



# **AMERICAN ART THERAPY ASSOCIATION**

## **Financial Statements**

*For the Year Ended December 31, 2010*



**and  
Report Thereon**





**RAFFA**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
American Art Therapy Association, Inc.

CONSULTING

ACCOUNTING

TECHNOLOGY

*Certified Public  
Accountants*

We have audited the accompanying statement of financial position of the American Art Therapy Association, Inc. (AATA) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of AATA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AATA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Art Therapy Association, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**RAFFA, P.C.**

Washington, DC  
July 3, 2011

**AMERICAN ART THERAPY ASSOCIATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2010**

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ASSETS

Current Assets

Cash and cash equivalents	\$ 57,123
Accounts receivable	16,164
Prepaid expenses	<u>99,181</u>

Total Current Assets 172,468

Investments	526,905
Property and equipment, net	77,634
Security deposits	<u>3,775</u>

TOTAL ASSETS \$ 780,782

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 99,890
Deferred dues and conferences	263,204
Deferred rent	<u>7,884</u>

TOTAL LIABILITIES 370,978

Net Assets

Unrestricted	
Undesignated	109,249
Designated	<u>200,000</u>

Total Unrestricted 309,249

Temporarily restricted 100,555

TOTAL NET ASSETS 409,804

TOTAL LIABILITIES AND NET ASSETS \$ 780,782

The accompanying notes are an integral part of these financial statements.

**AMERICAN ART THERAPY ASSOCIATION, INC.****STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2010**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Membership dues	\$ 579,468	\$ -	\$ 579,468
Conferences and workshops	379,912	-	379,912
Other program fees	66,261	-	66,261
Publications and subscriptions	43,156	-	43,156
Investment returns	37,902	-	37,902
Contributions	6,364	600	6,964
Net assets released from restrictions:			
Satisfaction of purpose restrictions	10,700	(10,700)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>1,123,763</u>	<u>(10,100)</u>	<u>1,113,663</u>
<b>EXPENSES</b>			
Program Services:			
Conferences	381,851	-	381,851
Membership	315,976	-	315,976
Advocacy	190,080	-	190,080
Publications and communications	166,059	-	166,059
Continuing education	92,273	-	92,273
<b>Total Program Services</b>	<u>1,146,239</u>	<u>-</u>	<u>1,146,239</u>
Supporting Services:			
General and administrative:			
Operations and technology	146,402	-	146,402
Governance	82,936	-	82,936
<b>Total Supporting Services</b>	<u>229,338</u>	<u>-</u>	<u>229,338</u>
<b>TOTAL EXPENSES</b>	<u>1,375,577</u>	<u>-</u>	<u>1,375,577</u>
<b>CHANGE IN NET ASSETS</b>	(251,814)	(10,100)	(261,914)
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>	<u>561,063</u>	<u>110,655</u>	<u>671,718</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 309,249</u>	<u>\$ 100,555</u>	<u>\$ 409,804</u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN ART THERAPY ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2010**

**Increase (Decrease) in Cash and Cash Equivalents**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (261,914)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	25,267
Change in allowance	(17,500)
Net realized and unrealized gains on investments	(24,888)
Changes in assets and liabilities:	
Accounts receivable	19,502
Prepaid expenses	(75,855)
Accounts payable and accrued expenses	(29,327)
Deferred dues and conferences	137,641
Deferred rent	7,884
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<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(219,190)</b>
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<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	(1,551)
Dividends and interest reinvested	(13,014)
Redemption of investments	250,000
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<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>235,435</b>
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<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>16,245</b>
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<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>40,878</b>
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<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 57,123</b>
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The accompanying notes are an integral part of these financial statements.

# **AMERICAN ART THERAPY ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2010**

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### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

The American Art Therapy Association, Inc. (AATA), a corporation existing under the laws of Massachusetts, holds a certificate of authority to transact business in Virginia. It was formed to raise public awareness and promote public confidence and trust in the art therapy profession. AATA provides education and research guidance to its members through various means, including conferences, symposiums, newsletters, and other published materials. These activities are funded primarily by membership dues and conference and workshop registration and sponsorship fees.

#### **Basis of Accounting**

AATA prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligation is incurred.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include demand deposits, money market accounts that are not part of AATA's investment portfolio and all highly liquid investments with initial maturities of three months or less.

#### **Accounts Receivable**

Accounts receivable consist of amounts owed from conference registrations and sponsorships. AATA uses the allowance method to record potentially uncollectible accounts receivable. AATA's management periodically reviews the status of these receivables for collectibility, which is assessed based on management's knowledge of, and relationship with, the members and sponsors and the age of the receivable. Based on these reviews and the nature of the receivables, management believes that all outstanding receivables are collectible. Accordingly, an allowance for doubtful accounts has not been recognized.

#### **Investments**

Investments are composed of a number of financial instruments, including fixed-income and equity mutual funds, multialternative funds, U.S. Treasury bonds and money market funds. AATA reports its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in investment income in the accompanying statement of activities. Investment gains and losses are reported in unrestricted net assets in the reporting period in which the income gains and losses are recognized.

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# AMERICAN ART THERAPY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Fair Value of Financial Instruments**

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* – Unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2010, only AATA's investments, as described in Note 3, were measured at fair value on a recurring basis.

#### **Property and Equipment and Related Depreciation and Amortization**

Property and equipment are recorded at cost. Depreciation on software, furniture, and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized over the shorter of the lease term or useful life. Direct costs incurred during the application stage of the development of AATA's website are capitalized and amortized over an estimated useful life of five years. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization and any gain or loss is reflected in income or expense in the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

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# **AMERICAN ART THERAPY ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2010**

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Net Assets**

The net assets of AATA are classified as follows:

- Unrestricted net assets represent funds that are available for support of AATA's operations. Portions of unrestricted net assets have been designated by AATA's Board of Directors as reserve funds. Such funds can only be expended with the Board of Director's approval.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

#### **Revenue Recognition**

Membership dues are recognized as revenue in the membership period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred dues and conferences in the accompanying statement of financial position.

Revenue and the related costs of conferences and workshops are recognized in the year in which the conferences, meetings or workshops are held. Accordingly, amounts paid in advance of the conferences or meeting are included in deferred dues and conferences in the accompanying statement of financial position.

Publication and subscription fees are recorded as revenue when the related publication is shipped.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. Conditional promises to give are not included as support until such time as the conditions are substantially met. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated proportionately among the programs and supporting services to which they relate on the basis of direct labor costs.

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**AMERICAN ART THERAPY ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2010**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Investments

Investments are recorded at fair value and consist of the following at December 31, 2010:

Fixed-income mutual funds:	
Short-term bond funds	\$ 223,095
Intermediate-term bond funds	115,817
Equity mutual funds:	
Large growth equity funds	93,680
Multialternative funds	75,020
U.S. Treasury bonds	17,000
Money market funds	<u>2,293</u>
Total Investments	<u>\$ 526,905</u>

The following is a summary of investment returns for the year ended December 31, 2010:

Interest and dividends	\$ 13,014
Realized gains	7,253
Unrealized gains	<u>17,635</u>
Total Investment Returns	<u>\$ 37,902</u>

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**AMERICAN ART THERAPY ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended December 31, 2010

3. Fair Value Measurements

The following table summarizes AATA's assets measured at fair value on a recurring basis as of December 31, 2010:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Fixed-income mutual funds:				
Short-term bond funds	\$ 223,095	\$ 223,095	\$ -	\$ -
Intermediate-term bond funds	115,817	115,817	-	-
Equity mutual funds:				
Large growth equity funds	93,680	93,680	-	-
Multialternative funds	75,020	75,020	-	-
U.S. Treasury bonds	17,000	17,000	-	-
Money market funds	<u>2,293</u>	<u>2,293</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 526,905</u>	<u>\$ 526,905</u>	<u>\$ -</u>	<u>\$ -</u>

Fixed-income and equity mutual funds, multialternative funds, money market funds and U.S. Treasury bonds were based on quoted prices available in an active market for identical assets. These investments are classified within Level 1 of the valuation hierarchy.

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**AMERICAN ART THERAPY ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2010**

4. Property and Equipment

Property and equipment consist of the following at December 31, 2010:

Furniture	\$ 46,600
Website	40,000
Leasehold improvements	12,750
Software	11,805
Equipment	<u>7,793</u>
Total Property and Equipment	118,948
Less: Accumulated Depreciation and Amortization	<u>(41,314)</u>
Property and Equipment, Net	<u>\$ 77,634</u>

Depreciation and amortization expense was \$25,267 for the year ended December 31, 2010.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of December 31, 2010:

General Scholarship Fund	\$ 83,621
International Student Scholarship	11,786
Myra Levick Scholarship Fund	<u>5,148</u>
Total Temporarily Restricted Net Assets	<u>\$ 100,555</u>

6. Board-Designated Net Assets

The Board of Directors designated funds from unrestricted net assets as reserve funds. On April 19, 2011, the Board of Directors passed a motion to release \$200,000 out of the \$400,000 of board-designated net assets into unrestricted funds to cover the shortfalls from the 2010 budget year. As of December 31, 2010, board-designated net assets amounted to \$200,000.

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**AMERICAN ART THERAPY ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2010**

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7. Commitments and Contingencies

**Office Lease**

In 2009, AATA entered into a noncancelable operating lease for its office space, which expires June 30, 2014. The lease is for five years and adjusts 4% annually. In addition, under the terms of the lease, the first month's rent was waived in consideration of tenant improvements made by AATA. The lease includes one five-year renewal option. Under GAAP, all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. The difference between GAAP rent expense and the required lease payment is reflected as deferred rent in the accompanying statement of financial position.

Future minimum lease payments required under this operating lease are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2011	\$ 51,237
2012	53,286
2013	55,417
2014	<u>28,252</u>
Total	<u>\$ 188,192</u>

Rent expense for office space was \$57,150 for the year ended December 31, 2010.

**Hotel Commitments**

In the ordinary course of business, AATA enters into contracts with hotel and conference facilities and vendors for future meetings. In the unlikely event of meeting cancellations, AATA would be liable for amounts specified in the contracts related to future guaranteed hotel room bookings and other expenses. The exact amount due would depend on several factors, including the amount of notice given and actual losses incurred by the facilities. However, AATA has purchased cancellation insurance to mitigate its exposure to loss.

8. Chapters

AATA has Chapters throughout the United States. The Chapters elect their own Board of Directors, conduct service programs independent of AATA and maintain their own financial records. Accordingly, these financial statements do not include the financial activity of the Chapters. However, AATA collects dues for certain chapters and remits these dues on a monthly basis. As of December 31, 2010, AATA had collected \$6,445 of dues for these

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**AMERICAN ART THERAPY ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2010**

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8. Chapters (continued)

Chapters, which had not been remitted to the Chapters and is included in accounts payable and accrued expenses in the accompanying statement of financial position. In addition, a small assessment is billed to each Chapter annually. During the year ended December 31, 2010, the Chapters' assessment totaled \$2,905 and is included in other program fees in the accompanying statement of activities.

9. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, AATA is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required as of December 31, 2010, as AATA had no taxable net unrelated business income.

AATA follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. AATA performed an evaluation of uncertain tax positions for the year ended December 31, 2010, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2010, the statute of limitations for tax years 2007 through 2009 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which AATA files tax returns. It is AATA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

10. Prior Period Adjustment

During the year ended December 31, 2010, AATA restated its temporarily restricted and permanently restricted net asset balance as of December 31, 2009, to properly recognize certain grants and contributions that had been previously reported as permanently restricted revenue as temporarily restricted revenue in accordance with FASB ASC Topic *Revenue Recognition*. The adjustment increased temporarily restricted net assets and decreased permanently restricted net assets by \$110,655 as of December 31, 2009.

**AMERICAN ART THERAPY ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2010**

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10. Prior Period Adjustment (continued)

Below is the table that shows the impact on net assets, by class, as of December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Net assets, beginning of year	\$ 561,063	\$ -	\$ 110,655
Prior period adjustment	<u>-</u>	<u>110,655</u>	<u>(110,655)</u>
Net assets, beginning of year, as restated	<u>\$ 561,063</u>	<u>\$ 110,655</u>	<u>\$ -</u>

11. Subsequent Events

In preparing these financial statements, AATA has evaluated events and transactions for potential recognition or disclosure through July 3, 2011, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition of, or disclosure in, these financial statements.