



## **Children's Healing Art Project**

Financial Statements and Other Information as of  
and for the Year Ended December 31, 2017  
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, 2017, 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 2016 summarized comparative information has been derived from the financial statements of the Children's Healing Art Project, Inc. as of December 31, 2016. The 2016 financial statements were reviewed by us, and in our report dated April 14, 2017, 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 17, 2018

## CHILDREN'S HEALING ART PROJECT, INC.

**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2017

(WITH COMPARATIVE AMOUNTS FOR 2016)

	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 152,872	95,828
Accounts receivable	6,723	7,471
Grants and contributions receivable ( <i>note 4</i> )	18,153	16,204
Inventory ( <i>note 5</i> )	11,975	21,368
Prepaid expenses and deposits	4,955	4,006
Furniture and equipment ( <i>note 6</i> )	34,833	12,638
Total assets	\$ 229,511	157,515
<b>Liabilities:</b>		
Accounts payable and accrued expenses	4,521	18,592
Total liabilities	4,521	18,592
<b>Net assets:</b>		
Unrestricted:		
Available for programs and general operations	130,310	63,708
Net investment in capital assets	34,833	12,638
Total unrestricted	165,143	76,346
Temporarily restricted ( <i>note 7</i> )	59,847	62,577
Total net assets	224,990	138,923
Commitments ( <i>note 10</i> )		
Total liabilities and net assets	\$ 229,511	157,515

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

## CHILDREN'S HEALING ART PROJECT, INC.

**STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016
	Unrestricted	Temporarily restricted	Total	
<b>Revenues, gains, and other support:</b>				
Grants and contributions	\$ 113,590	79,055	192,645	143,419
Sales, net of cost of sales of \$29 in 2017 and \$44 in 2016	312	—	312	1,135
Hospital project income	58,563	—	58,563	52,708
In-kind contributions	35,301	—	35,301	64,053
Special events, net of direct costs of \$45,083 in 2017 and \$43,467 in 2016	119,221	—	119,221	105,427
Interest income	4	—	4	4
Total revenues and gains	326,991	79,055	406,046	366,746
Net assets released from restrictions <i>(note 8)</i>	81,785	(81,785)	—	—
Total revenues, gains, and other support	408,776	(2,730)	406,046	366,746
<b>Expenses <i>(note 9)</i>:</b>				
Program services	234,619	—	234,619	206,956
Management and general	23,198	—	23,198	38,758
Fundraising	62,162	—	62,162	70,616
Total expenses	319,979	—	319,979	316,330
Increase (decrease) in net assets	88,797	(2,730)	86,067	50,416
Net assets at beginning of year	76,346	62,577	138,923	88,507
Net assets at end of year	\$ 165,143	59,847	224,990	138,923

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, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	2017				2016
	Program services	Management and general	Fundraising	Total	
Salaries and related expenses	\$ 167,859	19,208	23,031	210,098	190,570
Professional services	11,559	905	21,283	33,747	50,628
Bank fees	267	27	5,691	5,985	5,658
Royalties, fees, and dues	2,159	146	537	2,842	3,233
Occupancy	23,046	1,750	2,607	27,403	24,820
Materials and supplies	15,938	38	5,056	21,032	25,487
Printing and copying	1,337	64	432	1,833	2,564
Telephone and postage	2,184	136	1,277	3,597	3,479
Travel and meetings	362	—	550	912	394
Advertising	241	15	51	307	60
Insurance	1,803	136	216	2,155	2,910
Interest	—	192	—	192	1,577
Depreciation	6,885	512	801	8,198	3,882
Bad debt expense	—	—	125	125	—
Other	979	69	505	1,553	1,068
<b>Total expenses</b>	<b>\$ 234,619</b>	<b>23,198</b>	<b>62,162</b>	<b>319,979</b>	<b>316,330</b>

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, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Cash received from grants, contributions, and others	\$ 412,849	344,109
Cash paid to employees, suppliers, and others	(336,487)	(297,821)
Net cash provided by operating activities	76,362	46,288
<b>Cash flows from investing activities:</b>		
Capital expenditures	(19,318)	-
Net cash used in investing activities	(19,318)	-
Net increase in cash and cash equivalents	57,044	46,288
Cash and cash equivalents at beginning of year	95,828	49,540
Cash and cash equivalents at end of year	\$ 152,872	95,828
<b>Non-cash investing and financing activities:</b>		
Transfer of inventory to capital assets	\$ (11,075)	-

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

**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2017

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**1. Organization**

Incorporated in 2006, the Children's Healing Art Project, Inc. ("CHAP") 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, 2017, the Children's Healing Art Project recorded 7,285 healing art experiences. With a staff of seven employees working the equivalent of 4.5 full-time employees, this was only possible thanks to 613 volunteers who donated over 6,487 hours of service.

During the year ended December 31, 2017, the organization incurred program service expenses in the following major categories:

**In-Hospital Healing Art Program** – Each week, teaching artists lead 40 to 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, as well as Shriners Hospital for Children. 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. In 2017, CHAP piloted "CHAP in a Box," testing the possibility of creating an Art Club experience for children who live too far away to attend Art Club in person.

**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 of outreach locations from 2017 include: Camp Erin, an annual bereavement camp run by Providence Hospice; NW Kidney Kids; and Shriners Hospital for Children.

**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, 2017, the following in-kind contributions were recorded by the organization:

Contributed services	\$	20,310
Material and supplies		14,991
	\$	35,301

**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 17, 2018, which is the date the financial statements were available to be issued.

**Summarized Financial Information for 2016** – The accompanying financial information as of and for the year ended December 31, 2016 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 \$18,153 at December 31, 2017.

## 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, 2017 consists of the following:

Clothing	\$	6,079
Art supplies		5,896
	\$	11,975

## 6. Furniture and Equipment

A summary of furniture and equipment at December 31, 2017 is as follows:

Furniture and equipment	\$	57,724
Less accumulated depreciation		(22,891)
	\$	34,833

## 7. Restrictions and Limitations on Net Asset Balances

At December 31, 2017, the organization held \$59,847 in temporarily restricted net assets, representing grants restricted by donors, as follows:

Enhance programs	\$	13,860
Capital purchases		13,203
Future programs		13,000
Expanding art club		7,784
Adaptive art tools		7,500
Professional development		4,500
	\$	59,847

## 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 \$81,785, of which \$19,338 was released for capital expenditures.

## 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 as of December 31, 2017 are as follows:

<i>Years ending December 31,</i>	
2018	\$ 19,474
2019	19,940
2020	20,724
2021	21,346
2022	16,367
	\$ 97,851

Rental expenses for the year ended December 31, 2017 totaled \$19,044.

## 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	\$	86,067
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Depreciation		8,198
Bad debt		125
<i>Net changes in:</i>		
Accounts receivable		748
Grants and contributions receivable		(2,074)
Inventory		(1,682)
Prepaid expenses and deposits		(949)
Accounts payable and accrued expenses		(14,071)
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Total adjustments		(9,705)
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Net cash provided by operating activities	\$	76,362
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CHILDREN'S HEALING ART PROJECT, INC.

**GOVERNING BOARD AND MANAGEMENT**

AS OF DECEMBER 31, 2017

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**Board of Directors**

Juan Fernandez, *President*

Courtney Davies, *Vice President*

Karin Mohtadi *Treasurer*

Nisha Hall, *Secretary*

Dayna Cakebread

David Hicks

Dina Khoury

Lori A. Long

Adrienne W. Whitworth

**Management**

Sarah Panetta, *Executive Director*

**Advisory Board Members**

Midori Karasawa

Mary Morris

Erika Plummer

Kim Sordyl

CHILDREN'S HEALING ART PROJECT, INC.

**INQUIRIES AND OTHER INFORMATION**

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