artists for humanity

AND AFH EPICENTER, INC.

COMBINING FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

ARTISTS FOR HUMANITY, INC. AND AFH EPICENTER, INC.

Contents
December 31, 2024 and 2023

AAFCPAs
great minds | great hearts

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Independent Auditor's Report

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

Opinion

We have audited the combining financial statements of Artists for Humanity, Inc. and AFH Epicenter, Inc. (Massachusetts corporations, not for profit) (collectively, the Organization), which comprise the combining statements of financial position at December 31, 2024 and 2023, and the related combining statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combining financial statements.

In our opinion, the accompanying combining financial statements present fairly, in all material respects, the combining financial position of Artists for Humanity, Inc. and AFH Epicenter, Inc. as of December 31, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

At December 30, 2024, AFH Epicenter, Inc. merged with Artists for Humanity, Inc. and all of AFH Epicenter, Inc.'s assets and liabilities were transferred to Artists for Humanity, Inc..

Responsibilities of Management for the Financial Statements

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

In preparing the combining financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the combining financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combining financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore there is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combining financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the combining financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combining financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combining financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPAs, Inc.

Westborough, Massachusetts
July 22, 2025

ARTISTS FOR HUMANITY, INC. AND AFH EPICENTER, INC.

Combining Statements of Financial Position
December 31, 2024 and 2023

	2024	2023			
Assets	**Artists for Humanity, Inc.**	**Artists for Humanity, Inc.**	**AFH Epicenter, Inc.**	**Eliminations**	**Total**
Current Assets:					
Cash and cash equivalents	$ 1,177,953	$ 2,094,770	$ -	$ -	$ 2,094,770
Accounts receivable, net of allowance for credit losses of $226,586 and $114,000 as of December 31, 2024 and 2023, respectively	193,776	215,829	-	-	215,829
Grants receivable	28,388	161,931	-	-	161,931
Current portion of pledges receivable	411,303	808,826	-	-	808,826
Prepaid expenses and other	51,063	42,216	-	-	42,216
Intercompany receivable (payable)	-	(2,009,974)	2,879,115	(869,141)	-
Current portion of intercompany note receivable	-	400,000	-	(400,000)	-
Total current assets	1,862,483	1,713,598	2,879,115	(1,269,141)	3,323,572
Other Assets:					
Restricted cash	85,750	83,875	-	-	83,875
Pledges receivable, net of current portion and discount	280,477	414,521	-	-	414,521
Property and equipment, net	20,506,035	92,192	21,072,403	-	21,164,595
Intercompany note receivable, net of current portion	-	395,792	-	(395,792)	-
Notes receivable	-	10,785,140	-	-	10,785,140
Right-of-use asset - finance lease	-	16,549,111	-	(16,549,111)	-
Total other assets	20,872,262	28,320,631	21,072,403	(16,944,903)	32,448,131
Total assets	$ 22,734,745	$ 30,034,229	$ 23,951,518	$ (18,214,044)	$ 35,771,703
Liabilities and Net Assets					
Current Liabilities:					
Current portion of notes payable and unamortized debt issuance costs	$ 17,681	$ 16,974	$ 400,000	$ (400,000)	$ 16,974
Accounts payable and accrued expenses	216,514	425,809	-	-	425,809
Deferred revenue	297,092	343,434	-	-	343,434
Conditional grants	224,380	-	-	-	-
Current portion of finance lease liability	-	919,020	-	(919,020)	-
Intercompany interest payable	-	-	869,141	(869,141)	-
Total current liabilities	755,667	1,705,237	1,269,141	(2,188,161)	786,217
Long-term liabilities:					
Notes payable, net of unamortized debt issuance costs and net of current portion	619,428	610,162	14,892,418	-	15,502,580
Intercompany note payable, net of current portion	-	-	395,792	(395,792)	-
Finance lease liability, net of current portion	-	16,128,298	-	(16,128,298)	-
Total long-term liabilities	619,428	16,738,460	15,288,210	(16,524,090)	15,502,580
Total liabilities	1,375,095	18,443,697	16,557,351	(18,712,251)	16,288,797
Net Assets:					
Without donor restrictions	20,296,765	10,039,757	7,394,167	498,207	17,932,131
With donor restrictions	1,062,885	1,550,775	-	-	1,550,775
Total net assets	21,359,650	11,590,532	7,394,167	498,207	19,482,906
Total liabilities and net assets	$ 22,734,745	$ 30,034,229	$ 23,951,518	$ (18,214,044)	$ 35,771,703

ARTISTS FOR HUMANITY, INC. AND AFH EPICENTER, INC.

Combining Statements of Activities
For the Years Ended December 31, 2024 and 2023

	2024						2023					
	Artists for Humanity, Inc.			AFH Epicenter, Inc.			Artists for Humanity, Inc.			AFH Epicenter, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	Total
Operating Support and Revenue:												
Grants and contracts	$ 2,388,070	$ 1,230,515	$ 3,618,585	$ -	$ -	$ 3,618,585	$ 2,429,481	$ 1,734,032	$ 4,163,513	$ -	$ -	$ 4,163,513
Gallery rental revenue	1,592,974	-	1,592,974	-	-	1,592,974	1,541,461	-	1,541,461	-	-	1,541,461
Product sale revenue	1,111,710	-	1,111,710	-	-	1,111,710	1,017,377	-	1,017,377	-	-	1,017,377
Contributions	677,446	-	677,446	-	-	677,446	708,696	-	708,696	-	-	708,696
Donated goods and services	269,159	-	269,159	-	-	269,159	267,486	-	267,486	-	-	267,486
Events and sponsorships	228,150	-	228,150	-	-	228,150	173,500	-	173,500	-	-	173,500
Interest and other revenue	85,519	-	85,519	919,020	(919,020)	85,519	138,500	-	138,500	583,000	(583,000)	138,500
Gain on lease termination	401,586	-	401,586	-	(401,586)	-	-	-	-	-	-	-
Net assets released from purpose restrictions	1,345,905	(1,345,905)	-	-	-	-	757,294	(757,294)	-	-	-	-
Net assets released from time restrictions	372,500	(372,500)	-	-	-	-	620,833	(620,833)	-	-	-	-
Total operating support and revenue	8,473,019	(487,890)	7,985,129	919,020	(1,320,606)	7,583,543	7,654,628	355,905	8,010,533	583,000	(583,000)	8,010,533
Operating Expenses:												
Program	8,274,188	-	8,274,188	793,133	(616,799)	8,450,522	7,413,603	-	7,413,603	805,240	(622,311)	7,596,532
General and administrative	798,180	-	798,180	-	(82,240)	715,940	761,496	-	761,496	-	(85,157)	676,339
Fundraising	804,259	-	804,259	-	(123,360)	680,899	669,531	-	669,531	-	(122,280)	547,251
Total operating expenses	9,876,627	-	9,876,627	793,133	(822,399)	9,847,361	8,844,630	-	8,844,630	805,240	(829,748)	8,820,122
Changes in net assets from operations	(1,403,608)	(487,890)	(1,891,498)	125,887	(498,207)	(2,263,818)	(1,190,002)	355,905	(834,097)	(222,240)	246,748	(809,589)
Non-Operating Revenue (Expense):												
Net gain on NMTC unwind	-	-	-	4,140,562	-	4,140,562	-	-	-	-	-	-
Forgiveness of intercompany note	(795,792)	-	(795,792)	795,792	-	-	(400,000)	-	(400,000)	400,000	-	-
Total non-operating revenue (expense)	(795,792)	-	(795,792)	4,936,354	-	4,140,562	(400,000)	-	(400,000)	400,000	-	-
Changes in net assets	$ (2,199,400)	$ (487,890)	$ (2,687,290)	$ 5,062,241	$ (498,207)	$ 1,876,744	$ (1,590,002)	$ 355,905	$ (1,234,097)	$ 177,760	$ 246,748	$ (809,589)

Combining Statements of Changes in Net Assets
For the Years Ended December 31, 2024 and 2023

	Artists for Humanity, Inc.					
	Without Donor Restrictions	With Donor Restrictions	Total	AFH Epicenter, Inc.	Eliminations	Total
Net Assets, December 31, 2022	$ 11,629,759	$ 1,194,870	$ 12,824,629	$ 7,216,407	$ 251,459	$ 20,292,495
Changes in net assets	(1,590,002)	355,905	(1,234,097)	177,760	246,748	(809,589)
Net Assets, December 31, 2023	10,039,757	1,550,775	11,590,532	7,394,167	498,207	19,482,906
Net asset transfer	12,456,408	-	12,456,408	(12,456,408)	-	-
Changes in net assets	(2,199,400)	(487,890)	(2,687,290)	5,062,241	(498,207)	1,876,744
Net Assets, December 31, 2024	$ 20,296,765	$ 1,062,885	$ 21,359,650	$ -	$ -	$ 21,359,650

ARTISTS FOR HUMANITY, INC. AND AFH EPICENTER, INC.

Combining Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024				2023			
	Artists for Humanity, Inc.	AFH Epicenter, Inc.	Eliminations	Total	Artists for Humanity, Inc.	AFH Epicenter, Inc.	Eliminations	Total
Cash Flows from Operating Activities:								
Changes in net assets	$ (2,687,290)	$ 5,062,241	$ (498,207)	$ 1,876,744	$ (1,234,097)	$ 177,760	$ 246,748	$ (809,589)
Adjustments to reconcile changes in net assets to net cash used in operating activities:								
Depreciation	53,867	617,374	-	671,241	100,794	631,316	-	732,110
Non-cash lease transactions	82,521	(82,521)	-	-	484,108	(484,108)	-	-
Amortization of debt issuance costs charged as interest expense	-	33,285	-	33,285	-	31,453	-	31,453
Forgiveness of intercompany note receivable	795,792	(795,792)	-	-	400,000	(400,000)	-	-
Write-off of intercompany receivable (payable)	776,546	(776,546)	-	-	-	-	-	-
Credit losses	90,866	-	-	90,866	107,061	-	-	107,061
Bad debt	1,000	-	-	1,000	16,048	-	-	16,048
Net gain on NMTC unwind	-	(4,140,562)	-	(4,140,562)	-	-	-	-
Changes in operating assets and liabilities:								
Accounts receivable	(68,813)	-	-	(68,813)	160,012	-	-	160,012
Grants receivable	132,543	-	-	132,543	(161,931)	-	-	(161,931)
Pledges receivable	531,567	-	-	531,567	(654,044)	-	-	(654,044)
Prepaid expenses and other	(8,847)	-	-	(8,847)	14,613	-	-	14,613
Accounts payable and accrued expenses	(209,295)	-	-	(209,295)	(274,392)	(4,321)	-	(278,713)
Deferred revenue	(46,342)	-	-	(46,342)	(97,811)	-	-	(97,811)
Conditional grants	224,380	-	-	224,380	-	-	-	-
Net cash used in operating activities	(331,505)	(82,521)	(498,207)	(912,233)	(1,139,639)	(47,900)	246,748	(940,791)
Cash Flows from Investing Activities:								
Payments for purchases of property and equipment	(12,682)	-	-	(12,682)	(4,543)	-	-	(4,543)
Cash Flows from Financing Activities:								
Proceeds (payments) on intercompany loan	-	-	-	-	436,208	(436,208)	-	-
Principal receipts (payments) on intercompany finance lease	(580,728)	82,521	498,207	-	(237,360)	484,108	(246,748)	-
Proceeds from notes payable	26,612	-	-	26,612	-	-	-	-
Principal payments on notes payable	(16,639)	-	-	(16,639)	(22,864)	-	-	(22,864)
Net cash provided by (used in) financing activities	(570,755)	82,521	498,207	9,973	175,984	47,900	(246,748)	(22,864)
Net Change in Cash, Cash Equivalents and Restricted Cash	(914,942)	-	-	(914,942)	(968,198)	-	-	(968,198)
Cash, Cash Equivalents and Restricted Cash:								
Beginning of year	2,178,645	-	-	2,178,645	3,146,843	-	-	3,146,843
End of year	$ 1,263,703	$ -	$ -	$ 1,263,703	$ 2,178,645	$ -	$ -	$ 2,178,645
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combining Statements of Financial Position:								
Cash	$ 1,177,953	$ -	$ -	$ 1,177,953	$ 2,094,770	$ -	$ -	$ 2,094,770
Restricted cash	85,750	-	-	85,750	83,875	-	-	83,875
Total cash, cash equivalents and restricted cash shown in the combining statements of cash flows	$ 1,263,703	$ -	$ -	$ 1,263,703	$ 2,178,645	$ -	$ -	$ 2,178,645
Supplemental Disclosure of Cash Flow Information:								
Cash paid for interest	$ -	$ 142,472	$ -	$ 142,472	$ -	$ 142,470	$ -	$ 142,470
Transfer of property and equipment, net	$ 20,455,028	$ (20,455,028)	$ -	$ -	$ -	$ -	$ -	$ -

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

ARTISTS FOR HUMANITY, INC. AND AFH EPICENTER, INC.

Combining Statement of Functional Expenses
For the Year Ended December 31, 2024
(With Summarized Comparative Totals for the Year Ended December 31, 2023)

	2024							2023
	Artists for Humanity, Inc.				AFH Epicenter, Inc.			
	Program	General and Adminis-trative	Fundraising	Total	Program	Eliminations	Total	Total
Operating Expenses:								
Personnel and related:								
Salaries - other staff	$ 3,594,044	$ 292,538	$ 292,538	$ 4,179,120	$ -	$ -	$ 4,179,120	$ 3,356,502
Salaries - youth artists	1,352,488	-	-	1,352,488	-	-	1,352,488	1,515,990
Payroll taxes and fringe benefits	728,962	59,334	59,334	847,630	-	-	847,630	716,024
Grant-funded external youth artists salaries	665,956	-	-	665,956	-	-	665,956	371,971
Contracted artists and services	87,782	-	-	87,782	-	-	87,782	42,052
Total personnel and related	6,429,232	351,872	351,872	7,132,976	-	-	7,132,976	6,002,539
Depreciation	40,399	5,388	8,080	53,867	617,374	-	671,241	732,110
Professional services and consultants	192,195	96,097	96,098	384,390	-	-	384,390	497,978
Donated services	67,290	134,579	67,290	269,159	-	-	269,159	267,486
Interest	4,280	571	856	5,707	175,759	-	181,466	190,507
Facilities and maintenance	127,533	17,004	25,507	170,044	-	-	170,044	186,333
Program supplies	167,974	-	-	167,974	-	-	167,974	276,975
Utilities	112,300	14,973	22,460	149,733	-	-	149,733	108,851
Miscellaneous	95,769	12,766	19,153	127,688	-	-	127,688	39,838
Insurance	75,605	10,081	15,121	100,807	-	-	100,807	56,585
Events	75,008	10,001	15,002	100,011	-	-	100,011	52,309
Credit loss expense	90,866	-	-	90,866	-	-	90,866	107,061
Processing fees	46,675	6,223	9,335	62,233	-	-	62,233	60,305
Dues and subscriptions	27,804	13,902	13,902	55,608	-	-	55,608	49,878
Meals and travel	22,638	11,320	11,320	45,278	-	-	45,278	45,103
Printing	29,928	3,990	5,986	39,904	-	-	39,904	37,150
Office supplies	9,739	19,476	9,739	38,954	-	-	38,954	44,055
Rent	385,655	51,421	77,131	514,207	-	(484,107)	30,100	14,999
Telephone	16,337	2,179	3,267	21,783	-	-	21,783	24,908
Advertising	1,184	2,368	1,184	4,736	-	-	4,736	3,065
Minor equipment and maintenance	1,058	140	212	1,410	-	-	1,410	6,039
Bad debt	1,000	-	-	1,000	-	-	1,000	16,048
Amortization of right-of-use finance asset	253,719	33,829	50,744	338,292	-	(338,292)	-	-
Total operating expenses	$ 8,274,188	$ 798,180	$ 804,259	$ 9,876,627	$ 793,133	$ (822,399)	$ 9,847,361	$ 8,820,122

ARTISTS FOR HUMANITY, INC. AND AFH EPICENTER, INC.

Combining Statement of Functional Expenses
For the Year Ended December 31, 2023

	Artists for Humanity, Inc.				AFH Epicenter, Inc.		
	Program	General and Adminis-trative	Fundraising	Total	General and Adminis-trative	Eliminations	Total
Operating Expenses:							
Personnel and related:							
Salaries - other staff	$ 2,943,927	$ 250,677	$ 161,898	$ 3,356,502	$ -	$ -	$ 3,356,502
Salaries - youth artists	1,515,990	-	-	1,515,990	-	-	1,515,990
Payroll taxes and fringe benefits	613,617	49,584	52,823	716,024	-	-	716,024
Grant-funded external youth artists salaries	371,971	-	-	371,971	-	-	371,971
Contracted artists and services	42,052	-	-	42,052	-	-	42,052
Total personnel and related	5,487,557	300,261	214,721	6,002,539	-	-	6,002,539
Depreciation	75,596	10,079	15,119	100,794	631,316	-	732,110
Professional services and consultants	248,989	124,494	124,495	497,978	-	-	497,978
Donated services	66,871	133,743	66,872	267,486	-	-	267,486
Interest	12,437	1,659	2,487	16,583	173,924	-	190,507
Facilities and maintenance	139,750	18,633	27,950	186,333	-	-	186,333
Program supplies	276,975	-	-	276,975	-	-	276,975
Utilities	81,638	10,885	16,328	108,851	-	-	108,851
Miscellaneous	29,879	3,983	5,976	39,838	-	-	39,838
Insurance	42,439	5,658	8,488	56,585	-	-	56,585
Events	39,232	5,231	7,846	52,309	-	-	52,309
Credit loss expense	107,061	-	-	107,061	-	-	107,061
Processing fees	45,229	6,030	9,046	60,305	-	-	60,305
Dues and subscriptions	24,938	12,470	12,470	49,878	-	-	49,878
Meals and travel	22,551	11,276	11,276	45,103	-	-	45,103
Printing	27,863	3,714	5,573	37,150	-	-	37,150
Office supplies	11,014	22,027	11,014	44,055	-	-	44,055
Rent	374,330	52,161	72,616	499,107	-	(484,108)	14,999
Telephone	18,681	2,491	3,736	24,908	-	-	24,908
Advertising	766	1,533	766	3,065	-	-	3,065
Minor equipment and maintenance	4,529	604	906	6,039	-	-	6,039
Bad debt	16,048	-	-	16,048	-	-	16,048
Amortization of right-of-use finance asset	259,230	34,564	51,846	345,640	-	(345,640)	-
Total operating expenses	$ 7,413,603	$ 761,496	$ 669,531	$ 8,844,630	$ 805,240	$ (829,748)	$ 8,820,122

1. 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 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) (see Note 3). In September 2024, the Organization completed an unwind of the New Market Tax Credit (NMTC) financing structure (see below). AFH Epicenter operated the Boston Property in a manner that enabled AFH Epicenter to qualify as a qualified active low-income community business (QALICB) for the purpose of the NMTC, as defined in Section 45D(d) of the Internal Revenue Code (see Note 7). AFH also had to meet certain NMTC "low-income community" and "community benefit" criteria during the compliance period.

Two of the five members of the Board of Directors of AFH Epicenter were also Board members or officers of AFH. One of the five members of the Board of Directors of AFH Epicenter is related to a Board member of AFH. In addition, AFH had a significant economic interest in AFH Epicenter, as AFH had guaranteed AFH Epicenter's debt, participated in NMTC financing for the Boston Property, and had a thirty-year lease as the only tenant of AFH Epicenter, which was the only source of revenue for AFH Epicenter, and managed AFH Epicenter. As part of the NMTC unwind, the Organization executed a series of transactions that dissolved the financing structure (see Notes 7 through 10). 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.

On December 30, 2024, AFH and AFH Epicenter completed a statutory merger pursuant to Articles of Merger filed with the Commonwealth of Massachusetts. As a result, AFH Epicenter was merged into AFH, with AFH serving as the surviving legal entity. Upon merger, legal title to all fixed assets held by AFH Epicenter was transferred to AFH and the intercompany lease was effectively cancelled.

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 Internal Revenue Code (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.

2. SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares their combining 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).

Principles of Combination

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of combining 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 combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the combining statements of cash flows, cash and cash equivalents consist of checking, savings and money market accounts and any investments with an initial maturity of three months or less.

Restricted Cash

Restricted cash consists of security deposits for events in the amount of $85,750 and $83,875 as of December 31, 2024 and 2023, respectively.

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:

	Estimated Useful Lives
Building	40 years
Office and artistic equipment	3 - 5 years
Furniture and fixtures	5 years

Land is not depreciated.

The Organization accounts for the carrying value of its long-lived assets in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. The carrying value is evaluated annually for impairment and no impairment loss was recognized in 2024 and 2023.

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines such assets are leased because it has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset, are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset. The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its building and equipment. The Organization has elected the practical expedient to classify the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the combining statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at the commencement date of the lease to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise.

The Organization has elected not to record leases with an initial term of twelve months or less on the combining statements of financial position.

Debt Issuance Costs

AFH Epicenter amortized debt issuance costs using the straight-line method, which approximates the effective interest method, over the term of the notes payable (thirty years). Debt issuance costs are netted with notes payable in the accompanying combining statement of financial position as of December 31, 2023 (see Note 8). During 2024, as part of the NMTC unwind (see Note 8), AFH Epicenter wrote off unamortized debt issuance costs totaling $756,298, which are included in net gain on NMTC unwind in the accompanying 2024 combining statement of activities. As of December 31, 2023, total debt issuance costs were $998,535, net of accumulated amortization of $208,952, resulting in unamortized debt issuance costs of $789,582. Amortization expense was $33,285 and $31,453 for the years ended December 31, 2024 and 2023, respectively, and is included in interest in the accompanying combining statements of functional expenses.

Grants Receivable

Grants receivable are carried at the original invoice amount. Grants receivable are written-off when deemed uncollectible. An allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible based upon historical collection rates. There was no allowance recorded at December 31, 2024 and 2023.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges receivable consist of contributions committed to AFH for operating purposes. Pledges are recorded at their net present value when unconditionally committed and are due as follows as of December 31:

	2024	2023
Due within one year	$ 411,303	$ 823,886
Due in two to five years	305,126	439,170
	716,429	1,263,056
Less - reserve	-	(15,060)
Less - discount	(24,649)	(24,649)
Less - current portion	(411,303)	(808,826)
Long-term pledges receivable, net	$ 280,477	$ 414,521

The Organization used a discount rate of approximately 6% as of December 31, 2024 and 2023.

Allowance for Doubtful Pledges Receivable

Allowances for potentially uncollectible pledges receivable are provided based upon management's assessment of potential defaults. There was an allowance of $15,060 for pledges receivable as of December 31, 2023. There was no allowance for pledges receivable as of December 31, 2024.

Allowance for Credit Losses

Accounts Receivable

Accounts receivable consist of amounts owed to AFH for gallery rentals and other artistic projects, treated as two separate pools. Accounts receivables are recorded at the invoiced amounts and do not bear interest. The balance of accounts receivable related to sales and rental revenue at January 1, 2022, was $482,902. It is AFH's policy to charge-off uncollectible accounts receivable when management determines the receivable will not be collected. Any estimates for amounts not expected to be collected based on other circumstances are recognized as a reduction to gallery rental or product sale revenue. Such estimates are based on evaluating the aging of accounts receivable, management's assessment of current conditions, reasonable and supportable expectations of future conditions, and an assessment of specific identifiable customer accounts considered at risk or uncollectible. AFH assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific balances no longer share those risk characteristics and are considered at risk or uncollectible. Subsequent change in estimate of collectability due to a change in the financial status of a payor, is recognized as a credit loss expense and presented as an operating expense.

Notes Receivable

Notes receivables are reported at amortized cost, net of a potential allowance for credit losses (ACL). The ACL represents an amount which, in management's judgement, reflects the lifetime expected losses that may be sustained on outstanding loans at the combining statements of financial position date based on past events, current conditions, and reasonable and supportable forecasts of future economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (Continued)

Notes Receivable (Continued)

Due to the unique structure of the NMTC Program where payments are due at the expiration of the compliance period with a pre-defined payment plan and exit strategy with no previous history of loss in the Federally-funded program, there is no ACL deemed necessary as of December 31, 2024 and 2023. The NMTC structure was formally unwound in 2024 pursuant to the planned exit strategy, resulting in the discharge of the notes receivable (see Note 9) under the program. No interest receivable was due as of December 31, 2024 and 2023.

Expense Allocations

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

Donated Goods and Services

The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. AFH receives services of professional volunteers, donated services and goods in various aspects of its programs and operations. The value assigned to these services, based on the donor's estimate of the fair value, has been reflected in the accompanying combining financial statements as follows for the years ended December 31:

	2024	2023
Legal services	$ 139,557	$ 171,126
Donated catering	129,602	96,360
Total donated goods and services	$ 269,159	$ 267,486

Catering received by AFH is recorded as in-kind goods and services with a corresponding increase to events expense. AFH utilized fair market value prices that were provided by the organization that supplied the catering services and goods.

AFH also received in-kind youth artists' services and legal services, which utilized fair market value prices that would have been paid to the individuals that provided the services. In-kind goods and service revenue was recorded for the in-kind youth artists' services received.

Net Assets

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 Organization.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions represent 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 comprised of the following at December 31:

	2024	2023
Purpose restricted	$ 613,718	$ 669,108
Time restricted	449,167	881,667
	$ 1,062,885	$ 1,550,775

Combining Statements of Activities

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 combining statements of activities. Peripheral or incidental transactions are reported as non-operating revenue (expense). Non-operating revenue (expense) includes activity related to gain on NMTC unwind and forgiveness of intercompany notes.

Advertising

Advertising costs are expensed in the period incurred. Advertising expense for 2024 and 2023 was approximately $4,700 and $3,000, respectively, and is included in miscellaneous in the accompanying combining statements of functional expenses.

Fair Value Measurements

The Organization 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 the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization 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 the Organization. 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.

2. 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.

Income Taxes

The Organization 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 combining financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combining financial statements at December 31, 2024 and 2023. The Organization’s information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through July 22, 2025, which is the date the combining financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combining financial statements.

Revenue Recognition

Contributions

In accordance with Topic 958, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity, and other stipulations related to the grant or contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Organization fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as conditional grants.

Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions lapse. Contract revenue is recorded over the contract period as services are provided and costs are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions (Continued)

AFH receives grants from foundations and other parties in support of specific projects. The grants and contributions committed in support of projects are transferred to net assets without donor restrictions as AFH expends effort and incurs costs or as specified milestones are achieved for the related projects, as specified in the grant agreements.

Revenue from Contracts with Customers

AFH generally measures revenue from exchange transactions based on the amount of consideration the Organization expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its revenue recognition based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Product Sale Revenue

Product sale revenue is recognized from the sale of merchandise when a customer purchases and takes delivery of the merchandise. Reported sales are net of returns and estimated possible returns and exclude sales taxes. The elements of this arrangement contain a single performance obligation which is the transfer of goods to the intended party. This generally occurs and is recognized at a point in time.

Gallery Rental Revenue

Gallery rental revenue is recognized when services are rendered. Gallery rental revenue received in advance of the service is shown as deferred revenue in the accompanying combining statements of financial position. During 2024 and 2023, the amount of deferred revenue related to the gallery rental was $297,092 and $343,434, respectively. This revenue generally contains a single performance obligation which is satisfied upon redemption by the outside party or individual. These services are generally recognized at a single point in time. The beginning balance of deferred revenue at January 1, 2023, was $441,245.

All other revenues are recorded when earned.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2024	2023
Land	$ 2,265,716	$ 2,265,716
Building	24,092,147	24,092,147
Office and artistic equipment	544,329	544,329
Furniture and fixtures	278,908	266,226
	27,181,100	27,168,418
Less - accumulated depreciation	6,675,065	6,003,823
	$ 20,506,035	$ 21,164,595

4. CONDITIONAL GRANTS

During 2024, AFH entered into various state grants totaling $224,380. These grants were designated as conditional grants under Topic 958. These grants are considered conditional under Topic 958, as AFH must incur qualified costs or meet performance requirements prior to recognizing revenue.

5. 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 contribute to the plan.

6. CONCENTRATIONS

Credit Risk

The Organization maintains its cash balances in Massachusetts banks which are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts. The Organization 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 institutions, along with their balances, to keep this potential risk to a minimum.

Funding

As of December 31, 2024 and 2023, approximately 51% and 39%, respectively, of pledges receivable were due from two donors. As of December 31, 2024 and 2023, approximately 28% and 21%, respectively, of accounts receivable were due from two customers.

For the years ended December 31, 2024 and 2023, approximately 19% and 18%, respectively, of grants and contracts revenue was due from one Municipal agency.

7. NEW MARKET TAX CREDITS

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 (see Note 1). 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 a bridge loan and a portion of capital campaign proceeds, as well as the reimbursement of certain predevelopment costs totaling $10,785,140 (under two separate note receivable agreements) (see Note 9), to BOA AFH Investment Fund, LLC 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, LLC (the Sub CDEs), which qualified as a qualifying equity investment (QEI). The Sub CDEs ultimately loaned the funds, net of fees, to AFH Epicenter (see Note 8) 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 45D(d) of the IRC in order to assist eligible businesses in making investments in certain low-income communities. The availability of NMTC allowed Bank of America Community Development Corporation (the Investor) to invest $5,332,860 in the Sub CDEs.

7. NEW MARKET TAX CREDITS (Continued)

On September 20, 2024, AFH underwent a NMTC unwind. As part of the transaction, AFH obtained 100% of the membership interests in the Investment Funds. In connection with the unwind, the QLICI A Notes were assigned to AFH in its capacity as Leverage Lender and were subsequently forgiven by AFH. AFH Epicenter made a nominal payment of $1,000 on each QLICI B Note, after which the Sub CDEs formally canceled the notes (see Note 8). AFH effectively gained full control over the Investment Funds and all related financing rights as a result of these transactions.

The table below summarizes the gain recognized as part of the unwind process, reflected in the accompanying combining statement of activities for the year ended December 31, 2024:

Gain on forgiveness of debt	$ 4,896,860
Write-off of unamortized debt issuance costs	(756,298)
Net gain on NMTC unwind	$ 4,140,562

8. NOTES PAYABLE

The Organization had the following notes payable outstanding at December 31:

AFH	**2024**	**2023**
On June 22, 2020, AFH entered into an Economic Injury Disaster Loan (EIDL) agreement with the U.S. Small Business Administration (SBA) in the original amount of $150,000, bearing interest at a rate of 2.75%. In 2022, AFH amended the agreement and drew an additional $500,000, bringing the total principal to $650,000. The loan is repayable in monthly installments of $2,848, which began twenty-four months from the amended loan date in 2022. The note may be prepaid in part or in full at any time without notice or penalty. Each payment is applied first to accrued interest and then to principal. The loan matures thirty years from the modified loan date, with all remaining principal and accrued interest due and payable at that time.	$ 637,109	$ 627,136
Less - current portion	17,681	16,974
Total - notes payable - AFH	$ 619,428	$ 610,162

During fiscal years 2024 and 2023, AFH incurred $16,974 and $16,583, respectively, of interest on the above notes payable, which is included in interest expense in the accompanying combining statements of functional expenses.

8. NOTES PAYABLE (Continued)

AFH Epicenter	**2024**	**2023**
Note payable in the amount of $7,462,140 with MassDevelopment New Markets CDE #23, LLC under the QLICI program (QLICI Loan A-1). This note bore interest at 1.079% and originally was to mature on October 1, 2047. This note was due in quarterly interest-only payments through January 2025, at which time principal and interest would have been due in accordance with a set schedule as defined in the note agreement through October 2047. During 2024, as part of the NMTC unwind, this note was assigned to AFH (see Note 7) and subsequently was discharged in exchange for AFH discharging a corresponding note receivable (see Note 9). The note was secured by a second priority on a shared mortgage on the Boston Property (see Note 1) and was guaranteed by AFH.	$ -	$ 7,462,140
Note payable in the amount of $3,323,000 with Banc of America CDE V, LLC under the QLICI program (QLICI Loan A-2). This note bore interest at 0.5% and originally was to mature on October 1, 2047. This note was due in quarterly interest-only payments through January 2025, at which time principal and interest would have been due in accordance with a set schedule as defined in the note agreement through October 2047. During 2024, as part of the NMTC unwind, this note was assigned to AFH (see Note 7) and subsequently was discharged in exchange for AFH discharging a corresponding note receivable (see Note 9). The note was secured by a third priority on a shared mortgage on the Boston Property and was guaranteed by AFH.	-	3,323,000
Note payable in the amount of $3,219,860 with MassDevelopment New Markets CDE #23, LLC under the QLICI program (QLICI Loan B-1). This note bore interest at 1.079% and originally was to mature on October 1, 2047. This note was due in quarterly interest-only payments through January 2025, at which time principal and interest would have been due in accordance with a set schedule as defined in the note agreement through October 2047. During 2024, as part of the NMTC unwind, this note was formally cancelled by the Sub CDE upon receipt of a nominal payment, at which time this note was effectively forgiven in full (see Note 7). The note was secured by a fifth priority on a shared mortgage on the Boston Property and was guaranteed by AFH.	-	3,219,860

8. NOTES PAYABLE (Continued)

AFH Epicenter (Continued)	**2024**	**2023**
Note payable in the amount of $1,677,000 with Banc of America CDE V, LLC under the QLICI program (QLICI Loan B-2). This note bore interest at 0.632% and was set to mature on October 1, 2047. This note was due in quarterly interest-only payments through January 2025, at which time principal and interest would have been due in accordance with a set schedule as defined in the note agreement through October 2047. During 2024, as part of the NMTC unwind, this note was formally cancelled by the Sub CDEs upon receipt of a nominal payment, at which time this note was effectively forgiven in full (see Note 7). The note was secured by a fourth priority on a shared mortgage on the Boston Property and was guaranteed by AFH.	-	1,677,000
	-	15,682,000
Less - unamortized debt issuance costs (see Note 2)	-	789,582
Total notes payable - AFH Epicenter	$ -	$ 14,892,418

For the years ended December 31, 2024 and 2023, AFH Epicenter incurred $143,155 and $142,470, respectively, in interest on notes payable, which is included in interest expense in the accompanying combining statements of functional expenses.

The QLICI notes payable on page 18 and above contain various covenants and restrictions with which AFH and AFH Epicenter must comply. AFH and AFH Epicenter were in compliance with these covenants at December 31, 2023, and through the unwind date of September 2024.

Maturities of notes payable over the next five years are as follows:

2025	$ 17,681
2026	$ 18,174
2027	$ 18,680
2028	$ 19,200
2029	$ 19,735
Thereafter	$ 543,639

Intercompany Note Payable

In September 2017, AFH and AFH Epicenter entered into a $3,900,000 note payable agreement (the Direct Loan). The non-interest-bearing note required payments on any draws made in accordance with a payment schedule in the note agreement. All unpaid principal was due at maturity in March 2025. During 2024 and 2023, AFH forgave $795,792 and $400,000, respectively of the intercompany note payable. The outstanding loan balance as of December 31, 2023, was $795,792. The loan was fully forgiven as of December 31, 2024. The total loan balance was reflected as an intercompany note payable and receivable and was eliminated as an intercompany transaction in the accompanying combining statement of financial position as of December 31, 2023.

9. NOTES RECEIVABLE

As of December 31, 2023, notes receivable were comprised of $7,462,140 due from BOA AFH Investment Fund, LLC and $3,323,000 due from BOA Investment Fund V, LLC for a total of $10,785,140. During 2024, as part of the NMTC unwind, AFH became the sole member of each of the Investment Funds. Upon the merger with AFH Epicenter (see Note 14), the notes were discharged against the corresponding note payables (see Note 8).

AFH provided the Investment Funds (see Note 7) each with a 0.5% interest loan totaling $10,785,140. AFH utilized the proceeds from a 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 (see Note 7), to make equity investments to the Sub CDEs (see Note 7). The Sub CDEs used the proceeds from these investment loans to make four separate loans (Notes A-1, B-1, A-2, and B-02) to AFH Epicenter (see Note 8).

Interest-only payments were due beginning in October 2017 through maturity in October 2047.

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

The note to BOA Investment Fund V, LLC was guaranteed by the Investor (see Note 7).

For the years ended December 31, 2024 and 2023, AFH earned $44,229 and $59,100, respectively, in interest, which is included in interest and other revenue in the accompanying combining statements of activities.

10. LEASES

AFH entered into a thirty-year intercompany building lease agreement with AFH Epicenter commencing in September 2017 and originally scheduled to run through September 2047. Under the agreement, base rents were payable in quarterly installments of $145,700 through 2023, increasing to $229,755 per quarter starting in 2024.

The lease was classified as a finance lease, and related costs are included in rent and amortization of the right-of-use finance asset in the accompanying combining statements of functional expenses.

In 2024, as part of the merger between AFH and AFH Epicenter, the intercompany lease was terminated. As a result, the associated ROU asset and lease liability were written off from the combining statement of financial position and AFH recorded a gain on lease termination of $401,586, which is included in operating support and revenue in the accompanying combining statement of activities.

The 2023 lease costs related to the intercompany finance lease are included in rent and amortization of right-of-use finance asset in the accompanying 2023 combining statement of functional expenses.

The weighted-average discount rate associated with the finance lease for the year ended December 31, 2023, was 2.01%. The Organization's weighted-average lease term was twenty-three years for the year ended December 31, 2023.

The Organization has a short-term facility lease which commenced in January 2024 and ends in January 2025, with the option to extend for an additional year. The lease was extended for the six months beginning January 1, 2025. For the years ended December 31, 2024, and 2023, the Organization had rent expense associated with this lease of $30,100 and $15,000, respectively.

11. RELATED PARTY TRANSACTIONS

A member of the Organization's Board of Directors is a member of senior management at a contributing organization that provided funding to the Organization. During the year ended December 31, 2023, this organization contributed $215,000 to the Organization. No related party amounts were received as of December 31, 2024.

12. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit (ERTC) was first established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first $10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC). To be eligible, the Organization must meet certain conditions as described in applicable laws and regulations.

These grants are conditional upon meeting certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of December 31, 2023, and therefore, the entire amount of the grant, $146,356, was recognized as revenue in 2023 and is presented as grants and contracts in the accompanying 2023 combining statement of activities.

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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 twelve-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 at December 31:

	2024	2023
Cash and cash equivalents	$ 1,177,953	$ 2,094,770
Accounts receivable	193,776	215,829
Grants receivable	28,388	161,931
Current portion of pledges receivable	411,303	808,826
Total financial assets	1,811,420	3,281,356
Less - donor restricted funds for a specific purpose and time restricted for use beyond one year	894,195	1,073,275
Financial assets available to meet cash needs for general expenditures within one year	$ 917,225	$ 2,208,081

14. MERGER

On December 30, 2024, AFH Epicenter entered into a merger agreement with AFH. Under the terms of the agreement, AFH assumed all assets and liabilities of AFH Epicenter. As of December 30, 2024, prior to the merger, the major classes of assets and liabilities of AFH Epicenter were as follows:

Assets:	
Intercompany receivable	$ 3,386,976
Property and equipment, net	20,455,028
Total assets	$ 23,842,004
Liabilities and Net Assets:	
Intercompany interest payable	$ 600,456
Notes payable, net of unamortized debt issuance costs	10,785,140
Net assets	12,456,408
Total liabilities and net assets	$ 23,842,004