



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Children's Healing Art Project, Inc.

Financial Statements and Other Information as of
and for the Year Ended December 31, 2016
and Independent Accountants' Review Report

CHILDREN'S HEALING ART PROJECT, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

*The Board of Directors
Children's Healing Art Project, Inc.:*

We have reviewed the accompanying financial statements of the Children's Healing Art Project, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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 accordance with accounting principles generally accepted in the United States.

Summarized Comparative Information

The accompanying 2015 summarized comparative information has been derived from the financial statements of the Children's Healing Art Project, Inc. as of December 31, 2015. The 2015 financial statements were reviewed by us, and in our report dated March 10, 2016, we stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States.



April 14, 2017

CHILDREN'S HEALING ART PROJECT, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

(WITH COMPARATIVE AMOUNTS FOR 2015)

	2016	2015
Assets:		
Cash and cash equivalents	\$ 95,828	49,540
Accounts receivable	7,471	11,580
Grants and contributions receivable (<i>note 4</i>)	16,204	10,000
Inventory (<i>note 5</i>)	21,368	20,809
Prepaid expenses and deposits	4,006	6,701
Furniture and equipment (<i>note 6</i>)	12,638	13,580
Total assets	\$ 157,515	112,210
Liabilities:		
Accounts payable and accrued expenses	18,592	23,703
Total liabilities	18,592	23,703
Net assets:		
Unrestricted:		
Available for programs and general operations	63,708	23,048
Net investment in capital assets	12,638	13,580
Total unrestricted	76,346	36,628
Temporarily restricted (<i>note 7</i>)	62,577	51,879
Total net assets	138,923	88,507
Commitments (<i>note 10</i>)		
Total liabilities and net assets	\$ 157,515	112,210

See independent accountants' review report and accompanying notes to financial statements.

CHILDREN'S HEALING ART PROJECT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			2015
	Unrestricted	Temporarily restricted	Total	
Revenues, gains, and other support:				
Grants and contributions	\$ 79,715	63,704	143,419	139,830
Sales, net of cost of sales of \$44 in 2016 and \$570 in 2015	1,135	—	1,135	658
Hospital project income	52,708	—	52,708	58,674
In-kind contributions	64,053	—	64,053	38,412
Special events, net of direct costs of \$43,467 in 2016 and \$42,778 in 2015	105,427	—	105,427	55,284
Gain on sale or disposal of capital assets	—	—	—	162
Other income	4	—	4	1,412
Total revenues and gains	303,042	63,704	366,746	294,432
Net assets released from restrictions (<i>note 8</i>)	53,006	(53,006)	—	—
Total revenues, gains, and other support	356,048	10,698	366,746	294,432
Expenses (<i>note 9</i>):				
Program services	206,956	—	206,956	219,922
Management and general	38,758	—	38,758	48,404
Fundraising	70,616	—	70,616	50,107
Total expenses	316,330	—	316,330	318,433
Increase (decrease) in net assets	39,718	10,698	50,416	(24,001)
Net assets at beginning of year	36,628	51,879	88,507	112,508
Net assets at end of year	\$ 76,346	62,577	138,923	88,507

See independent accountants' review report and accompanying notes to financial statements.

CHILDREN'S HEALING ART PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016				2015
	Program services	Management and general	Fundraising	Total	
Salaries and related expenses	\$ 135,050	30,040	25,480	190,570	173,544
Professional services	23,423	2,102	25,103	50,628	68,378
Bank fees	203	402	5,053	5,658	7,498
Royalties, fees, and dues	2,292	241	700	3,233	1,445
Occupancy	15,737	2,559	6,524	24,820	29,322
Materials and supplies	20,380	204	4,903	25,487	16,405
Printing and copying	1,126	68	1,370	2,564	1,804
Telephone and postage	2,255	323	901	3,479	4,739
Travel and meetings	207	5	182	394	768
Advertising	49	5	6	60	586
Insurance	2,425	329	156	2,910	4,555
Interest	—	1,577	—	1,577	1,752
Depreciation	3,230	414	238	3,882	3,248
Other	579	489	—	1,068	4,389
Total expenses	\$ 206,956	38,758	70,616	316,330	318,433

See independent accountants' review report and accompanying notes to financial statements.

CHILDREN'S HEALING ART PROJECT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
Cash flows from operating activities:		
Cash received from grants, contributions, and others	\$ 344,109	328,584
Cash paid to employees, suppliers, and others	(297,821)	(326,698)
Net cash provided by operating activities	46,288	1,886
Cash flows from investing activities:		
Cash received upon the sale of equipment	–	714
Net cash provided by investing activities	–	714
Net increase in cash and cash equivalents	46,288	2,600
Cash and cash equivalents at beginning of year	49,540	46,940
Cash and cash equivalents at end of year	\$ 95,828	49,540

See independent accountants' review report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. Organization

Incorporated in 2006, the Children's Healing Art Project, Inc. is a nonprofit service organization dedicated to bringing the healing power of art to children and families facing medical challenges. Through a mobile team of teaching artists who work in partnership with hospitals, schools, community organizations, and local businesses, the Children's Healing Art Project creates programs through which children are known for their creativity and ingenuity, rather than by their disease, diagnosis or disability.

2. Program Services

During the year ended December 31, 2016, the Children's Healing Art Project recorded 10,094 healing art experiences. With a staff of eight employees working the equivalent of 5.5 full-time employees, this was only possible thanks to 713 volunteers who donated over 11,248 hours of service.

During the year ended December 31, 2016, the organization incurred program service expenses in the following major categories:

In-Hospital Healing Art Program – Each week, teaching artists lead 50 hours of art adventures for children and their families at partners' facilities, including Doernbecher Children's Hospital, Knight Cancer Institute, the OHSU Pediatric Neurosurgery Clinic, and the Harold Schnitzer Diabetes Health Center. These programs utilize a vast array of art supplies and projects designed to spark each child's imagination to life. Whether through a beading project, puppet-making, collage, or simply drawing with a black marker on a sketch pad, these programs help ensure that each child finds his or her own voice through the artistic process.

Art Club – The organization's popular Art Club provides fun and engaging artistic experiences to children with medical challenges outside of the hospital. The two monthly Art Clubs, held at the organization's headquarters and in venues throughout the community, give children with medical challenges the chance to express themselves through creativity.

Outreach – Several times a year, the Children's Healing Art Project partners with other community organizations to provide healing art experiences, either at their location or at the organization's headquarters. Examples from 2016 include Camp Erin, an annual bereavement camp run by Providence Hospice; Harper's Playground, of which its vision is to create "a more inclusive world, one playground at a time;" and Shriner's Hospital.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by the organization are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – The organization has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 958-605, *Revenue Recognition*, and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions to be used for specific programs and activities.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, the organization considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Inventories – Inventories, which consist primarily of clothing, prints, and art supplies held for sale or for use in the organization’s programs, are carried at the lower of cost or fair value. Cost is determined using the first-in, first-out method.

Capital Assets and Depreciation – Property and equipment are carried at cost, and initially measured at fair value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally three to five years for furniture and equipment.

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

In-Kind Contributions – A number of unpaid volunteers have made significant contributions of their time to develop and implement the organization’s programs. In accordance with FASB ASC No. 958-605, *Revenue Recognition*, the value of such services, many of which the organization considers not practical to estimate, has not been recognized in the statement of activities. Significant services received which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated are recognized in the statement of activities.

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the organization’s activities.

During the year ended December 31, 2016, the following in-kind contributions were recorded by the organization:

Contributed services	\$	34,902
Material and supplies		19,316
Contributed facilities		6,895
Capital assets		2,940
	\$	64,053

Revenue Recognition – All grants and contributions are considered available for the unrestricted general operations of the organization unless specifically restricted by a donor. Sales revenues are recognized at the time services are provided and the revenues are earned.

Concentrations of Credit Risk – The organization’s financial instruments consist primarily of cash and cash equivalents, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). All checking accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 per depositor, per insured bank, for each account ownership category. Management believes that risk with respect to these balances is minimal, due to the high credit quality of the institutions used.

Certain receivables may also, from time to time, subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Benefits Provided to Donors at Special Events – The organization conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct costs of the benefits received. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the organization.

Income Taxes – The organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Section 509(a)(1) of the Internal Revenue Code.

Advertising and Promotional Expenses – Advertising and promotional costs are charged to expense as they are incurred.

Subsequent Events – As required by FASB ASC No. 855-10, *Subsequent Events*, subsequent events have been evaluated by management through April 14, 2017, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2015 – The accompanying financial information as of and for the year ended December 31, 2015 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

4. Grants and Contributions Receivable

Grants and contributions receivable represent unconditional promises to give to be collected in less than one year totaling \$16,204 at December 31, 2016.

In addition, the organization has been awarded a grant totaling \$25,000, of which \$12,500 is conditioned upon the grantor receiving grant funds. As of December 31, 2016, the grant funds have not been forthcoming and therefore a grant receivable has not yet been included in the accompanying financial statements.

5. Inventories

Inventories consist of promotional merchandise held for resale. Inventories are valued at the lower of cost or fair value on a first-in, first-out basis.

Inventory at December 31, 2016 consists of the following:

Rugs	\$	11,075
Clothing		6,253
Art supplies		4,040
	\$	21,368

6. Furniture and Equipment

A summary of furniture and equipment at December 31, 2016 is as follows:

Furniture and equipment	\$	27,312
Less accumulated depreciation		(14,674)
	\$	12,638

7. Restrictions and Limitations on Net Asset Balances

At December 31, 2016, the organization held \$62,577 in temporarily restricted net assets, representing grants restricted by donors, as follows:

Enhance programs	\$	25,000
Encore fellow		5,300
Teaching artist		5,000
Expanding art club		5,000
Guest artists		4,500
Print-making		1,573
Future periods		16,204
	\$	62,577

8. Net Assets Released from Restrictions

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors totaled \$53,006.

9. Expenses

The costs of providing the various programs and other activities of the organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

10. Operating Lease Commitments

The organization leases its office space under an operating lease that expires in September of 2022. The approximate minimum future lease payments under these operating leases for the next five years and thereafter as of December 31, 2016 are as follows:

<i>Years ending December 31,</i>	
2017	\$ 18,966
2018	19,474
2019	19,940
2020	20,724
2021	21,346
Thereafter	16,367
	\$ 116,817

Rental expenses for the year ended December 31, 2016 totaled \$16,844.

11. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$	50,416
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Depreciation		3,882
In-kind capital contribution		(2,940)
<i>Net changes in:</i>		
Accounts receivable		4,109
Grants and contributions receivable		(6,204)
Inventory		(559)
Prepaid expenses and deposits		2,695
Accounts payable and accrued expenses		(5,111)
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Total adjustments		(4,128)
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Net cash provided by operating activities	\$	46,288
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GOVERNING BOARD AND MANAGEMENT

AS OF DECEMBER 31, 2016

Board of Directors

Kim Sordyl, *President*

Juan Fernandez, *Vice President*

Angel Phillips, C.P.A., *Treasurer*

Midori Karasawa, *Secretary*

Dayna Cakebread

Courtney Davies

Nisha Hall

Karin Mohtadi

Sandy Moore

Management

Sarah Panetta, *Executive Director*

Advisory Board Members

Lauren Holden Kilbane

Erika Plummer

Mary Morris

CHILDREN'S HEALING ART PROJECT, INC.

INQUIRIES AND OTHER INFORMATION

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