

HUMANITIES COUNCIL OF WASHINGTON, D.C.

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

OCTOBER 31, 2022 AND 2021

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Independent Auditor's Report

To the Board of Trustees
Humanities Council of Washington, D.C.
Washington, DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Humanities Council of Washington, D.C. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Humanities Council of Washington, D.C. as of October 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Responsibilities 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 and *Government 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 and *Government 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2023, on our consideration of Humanities Council of Washington, D.C.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Humanities Council of Washington, D.C.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humanities Council of Washington, D.C.'s internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note B to the financial statements, during the year ended October 31, 2022, Humanities Council of Washington, D.C. adopted new accounting guidance, Accounting Standards Update ("ASU") 2016-02, Topic 842, *Leases*, as amended. Our opinion is not modified with respect to this matter.



Washington, D.C.
May 24, 2023

HUMANITIES COUNCIL OF WASHINGTON, D.C.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2022 AND 2021

	<u>ASSETS</u>	2022	2021
CURRENT ASSETS			
Cash and cash equivalents		\$ 403,144	\$ 223,952
Grants and contributions receivable		121,156	240,340
Prepaid expenses		10,511	-
Total Current Assets		534,811	464,292
PROPERTY AND EQUIPMENT, NET		51,484	-
OTHER ASSETS			
Security deposit		15,000	17,323
Operating lease right-of-use asset, net		139,925	-
Total Other Assets		154,925	17,323
TOTAL ASSETS		\$ 741,220	\$ 481,615
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable		\$ 23,403	\$ 18,870
Accrued expenses		-	13,035
Operating lease liability, current portion		57,505	-
Unused grant funds to be refunded		-	11,000
Total Current Liabilities		80,908	42,905
LONG-TERM LIABILITIES			
Operating lease liability, net of current portion		86,495	-
Total Non-Current Liabilities		86,495	-
TOTAL LIABILITIES		167,403	42,905
NET ASSETS			
Without donor restrictions		573,817	438,710
TOTAL LIABILITIES AND NET ASSETS		\$ 741,220	\$ 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, 2022

REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS

Local government grants	\$ 1,685,095
Federal government grants	1,398,208
Contract revenue	200,000
Contributions	22,306
Miscellaneous income	2,877
Interest income	134
Total Revenue and Support Without Donor Restrictions	3,308,620

EXPENSES

Program Services:	
Community outreach and cultural awareness	2,522,364
Support Services:	
Management and general	491,739
Fundraising	159,410
Total Support Services	651,149
Total Expenses	3,173,513

CHANGE IN NET ASSETS	135,107
NET ASSETS, beginning of year	438,710
NET ASSETS, end of year	\$ 573,817

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	<u>2,540,384</u>	<u>(680)</u>	<u>2,539,704</u>
 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	<u>564,065</u>	<u>-</u>	<u>564,065</u>
Total Expenses	<u>2,235,417</u>	<u>-</u>	<u>2,235,417</u>
 CHANGE IN NET ASSETS	 304,967	 (680)	 304,287
 NET ASSETS, beginning of year	 <u>133,743</u>	 <u>680</u>	 <u>134,423</u>
 NET ASSETS, end of year	 <u>\$ 438,710</u>	 <u>\$ -</u>	 <u>\$ 438,710</u>

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, 2022

	Program Services	Support Services			Total
	Community Outreach and Cultural Awareness	Management and General	Fundraising	Total Support Services	
Personnel Costs:					
Salaries	\$ 238,426	\$ 276,282	\$ 16,900	\$ 293,182	\$ 531,608
Payroll taxes	23,472	27,199	1,664	28,863	52,335
Employee benefits	45,855	53,136	3,250	56,386	102,241
Professional development	-	5,693	-	5,693	5,693
Total Personnel Costs	307,753	362,310	21,814	384,124	691,877
Accounting fees	-	19,035	-	19,035	19,035
Bank fees	-	1,981	-	1,981	1,981
Depreciation and amortization	2,031	2,497	-	2,497	4,528
Dues and subscriptions	16,368	20,126	-	20,126	36,494
Equipment rental	66	82	-	82	148
Facilities, food and beverages	4,877	8,144	-	8,144	13,021
Honorarium	12,400	-	-	-	12,400
Information technology	6,650	8,178	-	8,178	14,828
Insurance	3,015	3,708	-	3,708	6,723
Miscellaneous	807	-	-	-	807
Office supplies and equipment	16,776	22,352	1,285	23,637	40,413
Postage and delivery	-	431	-	431	431
Printing and publication	-	2,190	-	2,190	2,190
Professional fees	69,125	5,979	103,748	109,727	178,852
Promotion and advertising	30,441	-	32,563	32,563	63,004
Rent and utilities	21,772	26,773	-	26,773	48,545
Subgrants and subawards	2,023,816	-	-	-	2,023,816
Telecommunications	5,464	6,719	-	6,719	12,183
Travel	1,003	1,234	-	1,234	2,237
Total Expenses	\$ 2,522,364	\$ 491,739	\$ 159,410	\$ 651,149	\$ 3,173,513

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.
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 135,107	\$ 304,287
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	4,528	-
Operating lease right-of-use assets	(173,700)	-
Amortization of operating lease right-of-use assets	33,775	-
Operating lease obligations	173,700	-
Forgiveness of PPP loan	-	(116,482)
(Increase) decrease in assets:		
Grants and contributions receivable	119,184	(206,773)
Prepaid expenses	(10,511)	3,344
Security deposit	2,323	-
Increase (decrease) in liabilities:		
Accounts payable	4,533	5,861
Accrued expenses	(13,035)	(11,268)
Operating lease liability	(29,700)	-
Deferred revenue	-	(21,094)
Unused grant funds to be refunded	(11,000)	11,000
Net Cash Provided by (Used for) Operating Activities	235,204	(31,125)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(56,012)	-
Proceeds from line of credit	-	75,000
Payments on line of credit	-	(75,000)
Net Cash Used for Investing Activities	(56,012)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	179,192	(31,125)
CASH AND CASH EQUIVALENTS, beginning of year	223,952	255,077
CASH AND CASH EQUIVALENTS, end of year	\$ 403,144	\$ 223,952
SUPPLEMENTARY INFORMATION:		
Cash paid for interest	\$ -	\$ 2,408

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

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2022 AND 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.

Adoption of New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (Topic 842), as amended. FASB Accounting Standards Codification (“ASC”) 842 supersedes the lease requirements in FASB ASC 840. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. HumanitiesDC early adopted FASB ASC Topic 842, with an initial application of November 1, 2021, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements. HumanitiesDC did not restate prior comparative periods as presented under ASC Topic 842, and instead evaluated whether a cumulative effect adjustment to net assets as of November 1, 2021, was necessary for the cumulative impact of the adoption of FASB ASC Topic 842. As a result of the adoption of ASU 2018-11, no adjustment to beginning net assets was considered necessary. As of April 1, 2022, HumanitiesDC recognized (a) operating lease liabilities totaling \$173,700, which represents the present value of the remaining lease payments discounted using the practical expedient risk-free rate, and (b) operating lease right-of-use assets totaling \$173,700.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2022 AND 2021
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Adoption of New Accounting Pronouncements (continued)

As part of the transition, HumanitiesDC implemented new controls and key system functionality to enable the preparation of financial information at the time of the adoption of ASC Topic 842 and elected to apply the following practical expedients:

- a) No reassessment of whether any expired or existing contracts contain a lease.
- b) No reassessment of initial direct costs for any existing leases as of the effective date.
- c) In calculating the right-of-use assets and lease liability, HumanitiesDC has elected to combine lease and non-lease components.
- d) As an accounting policy, HumanitiesDC has elected to apply the short-term lease exception to all leases having initial terms of 12 months or less, and recognize occupancy expense on a straight-line basis over the lease term.
- e) As an accounting policy, HumanitiesDC has also elected to use a risk-free rate as the discount rate for all of its leases.

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. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

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.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2022 AND 2021
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents (continued)

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, 2022 and 2021.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets, ranging from three to five years. Expenditures greater than \$5,000 that extend the life of an asset are capitalized while repairs and maintenance are expensed. Leasehold improvements are depreciated over the lesser of the related assets' useful lives or the lease term.

Leases

HumanitiesDC accounts for leases in accordance with FASB ASC Topic 842. HumanitiesDC is a lessee in a operating lease for building space. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use assets are amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line occupancy expense over the lease term. Variable lease expenses, if any, are recognized when incurred.

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2022 AND 2021
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Leases (continued)

Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following the lease term, purchase options or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable. The implicit rate of HumanitiesDC’s lease was not readily determinable, therefore, HumanitiesDC has elected to use the risk-free rate on the date of commencement.

Right-of-Use (“ROU”) Assets (Operating Lease)

ROU assets are measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, ROU assets are subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, and the addition or subtraction of any prepaid lease payments (accrued lease payments, less the unamortized balance of lease incentives received). Operating lease payments are recognized on a straight-line basis over the lease term.

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.

Local and Federal Government Grants 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.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2022 AND 2021
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition (continued)

Local and Federal Government Grants Revenue - continued

Based on the terms and conditions outlined in the grant agreements, these grants are considered conditional since they 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.

For the year ended October 31, 2022, HumanitiesDC had conditional promises to give in the amount of \$641,989, that are expected to be fulfilled by the year ended October 31, 2026.

Contract Revenue

Revenue related to contracts is recognized at a point in time when the agreed upon services are performed and obligations have been met.

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.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2022 AND 2021
(continued)

NOTE C – INCOME TAXES - continued

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 were no unrecognized tax benefits or liabilities that needed 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, 2019 through 2021, 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’s primary sources of revenue and support are local and federal government grants and non-government contributions. HumanitiesDC regularly monitors liquidity required to meet its operating needs and other contractual commitments.

HumanitiesDC has various sources of liquidity at its disposal, including cash and cash equivalents and grants and contributions receivable as well as a \$200,000 line of credit which can be drawn upon in times of low cash balances or for special projects. 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 403,144	\$ 223,952
Grants and contributions receivable	<u>121,156</u>	<u>240,340</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 524,300</u>	<u>\$ 464,292</u>

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2022 AND 2021
(continued)

NOTE E – PROPERTY AND EQUIPMENT

As of October 31, 2022, property and equipment consisted of the following:

Website	\$ 32,725
Leasehold improvements	23,287
Less: accumulated depreciation and amortization	<u>(4,528)</u>
Property and Equipment, Net	<u><u>\$ 51,484</u></u>

For the year ended October 31, 2022, depreciation and amortization expense totaled \$4,528. There was no depreciation and amortization expense for the year ended October 31, 2021.

NOTE F – OPERATING LEASES

HumanitiesDC had entered into a month-to-month lease agreement with Spaces NoMA, which commenced on October 1, 2020 and ended on March 31, 2022.

As disclosed in Note B, HumanitiesDC adopted FASB ASC Topic 842. HumanitiesDC has an operating lease for building space. For the year ended October 31, 2022, the operating lease is included in other assets, and current and long-term liabilities in the statements of financial position.

Effective April 1, 2022, HumanitiesDC entered into a new lease agreement to lease building space from Wade Plunkett (the “Landlord”). The lease term is for a period of three years, and is scheduled to expire 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.

The balance of the ROU operating asset is as follows:

Operating lease ROU assets - building	\$ 173,700
Amortization of ROU operating assets - building	<u>(33,775)</u>
Total Operating ROU Building Assets, Net	<u><u>\$ 139,925</u></u>

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2022 AND 2021
(continued)

NOTE F – OPERATING LEASES - continued

The following are the future maturities of the operating lease liability for the years ending October 31:

2023		\$	60,440
2024			62,253
2025			26,257
Total lease payments			148,950
Less: interest			(4,950)
Present Value of Lease Liabilities			\$ 144,000

Rent and utilities expense totaled \$48,545 and \$14,035 for the years ended October 31, 2022 and 2021, respectively.

Rent expense relating to the operating lease for building space totaled \$33,775 for the year ended October 31, 2022.

Because HumanitiesDC generally does not have access to the rate implicit in the lease, it utilizes the incremental borrowing rate as the discount rate. The weighted average discount rate associated with its operating lease as of October 31, 2022 is 2.61%.

NOTE G – 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 have been 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 had 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, 2022 AND 2021
(continued)

NOTE H – 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, which was renewed on January 28, 2022, and as a result of the renewal, the line of credit is scheduled to mature on January 8, 2024. The line of credit is secured by HumanitiesDC’s assets. The line of credit's interest rate is set using a variable interest rate of the Lender’s prime rate plus 1.5% per annum, to be adjusted daily as the Lender's prime rate changes. The interest rate on the line of credit was 7.75% and 4.75% as of October 31, 2022 and 2021, respectively.

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. During the fiscal year 2022, Humanities DC did not make any draws on its line of credit.

There was no outstanding balance due on the line of credit as of October 31, 2022 and 2021.

Interest expense related to the line of credit amounts withdrawn totaled \$0 and \$2,408 for the years ended October 31, 2022 and 2021, respectively.

NOTE I – RETIREMENT PLAN

Effective January 1, 2010, HumanitiesDC established the Humanities Council of Washington DC 403(b) Tax Deferred Annuity Plan (the “Plan”). There are no minimum service or age requirements to participate in the Plan. However, an employee must complete at least six months of service and be at least 21 years of age in order to receive employer contributions. 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 totaled \$9,431 and \$7,896 for the years ended October 31, 2022 and 2021, respectively, which is included in employee benefits on the statements of functional expenses.

NOTE J – SUBSEQUENT EVENTS

In preparing these financial statements, HumanitiesDC’s management has evaluated events and transactions for potential recognition or disclosure through May 24, 2023, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.

**REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE**



CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed In Accordance
with *Government Auditing Standards***

To the Board of Trustees
Humanities Council of Washington, D.C.
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Humanities Council of Washington, D.C. (a nonprofit organization), which comprise the statement of financial position as of October 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 24, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Humanities Council of Washington, D.C.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Humanities Council of Washington, D.C.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Humanities Council of Washington, D.C.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humanities Council of Washington, D.C.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Humanities Council of Washington, D.C.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humanities Council of Washington, D.C.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Washington, DC
May 24, 2023



**Independent Auditor’s Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Trustees
Humanities Council of Washington, D.C.
Washington, DC

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Humanities Council of Washington, D.C.’s, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Humanities Council of Washington, D.C.’s major federal programs for the year ended October 31,2022. Humanities Council of Washington, D.C.’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Humanities Council of Washington, D.C. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31,2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Humanities Council of Washington, D.C.’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Humanities Council of Washington, D.C.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Humanities Council of Washington, D.C.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Humanities Council of Washington, D.C.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Humanities Council of Washington, D.C.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Humanities Council of Washington, D.C.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Humanities Council of Washington, D.C.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Washington, DC
May 24, 2023

HUMANITIES COUNCIL OF WASHINGTON, D.C.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Grant Identification Number	Expenditures Incurred by Subrecipients	Total Federal Expenditures
National Endowment for the Humanities				
Promotion of the Humanities-Federal/State Partnership				
Promotion of the Humanities-Federal/State Partnership	45.129	SO-263592-19 / SO-283040-22	\$ 306,785	\$ 805,104
COVID-19 Promotion of the Humanities-Federal/State Partnership - American Rescue Plan Funding	45.129	ZSO-283171-21	540,000	593,104
Total Promotion of the Humanities-Federal/State Partnership			<u>846,785</u>	<u>1,398,208</u>
Total National Endowment for the Humanities			846,785	1,398,208
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 846,785</u>	<u>\$ 1,398,208</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Humanities Council of Washington, D.C. under programs of the federal government for the year ended October 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Humanities Council of Washington, D.C., it is not intended and does not present the financial position, changes in net assets, or cash flows of Humanities Council of Washington, D.C.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

Humanities Council of Washington, D.C. elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2022**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued on the financial statements	Unmodified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Major Programs

Name of Federal Programs or Clusters:	
National Endowment for the Humanities	Promotion of the Humanities - Federal / State Partnership
Assistance Listing Number:	45.129
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2022

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None

SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Not applicable