

COLORADO HUMANITIES  
FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT  
AND  
FEDERAL AWARDS IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE  
OCTOBER 31, 2020 AND 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management  
Colorado Humanities  
Greenwood Village, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Colorado Humanities, which comprise the statements of financial position as of October 31, 2020 and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Humanities as of October 31, 2020 and the changes in its net assets, its functional expenses and its cash

flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 Schedule of Expenditures of Federal Awards 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 February 17, 2021 on our consideration of Colorado Humanities' 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 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 Colorado Humanities' 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 Colorado Humanities' internal control over financial reporting and compliance.

*Watson Coon Ryan, LLC*

GREENWOOD VILLAGE, COLORADO  
FEBRUARY 17, 2021

**Colorado Humanities**  
**Statements of Financial Position**  
**October 31, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 39,620	\$ 99,955
Marketable securities	336,989	258,375
Grants and fees receivable	64,278	6,375
Prepaid expenses & deposits	24,246	29,406
Beneficial interest in net assets of community foundation	49,694	46,042
Total assets	\$ 514,827	\$ 440,153
<b>LIABILITIES</b>		
Accounts payable	\$ 9,366	\$ 9,774
Line of credit	9,950	-
Accrued payroll liabilities	23,106	23,692
Total current liabilities	42,422	33,466
<b>NET ASSETS</b>		
Net assets with donor restrictions	168,777	140,112
Net assets without donor restrictions	303,628	266,575
Total net assets	472,405	406,687
Total liabilities and net assets	\$ 514,827	\$ 440,153

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

**Colorado Humanities**  
**Statements of Activities**  
For the year ended October 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT AND GAINS</b>						
National Endowment for the Humanities Grant	\$ -	\$ 1,244,237	\$ 1,244,237	\$ -	\$ 811,400	\$ 811,400
Contributions	92,925	46,972	139,897	89,277	92,070	181,347
Paycheck Protection Program grant	98,500	-	98,500	-	-	-
Donated Services, materials and facilities	189,505	-	189,505	318,022	-	318,022
Program fees, admissions and rents	24,132	-	24,132	29,843	-	29,843
Change in beneficial interest in net assets of community foundation	-	3,652	3,652	-	1,082	1,082
Realized and Unrealized gain/loss on investments	23,532	-	23,532	20,574	-	20,574
Other income	1,591	-	1,591	969	-	969
Net assets released from restrictions	1,266,196	(1,266,196)	-	939,791	(939,791)	-
<b>Total Revenue, Support and Gains</b>	<b>1,696,381</b>	<b>28,665</b>	<b>1,725,046</b>	<b>1,398,476</b>	<b>(35,239)</b>	<b>1,363,237</b>
<b>EXPENSES</b>						
Program services						
Living history	268,557	-	268,557	488,699	-	488,699
Educational resources	31,342	-	31,342	61,507	-	61,507
Reading and writing	326,616	-	326,616	312,521	-	312,521
Conversations	89,790	-	89,790	94,162	-	94,162
CARES ACT grants to subrecipients	523,851	-	523,851	-	-	-
<b>Total program expenses</b>	<b>1,240,157</b>	<b>-</b>	<b>1,240,157</b>	<b>956,889</b>	<b>-</b>	<b>956,889</b>
Supporting services						
Management and general	309,689	-	309,689	264,470	-	264,470
Fundraising	109,482	-	109,482	134,986	-	134,986
<b>Total supporting services expenses</b>	<b>419,171</b>	<b>-</b>	<b>419,171</b>	<b>399,456</b>	<b>-</b>	<b>399,456</b>
<b>Total Expenses</b>	<b>1,659,328</b>	<b>-</b>	<b>1,659,328</b>	<b>1,356,345</b>	<b>-</b>	<b>1,356,345</b>
<b>CHANGE IN NET ASSETS</b>	<b>37,053</b>	<b>28,665</b>	<b>65,718</b>	<b>42,131</b>	<b>(35,239)</b>	<b>6,892</b>
<b>NET ASSETS, beginning of year</b>	<b>266,575</b>	<b>140,112</b>	<b>406,687</b>	<b>224,444</b>	<b>175,351</b>	<b>399,795</b>
<b>NET ASSETS, end of year</b>	<b>\$ 303,628</b>	<b>\$ 168,777</b>	<b>\$ 472,405</b>	<b>\$ 266,575</b>	<b>\$ 140,112</b>	<b>\$ 406,687</b>

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

**Colorado Humanities**  
**Statement of Functional Expenses**  
**For the year ended October 31, 2020**

	Program Services						Supporting Services		
	Living History	Conversations	Educational Resources	Reading and Writing	CARES Act grants	Program Total	Management and General	Fundraising	Total Expenses
Personnel expenses	\$ 136,672	\$ 60,762	\$ 11,077	\$ 118,478	\$ 35,913	\$ 362,902	\$ 144,470	\$ 82,603	\$ 589,975
Donated Services, materials and facilities	55,274	-	-	112,065	-	167,339	22,166	-	189,505
CARES Act grants to subrecipients	-	-	-	-	481,484	481,484	-	-	481,484
Contract and professional services	28,906	12,551	17,262	47,898	3,054	109,671	53,742	-	163,413
Program grants and awards	333	-	-	2,740	-	3,073	350	-	3,423
Occupancy costs	30,445	13,535	2,468	26,392	-	72,840	32,182	18,401	123,423
Publications, printing and postage	415	-	-	2,746	-	3,161	3,046	4,090	10,297
Travel, meetings and conferences	9,947	698	127	2,163	-	12,935	21,375	-	34,310
Venue and Event rental expense	17	-	-	4,469	-	4,486	934	1,338	6,758
Supplies and equipment	5,048	2,244	409	4,376	-	12,077	5,336	3,051	20,463
Promotion and advertising	1,500	-	-	5,289	-	6,789	619	-	7,408
Affiliations, licenses and dues	-	-	-	-	3,400	3,400	17,399	-	20,799
Insurance and miscellaneous	-	-	-	-	-	-	8,070	-	8,070
<b>Total Expenses</b>	<b>\$ 268,557</b>	<b>\$ 89,790</b>	<b>\$ 31,342</b>	<b>\$ 326,616</b>	<b>\$ 523,851</b>	<b>\$ 1,240,157</b>	<b>\$ 309,689</b>	<b>\$ 109,482</b>	<b>\$ 1,659,328</b>

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

**Colorado Humanities**  
**Statement of Functional Expenses**  
**For the year ended October 31, 2019**

	Program Services					Supporting Services		
	Living History	Conversations	Educational Resources	Reading and Writing	Program Total	Management and General	Fundraising	Total Expenses
Personnel expenses	\$ 160,074	\$ 41,501	\$ 11,857	\$ 130,432	\$ 343,864	\$ 142,290	\$ 106,717	\$ 592,871
Donated Services, materials and facilities	180,979	11,826	39,390	84,182	316,377	1,645	-	318,022
Contract and professional services	49,696	18,388	988	22,274	91,346	42,603	250	134,199
Program grants and awards	30	-	-	8,238	8,268	393	-	8,661
Occupancy costs	32,180	8,343	2,384	26,221	69,128	28,604	21,452	119,184
Publications, printing and postage	3,057	93	203	3,103	6,456	5,125	3,746	15,327
Travel, meetings and conferences	36,644	10,663	5,942	14,090	67,339	9,157	-	76,496
Venue and Event rental expense	12,782	467	-	12,323	25,572	287	2,240	28,099
Supplies and equipment	9,356	2,426	693	7,623	20,098	6,348	-	26,446
Promotion and advertising	3,736	455	50	3,969	8,210	1,336	529	10,075
Affiliations, licenses and dues	-	-	-	-	-	17,407	-	17,407
Insurance and miscellaneous	165	-	-	66	231	9,275	52	9,558
<b>Total Expenses</b>	<b>\$ 488,699</b>	<b>\$ 94,162</b>	<b>\$ 61,507</b>	<b>\$ 312,521</b>	<b>\$ 956,889</b>	<b>\$ 264,470</b>	<b>\$ 134,986</b>	<b>\$ 1,356,345</b>

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

**Colorado Humanities**  
**Statements of Cash Flows**  
**For the years ended October 31, 2020 and 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 65,718	\$ 6,892
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain) loss on investments	(31,308)	(20,574)
Beneficial interest held in Community First Foundation	(3,652)	(1,083)
Changes in operating assets and liabilities:		
Increase in assets:		
Accounts receivable	(57,903)	(4,875)
Prepaid expenses	5,160	12,672
Increase in liabilities:		
Accounts payable	(408)	1,312
Accrued payroll liabilities	(586)	314
Net cash provided (used) by operating activities	(22,979)	(5,342)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	209,621	
Purchase of investments	(256,927)	(2,595)
Net cash used in investing activities	(47,306)	(2,595)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	9,950	-
Net cash used in investing activities	9,950	-
Net increase (decrease) in cash and cash equivalents	(60,335)	(7,937)
Cash and cash equivalents, beginning of year	99,955	107,892
Cash and cash equivalents, end of year	\$ 39,620	\$ 99,955

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

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2020 AND 2019**

1. DESCRIPTION OF THE ORGANIZATION

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 five categories:

**Reading and Writing** - promotes a love of reading and books to people of all ages, including training educators to provide parent classes for family literacy, connecting outstanding authors with readers, and providing opportunities for veterans' self-expression through writing.

**Living History** - brings history alive through exhibit tours and first-person presentations of the lives of people who helped shape our society, presented in festivals, speaker tours, and a school curriculum.

**Conversations** - provides opportunities for communities to bridge divides of understanding through conversations led by skilled facilitators on a variety of topics.

**Educational Resources** - produces humanities-centered films, books and online resources for children and adults.

**CARES Act Grants to Subrecipients** – provides funding to essential operations at cultural institutions throughout Colorado to help sustain their operations due to financial difficulties encountered as a result of the Covid-19 pandemic.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting.** The financial statements are prepared using the accrual basis of accounting whereby revenues and expenses are identified for the period and recorded as earned or incurred. Expenses are reported as decreases in net assets without donor restrictions.

**Net Assets.** Contributions are classified based on donor imposed restrictions. Accordingly, net assets of Colorado Humanities and changes therein are classified and reported as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Colorado Humanities. These net assets may be used at the discretion of management and the board of directors.

*Net assets with donor restrictions.* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Colorado Humanities or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2020 AND 2019**

**Cash and Cash Equivalents.** For purposes of the statement of cash flows, Colorado Humanities considers cash on hand, in banks and highly liquid investments with a maturity date of three months or less and readily convertible to cash to be cash equivalents.

**Investments.** Colorado Humanities holds certain investments in publicly traded mutual funds. We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Additionally, the Organization also has investments which are held and managed by a foundation that manages the Endowment Fund. The investment objective for endowed assets is to achieve growth that will preserve and increase the purchasing power of such assets. No more frequently than monthly, Colorado Humanities may request distributions from the fund as long as such distributions do not cause the fair market value of the fund to decline below the sum of all donations made to the fund. In accordance with the Endowment Fund Agreement, all accumulated donations and matching donations are retained in the Endowment Fund as Net Assets with Donor Restrictions to provide support in the future.

Investment securities, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**Receivables and Credit Policies.** Accounts receivable consist primarily of noninterest-bearing amounts due for educational and training programs. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At October 31, 2019 and 2020, no allowance was deemed necessary.

**Revenues and Support and Adoption of Recent Accounting Guidance.** In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09 Revenue from Contracts with Customers. The new standard supersedes existing revenue recognition guidance and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The effective date for this standard was deferred several times, Colorado Humanities adopted this new guidance during the year-ended October 31, 2020.

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, Not-for-profit Entities (Topic 958). This amendment is intended to clarify the scope and accounting guidance for contributions received and contributions made and eliminate diversity in practice in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. Distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow clarified guidance in Topic 958, whereas for exchange transactions, an entity should adopt the guidance in Topic 606. Colorado Humanities adopted this new guidance for the year ended October 31, 2019.

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
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Analysis of various provisions of these standards resulted in no significant changes in the way Colorado Humanities recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosure of revenue have been enhanced in accordance with the standard.

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Adoption of the guidance in Topic 606 did not impact the timing revenue recognition on program service fees.

Colorado Humanities recognizes contributions when cash, securities or other assets; an unconditional promise to give; or notification of a beneficial interest 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 met.

**Donated Goods and Services.** Colorado Humanities receives contributions from volunteers of their time and services. Many individuals volunteer their time and perform a variety of tasks and assist Colorado Humanities, but these services do not meet the criteria for recognition as contributed services.

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. Donated assets include donations of goods and materials for the Organization's programs.

For the year ended October 31, 2020, Colorado Humanities recognized in-kind donations of \$189,505. The Organization receives a large amount of in-kind donations that do not meet recognition under Generally Accepted Accounting Principles, but are recognized for cost sharing purposes of the NEH Grant. The total in-kind donations, including those recognized in the statements, were \$480,546 and \$318,022 for the years ended October 31, 2020 and 2019, respectively.

**Concentrations of Credit Risk.** Financial instruments that potentially subject Colorado Humanities to concentrations of credit risk consist principally of temporary cash investments. Colorado Humanities places temporary cash investments with two financial institutions. Bank balances at times exceed the amount insured by FDIC.

**Advertising Costs.** Advertising costs are expensed as incurred, and approximated \$731 and \$4,349 during the years ended October 31, 2020 and 2019, respectively.

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Functional allocation of expenses.** The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, expenses that can be directly identified with the program or supporting service to which they relate are allocated accordingly. Certain other expenses by function have been allocated by the Company between program and supporting services based on methodology determined to be reasonable by the Company.

Personnel expenses are allocated based on the time and effort spent in the various functions. Supplies, contract and professional services, travel, meetings and conferences and occupancy costs that could not be directly charged to a specific program are allocated based on the personnel expense allocation which management believes is a reasonable measure of the use of these expenses. All other costs are directly allocated to the program or service they relate to.

**Income taxes.** The Company is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the tax-exempt purpose of the Company could be subject to taxation as unrelated business income. The Company had no unrelated business taxable income for the years ended October 31, 2020 and 2019. The Company believes 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.

**Property and equipment.** Assets capitalized as property and equipment are recorded at cost. The fixed assets are depreciated over their estimated useful life using the straight line method. The organization utilizes a \$5,000 capitalization threshold for determining which fixed assets to capitalize. Assets purchased with NEH grant funds may become property of the Federal government at the expiration of the grant term. As of October 31, 2020 and 2019 the organization had no fixed assets over the capitalization threshold.

**Estimates by Colorado Humanities.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Colorado Humanities to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Colorado Humanities' primary estimates are the allocation of expenses to functional categories.

**Recently Issued Accounting Standards.** In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The update is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Colorado Humanities is currently evaluating the effect that this Update will have on its financial statements.

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
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3. AVAILABLE RESOURCES AND LIQUIDITY

The Company strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

Financial assets available for general expenditure within one year of the balance sheet date consist of the following:

	2020	2019
Cash and cash equivalents	\$39,620	\$99,955
Marketable securities	336,989	258,375
Grants and fees receivable	64,278	6,375
Beneficial interest in net assets of community foundation	49,694	46,042
Total financial assets	\$490,581	\$410,747
Less net assets with Donor Restrictions that will not be met in the next twelve months	(168,777)	(140,112)
Financial Assets Available to meet expenditures over the next twelve months	\$321,804	\$272,654

As part of Colorado Humanities' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

4. LINE OF CREDIT

The Organization maintains a \$100,000 line of credit. The line matures on February 21, 2022 and accrues interest at the prime rate plus 2.24%. The Organization had a balance of \$9,950 for the year ended October 31, 2020 and did not borrow or owe any amount on the line of credit for the year ended October 31, 2019. The balance owed was paid off subsequent to year end.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Colorado Humanities' marketable securities consist of investment in mutual funds recorded as fair value. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Cost and fair value of the mutual funds at October 31, 2020 and 2019, is as follows:

	2020	2019
Cost	\$313,457	\$209,124
Gross unrealized gains (losses)	23,532	49,251
Fair Value	\$336,989	\$258,375

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
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Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB 820 are described as follows:

Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2—Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at October 31, 2020.

*Mutual Funds* : Valued at the closing price reported on the active market on which the individual securities are traded.

*Beneficial Interest in Assets held by Community First*: Valued at the fair value of the underlying assets, as reported to the Organization by Community First. The investments of these non-profit organizations are pooled into investment portfolios that are apportioned to the respective individual organizations. The exact investment that Colorado Humanities has in the Endowment Fund is, therefore, not readily determinable. Colorado Humanities considers all of the assets invested in the Endowment Fund to be Level 3.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Colorado Humanities believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2020 AND 2019**

The following table sets forth by level, within the fair value hierarchy, Colorado Humanities' assets at fair value as of October 31, 2020 and 2019:

**Assets at Fair Value as of October 31, 2020**

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 336,989	\$ -	\$ -	\$ 336,989
Beneficial Interest in Assets held by Community First	-	-	49,694	49,694
Total assets at fair value	<u>\$ 336,989</u>	<u>\$ -</u>	<u>\$ 49,694</u>	<u>\$ 386,683</u>

**Assets at Fair Value as of October 31, 2019**

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 258,375	\$ -	\$ -	\$ 258,375
Beneficial Interest in Assets held by Community First	-	-	46,042	46,042
Total assets at fair value	<u>\$ 258,375</u>	<u>\$ -</u>	<u>\$ 46,042</u>	<u>\$ 304,417</u>

**Reconciliation of Level 3 Investments**

Beginning balance	\$ 46,042
Gain/Loss	4,122
Fees	<u>(470)</u>
Ending Balance	\$ 49,694

**6. BENEFICIAL INTEREST HELD IN COMMUNITY FIRST FOUNDATION**

Colorado Humanities has one endowment fund with the Community First Foundation. Contributions received to establish this fund will be held in perpetuity; however, Colorado Humanities may use investment earnings as needed to aid its programs.

The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At October 31, 2020 there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2020 AND 2019**

- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

*Investment and Spending Policies*

The Foundation determines the investments in which the money is invested. The Organization may request distributions from the Foundation for amounts in excess of the underlying assets. The Board did not request a distribution during the year ended October 31, 2020. The underlying assets and all income earned on those assets has been classified as Net Assets with donor restrictions until the Board makes a request for distribution. The change in fair value of this trust is reported in the statement of activities as change in value of beneficial interest in a perpetual trust.

The Community First Foundations' investment policy attempts to establish an achievable return objective through utilization of a globally diverse portfolio including a variety of asset classes. The Foundation uses short term and long term portfolios to achieve these objectives. The current objective for short term investments is a yield of 4 percent to 6.5 percent on long term investments. The target allocation for the long term portfolio is approximately 57% equities and 43% fixed income. As of October 31, 2020 and 2019 100% of the Foundations funds are held in the long term portfolio.

Changes in Endowment net assets for the years ended October 31, 2020 are as follows:

	Net Assets with Donor Restrictions
Endowment net assets at October 31, 2019	\$46,042
Investment Return	
Investment Income, net	980
Fees	(470)
Net appreciation (realized and unrealized)	3,142
Total Investment Return	3,652
Appropriated for expenditure	(-)
Endowment net assets at October 31, 2020	\$49,694

7. COMMITMENTS AND CONTINGENCIES

Colorado Humanities' office lease is an operating lease at \$8,272 per month with annual escalations through January 2022. Colorado Humanities' commitment for rent is \$112,304 for the fiscal year ended October 31, 2020. Rent expense for Colorado Humanities' office space was \$101,144 for the year ended October 31, 2020. This does not include operating expenses which are also recorded as rent expense in the financial statements.

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2020 AND 2019**

Future commitments are as follows:

Fiscal year ending:	
October 31, 2021	\$103,400
October 31, 2022	\$17,296

At the time these financial statements were issued, the world economy was responding to the novel COVID-19 pandemic. Management is unable to reasonably estimate the amount or scope of the impact that this could have on its financial position. No accruals or adjustments are reflected in the current financial statements to account for the potential impacts of the pandemic.

8. MAJOR DONORS

Colorado Humanities received 73.3% and 59.5% of its revenue from one grant during the year ended October 31, 2020 and 2019, respectively.

9. TAX SHELTERED ANNUITY PLAN

Colorado Humanities established a retirement account under IRS section 403(b)(7), effective April 20, 1992, which gives their employees the option to make pre-tax contributions. After twelve months of employment, all full-time Colorado Humanities employees are eligible to participate in the Plan. An employer must contribute to each eligible employee's account an amount equal to 10% of the employee's W-2 compensation for the calendar year. Colorado Humanities paid \$35,638 into the Plan for their employees for the fiscal year ended October 31, 2020.

10. NET ASSETS WITH DONOR RESTRICTIONS

Colorado Humanities has received certain contributions with donor imposed purpose restrictions. The net assets with donor restrictions fund balance at October 31, 2020 and 2019 are restricted by donors for specific programs. Amounts are released from restrictions when they are expended for the purpose specified by the donor.

	2020	2019
Restricted by Donors for:		
Reading and Writing Program	\$ 66,232	\$ 76,191
Living History Program	33,375	15,879
Conversations Program	2,645	
Education Program	831	
Program Marketing	16,000	
NEH Expenditures	-	2,000
Beneficial Interest in Community First Foundation Assets	49,694	46,042
Total Assets with Donor Restrictions:	\$ 168,777	\$ 140,112

Of this amount, \$37,946 at October 31, 2020 and 2019, is designated as non-spendable and is held in the Community First Foundation (see Note 6). The remaining balance represents appreciation and donor restricted contributions to the Community First Foundation which will be released when appropriated for expenditure.

Net assets released from restriction represent assets that were spent for their intended purpose during the period.

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2020 AND 2019**

11. PAYCHECK PROTECTION PROGRAM

Colorado Humanities was granted a \$98,500 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. Colorado Humanities initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. Colorado Humanities has recognized \$98,500 as grant revenue for the year ended October 31, 2020.

12. SUBSEQUENT EVENTS

Subsequent events were evaluated by management through the date of the auditor’s report, which is the date the financial statements were available to be issued.

Colorado Humanities  
Schedule of Expenditures of Federal Awards  
For The Year Ended October 31, 2020

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Provided Through to Subrecipients</u>	<u>Federal Expenditures</u>
National Endowment for the Humanities				
<i>Promotion of the Humanities-Federal-State Partnership</i>	45.129	SO-263595-19	\$ -	\$ 739,970
<i>COVID-19 Promotion of the Humanities-Federal-State Partnership</i>	45.129	SO-263595-19	<u>481,484</u>	<u>504,267</u>
Total Expenditures of Federal Awards			<u>\$ 481,484</u>	<u>\$ 1,244,237</u>

See notes to schedule of expenditures of federal awards

Colorado Humanities  
Notes to Schedule of Expenditures of Federal Awards  
For The Year Ended October 31, 2020

1 BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Colorado Humanities under programs of the federal government for the year ending October 31, 2020. The information in the schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures 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 expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3 NON-CASH ASSISTANCE, FEDERAL INSURANCE, LOANS, AND LOAN  
GUARANTEES:

Colorado Humanities did not receive any federal non-cash assistance, insurance, loans, or loan guarantees.

4 INDIRECT COST RATE

Colorado Humanities has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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**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**

*Independent Auditor's Report*

Board of Directors  
Colorado Humanities

We have audited 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, the financial statements of Colorado Humanities, which comprise the statement of financial position as of October 31, 2020, 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 .

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Colorado Humanities 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 Colorado Humanities internal control. Accordingly, we do not express an opinion on the effectiveness of Colorado Humanities 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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Colorado Humanities 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Watson Coon Ryan, LLC*

CENTENNIAL, COLORADO



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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors and Management  
Colorado Humanities

### Report on Compliance for Each Major Federal Program

We have audited Colorado Humanities compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Colorado Humanities major federal programs for the year ended October 31, 2020. Colorado Humanities major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Colorado Humanities major federal programs based on our audit of the types of compliance requirements referred to above. 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Colorado Humanities compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Colorado Humanities compliance.

### Opinion on Each Major Federal Program

In our opinion, Colorado Humanities 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, 2020.

### Report on Internal Control over Compliance

Management of Colorado Humanities is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Colorado Humanities' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the

purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Colorado Humanities 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Watson Coon Ryan, LLC*

CENTENNIAL, COLORADO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Section I: Summary of Auditor's Results

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:  
unmodified

Internal control over financial reporting:		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

#### Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for major federal programs: unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Identification of major federal programs:		
<u>CFDA Number(s):</u> 45.129	<u>Name of Federal Program or Cluster:</u> Promotion of the Humanities-Federal-State Partnership & COVID-19 Promotion of the Humanities-Federal-State Partnership	
Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>	
Auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

### Section II: Financial Statement Findings.

There were no financial statement findings.

### **Section III: Federal Awards Findings**

There were no financial statement findings.

### **Section IV: Summary Schedule of Prior Year Findings**

Finding 2019-01:

*Information on the Federal Program:* CFDA 45.129—Promotion of the Humanities-Federal-State Partnership, National Endowment for the Humanities Award Number: SO-263595-19. Compliance Requirements: Matching, Level of Effort, Earmarking. Type of Finding: Significant deficiency, non-compliance.

*Criteria:* Program requirements state that matching contributions on a dollar for dollar basis of funds drawn are required to be made by the end of the fiscal year. Outright funds can be matched from cash contributions or in-kind contributions. The regulations in 2 CFR 200.306 indicate that in-kind contributions require verifiable from the non-Federal entity's records.

*Condition:* For the year ended October 31, 2019, we reviewed the in-kind contributions counted toward the matching requirement and noted that certain contributions did not have supporting documents in their records.

*Cause:* While controls were put in place to ensure all in-kind contributions were supported by written documentation, the controls were not operating consistently during the period to ensure all in-kind contributions had adequate documentation to support the amount reported by the non-Federal entity.

*Effect or Potential Effect:* Ultimately, all items selected for testing were verified directly with the donors. The failure to put adequate controls in place to ensure all contributions are appropriately supported could result in in-kind contributions being reported that are not verifiable.

*Questioned Costs:* None.

*Context:* Of the 40 in-kind contributions tested, 5 lacked supporting documentation at the time the contribution was made. Documentation was obtained and provided for all 5 items at the time the items were selected for testing.

*Recommendation:* The entity program staff and management should review controls in place that ensure in-kind contributions used in the match calculation are supported at the time contributions are made are operating consistently for all contributions recorded on their in-kind tracking records. The entity should consider adding an additional column on these records to include confirmation that adequate support has been obtained.

*Status of Prior Finding:* Planned corrective action completed this fiscal year.