

2020

THE ART THERAPY PROJECT

Financial Statements

December 31, 2020 and 2019

Anthony M. Buzzeo, CPA PLLC
Certified Public Accountants



THE ART THERAPY PROJECT
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
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, 2020 and 2019, 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.

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, 2020 and 2019, 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.

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 Auditor's 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 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.

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.

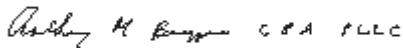
Auditor's Responsibility for the Audit of the Financial Statements

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 auditor's 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, including omissions, 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.

Handwritten signature of Anthony M. Buzzeo in cursive script.

Anthony M Buzzeo CPA, PLLC
New York, New York
March 22, 2021

THE ART THERAPY PROJECT
STATEMENT OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash, operating account	\$ 283,721	\$ 129,748
Cash, savings	1,003	1,004
Cash, PayPal, petty	1,207	5,200
Undeposited funds	1,450	405
Pledge receivable	1,125	21,160
Other current assets	154	-
Total assets	\$ 288,660	\$ 157,517
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,408	\$ 6,762
Deferred revenue	395	-
	5,803	6,762
Long-term liabilities:		
Note payable, Paycheck Protection Program (Note 6)	67,300	-
Total liabilities	73,103	6,762
NET ASSETS		
Without donor restrictions	174,057	132,755
With donor restrictions (Note 4)	41,500	18,000
Total net assets	215,557	150,755
Total liabilities and net assets	\$ 288,660	\$ 157,517

See Accompanying Notes to Financial Statements

THE ART THERAPY PROJECT
STATEMENT OF ACTIVITIES AND NET ASSETS
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions and grants	\$ 117,385	\$ 41,500	\$ 158,885
Donations from individuals	215,791	-	215,791
Fee for services	26,607	-	26,607
In-kind contributions (Note 1)	41,480	-	41,480
Special events support, net (Note 5)	84,849	-	84,849
Contributions - office space (Note 7)	70,432	-	70,432
Other income	3	-	3
 Total revenues	 556,547	 41,500	 598,047
Net assets released from restrictions	18,000	(18,000)	-
 Total revenues and other support	 574,547	 23,500	 598,047
Expenses:			
Program services	399,819	-	399,819
Management and general	39,482	-	39,482
Fundraising	93,944	-	93,944
 Total expenses	 533,245	 -	 533,245
 Change in net assets	 41,302	 23,500	 64,802
 Net assets, beginning of year	 132,755	 18,000	 150,755
 Net assets, end of year	 \$ 174,057	 \$ 41,500	 \$ 215,557

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 support, net (Note 5)	94,305	-	94,305
Contributions - office space (Note 7)	68,024	-	68,024
 Total revenues	 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
Management and general	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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Staff salaries (including benefits, taxes)	\$ 236,151	\$ 21,460	\$ 80,531	\$ 338,142
Professional fees	72,131	7,850	143	80,124
Program - supplies	4,620	-	-	4,620
Program - travel, other	7,903	-	-	7,903
Printing, copying	3,317	366	3,347	7,030
Insurance - D & O, liability	2,255	2,197	-	4,452
Accounting	6,107	622	643	7,372
Website	-	511	-	511
Public relations and marketing	1,651	-	189	1,840
Fundraising fees	-	-	4,551	4,551
Rent and other occupancy (Note 6)	63,388	3,522	3,522	70,432
Office supplies	236	558	-	794
Professional development	525	685	244	1,454
Meetings	302	749	-	1,051
Postage, shipping	153	167	375	695
Dues and subscriptions	939	425	399	1,763
Bank and other fees	141	370	-	511
	<u>399,819</u>	<u>39,482</u>	<u>93,944</u>	<u>533,245</u>
Total expenses	\$ <u>399,819</u>	\$ <u>39,482</u>	\$ <u>93,944</u>	\$ <u>533,245</u>

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 (including benefits, taxes)	\$ 281,506	\$ 20,847	\$ 114,596	\$ 416,949
Professional fees	127,166	-	-	127,166
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
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 and other fees	-	326	-	326
	<u>510,879</u>	<u>33,667</u>	<u>125,493</u>	<u>670,039</u>
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 CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 64,802	\$ (969)
Adjustments to reconcile change in net assets to net cash provide (used) by operating activities:		
(Increase) decrease in assets:		
Pledge receivables	20,035	(8,160)
Other current assets	(154)	
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,354)	(28,847)
Deferred revenue	395	(1,800)
Net Cash Provided (Used) By Operating Activities	83,724	(39,776)
Cash Flows From Financing Activities		
Note payable, Paycheck Protection Program	67,300	-
Net Cash Provided By Financing Activities	67,300	-
Net Increase (Decrease) In Cash And Cash Equivalents	151,024	(39,776)
Cash and cash equivalents, beginning of year	136,357	176,133
Cash and cash equivalents, end of year	\$ 287,381	\$ 136,357

Supplemental Disclosure

Cash paid for:

Filing fees	\$ 75	\$ 75
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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 the Organization's 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 of property and equipment in excess of \$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 live are capitalized.

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

Fee for service: The Organization contracts with organizations and businesses to provide an art therapy program. The Organization plans, designs and performs 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 materials 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 \$41,480 and \$62,697 of in-kind donations, respectively, during the years ended December 31, 2020 and 2019. These amounts have been recorded as both contributions and expenses in the statement of activities.

	2020	2019
Salaries and Benefits	\$ 41,480	\$ 62,697

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 2017. The 2017 through 2019 tax years remain subject to examination by the Internal Revenue Service and New York State.

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:

	2020
Cash	\$ 285,931
Undeposited funds	1,450
Pledge receivable	1,125
	\$ 288,506

The Organization generally maintains all its cash in a checking and savings 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 Restrictions**

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

	2020	2019
Subject to the passage of time:		
General operating expenses	\$ 36,917	\$ 18,000
Professional development	4,583	-
	\$ 41,500	\$ 18,000

Net assets released from their purpose restriction during December 31:

	2020	2019
General operating expenses	\$ 18,000	\$ -
Sexual assault survivors	-	16,000
Youth programs	-	10,000
	\$ 18,000	\$ 26,000

5. **Special Events Support**

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

		2020		
Event	% of total revenue	Gross Support	Expense	Net Support
Fall Event	10.85% \$	70,395 \$	5,539 \$	64,856
Other Events	3.34%	21,027	1,034	19,993
Total	14.19% \$	91,422 \$	6,573 \$	84,849
		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	5.33%	45,966	10,324	35,642
Total	14.10% \$	160,673 \$	66,368 \$	94,305

Included in expense for the auction, the Organization received in-kind contributions for auction items. The value of the in-kind auction items for the year ended December 31, 2019 was \$44,816.

THE ART THERAPY PROJECT
NOTES TO FINANCIAL STATEMENTS

6. **Note Payable, Paycheck Protection Program**

During 2020, the Organization received loan proceeds in the amount of \$67,300 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying business for the amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities and maintains its payroll levels. The unforgiven portion of the PPP loan is payable over two years at an interest of 1% with a deferral of payment for the first six months. The Organization has applied for forgiveness of the PPP loan and is waiting a decision.

7. **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 \$5,119 and \$4,918 per month, for 2020 and 2019, 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 for the years ended December 31, 2020 and 2019 was \$70,432 and \$68,024, respectively.

8. **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, 2020 and 2019, \$148,300 and \$164,537 was donated, representing 25% of the total revenue received.

9. **Risk and Uncertainties: COVID-19**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic. Consequently, these developments may adversely affect the Organization's financial position, change in net assets and cash flows in 2021.

10. **Subsequent Events**

The Organization has evaluated subsequent events through the date of this report, March 22, 2021, 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.