

HUMANITIES COUNCIL OF WASHINGTON, D.C.

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

OCTOBER 31, 2023 AND 2022

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2023 and 2022, 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, 2023 and 2022, 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 opinion.

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 March 27, 2024, 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 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.



Washington, D.C.
March 27, 2024

HUMANITIES COUNCIL OF WASHINGTON, D.C.
STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 504,785	\$ 403,144
Grants and contributions receivable	172,391	121,156
Prepaid expenses	1,908	10,511
Total Current Assets	<u>679,084</u>	<u>534,811</u>
PROPERTY AND EQUIPMENT, NET	58,164	51,484
OTHER ASSETS		
Security deposit	15,000	15,000
Operating lease, right-of-use asset, net	82,025	139,925
Total Other Assets	<u>97,025</u>	<u>154,925</u>
TOTAL ASSETS	<u>\$ 834,273</u>	<u>\$ 741,220</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 26,088	\$ 23,403
Accrued expenses	19,135	-
Operating lease liability, current portion	60,704	57,505
Total Current Liabilities	<u>105,927</u>	<u>80,908</u>
LONG-TERM LIABILITIES		
Operating lease liability, net of current portion	25,791	86,495
Total Non-Current Liabilities	<u>25,791</u>	<u>86,495</u>
TOTAL LIABILITIES	131,718	167,403
NET ASSETS		
Without donor restrictions:		
Available for operations	612,555	573,817
Board designated	90,000	-
Total Without Donor Restrictions	<u>702,555</u>	<u>573,817</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 834,273</u>	<u>\$ 741,220</u>

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

HUMANITIES COUNCIL OF WASHINGTON, D.C.
STATEMENTS OF ACTIVITIES
YEARS ENDED OCTOBER 31, 2023 AND 2022

REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS	2023	2022
State and local government grants	\$ 1,582,626	\$ 1,685,095
Federal government grants	904,409	1,398,208
Contract revenue	200,000	200,000
Contributions	27,698	22,306
In-kind contributions	88,313	-
Miscellaneous income	5,950	2,877
Interest income	36	134
Total Revenue and Support Without Donor Restrictions	2,809,032	3,308,620
 EXPENSES		
Program Services:		
Community outreach and cultural awareness	1,942,455	2,522,364
Support Services:		
Management and general	668,128	491,739
Fundraising	69,711	159,410
Total Support Services	737,839	651,149
Total Expenses	2,680,294	3,173,513
 CHANGE IN NET ASSETS	 128,738	 135,107
 NET ASSETS, beginning of year	 573,817	 438,710
 NET ASSETS, end of year	 \$ 702,555	 \$ 573,817

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, 2023

	Program Services	Support Services			Total
	Community Outreach and Cultural Awareness	Management and General	Fundraising	Total Support Services	
Personnel Costs:					
Salaries	\$ 413,252	\$ 322,612	\$ 10,082	\$ 332,694	\$ 745,946
Payroll taxes	36,210	28,275	900	29,175	65,385
Employee benefits	52,476	40,919	1,282	42,201	94,677
Professional development	4,566	4,672	-	4,672	9,238
Total Personnel Costs	506,504	396,478	12,264	408,742	915,246
Accounting fees	-	16,338	-	16,338	16,338
Bank fees	-	1,251	-	1,251	1,251
Depreciation and amortization	9,527	7,422	246	7,668	17,195
Dues and subscriptions	9,835	24,782	4,067	28,849	38,684
Equipment rental	-	105	-	105	105
Facilities, food and beverages	6,914	11,848	-	11,848	18,762
Honorarium	12,150	-	-	-	12,150
Information technology	1,000	17,411	-	17,411	18,411
Insurance	4,180	3,263	102	3,365	7,545
Legal fees (In-kind)	-	26,601	-	26,601	26,601
Miscellaneous	268	1,316	-	1,316	1,584
Office supplies and equipment	12,905	13,830	198	14,028	26,933
Postage and delivery	38	610	36	646	684
Printing and publication	560	4,264	1,361	5,625	6,185
Professional fees	161,396	30,389	-	30,389	191,785
Professional fees (In-kind)	6,398	55,314	-	55,314	61,712
Promotion and advertising	1,605	7,780	50,400	58,180	59,785
Rent and utilities	42,526	33,200	1,037	34,237	76,763
Subgrants and subawards	1,146,152	-	-	-	1,146,152
Telecommunications	1,675	8,593	-	8,593	10,268
Travel	18,822	7,333	-	7,333	26,155
Total Expenses	\$ 1,942,455	\$ 668,128	\$ 69,711	\$ 737,839	\$ 2,680,294

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.
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 128,738	\$ 135,107
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	17,195	4,528
Operating lease, right-of-use asset	-	(173,700)
Amortization of operating, lease right-of-use asset	57,900	33,775
Operating lease obligations	-	173,700
(Increase) decrease in assets:		
Grants and contributions receivable	(51,235)	119,184
Prepaid expenses	8,603	(10,511)
Security deposit	-	2,323
Increase (decrease) in liabilities:		
Accounts payable	2,685	4,533
Accrued expenses	19,135	(13,035)
Operating lease liability	(57,505)	(29,700)
Unused grant funds to be refunded	-	(11,000)
Net Cash Provided by (Used for) Operating Activities	125,516	235,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(23,875)	(56,012)
Net Cash Provided by (Used for) Investing Activities	(23,875)	(56,012)
NET CHANGE IN CASH AND CASH EQUIVALENTS	101,641	179,192
CASH AND CASH EQUIVALENTS, beginning of year	403,144	223,952
CASH AND CASH EQUIVALENTS, end of year	\$ 504,785	\$ 403,144

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

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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. 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.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022
(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, 2023 and 2022. As of the beginning of the year ended October 31, 2022, grants and contributions receivable was \$240,340.

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.

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

HumanitiesDC accounts for leases in accordance with FASB ASC Topic 842. HumanitiesDC is a lessee in an operating lease for building space. 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.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Operating Lease Liabilities

Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is 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.

Lease payments, including variable payments made based on an index or 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 had elected to use the risk-free rate on the date of commencement.

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, State and Local Government Grants Revenue

HumanitiesDC receives funding from federal, state and local government agencies, including the National Endowment for the Humanities and the DC Commission on the Arts and Humanities.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition (continued)

Federal, State and Local 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, 2023, 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

HumanitiesDC has a contractual arrangement with the District of Columbia Public Library. Revenue related to contract is recognized at a point in time when the agreed upon services are performed and obligations have been met.

In-kind Contributions

In-kind contributions are recorded at the estimated fair value of the services or items received. HumanitiesDC recognizes in-kind contributions that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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, rent and utilities, and any other applicable expenditures, which are allocated on the basis of salaries and related costs, determined by estimates of time and effort expended.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 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, 2020 through 2022, 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, state and local 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.

Although HumanitiesDC does not intend to spend from its board designated reserves, other than amounts appropriated for expenditures, funds could be made available through board resolution, if necessary.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued

The following table reflects HumanitiesDC’s financial assets as of October 31, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of board designations:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 504,785	\$ 403,144
Grants and contributions receivable	<u>172,391</u>	<u>121,156</u>
Total Financial Assets	677,176	524,300
Less: net assets encumbered by board designation	<u>(90,000)</u>	<u>-</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 587,176</u></u>	<u><u>\$ 524,300</u></u>

NOTE E – PROPERTY AND EQUIPMENT

As of October 31, 2023 and 2022, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Website	\$ 56,600	\$ 32,725
Leasehold improvements	<u>23,287</u>	<u>23,287</u>
Less: accumulated depreciation and amortization	<u>(21,723)</u>	<u>(4,528)</u>
Property and Equipment, Net	<u><u>\$ 58,164</u></u>	<u><u>\$ 51,484</u></u>

For the years ended October 31, 2023 and 2022, depreciation and amortization expense totaled \$17,195 and \$4,528, respectively.

NOTE F – BOARD DESIGNATED FUNDS

HumanitiesDC’s Board of Directors designated an operating reserve fund during January 2023 with the goal to fund \$450,000. The purpose of the fund is to help ensure the long-term financial stability of HumanitiesDC, and position it to respond to varying economic conditions and changes affecting the Organization’s financial position, and the ability of the Organization to continuously carry out its mission.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022
(continued)

NOTE F – BOARD DESIGNATED FUNDS – continued

To establish the Board Reserve Fund, the Board of Directors has designated \$10,000 of existing accumulated liquid net assets as the beginning balance of the fund. During September 2023, the Board of Directors decided to designate an additional \$80,000 to the Board Reserve Fund. As of October 31, 2023, the Board Designated Fund totaled \$90,000. The remaining \$360,000 is to be funded over the next 10 fiscal years in increments of at least \$20,000 per year through funding strategies incorporated into the HumanitiesDC’s annual fundraising plan and budget.

According to the policy, the Executive Director may access up to 20% of the current balance of the fund for ongoing operating expenses, so long as sufficient receivables are available to repay such usage within a three month period. A request to draw from the operating reserve fund has to be in writing and approved by the board treasurer. If more than 20% of the current balance needs to be borrowed from the operating reserve fund, or if the borrowing period is expected to be longer than 90 days, then the request must be approved by the majority of the Board in advance. The borrowed funds must be paid back based on a repayment schedule.

NOTE G – 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. The lease was not renewed.

Effective April 1, 2022, HumanitiesDC entered into a new operating lease agreement for 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% of the monthly base rent for the initial four months of the lease. 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:

	<u>2023</u>	<u>2022</u>
Operating lease ROU asset - building	\$ 173,700	\$ 173,700
Amortization of ROU operating asset - building	<u>(91,675)</u>	<u>(33,775)</u>
Total Operating ROU Building Asset, Net	<u>\$ 82,025</u>	<u>\$ 139,925</u>

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022
(continued)

NOTE G – OPERATING LEASES – continued

Average lease term and discount rate for the operating lease as of October 31, 2023, was as follows:

Weighted average remaining lease term: 1.5 year
Weighted average discount rate: 2.61%

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

2024		\$	62,253
2025			26,257
Total lease payments			<u>88,510</u>
Less: interest			<u>(2,015)</u>
Present Value of Lease Liability		\$	<u><u>86,495</u></u>

Rent and utilities expense totaled \$76,763 and \$48,545, for the years ended October 31, 2023 and 2022, respectively.

Rent expense relating to the operating lease for building space totaled \$57,900 and \$33,775 for the years ended October 31, 2023 and 2022, respectively, and were included in the rent and utilities line item on the statements of functional expenses.

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 10% and 7.75% as of October 31, 2023 and 2022, respectively.

There was no outstanding balance due on the line of credit as of October 31, 2023 and 2022.

HUMANITIES COUNCIL OF WASHINGTON, D.C.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022
(continued)

NOTE I – IN-KIND CONTRIBUTIONS

During the year ended October 31, 2023, HumanitiesDC received in-kind professional and legal services for different programs and functions. The in-kind professional and legal services were recorded on the statements of activities and functional expenses based on the market value of the services that the consultants or lawyers would normally charge in the geographical area where HumanitiesDC conducts its programs. The in-kind professional and legal services were utilized for and allocated between program and support services. There were no donor-imposed restrictions on the donated professional and legal services.

As of October 31, 2023 and 2022, in-kind contributions totaled \$88,313 and \$0, respectively.

NOTE J – RETIREMENT PLAN

Effective January 1, 2010, HumanitiesDC established the Humanities Council of Washington DC 403(b) Tax Deferred Annuity Plan (the “403(b) Plan”). There are no minimum service or age requirements to participate in the 403(b) 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 403(b) 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. This retirement plan was terminated on December 31, 2022.

Effective January 1, 2023, HumanitiesDC adopted a new retirement plan, the Humanities Council of Washington DC 401(k) Plan (the “401(k) Plan”). There are no minimum service or age requirements to participate in the 401(k) Plan. Eligible employees can participate in the 401(k) Plan upon hire. The 401(k) Plan allows employees to contribute up to the maximum amount allowed under the law. HumanitiesDC provides matching contributions for full-time employees up to 3 percent of the employee's eligible compensation. All amounts are fully vested upon deferral.

Retirement plan expense totaled \$20,165 and \$9,431 for the years ended October 31, 2023 and 2022, respectively, which is included in employee benefits on the statements of functional expenses.

NOTE K – SUBSEQUENT EVENTS

In preparing these financial statements, HumanitiesDC's management has evaluated events and transactions for potential recognition or disclosure through March 27, 2024, the date the financial statements were available to be issued. There were no 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, 2023, 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 March 27, 2024.

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
March 27, 2024



CERTIFIED PUBLIC ACCOUNTANTS

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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, 2023. 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, 2023.

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
March 27, 2024

HUMANITIES COUNCIL OF WASHINGTON, D.C.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2023

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-283040-22	\$ 109,309	\$ 877,249
Promotion of the Humanities-Federal/State Partnership	45.129	SSO-296461-23	-	26,427
COVID-19 Promotion of the Humanities-Federal/State Partnership - American Rescue Plan Funding	45.129	ZSO-283171-21	-	733
Total Promotion of the Humanities-Federal/State Partnership			<u>109,309</u>	<u>904,409</u>
Total National Endowment for the Humanities			<u>109,309</u>	<u>904,409</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 109,309</u>	<u>\$ 904,409</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, 2023

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, 2023. 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.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2023**

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.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2023
(continued)

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

None