

2019

THE ART THERAPY PROJECT

Financial Statements

December 31, 2019 and 2018

Anthony M. Buzzeo, CPA PLLC
Certified Public Accountants



THE ART THERAPY PROJECT

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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, 2019 and 2018, and the related statements of activities and net assets, functional expenses 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.

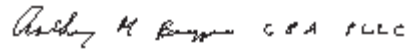
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 2, The Organization has adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2014-09, *Revenue from Contract with Customers (Topic 606)* as of and for the year ended December 31, 2019, The requirements of the ASU have been applied under a modified prospective basis. Our opinion is not modified with respect to this matter.



Anthony M Buzzeo CPA, PLLC
New York, New York
April 7, 2020

THE ART THERAPY PROJECT
STATEMENT OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash, operating account	\$ 129,748	\$ 173,180
Cash, savings	1,004	1,003
Cash, PayPal, petty	5,200	1,400
Undeposited funds	405	550
Pledge receivable	21,160	13,000
Total assets	\$ 157,517	\$ 189,133
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,762	\$ 35,609
Deferred revenue	-	1,800
Total liabilities	6,762	37,409
NET ASSETS		
Without donor restrictions	132,755	125,724
With donor restrictions (Note 4)	18,000	26,000
Total net assets	150,755	151,724
Total liabilities and net assets	\$ 157,517	\$ 189,133

See Accompanying Notes to Financial Statements

THE ART THERAPY PROJECT
STATEMENT OF ACTIVITIES AND NET ASSETS
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions and grants	\$ 173,852	\$ 18,000	\$ 191,852
Donations from individuals	215,298	-	215,298
Fee for services	36,894	-	36,894
In-kind contributions (Note 1)	62,697	-	62,697
Special events income, net (Note 5)	94,305	-	94,305
Contributions - office space (Note 6)	68,024	-	68,024
Total revenue	651,070	18,000	669,070
Net assets released from restrictions	26,000	(26,000)	-
Total revenues and other support	677,070	(8,000)	669,070
 Expenses:			
Program services	510,879	-	510,879
Support services	33,667	-	33,667
Fundraising	125,493	-	125,493
Total expenses	670,039	-	670,039
Change in net assets	7,031	(8,000)	(969)
Net assets, beginning of year	125,724	26,000	151,724
Net assets, end of year	\$ 132,755	\$ 18,000	\$ 150,755

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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Staff salaries (incl:benefits, taxes)	\$ 281,506	\$ 20,847	\$ 114,596	\$ 416,949
Professional fees	126,216	-	-	126,216
Program - supplies	10,643	-	-	10,643
Program - travel, other	13,708	-	38	13,746
Printing, copying	821	521	708	2,050
Insurance - D & O, liability	3,700	1,234	-	4,934
Accounting	6,493	342	-	6,835
Legal	950	-	-	950
Website	3,587	-	1,439	5,026
Public relations and marketing	430	675	25	1,130
Fundraising fees	-	-	2,350	2,350
Rent and other occupancy (Note 6)	55,440	8,401	4,183	68,024
Office supplies	1,824	-	-	1,824
Professional - development	254	-	90	344
Meetings	5,307	835	346	6,488
Postage, shipping	-	486	1,369	1,855
Dues and subscriptions	-	-	349	349
Bank service charges	-	326	-	326
 Total expenses	 \$ <u>510,879</u>	 \$ <u>33,667</u>	 \$ <u>125,493</u>	 \$ <u>670,039</u>

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>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</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 services	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 and payroll processing fees	-	437	-	437
Total expenses	\$ <u>482,774</u>	\$ <u>45,534</u>	\$ <u>116,624</u>	\$ <u>644,932</u>

See Accompanying Notes to Financial Statements

THE ART THERAPY PROJECT
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (969)	\$ (32,211)
Adjustments to reconcile change in net assets to net cash provide (used) by operating activities:		
(Increase) decrease in assets:		
Pledge receivables	(8,160)	9,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(28,847)	32,039
Deferred revenue	(1,800)	1,800
<u>Net Cash Provided (Used) By Operating Activities</u>	(39,776)	10,628
Net Increase (Decrease) In Cash And Cash Equivalents	(39,776)	10,628
Cash and cash equivalents, beginning of year	176,133	165,505
Cash and cash equivalents, end of year	\$ 136,357	\$ 176,133

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") is a nonprofit 501c(3) mental health organization providing free group art therapy to adults and youth affected by trauma. Using the art-making process and with support from our art therapist, clients learn how to explore feelings, increase self-awareness and cope with life's challenges.

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.

Change in Accounting Policy – The Organization adopted Financial Accounting Standards Board, Topic 606 Revenue from Contract with Customers with a date of initial application of January 1, 2019. As a result, there was no significant changes on how the Organization has recognized revenue in previous years that would require a prior period adjustment. The revenue producing activities performed by the Organization affected by the adoption of Topic 606 are disclosed below in revenue recognition section.

Revenue Recognition – Public support and revenue are considered to be available as net assets without donor restriction unless specifically restricted by the donor. Contributions are recorded as net assets with donor restriction and revenue and support if they are received with donor-imposed restrictions that limit their use. Donor restriction expire by either the passage of stipulated time or the accomplishment of the stated purpose. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Revenue for service is measured based on consideration specified in a contract with customer. The Organization recognized revenue with it satisfies a performance obligation by performing the services to the customer.

Fee for service: The Organization contracts with customers to provide an art therapy program. The Organization plan, design and perform therapy sessions for the contracting customer. A fee for each session is established in the contract. Revenue is recognized when a session is performed.

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.

THE ART THERAPY PROJECT
NOTES TO FINANCIAL STATEMENTS

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

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 \$62,697 and \$93,325 of in-kind donations, respectively, during the years ended December 31, 2019 and 2018. These amounts have been recorded as both contributions and expenses in the statement of activities.

	2019	2018
Salaries and Benefits	\$ 62,697	\$ 61,525
Strategic Planning	-	30,000
Art Supplies	-	1,800
	\$ 62,697	\$ 93,325

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 2016. The 2016 through 2018 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	\$	135,952
Undeposited funds		405
Pledge receivable		21,160
	\$	157,517

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

THE ART THERAPY PROJECT
NOTES TO FINANCIAL STATEMENTS

4. **Net Assets with Donor Restriction**

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

	2019	2018
Subject to the passage of time:		
General operating expenses	\$ 18,000	\$ -
Sexual assault survivors	-	16,000
Youth program	-	10,000
	\$ 18,000	\$ 26,000

Net assets released from their purpose restriction during December 31:

	2019	2018
General operating expenses	\$ -	\$ 22,000
Sexual assault survivors	16,000	-
Youth programs	10,000	-
	\$ 26,000	\$ 22,000

5. **Annual Special Event Support**

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

		2019		
Event	% of total revenue	Gross Support	Expense	Net Support
Auction	7.80%	100,893	48,735	52,158
Comedy Night	0.97%	13,814	7,309	6,505
Other Events	5.26%	45,966	10,324	35,642
Total	14.03%	160,673	66,368	94,305
		2018		
Event	% of total revenue	Gross Support	Expense	Net Support
Auction	8.35%	92,479	41,656	50,823
Other Events	3.10%	24,101	5,244	18,857
Total	11.45%	116,580	46,900	69,680

Included in expense for the auction, the Organization received in-kind contributions for the auction items. The value of the in-kind auction items as of December 31, 2019 and 2018 was \$44,816 and \$36,266, respectively.

THE ART THERAPY PROJECT
NOTES TO FINANCIAL STATEMENTS

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 \$4,918 per month, for 2019 and 2018, 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, 2019 and 2018 was \$68,024 and \$62,024, 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, 2019 and 2018, \$164,537 and \$180,000 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, April 7, 2020, 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.