

The Art Therapy Project

Financial Statements

December 31, 2021 and 2020

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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, 2021, 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, 2021, 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.

Prior Period Financial Statements

The financial statements of The Art Therapy Project as of December 31, 2020 were audited by other auditors whose report dated March 22, 2021, expressed an unmodified opinion on those statements.

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, 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.

PKF O'Connor Davies, LLP

March 25, 2022

The Art Therapy Project

Statements of Financial Position

	December 31,	
	2021	2020
ASSETS		
Cash	\$ 261,265	\$ 287,381
Accounts receivable	2,325	1,125
Pledges receivable	25,300	-
Other assets	3,822	154
Investment	50,002	-
	<u>\$ 342,714</u>	<u>\$ 288,660</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 20,316	\$ 5,408
Deferred revenue	3,295	395
Note payable, Paycheck Protection Program loan	-	67,300
Total Liabilities	<u>23,611</u>	<u>73,103</u>
Net Assets		
Without donor restrictions	287,103	174,057
With donor restrictions	<u>32,000</u>	<u>41,500</u>
Total Net Assets	<u>319,103</u>	<u>215,557</u>
	<u>\$ 342,714</u>	<u>\$ 288,660</u>

See notes to financial statements

The Art Therapy Project

Statement of Activities Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 81,417	\$ 32,000	\$ 113,417
Donations from individuals	209,806	-	209,806
Paycheck Protection Program loan forgiveness	125,800	-	125,800
Program fees	67,180	-	67,180
Special events support and in-kind goods	91,283	-	91,283
In-kind services	132,224	-	132,224
Net assets released from restrictions	<u>41,500</u>	<u>(41,500)</u>	<u>-</u>
Total Support and Revenue	<u>749,210</u>	<u>(9,500)</u>	<u>739,710</u>
EXPENSES			
Program services	471,580	-	471,580
Management and general	63,081	-	63,081
Fundraising	<u>101,503</u>	<u>-</u>	<u>101,503</u>
Total Expenses	<u>636,164</u>	<u>-</u>	<u>636,164</u>
Change in Net Assets	113,046	(9,500)	103,546
NET ASSETS			
Beginning of year	<u>174,057</u>	<u>41,500</u>	<u>215,557</u>
End of year	<u>\$ 287,103</u>	<u>\$ 32,000</u>	<u>\$ 319,103</u>

See notes to financial statements

The Art Therapy Project

Statement of Activities Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 117,388	\$ 41,500	\$ 158,888
Donations from individuals	215,791	-	215,791
Program fees	26,607	-	26,607
Special events support	91,420	-	91,420
In-kind services	111,912	-	111,912
Net assets released from restrictions	<u>18,000</u>	<u>(18,000)</u>	<u>-</u>
Total Support and Revenue	<u>581,118</u>	<u>23,500</u>	<u>604,618</u>
EXPENSES			
Program services	399,819	-	399,819
Management and general	39,482	-	39,482
Fundraising	<u>100,515</u>	<u>-</u>	<u>100,515</u>
Total Expenses	<u>539,816</u>	<u>-</u>	<u>539,816</u>
Change in Net Assets	41,302	23,500	64,802
NET ASSETS			
Beginning of year	<u>132,755</u>	<u>18,000</u>	<u>150,755</u>
End of year	<u>\$ 174,057</u>	<u>\$ 41,500</u>	<u>\$ 215,557</u>

See notes to financial statements

The Art Therapy Project

Statement of Functional Expenses Year Ended December 31, 2021

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Staff salaries (including benefits, taxes)	\$ 282,577	\$ 41,026	\$ 64,984	\$ 388,587
Professional fees	85,134	11,506	800	97,440
Insurance - D & O, liability	2,324	2,202	-	4,526
Accounting	13,487	1,600	1,600	16,687
Public relations and marketing	3,618	79	1,042	4,739
Fundraising expenses	-	-	28,002	28,002
Rent and other occupancy	69,080	3,838	3,838	76,756
Supplies	10,210	391	205	10,806
Professional development	1,002	587	96	1,685
Meetings	80	735	-	815
Postage and shipping	326	131	537	994
Dues and subscriptions	389	489	399	1,277
Transportation	2,840	52	-	2,892
Bank and other fees	513	445	-	958
	<u>\$ 471,580</u>	<u>\$ 63,081</u>	<u>\$ 101,503</u>	<u>\$ 636,164</u>

See notes to financial statements

The Art Therapy Project

Statement of Functional Expenses Year Ended December 31, 2020

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Staff salaries (including benefits, taxes)	\$ 236,151	\$ 21,460	\$ 80,531	\$ 338,142
Professional fees	72,131	7,850	143	80,124
Insurance - D & O, liability	2,255	2,197	-	4,452
Accounting	6,107	622	643	7,372
Public relations and marketing	1,651	511	189	2,351
Fundraising expenses	-	-	11,122	11,122
Rent and other occupancy	63,388	3,522	3,522	70,432
Supplies	8,173	924	3,347	12,444
Professional development	525	685	244	1,454
Meetings	302	749	-	1,051
Postage and shipping	153	167	375	695
Dues and subscriptions	939	425	399	1,763
Transportation	7,903	-	-	7,903
Bank and other fees	141	370	-	511
	<u>\$ 399,819</u>	<u>\$ 39,482</u>	<u>\$ 100,515</u>	<u>\$ 539,816</u>
Total Expenses	<u>\$ 399,819</u>	<u>\$ 39,482</u>	<u>\$ 100,515</u>	<u>\$ 539,816</u>

See notes to financial statements

The Art Therapy Project

Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 103,546	\$ 64,802
Adjustments to reconcile change in net assets to net cash from operating activities		
Paycheck Protection Program loan forgiveness	(125,800)	-
Changes in operating assets and liabilities		
Accounts receivable	(1,200)	-
Pledges receivable	(25,300)	20,035
Other assets	(3,668)	(154)
Accounts payable and accrued expenses	14,908	(1,354)
Deferred revenue	<u>2,900</u>	<u>395</u>
Net Cash from Operating Activities	(34,614)	83,724
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(50,002)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>58,500</u>	<u>67,300</u>
Net Change in Cash	(26,116)	151,024
CASH		
Beginning of year	<u>287,381</u>	<u>136,357</u>
End of year	<u>\$ 261,265</u>	<u>\$ 287,381</u>
NON-CASH FINANCING ACTIVITIES		
Paycheck Protection Program loan forgiveness	\$ 125,800	\$ -

See notes to financial statements

The Art Therapy Project

Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020, 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.

Pledges Receivable

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 statements 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. As of December 31, 2021 and 2020, no allowance for pledges has been deemed necessary.

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, 2021, the Organization’s investment consists of a U.S. Treasury money market fund. The investment is valued at Level 1 and was \$50,002 and \$0 at December 31, 2021 and 2020.

The Art Therapy Project

Notes to Financial Statements
December 31, 2021 and 2020

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

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, 2021 and 2020. 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 statements 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 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 2018.

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. At December 31, 2021 and 2020, the Organization had no depreciable furniture and equipment.

The Art Therapy Project

Notes to Financial Statements
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2. Summary of Significant Accounting Policies *(continued)*

Revenue from Contracts with Customers

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.

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. There was no cost related to direct benefit to donors for the years ended December 31, 2021 and 2020.

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.

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 Organization received in-kind goods for auction items for the Fall Event in 2021. For the year ended December 31, 2021, the value of these in-kind auction items totaled \$11,242 and is included in special events support and in-kind goods in the statements of activities and in fundraising in the statements of functional expenses. No in-kind goods were received for the year ended December 31, 2020.

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

	2021	2020
Staff salaries (including benefits, taxes)	\$ 55,468	\$ 41,480
Rent and other occupancy	<u>76,756</u>	<u>70,432</u>
	<u>\$ 132,224</u>	<u>\$ 111,912</u>

Reclassifications

Certain items in the 2020 financial statements have been reclassified for comparative purposes.

The Art Therapy Project

Notes to Financial Statements
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3. Concentration of Credit Risk

Cash

The Organization maintains bank accounts that at times may exceed federally insured credit limits. The Organization's cash balances in excess of these limits was \$10,981 and \$45,674 as of December 31, 2021 and 2020, respectively. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk with respect to such accounts.

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.

4. Pledges Receivable

During the year ended December 31, 2021, the Organization received unconditional pledges. Pledges receivable due in one year or less at December 31, 2021 was \$25,300. There were no pledges receivable as of December 31, 2020.

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>2021</u>	<u>2020</u>
Financial Assets:		
Cash	\$ 261,265	\$ 287,381
Accounts receivable	2,325	1,125
Pledges receivable	25,300	-
Investment	<u>50,002</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures		
Over the Next Twelve Months	<u>\$ 338,892</u>	<u>\$ 288,506</u>

The Organization's goal is to maintain financial assets to meet ninety days of cash operating expenses (approximately \$125,000). 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, excess cash is invested in short-term investments, including a U.S. Treasury money market fund.

The Art Therapy Project

Notes to Financial Statements
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6. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
General operating expenses	\$ 28,000	\$ 36,917
Professional development	-	4,583
Sexual assault survivors	<u>4,000</u>	<u>-</u>
	<u>\$ 32,000</u>	<u>\$ 41,500</u>

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

	<u>2021</u>	<u>2020</u>
General operating expenses	\$ 36,917	\$ 17,583
Professional development	<u>4,583</u>	<u>417</u>
	<u>\$ 41,500</u>	<u>\$ 18,000</u>

7. Note Payable, Paycheck Protection Program Loan

During 2021 and 2020, the Organization received loan proceeds in the amount of \$58,500 and \$67,300, respectively, 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 loans 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 received forgiveness of the entire amount of the PPP loans during the year ended December 31, 2021 and is included in forgiveness of paycheck protection program loan in the statements of activities.

8. Transactions with the School of Visual Arts

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 the years ended December 31, 2021 and 2020 was \$76,756 and \$70,432, respectively. The expense is recorded as rent and other occupancy on the statements of functional expenses.

SVA also donated (a) \$55,468 and \$41,480, during the years ended December 31, 2021 and 2020, respectively, by subsidizing a portion of the Organization’s salary and benefits and (b) a cash contribution of \$50,000 during the year ended December 31, 2020.

The Art Therapy Project

Notes to Financial Statements
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9. Related Party Transactions

Donations made by Members of the Board of Directors totaled \$74,266 and \$67,025 for the years ended December 31, 2021 and 2020, respectively. A Member of the Board of Directors is an officer of a family foundation that contributed \$76,442 and \$85,200 of support and revenue for the years ended December 31, 2021 and 2020, respectively.

No other donor accounted for more than 10% of support and revenue for the years ended December 31, 2021 and 2020.

10. Risks 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 2022.

11. 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 25, 2022.

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