

The Art Therapy Project

Financial Statements

December 31, 2022

The Art Therapy Project

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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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

March 15, 2023

The Art Therapy Project

Statement of Financial Position December 31, 2022

(with comparative amounts at December 31, 2021)

ASSETS	2022	2021
Cash	\$ 249,229	\$ 261,265
Accounts receivable	8,910	2,325
Pledges receivable	5,250	25,300
Other assets	1,131	3,822
Investment	81,068	50,002
Equipment, net	4,885	-
	<u>\$ 350,473</u>	<u>\$ 342,714</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 26,568	\$ 20,316
Deferred revenue	3,355	3,295
Total Liabilities	<u>29,923</u>	<u>23,611</u>
Net Assets		
Without donor restrictions	299,550	287,103
With donor restrictions	21,000	32,000
Total Net Assets	<u>320,550</u>	<u>319,103</u>
	<u>\$ 350,473</u>	<u>\$ 342,714</u>

See notes to financial statements

The Art Therapy Project

Statement of Activities
Year Ended December 31, 2022
(with summarized totals for the year ended December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 138,923	\$ 21,000	\$ 159,923	\$ 113,417
Donations from individuals	192,474	-	192,474	209,806
Paycheck Protection Program loan forgiveness	-	-	-	125,800
Program fees	93,020	-	93,020	67,180
	<u>424,417</u>	<u>21,000</u>	<u>445,417</u>	<u>516,203</u>
Special events support	119,399	-	119,399	80,041
In-kind goods	34,287	-	34,287	11,242
Less: Cost of direct benefit to donors	(11,915)	-	(11,915)	-
Total Special Events Support and In-Kind Goods, Net	<u>141,771</u>	<u>-</u>	<u>141,771</u>	<u>91,283</u>
In-kind services	134,268	-	134,268	132,224
Investment income	1,067	-	1,067	-
Net assets released from restrictions	32,000	(32,000)	-	-
Total Support and Revenue	<u>733,523</u>	<u>(11,000)</u>	<u>722,523</u>	<u>739,710</u>
EXPENSES				
Program services	532,684	-	532,684	471,580
Management and general	59,639	-	59,639	63,081
Fundraising	128,753	-	128,753	101,503
Total Expenses	<u>721,076</u>	<u>-</u>	<u>721,076</u>	<u>636,164</u>
Change in Net Assets	12,447	(11,000)	1,447	103,546
NET ASSETS				
Beginning of year	<u>287,103</u>	<u>32,000</u>	<u>319,103</u>	<u>215,557</u>
End of year	<u>\$ 299,550</u>	<u>\$ 21,000</u>	<u>\$ 320,550</u>	<u>\$ 319,103</u>

See notes to financial statements

The Art Therapy Project

Statement of Functional Expenses

Year Ended December 31, 2022

(with summarized totals for the year ended December 31, 2021)

	2022			2021	
	Supporting Services				
	Program Services	Management and General	Fundraising	Total	Total
Staff salaries (including benefits, taxes)	\$ 324,411	\$ 30,983	\$ 77,000	\$ 432,394	\$ 388,587
Professional fees	101,127	17,238	3,990	122,355	97,440
Insurance	2,353	2,205	-	4,558	4,526
Accounting	13,200	1,650	1,650	16,500	16,687
Public relations and marketing	4,150	188	549	4,887	4,739
Fundraising expenses	-	-	52,092	52,092	28,002
Rent and other occupancy	68,756	4,000	4,000	76,756	76,756
Supplies	6,100	403	97	6,600	10,806
Professional development	2,722	578	-	3,300	1,685
Meetings	560	1,080	104	1,744	815
Postage and shipping	351	89	357	797	994
Dues and subscriptions	6,154	599	814	7,567	1,277
Transportation	273	28	-	301	2,892
Bank and other fees	1,550	598	15	2,163	958
Depreciation	977	-	-	977	-
 Total Expenses	 532,684	 59,639	 140,668	 732,991	 636,164
 Less costs of direct benefit to donors	 -	 -	 (11,915)	 (11,915)	 -
 Total Expenses Reported on Statement of Activities	 <u>\$ 532,684</u>	 <u>\$ 59,639</u>	 <u>\$ 128,753</u>	 <u>\$ 721,076</u>	 <u>\$ 636,164</u>

See notes to financial statements

The Art Therapy Project

Statement of Cash Flows
Year Ended December 31, 2022
(with comparative amounts for the year ended December 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,447	\$ 103,546
Adjustments to reconcile change in net assets to net cash from operating activities		
Paycheck Protection Program loan forgiveness	-	(125,800)
Depreciation	977	-
Changes in operating assets and liabilities		
Accounts receivable	(6,585)	(1,200)
Pledges receivable	20,050	(25,300)
Other assets	2,691	(3,668)
Accounts payable and accrued expenses	6,252	14,908
Deferred revenue	60	2,900
Net Cash from Operating Activities	24,892	(34,614)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment	(31,066)	(50,002)
Purchases of equipment	(5,862)	-
Net Cash from Investing Activities	(36,928)	(50,002)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	58,500
Net Change in Cash	(12,036)	(26,116)
CASH		
Beginning of year	261,265	287,381
End of year	\$ 249,229	\$ 261,265
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, 2022 and 2021

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, 2022 and 2021, 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 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.

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, 2022 and 2021, the Organization's investment consists of a U.S. Treasury money market fund. The investment is valued at Level 1 and was \$81,068 and \$50,002 at December 31, 2022 and 2021, respectively.

The Art Therapy Project

Notes to Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021. 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 2019.

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 live are capitalized. At December 31, 2022 and 2021, the Organization had depreciable equipment of \$5,862 and \$0, respectively. Depreciation expense was \$977 and \$0 for the years ended December 31, 2022 and 2021, respectively.

The Art Therapy Project

Notes to Financial Statements
December 31, 2022 and 2021

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

Revenue Recognition

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.

Related accounts receivable as of December 31, 2022 and 2021 and January 1, 2021 totaled \$8,910, \$2,325 and \$1,125, respectively. Related deferred revenue as of December 31, 2022 and 2021 and January 1, 2021 totaled \$3,355, \$3,295 and \$395, 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 \$11,915 and \$0 for the years ended December 31, 2022 and 2021, respectively.

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 fundraising events. For the years ended December 31, 2022 and 2021, the value of these in-kind auction items totaled \$34,287 and \$11,242, respectively, and is included in in-kind goods in the statement of activities. For the years ended December 31, 2022 and 2021, in-kind goods not sold during the auction totaled \$890 and \$250, respectively, and is included in other assets in the statement of financial position. For the years ended December 31, 2022 and 2021, the expense totaled \$33,397 and \$10,992, 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, 2022 and 2021 was \$76,756 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.

The Art Therapy Project

Notes to Financial Statements
December 31, 2022 and 2021

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

Revenue Recognition *(continued)*

In-Kind Goods and Services (continued)

SVA also donated \$57,512 and \$55,468 during the years ended December 31, 2022 and 2021, 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.

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

	2022	2021	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
In-kind goods for auction items	\$ 34,287	\$ 11,242	Group Art Therapy ("GAT") and fundraising	No associated donor restrictions	Donated goods are valued at sales prices that would be received for selling similar products.
IN-KIND SERVICES					
Staff salaries (including benefits, taxes)	57,512	55,468	GAT	No associated donor restrictions	Subsidized employee salaries and benefits valued at the amount paid by SVA.
Rent and other occupancy	76,756	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.
Total In-Kind Services	134,268	132,224			
Total In-Kind Goods and Services	\$ 168,555	\$ 143,466			

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, 2021, from which the summarized information was derived.

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 \$0 and \$10,981 as of December 31, 2022 and 2021, respectively.

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, 2022 and 2021, no allowance for accounts and pledges receivable has been deemed necessary.

The Art Therapy Project

Notes to Financial Statements
December 31, 2022 and 2021

4. Pledges Receivable

During the years ended December 31, 2022 and 2021, the Organization received unconditional pledges. Pledges receivable due in one year or less at December 31, 2022 and 2021 were \$5,250 and \$25,300, 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>2022</u>	<u>2021</u>
Financial Assets:		
Cash	\$ 249,229	\$ 261,265
Accounts receivable	8,910	2,325
Pledges receivable	5,250	25,300
Investment	<u>81,068</u>	<u>50,002</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 344,457</u>	<u>\$ 338,892</u>

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, excess cash is invested in short-term investments, including 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>2022</u>	<u>2021</u>
Purpose Restrictions		
Promotional expenses for wellness program	\$ 1,000	\$ -
Sexual assault survivors program	<u>-</u>	<u>4,000</u>
	1,000	4,000
Time Restrictions		
General operating expenses	<u>20,000</u>	<u>28,000</u>
	<u>\$ 21,000</u>	<u>\$ 32,000</u>

The Art Therapy Project

Notes to Financial Statements
December 31, 2022 and 2021

6. Net Assets with Donor Restrictions *(continued)*

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

	<u>2022</u>	<u>2021</u>
Purpose Restrictions		
Sexual assault survivors program	\$ 4,000	\$ -
Professional development	<u>-</u>	<u>4,583</u>
	4,000	4,583
Time Restrictions		
General operating expenses	<u>28,000</u>	<u>36,917</u>
	<u>\$ 32,000</u>	<u>\$ 41,500</u>

7. 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 loans are payable over two or five years at an interest of 1% with a deferral of payment for the first six months.

The Organization received forgiveness for both PPP loans during the year ended December 31, 2021 and is included in paycheck protection program loan forgiveness in the statement of activities.

8. Related Party Transactions

Donations made by Members of the Board of Directors totaled \$66,180 and \$74,266 for the years ended December 31, 2022 and 2021, respectively. A Member of the Board of Directors is also an officer of a family foundation that contributed \$77,886 and \$76,442 of support and revenue for the years ended December 31, 2022 and 2021, respectively.

No other donor accounted for more than 10% of support and revenue for the years ended December 31, 2022 and 2021.

9. 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 15, 2023.

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