

AMERICAN ART THERAPY ASSOCIATION, INC.

FINANCIAL REPORT

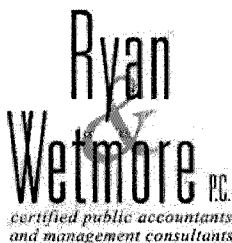
December 31, 2009

AMERICAN ART THERAPY ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the American Art Therapy Association, Inc., (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ryan & Wetmore, PC

Silver Spring, Maryland
July 2, 2010

AMERICAN ART THERAPY ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2009 and 2008

	2009	2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 40,878	\$ 93,962
Investments, at market value	739,003	729,552
Accounts receivable	18,166	30,652
Prepaid expenses	<u>23,326</u>	<u>10,651</u>
Total current assets	<u>821,373</u>	<u>864,817</u>
Property and equipment, at cost	117,397	-
Less accumulated depreciation and amortization	<u>(16,047)</u>	<u>-</u>
	<u>101,350</u>	<u>-</u>
Security deposits	<u>3,775</u>	<u>-</u>
Total assets	<u>\$ 926,498</u>	<u>\$ 864,817</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 129,217	\$ 165,719
Deferred dues and subscriptions	<u>125,563</u>	<u>52,658</u>
Total current liabilities	<u>254,780</u>	<u>218,377</u>
Net Assets		
Unrestricted		
Undesignated	161,063	126,145
Designated	400,000	400,000
Permanently restricted	<u>110,655</u>	<u>120,295</u>
Total net assets	<u>671,718</u>	<u>646,440</u>
Total liabilities and net assets	<u>\$ 926,498</u>	<u>\$ 864,817</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN ART THERAPY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
Years Ended December 31, 2009 and 2008

	----- 2009 -----			2008
	Unrestricted	Permanently Restricted	Total	
Revenue				
Membership dues	\$ 650,720	\$ -	\$ 650,720	\$ 634,356
Conferences and workshops	387,398	-	387,398	483,005
In-kind contributions	70,133	-	70,133	-
Publications and subscriptions	52,669	-	52,669	44,386
Investment return (loss)	109,451	-	109,451	(86,505)
Other program fees	27,588	-	27,588	24,730
Contributions	8,369	1,360	9,729	2,984
Released from restrictions	11,000	(11,000)	-	-
Total revenue	<u>1,317,328</u>	<u>(9,640)</u>	<u>1,307,688</u>	<u>1,102,956</u>
Expense				
Program services				
Conferences and symposiums	580,404	-	580,404	304,852
Publications	314,150	-	314,150	175,315
Committees, Board of Directors and Program certification	181,534	-	181,534	92,581
Total program services	<u>1,076,088</u>	<u>-</u>	<u>1,076,088</u>	<u>572,748</u>
Supporting services				
General and administrative	206,322	-	206,322	719,290
Total expense	<u>1,282,410</u>	<u>-</u>	<u>1,282,410</u>	<u>1,292,038</u>
Change in net assets	34,918	(9,640)	25,278	(189,082)
Net assets, beginning of year, as previously reported	526,145	120,295	646,440	819,253
Prior period adjustment	-	-	-	16,269
Net assets, end of year	<u>\$ 561,063</u>	<u>\$ 110,655</u>	<u>\$ 671,718</u>	<u>\$ 646,440</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN ART THERAPY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 25,278	\$ (189,082)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-kind contributions	(70,133)	-
Depreciation and amortization	16,047	-
Allowance for doubtful accounts	-	7,500
Prior period adjustment	-	16,269
Net (gain) loss on investments	(102,287)	105,064
Changes in assets and liabilities:		
Accounts receivable	12,486	(22,634)
Prepaid expenses	(12,675)	2,945
Deposits	(3,775)	-
Accounts payable and accrued expenses	(36,502)	36,063
Deferred revenue	72,905	(183,700)
Net cash used in operating activities	<u>(98,656)</u>	<u>(227,575)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(47,264)	-
Dividends and interest reinvested	(7,164)	-
Redemption of investments	100,000	46,773
Net cash (used in) provided by investing activities	<u>45,572</u>	<u>46,773</u>
Net decrease in cash	(53,084)	(180,802)
Cash and cash equivalents, beginning of year	<u>93,962</u>	<u>274,764</u>
Cash and cash equivalents, end of year	<u>\$ 40,878</u>	<u>\$ 93,962</u>

Supplemental disclosure of cash flow information:

For the Statement of Cash Flows, the Association considers amounts in checking accounts to be cash. Money market accounts are considered to be investments.

No amounts were paid for interest or income taxes during the two years.

The accompanying notes are an integral part of this financial statement.

AMERICAN ART THERAPY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 1. Organization and Summary of Significant Accounting Policies

Organization

The American Art Therapy Association (the Association) is a nonprofit organization dedicated to the promotion and awareness of art therapy. The Association provides education and research guidance to its members through various means, including conferences, symposiums, newsletters, and other published materials.

Income Taxes

The Association is exempt from income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time. The Association is subject to income taxes on any income realized from unrelated business activities. There was no unrelated business income tax expense for the years ended December 31, 2009 and 2008.

Effective January 1, 2009, all entities were required to implement the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities. As of December 31, 2009, the Association had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

Use of Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

AMERICAN ART THERAPY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

Accounts Receivable

Accounts receivable consists of amounts owed from advertising sales. The Association's management periodically reviews the status of these receivables for collectability, which is assessed based on management's knowledge of and relationship with the customer and the age of the receivable. As a result of these reviews, all receivables deemed uncollectible are written off directly to bad debt expense. Based on these reviews and the nature of the receivables, management does not deem the use of an allowance for uncollectible accounts to be necessary at December 31, 2009. The allowance was \$7,500 at December 31, 2008.

Property and Equipment

Property and equipment, including software, are depreciated or amortized over their estimated useful lives of from three to five years using straight-line methods. Website costs are amortized over five years.

Deferred Revenue

Revenue received in advance of the period in which it is earned is deferred to subsequent years.

Net Assets

Undesignated - represents the portion of unrestricted, expendable funds available for support of Association's general activities.

Designated - designated by the Board of Directors as a contingency fund for future, unexpected events.

Permanently restricted - comprised of funds restricted by donors held in perpetuity for particular purposes.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Association moved from a virtual office environment to one with its own staff and leased office space during 2009. As a result, more precise functional expense allocations were able to be made in 2009 to allocate indirect costs to programs as appropriate.

AMERICAN ART THERAPY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

Subsequent Events

In preparing its financial statements, the Association has evaluated subsequent events through June 30, 2010, which is the date the financial statements were available to be issued.

Note 2. Credit and Market Risk

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any such losses in the past, and does not believe it is exposed to any significant financial risk on these cash balances.

The Association also invests funds in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Note 3. Investments

Investments are recorded at fair value and consist of the following at December 31, 2009 and 2008. Also, see Note 7.

	2009	2008
Cash, money funds, and FDIC deposits	\$ 63,949	\$ 711,642
U.S. Treasury Bond	17,000	17,910
Fixed income, bonds and CD's	102,799	-
Mutual funds	<u>555,255</u>	<u>-</u>
	<u>\$ 739,003</u>	<u>\$ 729,552</u>

The following is a summary of investment return (loss) for the years ended December 31, 2009 and 2008:

	2009	2008
Interest and dividends	\$ 7,164	\$ 18,559
Net gain (loss) on investments	<u>102,287</u>	<u>(105,064)</u>
	<u>\$ 109,451</u>	<u>\$ (86,505)</u>

AMERICAN ART THERAPY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 4. Property and Equipment

Property and equipment consists of:

	Cost or Donated Value	Current Depreciation/ Amortization
Furniture	\$ 46,200	\$ 4,620
Website	40,000	8,000
Leasehold improvements	12,750	1,275
Software	11,805	1,377
Equipment	<u>6,642</u>	<u>775</u>
	<u>\$ 117,397</u>	<u>\$ 16,047</u>

Note 5. Permanently Restricted Net Assets

Permanently restricted net assets changed by contributions of \$1,360 and scholarships of \$11,000 in 2009 and consist of the following at December 31, 2009 and 2008:

	2009	2008
Rawley Silver Scholarship Fund	\$ 21,021	\$ 21,846
Cay Drachnik Scholarship Fund	20,663	21,281
AATA 25 th Anniversary Scholarship Fund	17,318	24,715
Pearlie Roberson Fund	14,968	15,864
International Student Scholarship	11,786	11,786
Research Grant	11,508	11,330
Myra Levisk Scholarship Fund	5,548	5,688
Gladys Agell Award Fund	4,526	4,522
Suzanne Canner-Hume Scholarship Fund	<u>3,317</u>	<u>3,263</u>
	<u>\$ 110,655</u>	<u>\$ 120,295</u>

Note 6. Related Party Transactions

An accounting firm in Rockville, Maryland began performing the accounting functions and Chief Financial Officer duties in July 2008. Fees to the accounting firm were \$ 4,920 each month in 2009 and 2008. Additionally, membership services, conference services and the Executive Director position were contracted with different companies and individuals in 2009 and 2008. The contract with the membership service company and the AATA contracted Executive Director expired in 2009. The AATA Board of Directors then began hiring its own leadership and support staff.

AMERICAN ART THERAPY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 7. Fair Value Measurements

In accordance with Statement of Financial Accounting Standards (SFAS) No. 157, the Association has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Society has the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Financial assets recorded on the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2009:

Assets at Fair Value as of December 31, 2009 and 2008

Asset Category:	Level 1	Level 2	Level 3	Total
Investments 2009	\$ 688,102	\$ 50,901	\$ -	\$ 739,003
Investments 2008	\$ 729,552	\$ -	\$ -	\$ 729,552

Note 8. Leases

The Association entered into an agreement for leased office space effective July 1, 2009. The lease is for five years and adjusts 4% annually. The first month's rent was waived in consideration of tenant improvements made by the Association. The lease includes one five year renewal option.

AMERICAN ART THERAPY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 8. Leases (continued)

Rental expense for office space was \$ 23,025 for 2009. The following is a schedule by years of future minimum rental payments required:

2010	\$ 49,266
2011	51,237
2012	53,286
2013	55,417
2014	<u>28,252</u>
Total	<u>\$ 237,458</u>

Note 9. Chapters

The Association has Chapters throughout the United States. The Association collects dues for certain chapters and remits these dues on a monthly basis. In addition, a small assessment is billed to each Chapter annually.

Note 10. Contingencies

In the ordinary course of business, the Association enters into contracts with hotel and conference facilities and vendors for future meetings. In the unlikely event of meeting cancellations, the Association would be liable for 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, the Association has purchased cancellation insurance to mitigate its exposure to loss.

Note 11. In-Kind Contributions

The Association was the recipient of donated furniture, equipment and office space improvement services valued at \$ 70,133 during 2009. These assets are included in property and equipment in the accompanying statement of financial position.

Note 12. Prior Period Adjustment

The audited financial statements for 2007 incorrectly excluded a U.S. Treasury Bond investment from the assets. This and a minor balance correction has been reflected as an adjustment to beginning net assets at January 1, 2008, in the accompanying financial statements.