COLORADO HUMANITIES

FINANCIAL STATEMENTS

* * * * *

OCTOBER 31, 2018

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DAVIS & Co.
CPAs, P.C.
Member, AICPA and Colorado Society of CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Colorado Humanities
Greenwood Village, Colorado

We have audited the accompanying financial statements of Colorado Humanities (a nonprofit organization), which comprise the statement of financial position as of October 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Humanities as of October 31, 2018 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated July 3, 2019 on our consideration of Colorado Humanities' internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters prepared in accordance with Generally Accepted Government Auditing Standards

Davis + Co., CPAs, P.C.

Davis & Co., CPAs, P.C.
Highlands Ranch, Colorado
July 3. 2019

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COLORADO HUMANITIES
Statement of Financial Position
October 31, 2018
(With Comparative Totals for 2017)

	Unrestricted-Operating	Temporarily Restricted	2018 Total	2017 Total
ASSETS				
Cash and cash equivalents	$ 38,326	$ --	$ 38,326	$21,499
Marketable securities	174,380	130,392	304,772	301,856
Grants and fees receivable	24,175	--	24,175	74,890
Prepaid expenses & deposits	19,403	--	19,403	23,843
Beneficial interest in net assets of community foundation	--	44,959	44,959	43,001
	$256,284	$175,351	$431,635	$465,089
LIABILITIES AND NET ASSETS				
Accounts payable	$ 8,608	$ --	$ 8,608	$ 17,498
Accrued payroll expenses	--	--	--	1,326
Total liabilities	8,608	--	8,608	18,824
Net Assets	247,676	175,351	423,027	446,265
	$256,284	$175,351	$431,635	$465,089

The accompanying notes are an integral part of these statements.

COLORADO HUMANITIES
Statement of Activity and Changes in Net Assets
For the Year Ended October 31, 2018
(With Comparative Totals for 2017)

	Unrestricted-Operating	Temporarily Restricted	2018 Total	2017 Total
PUBLIC SUPPORT AND REVENUE				
Grants from the National Endowment for the Humanities	$ --	$ 789,270	$ 789,270	$ 833,623
Other grants & contributions	179,852	67,229	247,081	337,046
Donated services/materials/facilities	443,399	--	443,399	404,219
Program fees, admissions & rents	29,641	--	29,641	39,820
Change in beneficial interest in net assets of community foundation	--	1,958	1,958	3,872
Realized investment income	5,089	--	5,089	3,157
Unrealized gain (loss)on investments	(2,173)	--	(2,173)	33,761
Total public support and revenue	655,808	858,457	1,514,265	1,655,498
Net assets released from restrictions due to satisfaction of program restrictions	798,921	(798,921)	--	--
Total public support and revenue and reclassifications	1,454,729	59,536	1,514,265	1,655,498
FUNCTIONAL EXPENSES				
Program Services				
Living history programs	474,113	--	474,113	393,134
Educational resources	222,428	--	222,428	379,831
Reading & writing programs	558,761	--	558,761	593,051
	1,255,302	--	1,255,302	1,366,016
Supporting Services				
Management and general	140,246	--	140,246	104,122
Financial development	141,955	--	141,955	147,751
	282,201	--	282,201	251,873
Total functional expenses	1.537,503	--	1,537,503	1,617,889
Change in net assets	(82,774)	59,536	(23,238)	37,609
Net assets, beginning of year	330,450	115,815	446,265	408,656
Net assets, end of year	$247,676	$175,351	$423,027	$446,265

The accompanying notes are an integral part of these statements.

COLORADO HUMANITIES
Statement of Functional Expenses
For the Year Ended October 31, 2018
(With Comparative Totals for 2017)

	Program Services				Supporting Services			
Expense Category	Living History Programs	Educational Resources	Reading and Writing	Program Total	Management and General	Financial Devel-opment	2018 Total Expenses	2017 Total Expenses
Personnel expenses	$ 167,615	$ 80,814	$ 191,560	$ 439,989	$ 74,828	$ 83,807	$ 598,624	$596,092
In-kind contributed expenses	141,328	83,350	174,198	398,876	29,928	14,595	443,399	404,219
Contract & professional services	60,427	22,815	42,359	125,601	8,695	9,739	144,035	300,961
Program grants & awards	1,102	--	36,273	37,375	--	--	37,375	15,860
Occupancy costs	43,060	15,092	50,673	108,825	13,974	15,650	138,449	93,797
Publications, printing & postage	7,707	6,851	15,013	29,571	1,575	1,765	32,911	28,482
Travel, meetings & conferences	34,138	5,595	20,006	59,739	4,278	4,791	68,808	75,773
Supplies and equipment	11,583	4,478	20,574	36,635	3,789	4,244	44,668	41,996
Promotion and advertising	--	--	--	--	--	3,804	3,804	32,770
Affiliations, licensing & dues	4,567	2,187	5,151	11,905	2,025	2,268	16,198	18,066
Insurance & miscellaneous	2,586	1,246	2,954	6,786	1,154	1,292	9,232	9,873
	$474,113	$222,428	$558,761	$1,255,302	$140,246	$141,955	$1,537,503	$1,617,889

The accompanying notes are an integral part of these statements.

COLORADO HUMANITIES
Statements of Cash Flows
For the Years Ended October 31, 2018 & 2017

	2018	2017
Cash flow from operating activities:		
Change in net assets	$ (23,238)	$ 37,610
Non-cash items:		
Unrealized (gain) loss on marketable securities	2,173	(33,761)
Changes in current assets and liabilities:		
Decrease (increase) in prepaid expenses & deposits	4,440	(7,588)
Decrease (increase) in grants and fees receivable	50,715	(6,930)
(Decrease) in accounts payable	(8,890)	(13,385)
(Decrease) in accrued payroll expenses	(1,326)	(558)
Net cash flow from operating activities	23,874	(24,812)
Cash flow from investing activities:		
Change in interest in net assets of community foundation	(1,958)	13,128
Reinvestment of marketable securities dividends & gains	(5,089)	(2,660)
	(7,047)	10,458
Change in cash and cash equivalents	16,827	(14,354)
Cash and cash equivalents, beginning of year	21,499	35,853
Cash and cash equivalents, end of year	$38,326	$21,499
Supplemental disclosures:		
Interest and dividends – cash basis	$2,449	$2,660

The accompanying notes are an integral part of these statements.

Note 1: Summary of Significant Accounting Policies

a. Organization background

Colorado Humanities (CH) is a Colorado not-for-profit corporation formed in June of 1976 that assists in the development of humanities programs throughout Colorado using grants from the National Endowment for the Humanities (NEH) and contributions and grants from foundations, corporations, and individuals. Prior to an official name change on March 7, 2006, the organization was known as the Colorado Endowment for the Humanities. CH develops programs in-house which are presented throughout Colorado and also provides financial and technical assistance towards programs created by others. The programs of CH are classified into three categories: Reading & Writing, which includes Motheread/Fatheread and the Colorado Book Awards; Living History, which includes High Plains and other regional Chautauquas and Black History Live; and, Educational Resources, which includes the Colorado Encyclopedia project and other community based and media programs.

On April 13, 2004 CH merged with Colorado Center for the Book (CCB), another 501(c)(3) not-for-profit corporation. As the surviving entity, CH continued the programs of CCB under its "Reading & Writing" program umbrella. As part of this merger, CH assumed ownership and operations of the Thomas Hornsby Ferril House, a nationally registered historic building. The building was owned and operated by Ferril House, LLC, a separate entity 100% owned and controlled by CH, up until September 28, 2012, when it was sold.

b. Basis of presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (USGAAP).

CH follows the provisions of FASB ASC 958-210 "*Financial Statements of Not-for-Profit Organizations*". Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

Unrestricted - Resources not subject to donor-imposed restrictions.
Temporarily restricted - Resources subject to donor-imposed restrictions that will be satisfied either by the actions of the Organization or the passage of time. (See Note 5)

Fixed assets purchased with NEH funds are expensed in the year of purchase as ownership reverts to NEH should CH dissolve. CH uses a $5,000 limit for capitalizing fixed assets purchased with non-NEH funds.

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

c. Revenue recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes or time periods are reported as temporarily restricted support that increases that net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions." Except for the NEH operating grant, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

d. Donated materials and services

Contributions of donated supplies/materials and event and meeting space are recorded at their fair value, if significant, in the period received. Contributions of donated labor and services that require specialized skills and are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. The value of qualified donated services, materials and use of venue facilities recorded during the year ended October 31, 2018 were as follows:

Item Donated	Amount	Category of Functional Expense
Technical services	$229,801	Contract and professional services
Use of venue & facilities	39,181	Occupancy costs
Supplies & equipment	21,284	Supplies and equipment
Travel & lodging	11,260	Travel, meetings, & conferences
Promotional media	115,613	Promotion and advertising
	$443,399	

Although not recorded herein due to not meeting all the requirements of USGAAP, CH relied upon another $127,256 of services that it received from over various volunteers and donors during the current year.

e. Marketable securities

Marketable securities consist of bond and equity based mutual funds with a cost basis of $255,067; which are recorded using Level I inputs of published daily market quotes. The funds invested in these marketable securities do not include any federal funds and are not insured as to loss.

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

f. Grants payable to others

Regrants payable represent the unpaid balance of grants approved and committed by the Board but not yet paid out at October 31, 2018. There were no new re-grant obligations incurred during the current year.

g. Grants and fees receivable

CH's receivables are due primarily from the NEH and other known historical sources. Accordingly, management believes a reserve for bad debts is not necessary and prefers to use the direct write-off method for any bad debts which do occur.

h. Functional expense reporting

Expenses directly identified with a functional area are charged to such area. If an expense affects more than one area, it is allocated based on the time expended or another reasonable basis.

i. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j. Income taxes

CH is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows FASB ASC No. 740 "Accounting for Uncertainty in Income Taxes" (ASC 740), which interpreted various previous announcements with respect to the accounting for all tax positions taken (or expected to be taken) on any income tax return. The Organization determined that no cumulative effect adjustment was necessary upon adoption of ASC 740, and that no uncertain tax positions have been taken (or are expected to be taken) that could have a material effect on its income tax liabilities. The Organization has no items of unrelated business income and believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status.

Note 2: Revenue Concentration and Grants Receivable

The Organization receives the majority of its grant funding in the form of federal grants from the National Endowment for the Humanities that are awarded on five year cycles. The current cycle runs from November 1, 2015 to October 31, 2020. NEH grants of $789,270 comprised 52% of the Organization's total support and revenue for the year ended October 31, 2018.

(Continued)

Note 2: Revenue Concentration and Grants Receivable (Continued)

The balance of grants receivable and deferred revenue represents the amount of NEH awards awarded but not yet received or obligated, respectively. There was no deferred NEH grant revenue at October 31, 2018, as follows:

Granting Agency/grant#	Cumulative Award	Funds Received & Expended	Awarded Amount not yet Received
NEH SO–233922-16	$2,291,310	$2,289,810	$ 1,500

Since October 31, 2018, the Organization has received $796,000 in grant notifications from NEH for the fiscal year ending October 31, 2019. The level of funding to be received from this source after October 2019, although anticipated based on history, is not guaranteed.

Note 3: Lease Commitments

CH leases office space pursuant to a sixty month lease entered into on October 1, 2016 which expires on September 30, 2021. The minimum rents required over the remaining term of the new lease are as follows (excluding parking):

Year ending October 31	Amount
2019	$ 98,888
2020	101,144
2021	103,400
	$303,432

The total rental expense pursuant to this lease for the year ended October 31, 2018 was $108,766, which is reflected in the statement of functional expenses, herein, as one of the primary components of "occupancy costs."

CH also leases a copier and other equipment under varying leases which require a combined monthly payment of $873 until they expire in June/July of 2020.

Note 4: Review of Subsequent Events

Management has reviewed subsequent events through July 3, 2019, the date on which the auditors released their signed opinion on the financial statements, herein. No additional disclosures were deemed necessary.

(Continued)

Note 5: Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class, which does not constitute a presentation in conformity with USGAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended October 31, 2017, from which the summarized information was derived.

Note 6: Net Assets Released from Restrictions and Temporarily Restricted Net Assets

The Organization's $175,351 of temporarily restricted net assets represents donor restricted contributions that are available for the following purposes at October 31, 2018:

Donor/Purpose	Balance at Oct. 31, 2017	Revenues Restricted by Donor	Expenses Satisfying Program/Time Restrictions	Balance at Oct. 31, 2018
NEH - State Humanities Council	$ --	$ 789,270	$(787,770)	$ 1,500
Foundation grants - Early Literacy - FY 2019 costs	50,000	--	--	50,000
Grants & donations for future programming	22,814	67,229	(11,151)	78,892
Beneficial interest in net assets of community foundation	43,001	1,958	--	44,959
	$115,815	$858,457	$(798,921)	$175,351