

artists for humanity

FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

ARTISTS FOR HUMANITY, INC.

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December 31, 2014 and 2013

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Independent Auditor's Report

To the Board of Directors of
Artists for Humanity, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Artists for Humanity, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Artists for Humanity, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Brown, Penning & Co., P.C.
Boston, Massachusetts
April 28, 2015

ARTISTS FOR HUMANITY, INC.Statements of Financial Position
December 31, 2014 and 2013

Assets	2014	2013
Current Assets:		
Cash and cash equivalents	\$ 172,164	\$ 281,129
Accounts receivable, net of allowance for doubtful accounts of approximately \$3,000 as of December 31, 2014 and 2013	122,380	150,406
Current portion of operating pledges receivable	299,365	275,927
Inventory	14,355	10,539
Prepaid expenses and other	19,403	17,381
Total current assets	627,667	735,382
Restricted Cash for Capital Campaign	1,331,306	-
Operating Pledges Receivable, net of current portion	10,000	131,425
Capital Campaign Pledges, net of discount	2,097,902	-
Property and Equipment, net	6,733,167	6,901,183
Construction in Process	271,123	-
Total assets	<u>\$ 11,071,165</u>	<u>\$ 7,767,990</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 68,647	\$ 125,279
Accrued expenses	80,831	86,355
Deferred revenue	93,477	123,162
Total current liabilities	242,955	334,796
Net Assets:		
Unrestricted:		
Operating	(54,287)	(72,215)
Property, equipment, and construction in process	7,004,290	6,901,183
Total unrestricted	6,950,003	6,828,968
Temporarily restricted	3,878,207	604,226
Total net assets	10,828,210	7,433,194
Total liabilities and net assets	<u>\$ 11,071,165</u>	<u>\$ 7,767,990</u>

The accompanying notes are an integral part of these statements.

ARTISTS FOR HUMANITY, INC.

 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Support and Revenue:						
Program revenue	\$ 1,511,245	\$ -	\$ 1,511,245	\$ 1,379,948	\$ -	\$ 1,379,948
Grants and contracts	497,029	439,046	936,075	446,816	371,435	818,251
Contributions	545,819	-	545,819	487,856	-	487,856
Events and sponsorships	269,203	-	269,203	190,925	-	190,925
Donated goods and services	91,226	-	91,226	71,336	-	71,336
Interest and other	1,240	-	1,240	40,359	-	40,359
Net assets released from restrictions:						
Time	409,600	(409,600)	-	726,984	(726,984)	-
Purpose	184,673	(184,673)	-	163,355	(163,355)	-
Purpose - capital campaign	166,668	(166,668)	-	-	-	-
Total operating support and revenue	3,676,703	(321,895)	3,354,808	3,507,579	(518,904)	2,988,675
Operating Expenses:						
Program	2,803,060	-	2,803,060	2,742,595	-	2,742,595
General and administrative	497,595	-	497,595	429,074	-	429,074
Fundraising	526,136	-	526,136	425,487	-	425,487
Total operating expenses	3,826,791	-	3,826,791	3,597,156	-	3,597,156
Changes in net assets from operations	(150,088)	(321,895)	(471,983)	(89,577)	(518,904)	(608,481)
Non-Operating Revenue - Capital:						
Capital contributions	-	3,796,486	3,796,486	-	-	-
Donated services - capital	70,513	-	70,513	65,716	-	65,716
Donated land	-	-	-	1,000,000	-	1,000,000
Net assets released from capital restrictions	200,610	(200,610)	-	-	-	-
Total non-operating revenue - capital	271,123	3,595,876	3,866,999	1,065,716	-	1,065,716
Changes in net assets	121,035	3,273,981	3,395,016	976,139	(518,904)	457,235
Net Assets:						
Beginning of year	6,828,968	604,226	7,433,194	5,852,829	1,123,130	6,975,959
End of year	<u>\$ 6,950,003</u>	<u>\$ 3,878,207</u>	<u>\$ 10,828,210</u>	<u>\$ 6,828,968</u>	<u>\$ 604,226</u>	<u>\$ 7,433,194</u>

The accompanying notes are an integral part of these statements.

ARTISTS FOR HUMANITY, INC.Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 3,395,016	\$ 457,235
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Capital contributions	(3,796,486)	-
Donated services - capital	(70,513)	(65,716)
Donated land	-	(1,000,000)
Depreciation	168,016	172,016
Bad debts	1,500	-
Change in discount on operating pledges receivable	(3,575)	(12,201)
Changes in operating assets and liabilities:		
Accounts receivable	26,526	(43,160)
Operating pledges receivable	101,562	678,737
Inventory	(3,816)	3,039
Prepaid expenses and other	(2,022)	(1,353)
Accounts payable	(64,776)	13,214
Accrued expenses	(5,524)	12,670
Deferred revenue	(29,685)	(20,833)
Net cash provided by (used in) operating activities	<u>(283,777)</u>	<u>193,648</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	-	(4,781)
Payments for construction in progress	(192,466)	-
Increase in restricted cash for capital campaign	(1,331,306)	-
Net cash used in investing activities	<u>(1,523,772)</u>	<u>(4,781)</u>
Cash Flows from Financing Activities:		
Capital contributions	<u>1,698,584</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(108,965)	188,867
Cash and Cash Equivalents:		
Beginning of year	<u>281,129</u>	<u>92,262</u>
End of year	<u>\$ 172,164</u>	<u>\$ 281,129</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 4,974</u>	<u>\$ 2,226</u>
Supplemental Disclosure of Non-Cash Transactions:		
Donated land and acquisition costs and donated services - capital	<u>\$ 70,513</u>	<u>\$ 1,065,716</u>
Construction in process included in accounts payable	<u>\$ 8,144</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

ARTISTS FOR HUMANITY, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2014

(With Summarized Comparative Totals for the Year Ended December 31, 2013)

	2014			2013	
	Program	General and Administrative	Fundraising	Total	Total
Operating Expenses:					
Personnel and related:					
Salaries - other staff	\$ 1,187,279	\$ 283,501	\$ 347,368	\$ 1,818,148	\$ 1,640,863
Salaries - youth artists	489,787	-	-	489,787	556,917
Payroll taxes and fringe benefits	270,855	44,059	53,985	368,899	348,899
Donated salaries - youth artists	63,014	-	-	63,014	57,382
Contracted artists and services	4,857	10,350	-	15,207	39,944
Total personnel and related	2,015,792	337,910	401,353	2,755,055	2,644,005
Program supplies	305,783	-	-	305,783	268,338
Professional services and consultants	105,043	63,606	26,344	194,993	110,025
Depreciation	123,362	20,067	24,587	168,016	172,016
Cleaning	45,956	7,475	9,160	62,591	65,611
Equipment rental and maintenance	40,923	13,424	8,157	62,504	72,330
Utilities	30,354	4,938	6,050	41,342	39,582
Training and travel	31,932	1,974	6,913	40,819	43,536
Event expense	20,207	-	20,207	40,414	23,921
Insurance	17,849	2,904	3,558	24,311	21,009
Printing	13,399	4,467	4,467	22,333	18,134
Miscellaneous	10,521	8,653	1,433	20,607	29,623
Telephone	9,338	4,669	4,669	18,676	17,705
Legal services	-	16,817	-	16,817	13,003
Repairs and maintenance	10,467	1,703	2,086	14,256	11,858
Postage and shipping	5,460	2,730	2,730	10,920	15,842
Office supplies	2,376	4,751	2,538	9,665	10,132
Trash removal	6,207	1,010	1,237	8,454	9,429
Interest	3,830	497	647	4,974	2,226
Alumni commissions	2,761	-	-	2,761	6,081
Bad debts	1,500	-	-	1,500	-
Scholarships	-	-	-	-	2,750
Total operating expenses	<u>\$ 2,803,060</u>	<u>\$ 497,595</u>	<u>\$ 526,136</u>	<u>\$ 3,826,791</u>	<u>\$ 3,597,156</u>

The accompanying notes are an integral part of these statements.

ARTISTS FOR HUMANITY, INC.Statement of Functional Expenses
For the Year Ended December 31, 2013

	<u>Program</u>	<u>General and Adminis- trative</u>	<u>Fundraising</u>	<u>Total</u>
Operating Expenses:				
Personnel and related:				
Salaries - other staff	\$ 1,110,991	\$ 230,280	\$ 299,592	\$ 1,640,863
Salaries - youth artists	556,917	-	-	556,917
Payroll taxes and fringe benefits	266,922	35,627	46,350	348,899
Donated salaries - youth artists	57,382	-	-	57,382
Contracted artists and services	24,975	14,969	-	39,944
Total personnel and related	2,017,187	280,876	345,942	2,644,005
Program supplies	268,338	-	-	268,338
Professional services and consultants	74,039	35,092	894	110,025
Depreciation	131,599	17,565	22,852	172,016
Cleaning	45,137	16,287	4,187	65,611
Equipment rental and maintenance	43,263	23,765	5,302	72,330
Utilities	30,282	4,042	5,258	39,582
Training and travel	36,029	401	7,106	43,536
Event expense	11,960	-	11,961	23,921
Insurance	16,073	2,145	2,791	21,009
Printing	10,880	3,627	3,627	18,134
Miscellaneous	10,291	17,566	1,766	29,623
Telephone	9,738	3,541	4,426	17,705
Legal services	-	13,003	-	13,003
Repairs and maintenance	9,077	1,209	1,572	11,858
Postage and shipping	8,356	3,743	3,743	15,842
Office supplies	2,599	5,022	2,511	10,132
Trash removal	7,213	963	1,253	9,429
Interest	1,703	227	296	2,226
Alumni commissions	6,081	-	-	6,081
Scholarships	2,750	-	-	2,750
Total operating expenses	<u>\$ 2,742,595</u>	<u>\$ 429,074</u>	<u>\$ 425,487</u>	<u>\$ 3,597,156</u>

The accompanying notes are an integral part of these statements.

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Artists for Humanity, Inc. (AFH) was organized in 1991 as a Massachusetts not-for-profit corporation with a mission to provide urban young people with the keys to self-sufficiency through paid employment in the arts. AFH offers inner-city teens an intensive paid apprenticeship in which they work with professional artists and young artist mentors to design, create and sell art products. During out-of-school time, participants create art, work on exhibitions and respond to business clients by meeting their graphic service needs.

AFH is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). AFH is also exempt from state income taxes. Donors may deduct contributions made to AFH within the IRC regulations.

SIGNIFICANT ACCOUNTING POLICIES

AFH prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market accounts.

Revenue Recognition

Contracts are recorded over the contract period as services are provided. Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions lapse.

Program revenue and all other revenue are recognized when earned. Payments received in advance of services being performed are recorded as deferred revenue.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Building	40 years
Office and artistic equipment	3 - 5 years
Furniture and fixtures	5 years

Pledges Receivable

Pledges receivable at December 31, 2014, consist of contributions committed to AFH for the capital campaign and operating purposes (see Note 4). At December 31, 2013, pledges receivable were committed for operating purposes (see Note 4). Pledges are recorded at their net present value when unconditionally committed.

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts and Pledges Receivable

Allowances for potentially uncollectible accounts and pledges receivable are provided based upon management's assessment of potential defaults. The allowance against doubtful accounts receivable was approximately \$3,000 at December 31, 2014 and 2013. There was no allowance for doubtful pledges receivable deemed necessary at December 31, 2014 and 2013.

Expense Allocations

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to the program.

Donated Goods and Services

AFH receives services of professional volunteers and donated goods and services in various aspects of its programs and operations. The value assigned to these services and items, based on the donor's estimate of the fair value, has been reflected in the accompanying financial statements as donated goods and services as follows for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Operating:		
Salaries - youth artists	\$ 63,014	\$ 57,382
Legal services	14,992	13,003
Event expenses	8,220	-
Public relations	5,000	-
Printing, postage and shipping	-	878
Online advertising services	-	73
	<u>91,226</u>	<u>71,336</u>
Total operating donated goods and services	91,226	71,336
Legal services - capital (see Note 3)	<u>70,513</u>	<u>65,716</u>
Total donated goods and services	<u>\$ 161,739</u>	<u>\$ 137,052</u>

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by AFH. AFH has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of AFH.

Property, equipment and construction in process net assets reflect and account for the activities relating to AFH's property, equipment, building and construction in process.

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are donor restricted contributions which have not yet been expended for their designated purpose or are designated for a future time period.

Temporarily restricted net assets are comprised of the following at December 31:

	<u>2014</u>	<u>2013</u>
Capital restricted	\$ 3,429,208	\$ -
Time restricted	399,149	531,876
Purpose restricted	<u>49,850</u>	<u>72,350</u>
	<u>\$ 3,878,207</u>	<u>\$ 604,226</u>

Advertising Costs

AFH expenses advertising costs as they are incurred. During 2013, AFH received donated online advertising services in the amount of \$73 (see page 8), which are included in miscellaneous in the accompanying 2013 statement of functional expenses. AFH had no advertising costs in 2014.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

AFH follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that AFH would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

AFH uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of AFH. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Subsequent Events

Subsequent events have been evaluated through April 28, 2015, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Income Taxes

AFH accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. AFH has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2014 and 2013. AFH's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Inventory

Inventory is stated at the lower of cost determined on a first-in, first-out (FIFO) method or market and consists of shirts.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Land	\$ 2,265,716	\$ 2,265,716
Building	5,900,964	5,900,964
Office and artistic equipment	204,652	204,652
Furniture and fixtures	<u>87,735</u>	<u>87,735</u>
	8,459,067	8,459,067
Less - accumulated depreciation	<u>1,725,900</u>	<u>1,557,884</u>
	<u>\$ 6,733,167</u>	<u>\$ 6,901,183</u>

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

2. PROPERTY AND EQUIPMENT (Continued)

During 2013, AFH received donated land adjacent to its current facility, which was recorded at \$1,000,000; management's estimate of its fair value based on comparative sales in the area and other factors. AFH also received \$65,716 of donated legal services related to this land donation. The total of \$1,065,716 is reflected as donated land and donated services - capital in the accompanying 2013 statement of activities and changes in net assets. This gift will allow AFH to expand its current EpiCenter facility to engage hundreds more diverse and low-income youth each year with jobs in the creative industries (see Note 3).

3. CONSTRUCTION IN PROCESS

During 2014, AFH began the design phase of a project to expand AFH's EpiCenter facility on the new parcel of land donated in 2013 (see Note 2). This expansion will help AFH to significantly grow its programs and expand its operations. AFH envisions creating an urban laboratory where youth and community intersect in pioneering social change. The groundbreaking for the construction project is expected to take place in September 2015 and construction is anticipated to be completed in 2017. The total project is expected to cost \$30 million, including the \$1 million of donated land (see Note 2), which will be funded through a capital campaign (see Note 4), government funds, and a mortgage on the property. During 2014, AFH incurred \$271,123 related to the project, including donated legal costs of \$70,513, which is included in construction in process in the accompanying 2014 statement of financial position. These assets are not depreciated until they are placed in service.

4. PLEDGES RECEIVABLE AND CAPITAL CAMPAIGN

Capital Campaign Pledges Receivable

During 2014, AFH began a capital campaign in conjunction with the construction project to expand the EpiCenter facility as described in Notes 2 and 3, with a goal of raising \$30 million including the \$1 million of donated land (see Note 2). As of December 31, 2014, AFH has raised approximately \$3.8 million towards this campaign, plus the \$1 million of donated land.

Capital campaign pledges receivable are expected to be collected as follows at December 31, 2014:

Due within one year	\$ 1,538,000
Due in one to five years	<u>572,000</u>
	2,110,000
Less – discount	<u>12,098</u>
	<u>\$ 2,097,902</u>

Capital campaign pledges receivable have been discounted to their net present value using a discount rate of 2%. There were no capital campaign pledges receivable as of December 31, 2013.

The entirety of AFH's capital campaign pledges receivable are reflected as long-term assets as they will be converted into long-term property and equipment upon collection and expenditure of the funds in accordance with the donors' restrictions.

The cash received and not spent for the capital campaign is reflected as restricted cash for capital campaign, and is also shown as a long-term asset based on the intent to use these proceeds for the capital project.

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

4. PLEDGES RECEIVABLE AND CAPITAL CAMPAIGN (Continued)

Operating Pledges Receivable

Operating pledges receivable are expected to be collected as follows at December 31:

<u>Fiscal Year</u>	<u>2014</u>	<u>2013</u>
Due within one year	\$ 299,365	\$ 275,927
Due in one to five years	10,000	135,000
	<u>309,365</u>	<u>410,927</u>
Less - discount	-	3,575
	<u>309,365</u>	<u>407,352</u>
Less - current portion	<u>299,365</u>	<u>275,927</u>
	<u>\$ 10,000</u>	<u>\$ 131,425</u>

5. NOTE PAYABLE TO A BANK

AFH has available a \$150,000 line of credit agreement with a bank. Borrowings under the agreement are due on demand and interest is payable monthly at a rate equal to the *Wall Street Journal's* prime rate (3.25% at December 31, 2014 and 2013), plus 1%. The line of credit is secured by substantially all assets of AFH. There was no outstanding balance on the line of credit as of December 31, 2014 and 2013. The line of credit renews annually.

6. RELATED PARTY TRANSACTIONS

One member of the Board of Directors is employed by AFH and received compensation totaling approximately \$65,000 per annum during 2014 and 2013.

7. RETIREMENT PLAN

AFH maintains an IRC Section 403(b) retirement plan for qualified salaried employees. Eligible employees may elect to contribute the maximum amount of compensation allowed by law each year. AFH does not match employee contributions.

8. CONCENTRATIONS

AFH maintains its cash balances in a Massachusetts bank and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. AFH has not experienced any losses in such accounts. AFH believes it is not exposed to any significant credit risk on its cash. Management monitors, on a regular basis, the financial condition of the financial institution, along with its balances, to keep this potential risk to a minimum.

As of December 31, 2014, pledges from three donors represented 66% of the total outstanding operating pledges receivable. As of December 31, 2013, pledges from three donors represented 79% of the total outstanding operating pledges receivable.

As of December 31, 2013, accounts receivable from one organization made up 23% of the total outstanding accounts receivable.

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2014 and 2013

8. CONCENTRATIONS (Continued)

As of December 31, 2014, pledges from two donors represented 90% of the total outstanding capital pledges receivable.

As of December 31, 2014, capital contributions from one donor represented 35% of total revenue and 64% of non-operating revenue-capital.

As of December 31, 2014, revenue from another donor represented 12% of total revenue – 10% of operating support and revenue and 13% of non-operating revenue – capital.

9. CONDITIONAL GRANT

During 2013, an organization awarded AFH a \$45,000 gift, of which \$30,000 was received through December 31, 2013. The balance of \$15,000 was a conditional gift as of December 31, 2013. Since this gift was conditional upon AFH meeting certain benchmarks, it was not reflected in the accompanying financial statements as of December 31, 2013. The gift was earned and received in 2014.

10. RECLASSIFICATIONS

Certain amounts in the 2013 financial statements have been reclassified to conform with the 2014 presentation.