

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Combined Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2019

Artists for Humanity, Inc. and AFH Epicenter, Inc.

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Independent Auditor's Report

To the Board of Directors
Artists for Humanity, Inc. and AFH Epicenter, Inc.

We have audited the accompanying combined financial statements of Artists for Humanity, Inc. and AFH Epicenter, Inc. (the "Organization"), which comprise the combined statement of financial position as of December 31, 2019, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Artists for Humanity, Inc. and AFH Epicenter, Inc. as of December 31, 2019, and the combined 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 25 to 28 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and changes in net assets of the individual organizations and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statement or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



Boston, Massachusetts
May 12, 2021

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Combined Statement of Financial Position
December 31, 2019**

Assets

Current assets

Cash and cash equivalents	\$ 225,220
Accounts receivable, net of allowance for doubtful accounts of approximately \$1,500	231,313
Operating promises to give receivable	248,407
Prepaid expenses and other	8,022

Total current assets	<u>712,962</u>
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Other assets

Restricted cash	55,300
Deposits - prepaid expenses	37,990
Operating promises to give receivable, long-term portion	256,113
Notes receivable	10,785,140

Land	2,265,716
Property and equipment, net	22,090,717
Construction in progress	68,500

Total other assets	<u>35,559,476</u>
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Total assets	<u><u>\$ 36,272,438</u></u>
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Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Combined Statement of Financial Position
December 31, 2019**

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 955,207
Deferred revenue	101,312
Notes payable and unamortized debt issuance costs, short-term	<u>113,879</u>
Total current liabilities	<u>1,170,398</u>
Long-term liabilities	
Notes payable and unamortized debt issuance costs	<u>15,662,525</u>
Total long-term liabilities	<u>15,662,525</u>
Total liabilities	<u>16,832,923</u>
Commitments and contingencies	
Net assets	
Without donor restrictions	18,594,541
With donor restrictions	<u>844,974</u>
Total net assets	<u>19,439,515</u>
Total liabilities and net assets	<u><u>\$ 36,272,438</u></u>

See Notes to Combined Financial Statements.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Combined Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019**

	Without donor restrictions	With donor restrictions	Total
Operating support and revenue			
Grants and contracts	\$ -	\$ 1,629,325	\$ 1,629,325
Program revenue	2,080,727	-	2,080,727
Contributions	474,528	184,092	658,620
Events and sponsorships	174,060	-	174,060
Donated services	135,828	-	135,828
Interest and other revenue	98,150	-	98,150
Net assets released from time restrictions	29,600	(29,600)	-
Net assets released from purpose restrictions	1,381,661	(1,381,661)	-
Total operating support and revenue	4,374,554	402,156	4,776,710
Operating expenses			
Program	4,079,218	-	4,079,218
General and administrative	643,915	-	643,915
Fundraising	604,674	-	604,674
Total operating expenses	5,327,807	-	5,327,807
Changes in net assets from operations	(953,253)	402,156	(551,097)
Non-operating revenue (expenses)			
Contributions - capital	-	530,450	530,450
Net assets released from capital restrictions	1,000,439	(1,000,439)	-
Total non-operating revenue (expenses)	1,000,439	(469,989)	530,450
Changes in net assets	47,186	(67,833)	(20,647)
Net assets			
Beginning of year	18,547,355	912,807	19,460,162
End of year	\$ 18,594,541	\$ 844,974	\$ 19,439,515

See Notes to Combined Financial Statements.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Combined Statement of Functional Expenses
Year Ended December 31, 2019**

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Operating expenses				
Personnel and related				
Salaries - other staff	\$ 1,591,621	\$ 212,216	\$ 318,324	\$ 2,122,161
Salaries - youth artists	709,029	-	-	709,029
Payroll taxes and fringe benefits	345,701	46,093	69,140	460,934
Donated salaries - youth artists	119,264	-	-	119,264
Contracted artists and services	<u>34,640</u>	<u>-</u>	<u>-</u>	<u>34,640</u>
Total personnel and related	2,800,255	258,309	387,464	3,446,028
Program supplies	200,790	35,433	-	236,223
Professional services and consultants	133,861	23,623	-	157,484
Donated services - legal	14,079	2,485	-	16,564
Depreciation	524,212	69,895	104,843	698,950
Cleaning	76,411	10,188	15,282	101,881
Utilities	47,820	6,376	9,564	63,760
Insurance	29,176	3,890	5,835	38,901
Equipment rental and maintenance	16,173	21,602	3,235	41,010
Training and travel	20,004	2,667	4,001	26,672
Interest	34,835	180,402	6,967	222,204
Event expense	34,609	-	34,610	69,219
Telephone	10,985	5,492	5,492	21,969
Printing	8,143	4,072	4,072	16,287
Miscellaneous	37,882	5,943	7,576	51,401
Alumni commissions	23,730	-	-	23,730
Postage and shipping	3,264	1,633	1,633	6,530
Repairs and maintenance	17,765	2,369	3,553	23,687
Licenses and permits	7,610	1,015	1,522	10,147
Dues and subscriptions	17,777	2,370	3,555	23,702
Trash removal	13,222	1,763	2,645	17,630
Bank service fees	4,736	631	947	6,314
Office supplies	<u>1,879</u>	<u>3,757</u>	<u>1,878</u>	<u>7,514</u>
Total operating expenses	<u>\$ 4,079,218</u>	<u>\$ 643,915</u>	<u>\$ 604,674</u>	<u>\$ 5,327,807</u>

See Notes to Combined Financial Statements.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Combined Statement of Cash Flows
Year Ended December 31, 2019**

Cash flows from operating activities	
Change in net assets	\$ (20,647)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	698,950
Amortization of debt issuance costs charged as interest expense	33,285
Changes in operating assets and liabilities	
Accounts receivable	69,463
Operating promises to give receivable	(260,178)
Prepaid expenses and other	814
Accounts payable and accrued expenses	57,940
Deferred revenue	(124,912)
	<u>454,715</u>
Net cash provided by operating activities	
Cash flows from investing activities	
Contributions - capital	400,000
Payments for purchases of property and equipment	(1,837,570)
	<u>(1,437,570)</u>
Net cash used in investing activities	
Cash flows from financing activities	
Proceeds from advances on note payable	1,608,880
Repayments of advances on note payable	(1,192,782)
	<u>416,098</u>
Net cash provided by financing activities	
Net decrease in cash, cash equivalents and restricted cash	(566,757)
Cash, cash equivalents and restricted cash - beginning of year	<u>847,277</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 280,520</u>
Supplemental disclosures of cash flow data	
Cash paid during the year for interest	<u>\$ 187,251</u>
Increase in property and equipment	\$ 592,379
Property and equipment included in accounts payable at December 31, 2018	1,882,564
Property and equipment included in accounts payable at December 31, 2019	<u>(637,373)</u>
Cash paid for property and equipment	<u>\$ 1,837,570</u>

See Notes to Combined Financial Statements.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

Notes to Combined Financial Statements December 31, 2019

Note 1 - Organization

Artists for Humanity, Inc. ("AFH") was organized in 1991 as a Massachusetts nonprofit 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 Epicenter, Inc. ("AFH Epicenter") is a Massachusetts not-for-profit corporation that was established in 2016 for the purpose of acquiring the existing Epicenter property in Boston, Massachusetts, constructing an addition to this property, and operating the property and the addition (collectively, the "Boston Property"). The Boston Property is being leased to AFH (see Note 11). AFH Epicenter operates the Boston Property in a manner to enable AFH Epicenter to qualify as a qualified active low-income community business ("QALICB") for the purpose of New Markets Tax Credits ("NMTC"), as defined in Section 45D(d) of the Internal Revenue Code ("IRC"). AFH also has to meet certain NMTC "low-income housing community" and "community benefit" criteria.

One of the five members of the Board of Directors of AFH Epicenter is also a Board member of AFH. One of the five members of the Board of Directors of AFH Epicenter is related to a Board officer of AFH. In addition, AFH has a significant economic interest in AFH Epicenter, as AFH has guaranteed AFH Epicenter's debt, participated in NMTC financing for the Boston Property, has a thirty-year lease as the only tenant of AFH Epicenter, is the only source of revenue for AFH Epicenter, and manages AFH Epicenter. Accounting principles generally accepted in the United States of America ("U.S. GAAP") require the financial statements of AFH and AFH Epicenter to be combined based on these criteria. AFH and AFH Epicenter are collectively referred to as the Organization.

AFH and AFH Epicenter are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the IRC ("IRC"). AFH and AFH Epicenter are also exempt from state income taxes. Donors may deduct contributions made to AFH and AFH Epicenter within the IRC regulations.

Accounting pronouncements adopted

During 2019, the Organization adopted the provisions of Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance clarifies and improves the scope and accounting guidance for contributions received and contributions made. Specifically, the ASU assists not-for-profit entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as an exchange (reciprocal) transactions and whether a contribution is conditional. The Organization adopted the provisions of ASU 2018-08 on January 1, 2019 applicable to both contributions received and contributions made in the accompanying combined financial statements under a modified prospective basis. There is no effect on combined net assets in connection with the implementation of ASU 2018-08.

In June 2020, the Financial Accounting Standards Board ("FASB") issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which provides for the elective deferrals of the effective dates of Topic 606 and Topic 842 for certain entities. The core principle of Topic 606, which replaces most existing revenue recognition guidance with a five-step framework, is that revenue from contracts with customers is recognized in an amount that reflects the consideration to which an entity expects to be entitled in

Artists for Humanity, Inc. and AFH Epicenter, Inc.

Notes to Combined Financial Statements December 31, 2019

exchange for goods and services. Upon its adoption, Topic 842 replaces existing lease accounting guidance and requires lessees to recognize right of use assets and corresponding lease liabilities for their leases other than those on their statement of financial position for all leases, including those classified as operating, except for short-term leases. Lessor accounting under Topic 842 is largely unchanged when compared to existing guidance.

The Organization has elected to apply the deferrals provided by ASU 2020-05 and therefore expects to adopt (i) Topic 606 for annual reporting periods beginning after December 15, 2019; and (ii) Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis. AFH and AFH Epicenter are currently evaluating the potential impacts of adopting Topic 606 and Topic 842 on its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended December 31, 2019. Consequently, ending cash and restricted cash as of December 31, 2018 increased from \$33,173 to \$847,277.

Note 2 - Summary of significant accounting policies

Basis of presentation

The Organization prepares its combined financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). References to GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of combination

The combined financial statements include the accounts and operations of AFH and AFH Epicenter. All significant intercompany balances and transactions have been eliminated in the accompanying combined financial statements.

Combined statement of activities and change in net assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenue and operating expenses in the accompanying combined statement of activities and changes in net assets. Peripheral or incidental transactions are reported as non-operating revenue (expenses). Non-operating revenue (expenses) includes activity related to the capital campaign and other capital activity.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

Notes to Combined Financial Statements December 31, 2019

Classification of net assets

The combined financial statements are presented in accordance with accounting principles generally accepted in the United States of America, which requires that the financial statements report information regarding financial position and activities according to the following net asset classifications. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

<i>Net assets without donor restrictions</i>	Net assets that are not subject to donor-imposed restrictions;
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<i>Net assets with donor restrictions</i>	Net assets subject to explicit or implicit donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time; and net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.
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Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reported period. Actual results could differ from those estimates.

Cash

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less when purchased which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. No cash equivalents were held at December 31, 2019.

Restricted cash

Restricted cash consists of project funds for the payment and reimbursements of project costs and restricted reserves as required by certain debt instruments, cash restricted for construction, and cash gifts restricted for capital purposes.

Promises to give

Promises to give at December 31, 2019, consist of contributions committed to AFH for the capital campaign and operating purposes. The Organization records unconditional promises to give at their net present value when committed. Promises to give are written off when deemed uncollectible.

Allowance for doubtful accounts and promises to give

Allowances for potentially uncollectible accounts and promises to give are provided based upon management's assessment of potential defaults. The allowance for doubtful accounts receivable was \$1,500 at December 31, 2019. There was no allowance for doubtful promises to give deemed necessary at December 31, 2019.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

Notes to Combined Financial Statements December 31, 2019

Donated services and other

AFH and AFH Epicenter receive services of professional volunteers and donated services in various aspects of its programs and operations. The value assigned to these services is based on the donor's estimate of the fair value. During the year ended December 31, 2019, AFH received \$119,264 in donated salaries for youth artists which has been reflected in donated salaries - youth artists in the accompanying combined financial statements and \$16,564 of donated legal services which has been reflected in donated services in the accompanying combined financial statements.

The value of in-kind gifts is recognized as support at estimated fair market value at the time that the gifts are received with an equal and offsetting amount included in the appropriate asset or expense category, as applicable.

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 the 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

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of assets impaired during the year ended December 31, 2019.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Revenue recognition

Grants and contribution revenue

Grants and contribution revenue is recognized when an unconditional promise to give a financial asset is received. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return, are not recognized until the condition on which they depend have been substantially met. Some federal and state grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. During the year ended December 31, 2019, there were no conditional promises to give for which amounts had been received in advance and not recognized.

Contributions received are recorded as contributions with donor restrictions or contributions without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

Notes to Combined Financial Statements December 31, 2019

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. All donor-restricted contributions are recorded as increases in donor restricted net assets. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional allocation of expenses

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the statements of activities. Costs that can be identified with a specific program or support service are charged directly to that program or support service. Certain costs have been allocated among the programs and supporting services benefited based upon management's estimate of percentage attributable to the function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, payroll taxes, and other costs, which are allocated, based on an estimate of time and level of effort spent by management on the Organization's programs and supporting functions.

Advertising and marketing

Advertising and marketing costs are expensed when incurred. Amounts incurred for the year ended December 31, 2019 were not material to the financial statements.

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the IRC. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income for the year ended December 31, 2019. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accrued interest and penalties associated with uncertain tax positions are recognized as part of interest expense and miscellaneous other expenses, respectively, in the accompanying statements of activities. The Organization has no accrued interest and penalties associated with uncertain tax positions at December 31, 2019 and none were incurred during the year then ended.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of December 31, 2019. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's information returns are subject to examination by taxing authorities generally for the years ended December 31, 2016, 2017 and 2018.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Notes to Combined Financial Statements
December 31, 2019**

Note 3 - Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities. The Organization receives contributions and promises to give restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Organization earns revenue through its various programs, events and sponsorships and interest revenue.

Financial assets available for general expenditure within one year consist of the following:

Financial assets at year end	
Cash	\$ 225,220
Accounts and promises to give receivable, current portion	231,313
Operating promises to give receivable	<u>248,407</u>
Total financial assets	704,940
Less amounts not available to be used within one year	
Amounts restricted by donor with time or purpose	<u>(580,974)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 123,966</u></u>

Note 4 - Property and equipment

Property and equipment consist of the following at December 31, 2019:

Land	\$ 2,265,716
Building	24,594,945
Office and artistic equipment	110,723
Furniture and fixtures	471,006
Less accumulated depreciation	<u>(3,085,957)</u>
	<u><u>\$ 24,356,433</u></u>

In prior years, AFH transferred land and building to AFH Epicenter, which was determined to be made as an in-kind capital contribution to AFH Epicenter. In September 2018, AFH Epicenter placed a building into service in the amount of \$18,199,067 upon construction completion. Since management determined that the lease between AFH and AFH Epicenter is a capital lease, these costs are reflected on the financial statements of AFH as property held under capital lease (see Note 10), and are included in property and equipment above.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Notes to Combined Financial Statements
December 31, 2019**

Note 5 - Construction in process

During 2014, AFH began the design phase of a project to expand AFH's facility, the Boston Property), on a new parcel of land donated in 2013. 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 took place in 2017 and construction was completed in fall of 2018. The total project was expected to cost approximately \$28 million, which was funded through a capital campaign, government funds, new markets tax credit financing, and other financing on the Boston Property.

AFH's construction in process of \$68,500 at December 31, 2019, relates to solar panels which AFH is constructing on the roof of the Boston Property. These assets will not be depreciated until they are placed in service.

As of December 31, 2019, AFH Epicenter has incurred \$18,554,267 on the Boston Property expansion project, which was placed in service during 2018 with \$355,200 of additional costs incurred in 2019 and is included in property and equipment, net in the accompanying combined statement of financial position.

During 2017, as part of this expansion project, AFH had to make certain deposits related to future construction to the City of Boston of \$37,990. This deposit was transferred to AFH Epicenter in September 2017 and is reflected as deposits in the accompanying statement of financial position as of December 31, 2019.

Note 6 - Promises to give

Operating promises to give

Operating promises to give at December 31, 2019, are expected to be collected as follows at December 31, 2019:

Due within one year	\$	248,407
Due in one to five years		164,000
Due in five to ten years		100,000
Less discount		<u>(7,887)</u>
	\$	<u>504,520</u>

Note 7 - New Market Tax Credits and NMTC call option agreement

During 2017, AFH, through AFH Epicenter, embarked on a series of transactions to effectuate a NMTC structure to assist with the construction of the addition to the Boston Property. The involvement of NMTC allows for larger net proceeds than would otherwise be available under classic financing, thereby producing a public benefit greater than would otherwise be achieved. AFH loaned the proceeds of the BHC Bridge loan and a portion of capital campaign proceeds, as well as the reimbursement of certain predevelopment costs (see Note 9), totaling \$10,785,140 (under two separate note receivable agreements), to BOA AFH Investment Fund, IIC and BOA Investment Fund V, LLC (the Investment Funds). The Investment Funds loaned these funds, along with capital contributions totaling \$5,332,860, net of transaction costs, to MassDevelopment NMTC CDE#23, LLC and BOA CDE V, IIC (the "Sub CDEs"), which qualified as a qualifying equity

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Notes to Combined Financial Statements
December 31, 2019**

investment ("QEI"). The Sub CDEs ultimately loaned the funds, net of fees, to AFH Epicenter for use with the Boston Property building addition project, which is a qualified low-income community investment ("QLICI").

The Sub CDEs received allocations of NMTC pursuant to Section 45(d) of the IRC in order to assist eligible businesses in making investments in certain low-income communities. The availability of NMTC allowed Banc of America Community Development Corporation (the "Investor") to invest \$5,332,860 in the Sub CDEs.

During the 180-day period beginning on September 20, 2029, AFH has a right and option, but not an obligation, to purchase the Investor's 100% ownership interest in the BOAAFH Investment Fund, LLC for fair market value, as determined by an independent appraiser.

Note 8 - Notes payable

Notes payable are comprised of the following at December 31, 2019:

QLICI Loan A-1	\$ 7,462,140
QLICI Loan B-1	3,219,860
QLICI Loan A-2	3,323,000
QLICI Loan B-2	1,677,000
BlueHub direct loan	<u>1,015,293</u>
Total notes payable	16,697,293
Less unamortized debt issuance costs	<u>(920,889)</u>
	<u><u>\$ 15,776,404</u></u>

QLICI Loan A-1

In September 2017, AFH Epicenter entered into a loan agreement for \$7,462,140 with MassDevelopment New Markets CDE#23, LLC under the QLICI program. This note bears interest at 1.079% and matures on October 1, 2047. This note is due in quarterly interest-only payments through January 2025, at which time principal and interest will be due in accordance with a set schedule as defined in the note agreement through October 2047. The note is secured by a second priority on a shared mortgage on the Boston Property and is guaranteed by AFH.

QLICI Loan B-1

In September 2017, AFH Epicenter entered into a loan agreement for \$3,219,860 with MassDevelopment New Markets CDE#23, LLC, under the QLICI program. This note bears interest at 1.079% and matures on October 1, 2047. This note is due in quarterly interest-only payments through January 2025, at which time principal and interest will be due in accordance with a set schedule as defined in the note agreement through October 2047. The note is secured by a fourth priority on a shared mortgage on the Boston Property and is guaranteed by AFH.

QLICI Loan A-2

In September 2017, AFH Epicenter entered into a loan agreement for \$3,323,000 with Banc of America CDE V, LLC under the QLICI program. This note bears interest at 0.5% and matures on October 1, 2047. This note is due in quarterly interest-only payments through January 2025, at which time principal and interest will be due in accordance with a set schedule as defined in the note agreement through October 2047. The note is secured by a third priority on a shared mortgage on the Boston Property and is guaranteed by AFH.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

Notes to Combined Financial Statements December 31, 2019

QLICI Loan B-2

In September 2017, AFH Epicenter entered into a loan agreement for \$1,677,000 with Banc of America CDE V, LLC under the QLICI program. This note bears interest at 0.632% and matures on October 1, 2047. This note is due in quarterly interest-only payments through January 2025, at which time principal and interest will be due in accordance with a set schedule as defined in the note agreement through October 2047. The note is secured by a fourth priority on a shared mortgage on the Boston Property and is guaranteed by AFH.

For the year ended December 31, 2019, AFH Epicenter incurred \$142,472 in interest on the notes payable above which is included in interest expense in the accompanying combined statement of activities. As of December 31, 2019, \$35,618 of interest payable was included in accounts payable and accrued expenses in the accompanying combined statement of financial position.

AFH Epicenter amortizes debt issuance costs using the effective interest method, over the term of the notes payable. Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from face amount of mortgage notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense.

Debt issuance costs, net of accumulated amortization, totaled \$920,889 as of December 31, 2019 and are related to all QLCI loans above, are being amortized using the imputed interest rate of 1.23%.

Amortization expense was \$33,285 for the year ended December 31, 2019 and is included in interest in the accompanying combined statement of functional expenses.

Under the terms of the QLICI Loans, AFH Epicenter cannot make any prepayments on the notes payable during the first seven years.

BHC direct loan

In September 2017, AFH entered into a \$3,900,000 note payable agreement with BlueHub Capital ("BHC"). The note bears interest at 4.5% per annum and requires payments on any draws made as follows: monthly interest-only payments through September 2019, and then monthly payments of interest and principal until maturity in September 2027. During the year ended December 31, 2019, AFH received draws in the amount of \$1,608,880 and made repayments in the amount of \$1,192,782. The outstanding note payable balance as of December 31, 2019 was \$1,015,293. This note is secured by a security interest in AFH's assets, including a pledge and assignment of AFH's and AFH Epicenter's capital campaign pledges and receipts (see Notes 6 and 12) to BHC, and a security interest in a restricted cash account (see Note 12). As an additional security for this loan, AFH has assigned its interest in the AFH Loan (see below) to BHC. For the year ended December 31, 2019, interest expense on the note payable was \$45,292.

Intercompany note payable - AFH Loan

Once AFH draws the BHC Direct Loan (see above), AFH will use the proceeds from this loan to make a loan in the same amount to AFH Epicenter. In September 2017, AFH and AFH Epicenter entered into a \$3,900,000 note payable agreement (the "AFH Loan"). The non-interest bearing note requires payments on any draws made in accordance with a payment schedule in the note agreement. All unpaid principal is due at maturity in March 2025. During the years ended December 31, 2019 and 2018, AFH made draws in the amounts of \$1,608,881 and \$599,195, respectively and loaned the funds to AFH Epicenter. During the year ended December 31, 2019, AFH made repayments on the loan balance of principal and interest of \$1,192,782. As of December 31, 2019, the total amount of loan draws of \$2,208,075 was recorded as an intercompany receivable and

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Notes to Combined Financial Statements
December 31, 2019**

intercompany payable, and is eliminated as an intercompany transaction on the combined statement of financial position. The note is secured by a first priority on a shared mortgage on the Boston Property and a security interest in a restricted cash account (see Note 12). AFH has assigned its interest in the AFH Loan to BHC.

Future minimum principal payments on notes payables are as follows for the years ending December 31:

2020	\$	113,879
2021		115,274
2022		120,569
2023		126,108
2024		131,902
Thereafter		<u>16,089,561</u>
	\$	<u><u>16,697,293</u></u>

Note 9 - Notes receivable

Notes receivable are comprised of the following at December 31, 2019:

BOA AFH Investment Fund, LLC	\$	7,462,140
BOA Investment Fund V, LLC		<u>3,323,000</u>
	\$	<u><u>10,785,140</u></u>

AFH provided the Investment Funds (see Note 8) each with a 0.5% interest loan totaling \$10,785,140. AFH utilized the proceeds from the BHC Bridge Loan and a portion of the capital campaign proceeds to make these loans. The Investment Funds utilized the proceeds from these loans, as well as proceeds from the capital contributions of its Investor, to make equity investments to the Sub CDE's (see Note 8). The Sub CDE's used the proceeds from these investment loans to make four separate loans (Notes A-1, B-1, A-2, and B-2) to AFH Epicenter.

Interest-only payments began in October 2017 and continue through maturity in October 2047. Commencing in January 2025, principal payments are due in the amounts defined in the agreements.

The note to BOA AFH Investment Fund, LLC is secured by the Investment Funds' membership interest in MassDevelopment New Markets CDE#23, LLC.

The note to BOA Investment Fund V, LLC is guaranteed by the Investor.

For the year ended December 31, 2019, AFH earned \$53,926 in interest, which is included in interest and other revenue in the accompanying combined statement of activities and changes in net assets. As of December 31, 2019, \$13,481 of interest receivable was included in accounts receivable in the accompanying combined statement of financial position.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Notes to Combined Financial Statements
December 31, 2019**

Future minimum receipts under these notes are as follows:

2020	\$	-
2021		-
2022		-
2023		-
2024		-
Thereafter		<u>10,785,140</u>
	\$	<u><u>10,785,140</u></u>

Note 10 - Lease agreement

During September 2017, AFH and AFH Epicenter entered into a lease agreement for the Boston Property. The lease is for thirty years with rent being due monthly as defined in the agreement. AFH is responsible for certain operating costs as defined in the agreement.

The lease has qualified as a capital lease under ASC Topic, Leases. Accordingly, the Boston Property's land and existing building cost, net of accumulated depreciation as of December 31, 2019, totaling \$23,981,625, was recorded as property and equipment. AFH and AFH Epicenter recorded a lease liability and a lease receivable, respectively, which are included in intercompany lease receivable (payable) in the accompanying combined statement of financial position. Under this agreement, interest has been imputed at 0.034%. During 2019 building additions of \$355,200 were placed in service and are included in the capital lease, of which the full amount is recorded on AFH Epicenter. Interest under this agreement was \$8,136 for the year ended December 31, 2019, and is included in intercompany interest revenue (expense) - lease in the accompanying combined statement of activities and net assets. AFH paid \$142,472 the mortgage lenders on behalf of AFH Epicenter related to this lease during the year ended December 31, 2019. As of December 31, 2019, \$319,102 remains payable to AFH Epicenter. Once construction of the addition was completed in fall 2018, AFH now has access to the full building, and the lease payable and receivable increased to a total of \$24,838,905. The intercompany transaction with respect to the capital lease has been eliminated in combination on the combined statement of financial position.

Property held under capital lease at AFH is included in property and equipment, net in the accompanying combined statement of financial position and consists of the following at December 31, 2019:

Land	\$	2,265,716
Building		<u>24,594,945</u>
	\$	<u><u>26,860,661</u></u>

Total depreciation expense on the property held under capital lease during the lease in 2019 was \$616,320 and is included in depreciation expense in the accompanying combined statement of functional expenses.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Notes to Combined Financial Statements
December 31, 2019**

Future minimum cash payments under this lease are as follows:

2020	\$	583,000
2021		583,000
2022		583,000
2023		583,000
2024		919,020
Thereafter		<u>21,587,885</u>
	\$	<u><u>24,838,905</u></u>

Note 11 - Related party transactions

The Organization entered into the following transactions with related parties:

- AFH has guaranteed all of AFH Epicenter's notes payable (see Note 8).
- AFH has a security interest in one of AFH Epicenter's restricted cash accounts (see Note 12).
- AFH entered into a lease agreement with AFH Epicenter (see Note 10). Under this agreement, AFH paid \$142,472 to AFH on behalf of AFH Epicenter to the mortgage lenders related to this lease during the year ended December 31, 2019. As of December 31, 2019, \$319,102 remains payable to AFH Epicenter. The intercompany transactions with respect to the capital lease have been eliminated in combination.
- Pursuant to the lease agreement above, AFH transferred its land and building, certain construction costs, and debt issuance costs to AFH Epicenter in a prior year.
- As of December 31, 2019, AFH Epicenter owes AFH \$2,208,075 for a non-interest bearing advances made from the BHC Direct Loan. During 2019, advances and repayments were made in the amount of \$1,608,880 and \$0, respectively. The receivable and payable balance have been eliminated in combination on the combined statement of financial position (see Note 8).

Note 12 - Restricted cash

The Organization is required to maintain certain escrow funds on deposit with a trustee pursuant to its note agreements and has other restricted cash accounts. Restricted cash consists of the following at December 31, 2019:

Capital campaign escrow - AFH	\$	13,200
Security deposits for events		<u>42,100</u>
Total restricted cash	\$	<u><u>55,300</u></u>

Restricted cash - capital - AFH

This cash is restricted contributions received and not yet spent by AFH for the capital campaign.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Notes to Combined Financial Statements
December 31, 2019**

Capital campaign escrow - AHF

This account is used for the proceeds of payments on certain AFH capital campaign pledges used to secure the BHC Bridge and Direct Loans. This account is controlled by BHC.

Note 13 - Net assets

Without donor restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the AFH and AFH Epicenter.

With donor restrictions

Net assets with donor restrictions are donor restricted contributions which have not yet been expended for their designated purpose or are designated for a future time period. Net assets with donor restrictions are available for the following purposes at December 31, 2019:

Purpose restricted	\$ 94,806
Time restricted	737,167
Restricted for escrow on loan	<u>13,001</u>
	<u>\$ 844,974</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donor during the year ended December 31, 2019 is as follows:

Capital restricted	\$ 1,000,439
Purpose restricted	1,043,662
Time restricted	29,600
Restricted for escrow on loan	<u>337,999</u>
	<u>\$ 2,411,700</u>

Note 14 - 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.

Note 15 - Major donors

For the year ended December 31, 2019, the AFH and AFH Epicenter received contributions totaling approximately \$500,000 from one donor. This contribution represents approximately 9% of the Organization's total revenue for the year ended December 31, 2019.

Note 16 - Concentration of credit risk

The AFH and AFH Epicenter maintain their cash balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the AFH and AFH Epicenter have not experienced any losses with respect to its bank balances in excess of government provided insurance.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Notes to Combined Financial Statements
December 31, 2019**

In addition, some of the AFH and AFH Epicenter's financial institutions participate in the Depositors Insurance Fund ("DIF"), which insures all deposits at chartered savings banks in Massachusetts above FDIC limits.

The AFH and AFH Epicenter believe that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2019.

Note 17 - Construction commitment

In 2016, the Organization entered into a construction contract with an unrelated third party in connection with the expansion of the AFH Epicenter (Note 5). Remaining contract commitments totaled approximately \$683,000 as of December 31, 2019 of which \$637,373 is payable as of December 31, 2019.

Contract dispute

The Organization is in a contract dispute with the third party construction contractor for an amount totaling \$832,832. The Organization and the contractor negotiated a settlement amount of \$632,832 per a final settlement agreement dated April 5, 2021. In connection with the settlement agreement, the Organization will be liable for \$632,832, which is accrued as of December 31, 2019 and recorded in accounts payable and accrued expenses in the accompanying combined statement of financial position. As of the May 12, 2021, the final settlement agreement has not been executed. If the final settlement agreement is not executed the Organization may have to pay the contractor \$832,832.

Note 18 - Combined statement of cash flows

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the combined statements of financial position as of December 31, 2019 that sum to the total of the same such amounts in the combined statement of cash flows:

Cash and cash equivalents	\$ 225,220
Restricted cash	
Capital campaign escrow - AFH	13,200
Security deposits for events	<u>42,100</u>
Total cash, cash equivalents and restricted cash shown on the combined statement of cash flows	<u>\$ 280,520</u>

Amounts included in restricted cash are comprised of capital campaign escrow and security deposits held for events.

Note 19 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Notes to Combined Financial Statements
December 31, 2019**

through May 12, 2021 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements except as discussed below.

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows. The Organization is not able to reliably estimate the length or severity of this outbreak and the related financial impact. However, the Organization noted a reduction in revenue in 2020 of approximately \$1.5M from events, youth artistic products and corporate sponsorship and fundraising events. The organization received commitments to cover the loss of revenue from PPP loans in the amounts of \$514,392 and \$610,872 and some COVID-19 specific support in the amount of \$545,000 from individuals, foundations, the Commonwealth of Massachusetts and City of Boston government agencies during 2020. The Organization also reduced operating expenses due to reduced on-site work and adult staff hours to 50% through the Massachusetts DUA workforce program.

On April 20, 2020 and February 8, 2021, the Organization received loan proceeds in the amount of \$514,392 and \$610,872, respectively, under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after then end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Organization is not granted forgiveness, the Organization will be required to pay interest on the PPP loans at a rate of 1% per annum. If the applications for forgiveness are not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity dates. The terms of the loans provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loans may be accelerated upon the occurrence of a default event.

The Organization has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. The Organization is required to repay any remaining balance of \$514,392 and \$610,872, plus interest accrued at 1% per annum in monthly payments beginning on April 20, 2021 and February 8, 2022, respectively. Principal and interest payments will be required through the maturity dates of April 20, 2022 and February 8, 2026.

Supplementary Information

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Combining Statement of Financial Position
December 31, 2019**

	<u>Artists for Humanity, Inc.</u>	<u>AFH EpiCenter, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 225,220	\$ -	\$ -	\$ 225,220
Accounts receivable, net of allowance for doubtful accounts of approximately \$1,500	231,313	319,102	(319,102)	231,313
Operating promises to give receivable	248,407	-	-	248,407
Intercompany lease receivable, current portion	113,879	-	(113,879)	-
Current portion of intercompany lease receivable (payable)	(275,000)	275,000	-	-
Prepaid expenses and other	8,022	-	-	8,022
	<u>551,841</u>	<u>594,102</u>	<u>(432,981)</u>	<u>712,962</u>
Total current assets				
Other assets				
Restricted cash	55,300	-	-	55,300
Deposits - prepaid expenses	-	37,990	-	37,990
Operating promises to give receivable, long-term portion	256,113	-	-	256,113
Intercompany lease receivable (payable), net of current portion	(24,563,905)	24,563,905	-	-
Notes receivable	10,785,140	-	-	10,785,140
Intercompany advances receivable, net of current portion	2,094,196	-	(2,094,196)	-
Land	2,265,716	-	-	2,265,716
Property and equipment, net	22,090,717	-	-	22,090,717
Construction in progress	68,500	-	-	68,500
	<u>13,051,777</u>	<u>24,601,895</u>	<u>(2,094,196)</u>	<u>35,559,476</u>
Total other assets				
Total assets	<u>\$ 13,603,618</u>	<u>\$ 25,195,997</u>	<u>\$ (2,527,177)</u>	<u>\$ 36,272,438</u>

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Combining Statement of Financial Position
December 31, 2019**

	<u>Artists for Humanity, Inc.</u>	<u>AFH EpiCenter, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable and accrued expenses	\$ 565,698	\$ 708,611	\$ (319,102)	\$ 955,207
Deferred revenue	101,312	-	-	101,312
Intercompany note payable, short term	-	113,879	(113,879)	-
Notes payable and unamortized debt issuance costs, short-term	<u>113,879</u>	<u>-</u>	<u>-</u>	<u>113,879</u>
Total current liabilities	<u>780,889</u>	<u>822,490</u>	<u>(432,981)</u>	<u>1,170,398</u>
Long-term liabilities				
Intercompany note payable, net of current portion	-	2,094,196	(2,094,196)	-
Notes payable and unamortized debt issuance costs	<u>901,414</u>	<u>14,761,111</u>	<u>-</u>	<u>15,662,525</u>
Total long-term liabilities	<u>901,414</u>	<u>16,855,307</u>	<u>(2,094,196)</u>	<u>15,662,525</u>
Total liabilities	<u>1,682,303</u>	<u>17,677,797</u>	<u>(2,527,177)</u>	<u>16,832,923</u>
Commitments and contingencies				
Net assets				
Without donor restrictions	11,076,341	7,518,200	-	18,594,541
With donor restrictions	<u>844,974</u>	<u>-</u>	<u>-</u>	<u>844,974</u>
Total net assets	<u>11,921,315</u>	<u>7,518,200</u>	<u>-</u>	<u>19,439,515</u>
Total liabilities and net assets	<u>\$ 13,603,618</u>	<u>\$ 25,195,997</u>	<u>\$ (2,527,177)</u>	<u>\$ 36,272,438</u>

See Independent Auditor's Report.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Combining Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019**

	Artists for Humanity, Inc.			AFH EpiCenter, Inc.	Eliminations	Total
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions		
Operating support and revenue						
Grants and contracts	\$ -	1,629,325	\$ 1,629,325	\$ -	\$ -	\$ 1,629,325
Program revenue	2,080,727	-	2,080,727	-	-	2,080,727
Contributions	474,528	184,092	658,620	-	-	658,620
Events and sponsorships	174,060	-	174,060	-	-	174,060
Donated services	135,828	-	135,828	-	-	135,828
Interest and other revenue	98,150	-	98,150	275,000	(275,000)	98,150
Net assets released from time restrictions	29,600	(29,600)	-	-	-	-
Net assets released from purpose restrictions	1,381,661	(1,381,661)	-	-	-	-
Total operating support and revenue	4,374,554	402,156	4,776,710	275,000	(275,000)	4,776,710
Operating expenses						
Program	4,281,400	-	4,281,400	-	(202,182)	4,079,218
General and administrative	498,020	-	498,020	176,649	(30,754)	643,915
Fundraising	646,738	-	646,738	-	(42,064)	604,674
Total operating expenses	5,426,158	-	5,426,158	176,649	(275,000)	5,327,807
Changes in net assets from operations	(1,051,604)	402,156	(649,448)	98,351	-	(551,097)
Non-operating revenue (expenses)						
Contributions - capital	-	530,450	530,450	-	-	530,450
Net assets released from capital restrictions	1,000,439	(1,000,439)	-	-	-	-
Total non-operating revenue (expenses)	1,000,439	(469,989)	530,450	-	-	530,450
Changes in net assets	(51,165)	(67,833)	(118,998)	98,351	-	(20,647)
Net assets						
Beginning of year	11,127,506	912,807	12,040,313	7,419,849	-	19,460,162
End of year	\$ 11,076,341	\$ 844,974	\$ 11,921,315	\$ 7,518,200	\$ -	\$ 19,439,515

See Independent Auditor's Report.

Artists for Humanity, Inc. and AFH Epicenter, Inc.

**Combining Statement of Functional Expenses
Year Ended December 31, 2019**

	Artists for Humanity, Inc.				AFH Epicenter, Inc.		
	Program	General and administrative	Fundraising	Total	General and administrative	Eliminations	Total
Operating expenses							
Personnel and related							
Salaries - other staff	\$ 1,591,621	\$ 212,216	\$ 318,324	\$ 2,122,161	\$ -	\$ -	\$ 2,122,161
Salaries - youth artists	709,029	-	-	709,029	-	-	709,029
Payroll taxes and fringe benefits	345,701	46,093	69,140	460,934	-	-	460,934
Donated salaries - youth artists	119,264	-	-	119,264	-	-	119,264
Contracted artists and services	34,640	-	-	34,640	-	-	34,640
Total personnel and related	2,800,255	258,309	387,464	3,446,028	-	-	3,446,028
Program supplies	200,790	35,433	-	236,223	-	-	236,223
Professional services and consultants	133,861	23,623	-	157,484	-	-	157,484
Donated services - legal	14,079	2,485	-	16,564	-	-	16,564
Depreciation	524,212	69,895	104,843	698,950	-	-	698,950
Cleaning	76,411	10,188	15,282	101,881	-	-	101,881
Utilities	47,820	6,376	9,564	63,760	-	-	63,760
Insurance	29,176	3,890	5,835	38,901	-	-	38,901
Equipment rental and maintenance	16,173	21,602	3,235	41,010	-	-	41,010
Training and travel	20,004	2,667	4,001	26,672	-	-	26,672
Interest	34,835	4,645	6,967	46,447	175,757	-	222,204
Event expense	34,609	-	34,610	69,219	-	-	69,219
Telephone	10,985	5,492	5,492	21,969	-	-	21,969
Printing	8,143	4,072	4,072	16,287	-	-	16,287
Miscellaneous	37,882	5,051	7,576	50,509	892	-	51,401
Capital lease expense	200,148	26,686	40,030	266,864	-	(266,864)	-
Capital lease interest	2,034	4,068	2,034	8,136	-	(8,136)	-
Alumni commissions	23,730	-	-	23,730	-	-	23,730
Postage and shipping	3,264	1,633	1,633	6,530	-	-	6,530
Repairs and maintenance	17,765	2,369	3,553	23,687	-	-	23,687
Licenses and permits	7,610	1,015	1,522	10,147	-	-	10,147
Dues and subscriptions	17,777	2,370	3,555	23,702	-	-	23,702
Trash removal	13,222	1,763	2,645	17,630	-	-	17,630
Bank service fees	4,736	631	947	6,314	-	-	6,314
Office supplies	1,879	3,757	1,878	7,514	-	-	7,514
Total operating expenses	<u>\$ 4,281,400</u>	<u>\$ 498,020</u>	<u>\$ 646,738</u>	<u>\$ 5,426,158</u>	<u>\$ 176,649</u>	<u>\$ (275,000)</u>	<u>\$ 5,327,807</u>

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