

The Art Therapy Project

Financial Statements

December 31, 2023

The Art Therapy Project

Financial Statements
December 31, 2023

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of
The Art Therapy Project**

Opinion

We have audited the accompanying financial statements of The Art Therapy Project (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Art Therapy Project and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Art Therapy Project's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Art Therapy Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Art Therapy Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Art Therapy Project's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

March 19, 2024

The Art Therapy Project

Statement of Financial Position December 31, 2023

(with comparative amounts at December 31, 2022)

ASSETS	2023	2022
Cash	\$ 270,876	\$ 249,229
Accounts receivable	7,190	8,910
Pledges receivable	13,000	5,250
Other assets	3,801	1,131
Investment	84,936	81,068
Equipment, net	2,931	4,885
	<u>\$ 382,734</u>	<u>\$ 350,473</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 27,705	\$ 26,568
Deferred revenue	685	3,355
Total Liabilities	<u>28,390</u>	<u>29,923</u>
Net Assets		
Without donor restrictions	319,344	299,550
With donor restrictions	35,000	21,000
Total Net Assets	<u>354,344</u>	<u>320,550</u>
	<u>\$ 382,734</u>	<u>\$ 350,473</u>

See notes to financial statements

The Art Therapy Project

Statement of Activities
Year Ended December 31, 2023
(with summarized totals for the year ended December 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 244,327	\$ 35,000	\$ 279,327	\$ 159,923
Donations from individuals	146,294	-	146,294	192,474
Program fees	<u>87,545</u>	<u>-</u>	<u>87,545</u>	<u>93,020</u>
	<u>478,166</u>	<u>35,000</u>	<u>513,166</u>	<u>445,417</u>
Special Events				
Special events support	109,294	-	109,294	119,399
In-kind goods	37,641	-	37,641	34,287
In-kind services	4,060	-	4,060	-
Less: Cost of direct benefit to donors	<u>(11,676)</u>	<u>-</u>	<u>(11,676)</u>	<u>(11,915)</u>
Total Special Events	<u>139,319</u>	<u>-</u>	<u>139,319</u>	<u>141,771</u>
In-kind services	<u>136,678</u>	<u>-</u>	<u>136,678</u>	<u>134,268</u>
Investment income	<u>3,868</u>	<u>-</u>	<u>3,868</u>	<u>1,067</u>
Net assets released from restrictions	<u>21,000</u>	<u>(21,000)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>779,031</u>	<u>14,000</u>	<u>793,031</u>	<u>722,523</u>
EXPENSES				
Program services	531,215	-	531,215	532,684
Management and general	56,226	-	56,226	59,639
Fundraising	<u>171,796</u>	<u>-</u>	<u>171,796</u>	<u>128,753</u>
Total Expenses	<u>759,237</u>	<u>-</u>	<u>759,237</u>	<u>721,076</u>
Change in Net Assets	19,794	14,000	33,794	1,447
NET ASSETS				
Beginning of year	<u>299,550</u>	<u>21,000</u>	<u>320,550</u>	<u>319,103</u>
End of year	<u>\$ 319,344</u>	<u>\$ 35,000</u>	<u>\$ 354,344</u>	<u>\$ 320,550</u>

See notes to financial statements

The Art Therapy Project

Statement of Functional Expenses

Year Ended December 31, 2023

(with summarized totals for the year ended December 31, 2022)

	2023			2022	
	Program Services	Supporting Services		Total	Total
		Management and General	Fundraising		
Staff salaries (including benefits, taxes)	\$ 367,054	\$ 23,402	\$ 115,780	\$ 506,236	\$ 432,394
Professional fees	57,103	22,513	-	79,616	122,355
Insurance	2,586	2,219	-	4,805	4,558
Accounting	16,400	2,050	2,050	20,500	16,500
Public relations and marketing	2,523	-	-	2,523	4,887
Fundraising expenses	-	-	60,179	60,179	52,092
Rent and other occupancy	65,001	3,940	3,940	72,881	76,756
Supplies	6,314	413	75	6,802	6,600
Professional development	1,677	818	486	2,981	3,300
Meetings	1,244	148	-	1,392	1,744
Postage and shipping	771	45	435	1,251	797
Dues and subscriptions	4,719	300	449	5,468	7,567
Transportation	3,319	-	-	3,319	301
Bank and other fees	550	378	78	1,006	2,163
Depreciation	1,954	-	-	1,954	977
	<u>531,215</u>	<u>56,226</u>	<u>183,472</u>	<u>770,913</u>	<u>732,991</u>
Total Expenses					
Less costs of direct benefit to donors	<u>-</u>	<u>-</u>	<u>(11,676)</u>	<u>(11,676)</u>	<u>(11,915)</u>
Total Expenses Reported on Statement of Activities	<u>\$ 531,215</u>	<u>\$ 56,226</u>	<u>\$ 171,796</u>	<u>\$ 759,237</u>	<u>\$ 721,076</u>

See notes to financial statements

The Art Therapy Project

Statement of Cash Flows
Year Ended December 31, 2023
(with comparative amounts for the year ended December 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 33,794	\$ 1,447
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,954	977
Changes in operating assets and liabilities		
Accounts receivable	1,720	(6,585)
Pledges receivable	(7,750)	20,050
Other assets	(2,670)	2,691
Accounts payable and accrued expenses	1,137	6,252
Deferred revenue	(2,670)	60
Net Cash from Operating Activities	25,515	24,892
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvestment of dividends	(3,868)	-
Purchase of investment	-	(31,066)
Purchases of equipment	-	(5,862)
Net Cash from Investing Activities	(3,868)	(36,928)
Net Change in Cash	21,647	(12,036)
CASH		
Beginning of year	249,229	261,265
End of year	\$ 270,876	\$ 249,229

See notes to financial statements

The Art Therapy Project

Notes to Financial Statements
December 31, 2023 and 2022

1. Nature of Activities

The Art Therapy Project (the "Organization") is a nonprofit mental health organization providing free group art therapy in New York and New Jersey to adults and youth affected by trauma. Using the art-making process and with support from the Organization's art therapists, clients learn how to explore feelings, increase self-awareness and cope with life's challenges.

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Because the Organization had no net unrelated business income during the years ended December 31, 2023 and 2022, no provision for income taxes has been recorded.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivables

Pledges receivable represent unconditional promises to give which are recognized as contribution revenue in the period received. Pledges receivable that are expected to be collected in future years are discounted to their net realizable value using a risk-adjusted discount rate. The discount is amortized over the expected collection period of the receivables and reflected in contributions and grants in the statement of activities.

An allowance for uncollectible pledges receivable is estimated based on a combination of write off history, aging analysis and any specific known doubtful accounts through a charge to either the valuation allowance or bad debt and a reduction in pledges receivable.

The Organization considers the allowance for credit loss to not be material to the financial statements; accordingly, no allowance for credit losses has been recorded.

The Art Therapy Project

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Investment – Fair Value Measurement

The Organization follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. At December 31, 2023 and 2022, the Organization's investment consists of a U.S. Treasury money market fund. The investment is valued using Level 1 inputs and was \$84,936 and \$81,068 at December 31, 2023 and 2022, respectively.

Net Asset Presentation

The financial statements of the Organization report amounts separately by class of net assets based on the presence or absence of donor restrictions with the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization had no such perpetual donor restrictions at December 31, 2023 and 2022. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Amounts restricted by donors whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Functional Expenses Allocation

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs, such as staff salaries, and rent and other occupancy, have been allocated among the programs and supporting services benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable basis.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that that would require financial statement recognition and/or disclosure. The Organization is no longer subject to tax examinations for fiscal periods prior to 2020.

The Art Therapy Project

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Equipment

The Organization capitalizes purchases of property and equipment in excess of \$1,500. Property and equipment are depreciated over the estimated useful lives (3-7 years) of 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 as incurred; replacements and betterments that extend the useful life are capitalized. At December 31, 2023 and 2022, the Organization had depreciable equipment with a cost of \$5,862 and accumulated depreciation of \$977 and \$2,931, respectively. Depreciation expense was \$1,954 and \$977 for the years ended December 31, 2023 and 2022, respectively.

Revenue Recognition

Contributions and Grants

The Organization recognizes contributions and grants when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and right of return, are recognized when the conditions on which they depend have been met.

Program Fees

The Organization contracts with organizations, businesses and individuals to provide art therapy programs. A fee for each session is established in the contract with the customer. Revenue is recognized at the time the program session is performed.

Related accounts receivable as of December 31, 2023 and 2022 and January 1, 2022 totaled \$7,190, \$8,910 and \$2,325, respectively. Related deferred revenue as of December 31, 2023 and 2022 and January 1, 2022 totaled \$685, \$3,355 and \$3,295, respectively.

Special Events

The Organization records special events support net of cost of direct benefit to donors. Revenue received in excess of the price of the event is recorded as contributions. Revenue is recognized at the time of the event. The cost related to direct benefit to donors was \$11,676 and \$11,915 for the years ended December 31, 2023 and 2022, respectively.

In-Kind Goods and Services

The Organization records the value of non-monetary goods and services in the period received 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. No amounts have been reflected in the financial statements for volunteer and Board member time since no objective basis is available to measure the value of such services.

The Art Therapy Project

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition *(continued)*

In-Kind Goods and Services (continued)

The Organization received in-kind goods for auction items for fundraising events. For the years ended December 31, 2023 and 2022, the value of in-kind auction items totaled \$37,641 and \$34,287, respectively, and is included in in-kind goods in the statement of activities. Of those amounts, in-kind goods not sold during the auction totaled \$2,570 and \$890, respectively, and is included in other assets in the statement of financial position. For the years ended December 31, 2023 and 2022, the expense totaled \$35,071 and \$33,397, respectively, and is included in fundraising in the statement of functional expenses.

The School of Visual Arts ("SVA") donates furnished office space, art studio space, computers, and telephone and internet services. The agreement between SVA and the Organization began November 1, 2011 and is re-established annually. The total value of the space and services provided for each of the years ended December 31, 2023 and 2022 was \$72,881 and \$76,756, respectively and is included in in-kind services in the statement of activities. The expense is recorded as rent and other occupancy in the statement of functional expenses.

SVA also donated \$62,097 and \$57,512 during the years ended December 31, 2023 and 2022, respectively, by subsidizing a portion of the Organization's salary and benefits and is included in in-kind services in the statement of activities. The expense is recorded as staff salaries (including benefits, taxes) in the statement of functional expenses.

Were the Organization not to receive the above in-kind gifts from SVA, future operations may be impacted (see Note 7).

In-kind goods and services consist of the following for the years ended December 31:

	2023	2022	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
IN-KIND GOODS					
Auction items	\$ 37,641	\$ 34,287	Fundraising	No associated donor restrictions	Donated goods are valued at sales prices that would be received for selling similar products.
IN-KIND SERVICES					
Catering and other expenses	5,760	-	Group Art Therapy ("GAT") and fundraising	No associated donor restrictions	Catering and other expenses valuation is based upon the estimated value of current rates for similar services.
Rent and other occupancy	72,881	76,756	GAT, management and general, and fundraising	No associated donor restrictions	Rent and other occupancy valuation is based upon associated costs incurred by SVA and the percentage of space occupied by the Organization in SVA.
Staff salaries (including benefits, taxes)	62,097	57,512	GAT	No associated	Subsidized employee salaries and benefits valued at the amount paid by SVA.
Total In-Kind Services	<u>140,738</u>	<u>134,268</u>			
Total In-Kind Goods and Services	<u>\$ 178,379</u>	<u>\$ 168,555</u>			

The Art Therapy Project

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

Prior-year Summarized Financial Information

The financial statements include prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

3. Concentrations of Credit Risk

Cash and Investment

The Organization maintains its cash and investment accounts in bank and securities brokerage firms. Deposits held at banks insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. Investment holdings at securities brokerage firms insured by the Securities Investor Protection Company ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). At times cash balances may exceed the FDIC and/or the SIPC limit. As of December 31, 2023 and 2022, the Organization's cash and investment balances were all covered by FDIC/SIPC insurance.

Accounts and Pledges Receivable

Credit risk with respect to accounts and pledges receivable is limited to the number and credit-worthiness of the entities and organizations from whom the amounts are due. Generally, the Organization does not require collateral or any other security to support receivables. As of December 31, 2023 and 2022, no allowance for accounts and pledges receivable has been deemed necessary.

4. Pledges Receivable

During the years ended December 31, 2023 and 2022, the Organization received unconditional pledges. Pledges receivable due in one year or less at December 31, 2023 and 2022 were \$13,000 and \$5,250, respectively.

5. Availability and Liquidity

Total financial assets available to meet cash needs for general expenditures within one year are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash	\$ 270,876	\$ 249,229
Accounts receivable	7,190	8,910
Pledges receivable	13,000	5,250
Investment	<u>84,936</u>	<u>81,068</u>
Financial Assets Available to Meet General Expenditures		
Over the Next Twelve Months	<u>\$ 376,002</u>	<u>\$ 344,457</u>

The Art Therapy Project

Notes to Financial Statements
December 31, 2023 and 2022

5. Availability and Liquidity (continued)

The Organization's goal is to maintain financial assets to meet ninety days of cash operating expenses. The Organization generally maintains its cash in a checking and savings account to ensure that there are funds available to pay general expenses. In addition, as part of its liquidity plan, some excess cash is invested in a U.S. Treasury money market fund.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Purpose		
Promotional expenses for wellness program	\$ -	\$ 1,000
Time		
General operating expenses	<u>35,000</u>	<u>20,000</u>
	<u>\$ 35,000</u>	<u>\$ 21,000</u>

Net assets were released from donor restrictions for the following purposes during the years ended December 31:

	<u>2023</u>	<u>2022</u>
Purpose		
Promotional expenses for wellness program	\$ 1,000	\$ 4,000
Time		
General operating expenses	<u>20,000</u>	<u>28,000</u>
	<u>\$ 21,000</u>	<u>\$ 32,000</u>

7. Related Party Transactions

Donations made by Members of the Board of Directors totaled \$67,171 and \$66,180 for the years ended December 31, 2023 and 2022, respectively. A Member of the Board of Directors is also an officer of a family foundation that contributed \$0 and \$77,886 of support and revenue for the years ended December 31, 2023 and 2022, respectively.

A Member of the Board of Directors is also a board member of SVA (See Note 2).

8. Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 19, 2024.

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