

artists for humanity

FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

ARTISTS FOR HUMANITY, INC.

Contents
December 31, 2015 and 2014

	<u>Pages</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 13

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Artists for Humanity, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

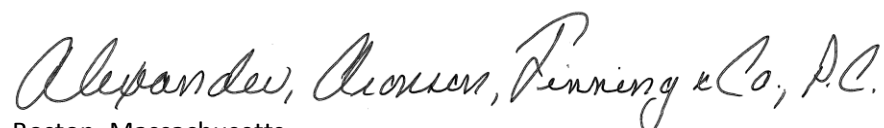
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Artists for Humanity, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Boston, Massachusetts
March 31, 2016

ARTISTS FOR HUMANITY, INC.Statements of Financial Position
December 31, 2015 and 2014

Assets	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 349,023	\$ 172,164
Accounts receivable, net of allowance for doubtful accounts of approximately \$3,000 as of December 31, 2015 and 2014	114,993	122,380
Grants and contracts receivable	133,638	-
Current portion of operating pledges receivable	542,928	299,365
Inventory	11,734	14,355
Prepaid expenses and other	14,456	19,403
Total current assets	1,166,772	627,667
Restricted Cash for Capital Campaign	3,567,573	1,331,306
Operating Pledges Receivable, net of current portion and discount	340,918	10,000
Capital Campaign Pledges, net of discount	2,068,848	2,097,902
Property and Equipment, net	6,587,310	6,733,167
Construction in Process	934,910	271,123
Total assets	<u>\$ 14,666,331</u>	<u>\$ 11,071,165</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 31,323	\$ 68,647
Accrued expenses	106,103	80,831
Deferred revenue	30,982	93,477
Total current liabilities	168,408	242,955
Net Assets:		
Unrestricted:		
Operating	212,619	(54,287)
Property, equipment, and construction in process	7,522,220	7,004,290
Total unrestricted	7,734,839	6,950,003
Temporarily restricted	6,763,084	3,878,207
Total net assets	14,497,923	10,828,210
Total liabilities and net assets	<u>\$ 14,666,331</u>	<u>\$ 11,071,165</u>

The accompanying notes are an integral part of these statements.

Page 2

ARTISTS FOR HUMANITY, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Support and Revenue:						
Grants and contracts	\$ 210,151	\$ 1,903,765	\$ 2,113,916	\$ 497,029	\$ 439,046	\$ 936,075
Program revenue	1,461,622	-	1,461,622	1,511,245	-	1,511,245
Contributions	565,661	-	565,661	545,819	-	545,819
Events and sponsorships	319,756	-	319,756	269,203	-	269,203
Donated goods and services	84,979	-	84,979	91,226	-	91,226
Other revenue	-	-	-	1,240	-	1,240
Net assets released from restrictions:						
Time	705,956	(705,956)	-	409,600	(409,600)	-
Purpose	520,145	(520,145)	-	184,673	(184,673)	-
Purpose - capital campaign	166,668	(166,668)	-	166,668	(166,668)	-
Total operating support and revenue	<u>4,034,938</u>	<u>510,996</u>	<u>4,545,934</u>	<u>3,676,703</u>	<u>(321,895)</u>	<u>3,354,808</u>
Operating Expenses:						
Program	2,906,915	-	2,906,915	2,803,060	-	2,803,060
General and administrative	459,563	-	459,563	497,595	-	497,595
Fundraising	532,761	-	532,761	526,136	-	526,136
Total operating expenses	<u>3,899,239</u>	<u>-</u>	<u>3,899,239</u>	<u>3,826,791</u>	<u>-</u>	<u>3,826,791</u>
Changes in net assets from operations	<u>135,699</u>	<u>510,996</u>	<u>646,695</u>	<u>(150,088)</u>	<u>(321,895)</u>	<u>(471,983)</u>
Non-Operating Revenue:						
Capital contributions	-	2,982,880	2,982,880	-	3,796,486	3,796,486
Donated services - capital	54,788	-	54,788	70,513	-	70,513
Realized loss on sale of donated stock	(14,650)	-	(14,650)	-	-	-
Net assets released from capital restrictions	608,999	(608,999)	-	200,610	(200,610)	-
Total non-operating revenue	<u>649,137</u>	<u>2,373,881</u>	<u>3,023,018</u>	<u>271,123</u>	<u>3,595,876</u>	<u>3,866,999</u>
Changes in net assets	<u>784,836</u>	<u>2,884,877</u>	<u>3,669,713</u>	<u>121,035</u>	<u>3,273,981</u>	<u>3,395,016</u>
Net Assets:						
Beginning of year	<u>6,950,003</u>	<u>3,878,207</u>	<u>10,828,210</u>	<u>6,828,968</u>	<u>604,226</u>	<u>7,433,194</u>
End of year	<u>\$ 7,734,839</u>	<u>\$ 6,763,084</u>	<u>\$ 14,497,923</u>	<u>\$ 6,950,003</u>	<u>\$ 3,878,207</u>	<u>\$ 10,828,210</u>

The accompanying notes are an integral part of these statements.

ARTISTS FOR HUMANITY, INC.Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 3,669,713	\$ 3,395,016
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Capital contributions	(2,982,880)	(3,796,486)
Donated services - capital	(54,788)	(70,513)
Depreciation	155,849	168,016
Bad debts	1,154	1,500
Realized loss on sale of donated stock	14,650	-
Change in discount on operating pledges receivable	7,415	(3,575)
Changes in operating assets and liabilities:		
Accounts receivable	6,233	26,526
Grants and contracts receivable	(133,638)	-
Operating pledges receivable	(581,896)	101,562
Inventory	2,621	(3,816)
Prepaid expenses and other	4,947	(2,022)
Accounts payable	(39,730)	(64,776)
Accrued expenses	25,272	(5,524)
Deferred revenue	(62,495)	(29,685)
Net cash provided by (used in) operating activities	<u>32,427</u>	<u>(283,777)</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(9,992)	-
Payments for construction in progress	(606,593)	(192,466)
Increase in restricted cash for capital campaign	(2,236,267)	(1,331,306)
Net cash used in investing activities	<u>(2,852,852)</u>	<u>(1,523,772)</u>
Cash Flows from Financing Activities:		
Capital contributions	2,997,284	1,698,584
Net Change in Cash and Cash Equivalents	176,859	(108,965)
Cash and Cash Equivalents:		
Beginning of year	<u>172,164</u>	<u>281,129</u>
End of year	<u>\$ 349,023</u>	<u>\$ 172,164</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 126</u>	<u>\$ 4,974</u>
Supplemental Disclosure of Non-Cash Transactions:		
Donated services - capital	<u>\$ 54,788</u>	<u>\$ 70,513</u>
Construction in process included in accounts payable	<u>\$ 10,550</u>	<u>\$ 8,144</u>

ARTISTS FOR HUMANITY, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2015

(With Summarized Comparative Totals for the Year Ended December 31, 2014)

	2015			2014	
	Program	General and Administrative	Fundraising	Total	Total
Operating Expenses:					
Personnel and related:					
Salaries - other staff	\$ 1,295,373	\$ 303,228	\$ 373,852	\$ 1,972,453	\$ 1,818,148
Salaries - youth artists	548,625	-	-	548,625	489,787
Payroll taxes and fringe benefits	280,912	44,817	55,255	380,984	368,899
Donated salaries - youth artists	51,890	-	-	51,890	63,014
Contracted artists and services	22,787	8,720	-	31,507	15,207
Total personnel and related	2,199,587	356,765	429,107	2,985,459	2,755,055
Program supplies	281,786	-	-	281,786	305,783
Depreciation	114,913	18,333	22,603	155,849	168,016
Professional services and consultants	77,676	31,757	7,689	117,122	194,993
Cleaning	45,017	7,182	8,855	61,054	62,591
Event expense	24,179	-	24,179	48,358	40,414
Equipment rental and maintenance	31,730	5,910	6,241	43,881	62,504
Utilities	28,817	4,598	5,668	39,083	41,342
Training and travel	27,065	2,658	6,496	36,219	40,819
Insurance	15,648	2,496	3,078	21,222	24,311
Printing	12,580	4,193	4,193	20,966	22,333
Miscellaneous	9,953	9,374	1,175	20,502	20,607
Telephone	9,278	4,639	4,641	18,558	18,676
Office supplies	3,338	6,675	3,338	13,351	9,665
Postage and shipping	5,533	2,766	2,766	11,065	10,920
Repairs and maintenance	7,374	1,177	1,450	10,001	14,256
Trash removal	6,436	1,027	1,266	8,729	8,454
Alumni commissions	4,754	-	-	4,754	2,761
Bad debts	1,154	-	-	1,154	1,500
Interest	97	13	16	126	4,974
Legal services	-	-	-	-	16,817
Total operating expenses	<u>\$ 2,906,915</u>	<u>\$ 459,563</u>	<u>\$ 532,761</u>	<u>\$ 3,899,239</u>	<u>\$ 3,826,791</u>

ARTISTS FOR HUMANITY, INC.Statement of Functional Expenses
For the Year Ended December 31, 2014

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

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and money market accounts, excluding those held as restricted cash for capital campaign (see Note 4).

Revenue Recognition

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions lapse. Contract revenue is recorded over the contract period as services are provided and costs are incurred. Program revenue and all other revenue are recognized when earned. Payments received in advance of services being performed are recorded as deferred revenue.

Property and Equipment and Depreciation

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

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

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges receivable at December 31, 2015 and 2014, consist of contributions committed to AFH for the capital campaign and operating purposes (see Note 4). Pledges are recorded at their net present value when unconditionally committed.

Allowance for Doubtful Accounts, Grants, Contracts and Pledges Receivable

Allowances for potentially uncollectible accounts, grants, contracts and pledges receivable are provided based upon management's assessment of potential defaults. The allowance against doubtful accounts receivable was approximately \$3,000 at December 31, 2015 and 2014. There was no allowance for doubtful grants, contracts, and pledges receivable deemed necessary at December 31, 2015 and 2014.

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.

Donated Goods and Services

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

	<u>2015</u>	<u>2014</u>
Operating:		
Salaries - youth artists	\$ 51,890	\$ 63,014
Event expenses	30,589	8,220
Public relations	2,500	5,000
Legal services	-	<u>14,992</u>
Total operating donated goods and services	84,979	91,226
Legal services - capital (see Note 3)	<u>54,788</u>	<u>70,513</u>
Total donated goods and services	<u>\$ 139,767</u>	<u>\$ 161,739</u>

Net Assets

Unrestricted Net Assets

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

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

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

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Temporarily Restricted Net Assets

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

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

	<u>2015</u>	<u>2014</u>
Capital restricted	\$ 5,636,421	\$ 3,429,208
Purpose restricted	720,497	49,850
Time restricted	<u>406,166</u>	<u>399,149</u>
	<u>\$ 6,763,084</u>	<u>\$ 3,878,207</u>

Statements of Activities and Changes 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 on the accompanying statements of activities and changes in net assets. Peripheral or incidental transactions are reported as non-operating revenue. Non-operating revenue, consistent with industry practice, includes capital grants for long-lived assets (see Note 4) and realized gains or losses on stock donations not immediately sold.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

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

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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

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

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

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

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

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

Subsequent Events

Subsequent events have been evaluated through March 31, 2016, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Income Taxes

AFH accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. AFH has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2015, AFH's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Inventory

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

ARTISTS FOR HUMANITY, INC.Notes to Financial Statements
December 31, 2015 and 2014**2. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 2,265,716	\$ 2,265,716
Building	5,900,964	5,900,964
Office and artistic equipment	214,644	204,652
Furniture and fixtures	<u>87,735</u>	<u>87,735</u>
	8,469,059	8,459,067
Less - accumulated depreciation	<u>1,881,749</u>	<u>1,725,900</u>
	<u>\$ 6,587,310</u>	<u>\$ 6,733,167</u>

3. CONSTRUCTION IN PROCESS

During 2014, AFH began the design phase of a project to expand AFH's EpiCenter facility 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 is expected to take place in the summer of 2016 and construction is anticipated to be completed in 2018. The total project is expected to cost \$30 million, which will be funded through a capital campaign (see Note 4), government funds, and bank financing on the property. During 2015 and 2014, AFH incurred \$663,787 and \$271,123, respectively on the project, including donated legal costs of \$54,788 and \$70,513, respectively, which is included in construction in process in the accompanying statements of financial position. These assets will not be depreciated until they are placed in service.

4. PLEDGES RECEIVABLE AND CAPITAL CAMPAIGN**Capital Campaign Pledges Receivable**

During 2014, AFH began a capital campaign in conjunction with the construction project to expand the EpiCenter facility as described in Note 3, with a goal of raising \$30 million. As of December 31, 2015, AFH has raised approximately \$7.8 million towards this campaign, which includes donated land valued at \$1 million, which was received in 2013.

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

	<u>2015</u>	<u>2014</u>
Due within one year	\$ 1,873,000	\$ 1,538,000
Due in one to five years	<u>200,000</u>	<u>572,000</u>
	2,073,000	2,110,000
Less - discount	<u>4,152</u>	<u>12,098</u>
	<u>\$ 2,068,848</u>	<u>\$ 2,097,902</u>

Capital campaign pledges receivable have been discounted to their net present value using a discount rate of 2%.

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

ARTISTS FOR HUMANITY, INC.Notes to Financial Statements
December 31, 2015 and 2014

4. PLEDGES RECEIVABLE AND CAPITAL CAMPAIGN (Continued)**Operating Pledges Receivable**

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

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

	<u>2015</u>	<u>2014</u>
Due within one year	\$ 542,928	\$ 299,365
Due in one to five years	<u>348,333</u>	<u>10,000</u>
	891,261	309,365
Less - discount	<u>7,415</u>	-
	883,846	309,365
Less - current portion	<u>542,928</u>	<u>299,365</u>
	<u>\$ 340,918</u>	<u>\$ 10,000</u>

5. NOTE PAYABLE TO A BANK

AFH has available a \$150,000 line of credit agreement with a bank. Borrowings under the agreement are due on demand and interest is payable monthly at a rate equal to the *Wall Street Journal's* prime rate (3.5% and 3.25% at December 31, 2015 and 2014, respectively), plus 1%. The line of credit is secured by substantially all assets of AFH. There was no outstanding balance on the line of credit as of December 31, 2015 and 2014. The line of credit renews annually.

6. RELATED PARTY TRANSACTIONS

One member of the Board of Directors is employed by AFH and received compensation totaling approximately \$65,000 per annum during 2015 and 2014.

7. RETIREMENT PLAN

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

8. CONCENTRATIONS

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

As of December 31, 2015, pledges from one donor represented 75% of the total outstanding operating pledges receivable. As of December 31, 2014, pledges from three donors represented 66% of the total outstanding operating pledges receivable.

ARTISTS FOR HUMANITY, INC.

Notes to Financial Statements
December 31, 2015 and 2014

8. CONCENTRATIONS (Continued)

As of December 31, 2015, pledges from three donors represented 73% of the total outstanding capital pledges receivable. As of December 31, 2014, pledges from two donors represented 90% of the total outstanding capital pledges receivable.

As of December 31, 2015, revenue from one donor represented 13% of total revenue. As of December 31, 2014, revenue from another donor represented 12% of total revenue. Also, as of December 31, 2014, capital contributions from another donor represented 35% of total revenue.

9. CONDITIONAL GRANTS

During 2015, two organizations awarded AFH operating gifts totaling to \$550,000, of which \$275,000 was received through December 31, 2015. The remaining gift balances of \$275,000 are conditional gifts as of December 31, 2015. Since these gifts are conditional upon AFH meeting certain benchmarks or raising matching funds, the remaining balances are not reflected in the accompanying financial statements as of December 31, 2015.

During fiscal year 2015, another organization awarded AFH a \$1,000,000 capital gift, of which \$325,000 was received as of December 31, 2015. The balance of \$675,000 is a conditional gift as of December 31, 2015. Since this gift is conditional upon AFH raising matching funds, the remaining balance is not reflected in the accompanying financial statements as of December 31, 2015.

10. RECLASSIFICATIONS

Certain amounts in the 2014 financial statements have been reclassified to conform with the 2015 presentation.