

HUMANITIES COUNCIL OF WASHINGTON, D.C.

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

OCTOBER 31, 2021

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 12



Independent Auditor's Report

To the Board of Directors
Humanities Council of Washington, D.C.
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Humanities Council of Washington, D.C., which comprise the statement of financial position as of October 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humanities Council of Washington, D.C. as of October 31, 2021, and the 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Humanities Council of Washington, D.C. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Humanities Council of Washington, D.C.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Humanities Council of Washington, D.C.'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.

Independent Auditor's Report
Humanities Council of Washington, D.C.
Page Three

Other Matters

The financial statements for the year ended October 31, 2020, were audited by a predecessor auditor. The predecessor auditor expressed an unmodified opinion. The date of the predecessor auditor's report is November 12, 2021.



Washington, D.C.
September 12, 2022

HUMANITIES COUNCIL OF WASHINGTON, D.C.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 223,952
Grants and contributions receivable	240,340
Total Current Assets	<u>464,292</u>

OTHER ASSETS

Security deposit	17,323
Total Other Assets	<u>17,323</u>

TOTAL ASSETS

\$ 481,615

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 18,870
Accrued expenses	13,035
Unused grant funds to be refunded	11,000
Total Current Liabilities	<u>42,905</u>

TOTAL LIABILITIES

42,905

NET ASSETS

Without donor restrictions	<u>438,710</u>
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TOTAL LIABILITIES AND NET ASSETS

\$ 481,615

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

HUMANITIES COUNCIL OF WASHINGTON, D.C.
STATEMENT OF ACTIVITIES
YEAR ENDED OCTOBER 31, 2021

REVENUE AND SUPPORT	Without Donor Restrictions	With Donor Restrictions	Total
Local government grants	\$ 1,549,035	\$ -	\$ 1,549,035
Federal government grants	623,636	-	623,636
Contract revenue	189,272	-	189,272
Forgiveness of PPP loan	116,482	-	116,482
Contributions	31,372	-	31,372
Miscellaneous income	29,907	-	29,907
Net assets released from restrictions	680	(680)	-
Total Revenue and Support	2,540,384	(680)	2,539,704
 EXPENSES			
Program Services:			
Community outreach and cultural awareness	1,671,352	-	1,671,352
Support Services:			
Management and general	493,802	-	493,802
Fundraising	70,263	-	70,263
Total Support Services	564,065	-	564,065
Total Expenses	2,235,417	-	2,235,417
 CHANGE IN NET ASSETS	 304,967	 (680)	 304,287
 NET ASSETS, beginning of year	 133,743	 680	 134,423
 NET ASSETS, end of year	 \$ 438,710	 \$ -	 \$ 438,710

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

HUMANITIES COUNCIL OF WASHINGTON, D.C.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED OCTOBER 31, 2021

	Program Services		Support Services		Total
	Community Outreach and Cultural Awareness	Management and General	Fundraising	Total Support Services	
Personnel Costs:					
Salaries	\$ 182,316	\$ 171,355	\$ 11,692	\$ 183,047	\$ 365,363
Payroll taxes	17,334	16,291	1,112	17,403	34,737
Employee benefits	32,129	30,198	2,060	32,258	64,387
Professional development	-	7,216	-	7,216	7,216
Total Personnel Costs	231,779	225,060	14,864	239,924	471,703
Accounting fees	-	22,379	-	22,379	22,379
Bank fees	-	1,422	-	1,422	1,422
Dues and subscriptions	19,473	19,551	-	19,551	39,024
Equipment rental	1,413	1,419	-	1,419	2,832
Facilities, food and beverages	3,972	3,987	-	3,987	7,959
Honorarium	-	8,800	-	8,800	8,800
Information technology	8,561	8,596	-	8,596	17,157
Interest expense	-	2,408	-	2,408	2,408
Insurance	6,802	6,829	-	6,829	13,631
Legal fees	3,500	-	-	-	3,500
Miscellaneous	7,080	-	2,143	2,143	9,223
Office supplies and equipment	4,457	4,188	286	4,474	8,931
Postage and delivery	-	375	-	375	375
Professional fees	161,268	178,714	52,970	231,684	392,952
Promotion and advertising	30,293	-	-	-	30,293
Rent and utilities	7,003	7,032	-	7,032	14,035
Subgrants and subawards	1,182,720	-	-	-	1,182,720
Telecommunications	2,865	2,876	-	2,876	5,741
Travel	166	166	-	166	332
Total Expenses	\$ 1,671,352	\$ 493,802	\$ 70,263	\$ 564,065	\$ 2,235,417

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

HUMANITIES COUNCIL OF WASHINGTON, D.C.
STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 304,287
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Forgiveness of PPP loan	(116,482)
(Increase) decrease in assets:	
Grants and contributions receivable	(206,773)
Prepaid expenses	3,344
Increase (decrease) in liabilities:	
Accounts payable	5,861
Accrued expenses	(11,268)
Deferred revenue	(21,094)
Unused grant funds to be refunded	11,000
Net Cash Used for Operating Activities	(31,125)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from line of credit	75,000
Payments on line of credit	(75,000)
Net Cash Used for Investing Activities	-

NET CHANGE IN CASH AND CASH EQUIVALENTS (31,125)

CASH AND CASH EQUIVALENTS, beginning of year 255,077

CASH AND CASH EQUIVALENTS, end of year \$ 223,952

SUPPLEMENTARY INFORMATION:

Cash paid for interest	\$ 2,408
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The accompanying notes are an integral part of these financial statements.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE A - ORGANIZATION AND NATURE OF BUSINESS

Humanities Council of Washington, D.C. (“HumanitiesDC” or the “Organization”) was founded in 1980 as a 501(c)(3) nonprofit organization. It was organized for the purpose of enriching the quality of life, fostering intellectual stimulation, and promoting cross-cultural understanding and appreciation of local history in all neighborhoods of the District of Columbia through humanities programs and grants.

HumanitiesDC provides subgrant awards to neighborhood organizations, churches, and other groups as part of its initiative to strengthen community outreach and cultural awareness. As such, members of these communities are able to share their stories and experiences through public humanities projects such as written publications, documentary films, websites, lesson plans, tours, and various forms of social media.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

HumanitiesDC prepares its financial statements on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Financial Statement of Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities*. In accordance with Topic 958, net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of HumanitiesDC and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met by either actions of HumanitiesDC and/or the passage of time, or that must be maintained in perpetuity by HumanitiesDC. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2021
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, HumanitiesDC considers all interest-bearing bank accounts to be cash equivalents. HumanitiesDC maintains its cash and cash equivalents primarily at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation of up to \$250,000. At times, these accounts may exceed the insured limit; however, HumanitiesDC believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection of information, and existing economic conditions. Grants and contributions deemed uncollectible are charged off based on specific circumstances of the parties involved. Management believes all receivables are collectible, therefore, no allowance for doubtful accounts had been established as of October 31, 2021.

Revenue Recognition

Contributions

HumanitiesDC recognizes contributions when cash, securities or other assets, or an unconditional promise to give 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 conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions.

Federal and Local Government Grants and Contract Revenue

HumanitiesDC receives funding from federal and local government agencies, including the National Endowment for the Humanities and the DC Commission on the Arts and Humanities. HumanitiesDC has a contractual arrangement with the District of Columbia Public Library. Based on the terms and conditions outlined in the grant agreements, these grants could be considered conditional and contain a right of return of funds and other barriers, specifically with respect to reimbursement of expenditures and allowable costs. As a result, revenue is not recognized until the conditions stipulated in the grant agreements and/or the terms of the contractual arrangement have been substantially satisfied.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2021
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or support services of HumanitiesDC. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office supplies and equipment, professional fees, and any other applicable expenditures, which are allocated on the basis of salaries and related costs, determined by estimates of time and effort expended.

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 estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure 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.

NOTE C - INCOME TAXES

HumanitiesDC is a 501(c)(3) entity exempt from federal income tax under Section 501(a) of the Internal Revenue Code. The Organization is, however, subject to tax on business income unrelated to its exempt purpose.

HumanitiesDC believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

HumanitiesDC's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The Organization's information returns for the years ended October 31, 2018 through 2020, are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D - AVAILABLE RESOURCES AND LIQUIDITY

HumanitiesDC primary sources of revenue and support are federal and local government grants and contributions. HumanitiesDC regularly monitors liquidity required to meet its operating needs and other contractual commitments.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2021
(continued)

NOTE D - AVAILABLE RESOURCES AND LIQUIDITY – continued

HumanitiesDC has various sources of liquidity at its disposal, including cash and cash equivalents and grants and contributions receivable. In addition to financial assets available to meet general expenditures over the next 12 months, HumanitiesDC anticipates collecting sufficient revenue to cover general expenditures.

The following table reflects HumanitiesDC’s financial assets as of October 31, 2021:

Cash and cash equivalents	\$	223,952
Grants and contributions receivable		240,340
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year		464,292

NOTE E - LEASE AGREEMENT

HumanitiesDC entered into a month-to-month lease agreement with Spaces NoMA, which commenced on October 1, 2020. Rent expense for the year ended October 31, 2021, totaled \$14,035.

Effective April 1, 2022, HumanitiesDC entered into a new commercial lease agreement to lease premises from Wade Plunkett (the “Landlord”). The lease term is for a period of three years, and expires on March 31, 2025. The Landlord agreed to give HumanitiesDC an abatement of 50% off of the monthly base rent for the initial four months of the lease. Afterwards, HumanitiesDC would be responsible for paying the full monthly base rent beginning on August 1, 2022, in accordance with the rent schedule reflected in the lease agreement.

NOTE F - PAYCHECK PROTECTION PROGRAM ("PPP") LOAN

On August 18, 2020, HumanitiesDC secured a loan in the amount of \$116,482 with Truist Bank (the “Lender”) under the Small Business Administration’s (“SBA”) PPP that authorized forgivable loans to small businesses. The loan could be used to cover certain expenses during the COVID-19 crisis. The loan amounts would be forgiven as long as the loan proceeds were used to cover payroll costs, rent, certain mortgage interest, and utility costs over a period specified in the loan document after the loan was made. If not used for the described purpose, the loan would be due on August 18, 2022, along with interest calculated at a fixed rate of 1% per annum. The loan was forgiven in full on April 19, 2021, and the entire amount of \$116,482 has been recognized in the statement of activities as forgiveness of PPP loan revenue for the year ended October 31, 2021.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2021
(continued)

NOTE G - LINE OF CREDIT

HumanitiesDC has a \$200,000 revolving line of credit available from Truist Bank (the “Lender”) as a result of an agreement made in April 2019. The line of credit is secured by HumanitiesDC’s assets. The line of credit’s interest rate was set using a variable interest rate of the Lender’s prime rate plus 2.0% per annum, to be adjusted daily as the Lender’s prime rate changes. The interest rate was 4.75% as of October 31, 2021.

In February 2021, HumanitiesDC drew on its line of credit for a total amount of \$75,000. During August 2021, HumanitiesDC paid off the outstanding principal balance on the line of credit. As a result, there was no outstanding balance due on the line of credit as of October 31, 2021.

Interest expense related to the line of credit amounts withdrawn totaled \$2,408 for the year ended October 31, 2021.

NOTE H - PENSION PLAN

HumanitiesDC maintains a tax-sheltered annuity plan established under Section 401(k) (the “Plan”) of the Internal Revenue Code. Employees may enroll in the Plan on their date of hire and upon reaching the age of 21. Employees may begin contributing to the Plan immediately. The Plan allows employees to contribute up to the maximum amount allowed under the law. HumanitiesDC provides matching contributions for full-time employees up to 2.34 percent of the employee’s eligible compensation. All amounts are fully vested upon deferral. Retirement plan expense for the year ended October 31, 2021, totaled \$7,896, which is included in employee benefits on the statement of functional expenses.

NOTE I - SUBSEQUENT EVENTS

In preparing these financial statements, HumanitiesDC’s management has evaluated events and transactions for potential recognition or disclosure through September 12, 2022, the date the financial statements were available to be issued. Other than the new lease agreement referenced in Note E, there were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.