133	1,522	4,567
Artistic director	10,294	10,294	-	-
Payroll taxes	4,850	2,910	485	1,455
Retirement plan	1,259	755	126	378
Accounting	2,500	1,500	250	750
Computer services	1,505	1,505	-	-
Consulting services -				
Marketing	23,631	3,782	18,904	945
Support services	2,726	-	2,726	-
Clown services - donated	149,800	149,800	-	-
Dues and subscriptions	3,662	3,662	-	-
Insurance	1,330	798	133	399
Payroll service fees	671	403	67	201
Printing and brochures	1,198	1,198	-	-
Postage	427	256	43	128
Rent - donated facilities	3,000	1,800	300	900
Supplies	1,044	1,044	-	-
Telephone	300	180	30	90
Training	5,933	5,933	-	-
Travel and meals	3,296	3,296	-	-
Other	1,628	-	-	1,628
	<u>\$ 264,093</u>	<u>\$ 216,139</u>	<u>\$ 27,568</u>	<u>\$ 20,386</u>

See independent accountant's review report.

HEARTS AND NOSES HOSPITAL CLOWN TROUPE, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2016

	<u>Total</u>	<u>Program Services</u>	<u>Fund- Raising</u>	<u>General and Administrative</u>
Salaries				
Executive director	\$ 23,746	\$ 14,248	\$ 2,375	\$ 7,123
Administrative assistant	13,918	8,351	1,392	4,175
Artistic director	1,505	1,505	-	-
Payroll taxes	3,670	2,202	367	1,101
Retirement plan	1,162	697	116	349
Accounting	2,500	1,500	250	750
Computer services	995	995	-	-
Consulting services -				
Marketing	18,775	3,005	15,020	750
Support services	3,344	-	3,344	-
Clown services - donated	198,450	198,450	-	-
Dues and subscriptions	2,843	2,843	-	-
Insurance	1,319	791	132	396
Payroll service fees	641	385	64	192
Printing and brochures	1,579	1,579	-	-
Postage	472	283	47	142
Rent - donated facilities	3,000	1,800	300	900
Supplies	725	725	-	-
Telephone	295	177	30	88
Training	5,564	5,564	-	-
Travel and meals	7,757	7,757	-	-
Other	871	-	-	871
	<u>\$ 293,131</u>	<u>\$ 252,857</u>	<u>\$ 23,437</u>	<u>\$ 16,837</u>

See independent accountant's review report.