

2018

THE ART THERAPY PROJECT

Financial Statements

December 31, 2018 and 2017

Anthony M. Buzzeo, CPA PLLC
Certified Public Accountant



THE ART THERAPY PROJECT

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ANTHONY M. BUZZEO
CPA • PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Art Therapy Project

We have audited the accompanying financial statements of The Art Therapy Project which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities and net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Art Therapy Project, as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Anthony M. Buzzeo CPA PLLC

Anthony M Buzzeo CPA, PLLC
New York, New York
March 22, 2019

THE ART THERAPY PROJECT
STATEMENT OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash, operating account	\$ 173,180	\$ 147,276
Cash, savings	1,003	1,003
Cash, PayPal, petty	1,400	6,566
Undeposited funds	550	10,660
Pledge receivable	13,000	22,000
Total assets	\$ 189,133	\$ 187,505
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 35,609	\$ 3,570
Deferred revenue	1,800	-
Total liabilities	37,409	3,570
NET ASSETS		
Without donor restrictions	125,724	161,935
With donor restrictions (Note 4)	26,000	22,000
Total net assets	151,724	183,935
Total liabilities and net assets	\$ 189,133	\$ 187,505

See Accompanying Notes to Financial Statements

THE ART THERAPY PROJECT
STATEMENT OF ACTIVITIES AND NET ASSETS
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions and grants	\$ 121,902	\$ 26,000	\$ 147,902
Donations from individuals	212,875		212,875
Fee for services	26,915		26,915
In-kind contributions (Note 1)	93,325	-	93,325
Special events income, net (Note 5)	69,680	-	69,680
Contributions - office space (Note 6)	62,024	-	62,024
 Total revenue	 586,721	 26,000	 612,721
Net assets released from restrictions	22,000	(22,000)	-
 Total revenues and other support	 608,721	 4,000	 612,721
Expenses:			
Program services	482,774	-	482,774
Support services	45,534	-	45,534
Fundraising	116,624	-	116,624
 Total expenses	 644,932	 -	 644,932
 Change in net assets	 (36,211)	 4,000	 (32,211)
Net assets, beginning of year	161,935	22,000	183,935
Net assets, end of year	\$ 125,724	\$ 26,000	\$ 151,724

See Accompanying Notes to Financial Statements

THE ART THERAPY PROJECT
STATEMENT OF ACTIVITIES AND NET ASSETS
For the Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Contributions and grants	\$ 98,758	\$ 38,800	\$ 137,558
Donations from individuals	199,477	-	199,477
Fee for services	4,158	-	4,158
In-kind contributions (Note 1)	58,450	-	58,450
Special events income, net (Note 5)	66,431	-	66,431
Contributions - office space (Note 6)	35,040	-	35,040
	<hr/>	<hr/>	<hr/>
Total revenue	462,314	38,800	501,114
Net assets released from restrictions	30,800	(30,800)	-
	<hr/>	<hr/>	<hr/>
Total revenues and other support	493,114	8,000	501,114
Expenses:			
Program services	326,262	-	326,262
Support services	28,571	-	28,571
Fundraising	77,641	-	77,641
	<hr/>	<hr/>	<hr/>
Total expenses	432,474	-	432,474
	<hr/>	<hr/>	<hr/>
Change in net assets	60,640	8,000	68,640
Net assets, beginning of year	101,295	14,000	115,295
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 161,935	\$ 22,000	\$ 183,935
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See Accompanying Notes to Financial Statements

THE ART THERAPY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Staff salaries (incl:benefits, taxes)	\$ 256,248	\$ 10,686	\$ 105,309	\$ 372,243
Professional fees	136,800	12,000	150	148,950
Program - supplies	14,002	-	-	14,002
Program - travel, other	13,891	19	53	13,963
Printing, copying	1,022	1,087	594	2,703
Insurance - D & O, liability	2,276	2,656	-	4,932
Accounting	1,285	3,702	-	4,987
Legal	1,520	150	-	1,670
Website	3,384	756	-	4,140
Public relations and marketing	5,967	655	298	6,920
Fundraising fees	-	-	2,059	2,059
Rent and other occupancy (Note 6)	43,417	12,405	6,202	62,024
Office supplies	2,293	332	224	2,849
Professional - development	24	35	-	59
Meetings	645	207	172	1,024
Postage, shipping	-	407	769	1,176
Dues and subscriptions	-	-	794	794
Bank service charges	-	437	-	437
Total expenses	\$ 482,774	\$ 45,534	\$ 116,624	\$ 644,932

See Accompanying Notes to Financial Statements

THE ART THERAPY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Staff salaries (incl:benefits, taxes)	\$ 165,895	\$ 13,290	\$ 71,089	\$ 250,274
Professional fees	106,758	-	500	107,258
Program - supplies	12,596	-	-	12,596
Program - travel, other	11,356	-	-	11,356
Printing, copying	117	789	149	1,055
Insurance - D & O, liability	912	1,728	-	2,640
Accounting	487	2,534	-	3,021
Website	1,561	-	-	1,561
Public relations and marketing	133	1,794	81	2,008
Fundraising fees	-	-	1,501	1,501
Rent and other occupancy (Note 6)	24,528	7,008	3,504	35,040
Office supplies	1,058	480	96	1,634
Professional - development	55	-	50	105
Meetings	806	534	-	1,340
Postage, shipping	-	339	476	815
Dues and subscriptions	-	-	195	195
Bank service charges and payroll processing fees	-	75	-	75
 Total expenses	 <u>\$ 326,262</u>	 <u>\$ 28,571</u>	 <u>\$ 77,641</u>	 <u>\$ 432,474</u>

See Accompanying Notes to Financial Statements

THE ART THERAPY PROJECT
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (32,211)	\$ 68,640
Adjustments to reconcile change in net assets to net cash provide (used) by operating activities:		
(Increase) decrease in assets:		
Pledge receivables	9,000	(8,000)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	32,039	820
Deferred revenue	1,800	-
<u>Net Cash Provided By Operating Activities</u>	10,628	61,460
Net Increase In Cash And Cash Equivalents	10,628	61,460
Cash and cash equivalents, beginning of year	165,505	104,045
Cash and cash equivalents, end of year	\$ 176,133	\$ 165,505

Supplemental Disclosure

Cash paid for:

Filing fees	\$ -	\$ 300
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See Accompanying Notes to Financial Statements

**THE ART THERAPY PROJECT
NOTES TO FINANCIAL STATEMENTS**

1. **Nature of Activities and Summary of Significant Accounting Policies**

The Art Therapy Project (the “Organization”), formerly The Art Therapy Outreach Center (see note 8), is a nonprofit 501c(3) organization dedicated to helping trauma survivors through the creative process. Centered around challenges of Family, Violence and Health, we provide guided art therapy to underserved population and partner with other nonprofit organization serving marginalize populations. The Organization goes beyond traditional talk therapy. Our clients and art therapists work together, using the creative process, to turn negative energy positive.

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting and reports information regarding its financial position and activities according to two classes of net assets: Net assets without donor restrictions and Net Assets with donor restrictions.

Cash Equivalents – the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Furniture and Equipment – The Organization capitalizes purchases and property and equipment in excess of \$500. Property and equipment are depreciated over the estimated useful lives (3-7 years) on the respective assets using the straight-line method. The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income. Expenditures for maintenance and repairs are charged to expense incurred; replacements and betterments that extend the useful live are capitalized.

Contributions – Contributions, including unconditional pledges, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Pledge are recognized when the conditions on which they depend are substantially met. Donor-restricted contributions are reported as increases in net asset with donor restrictions.

Functional Expenses Allocation – The cost of providing for the Organization’s various programs and supporting services have been summarized on a functional basis in the statement of activities and net assets and functional expenses. Accordingly, certain expenses have been allocated among programs and supporting services based on management’s best estimates.

Donated materials and services – The Organization records the value of donated goods or services when there is an objective basis available to measure their value and when donated services enhance non-financial assets or require a specialized skill which the Organization would otherwise have purchased. The Organization recognized \$93,325 and \$58,450 of in-kind donations, respectively, during the years ended December 31, 2018 and 2017. These amounts have been recorded as both contributions and expenses in the statement of activities.

	2018	2017	
Salaries and Benefits	\$ 61,525	\$ 56,950	
Strategic Planning	30,000	-	
Art Supplies	1,800	1,500	
	\$ 93,325	\$ 58,450	

**THE ART THERAPY PROJECT
NOTES TO FINANCIAL STATEMENTS**

1. **Nature of Activities and Summary of Significant Accounting Policies - continued**

Income Tax Status – The Organization is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable deduction under Section 170(b) (1) (A) and has been classified as an Organization that is not a private foundation under Section 509(a) (2).

The Organization believes that it has appropriate support for any tax positions taken, affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization’s form 990 and any other income tax filings required by New York State are no longer subject to examination for years before 2015. The 2015 through 2017 tax years remain subject to examination by the Internal Revenue Service.

2. **Concentration of Credit Risks**

The Organization maintains bank accounts that at times may exceed federally-insured credit limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to such accounts.

3. **Liquidity and Availability**

Financial assets available for general expenditure that is without donor or other restrictions limiting their use, within one year of the balance sheet date comprise the following:

Cash	\$	175,508
Undeposited funds		550
Pledge receivable		13,000
	\$	<u>189,058</u>

The Organization maintains all their cash in a checking account to ensure that there are funds available to pay general expenses.

4. **Net Assets with Donor Restriction**

Net assets with donor restrictions are restricted for the following purposes or periods:

		<u>2018</u>		<u>2017</u>
Subject to the passage of time:				
General operating expenses	\$	-	\$	22,000
Sexual assault survivors		16,000		-
Youth program		10,000		-
	\$	<u>26,000</u>	\$	<u>22,000</u>

Net assets released from their purpose restriction during December 31:

		<u>2018</u>		<u>2017</u>
General operating expenses	\$	22,000	\$	14,000
Veteran women's services		-		8,400
Veteran programs		-		8,400
	\$	<u>22,000</u>	\$	<u>30,800</u>

**THE ART THERAPY PROJECT
NOTES TO FINANCIAL STATEMENTS**

5. **Annual Special Event Support**

Special events support consists of the following for the year ended December 31:

Event	% of total revenue	2018		
		Gross Support	Expense	Net Support
Fall Event	8.29%	92,479	41,656	50,823
Other Events	3.10%	24,101	5,244	18,857
Total	11.39%	116,580	46,900	69,680

Event	% of total revenue	2017		
		Gross Support	Expense	Net Support
Falling for Art	12.43%	98,607	37,325	61,282
Other Events	1.04%	9,866	4,717	5,149
Total	13.47%	108,473	42,042	66,431

6. **Office Space**

The School of Visual Arts (SVA) located at 132-136 West 21st Street, New York, New York, donates furnished office space, art studio space, computers, and telephone and internet services. The fair market value of the office space is \$4,918 and \$2,920 per month, for 2018 and 2017, respectively. The expense is recorded as rent and other occupancy expense on the statement of functional expenses. The agreement between SVA and the Organization began November 1, 2011 and is established annually. In September of 2018, SVA granted the Organization additional space in another building located at 209 East 23rd Street with a fair market value of \$750 per month. The total rent as of December 31, 2018 and 2017 was \$62,024 and \$35,040, respectively.

7. **Related Party Transactions**

Several members of the Board of Directors and related parties make significant donations to The Organization. For the years ended December 31, 2018 and 2017, \$180,000 and \$173,550 was donated, representing 29% and 33% of the total revenue received, respectively.

8. **Subsequent Events**

The Organization has evaluated subsequent events through the date of this report, March 22, 2019, which is also the date which the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

9. **Change in Accounting Policy**

The Organization adopted Financial Accounts Standards Board, update 2016-14. The requirements under the new accounting policy consist of changing the name of net assets from unrestricted, temporarily and permanently restricted net assets to net assets without donor restriction and net assets with donor restrictions. Net assets with donor restrictions are required to be broken out by the type of restriction either on the face of the financial statements or in the notes. The new standard also required a liquidity footnote to detail out the current assets in order of liquidity along with an explanation as to how the Organization plans to cover current operating cost based on the liquid assets available. The standard has been adopted retrospectively to December 31, 2016.