

# COLORADO HUMANITIES

FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT

AND

FEDERAL AWARDS IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE

OCTOBER 31, 2022 AND 2021

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSES	5-6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
FEDERAL AWARDS:	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	18
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	19
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 <i>GOVERNMENT AUDITING     STANDARDS</i>	20
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	24



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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Colorado Humanities, which comprise the statement of financial position as of October 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Colorado Humanities as of October 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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 Colorado Humanities ability to continue as a going concern for 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 GAAS 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 GAAS 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 Colorado Humanities 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 Colorado Humanities 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 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 consolidated 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 consolidated 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 April 5, 2022 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*

CENTENNIAL, COLORADO  
MAY 31, 2023

**Colorado Humanities**  
**Statements of Financial Position**  
**October 31, 2022 and 2021**

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 43,137	\$ 50,744
Marketable securities	370,375	420,062
Grants and fees receivable	41,962	29,990
Prepaid expenses and deposits	25,350	23,398
Beneficial interest in net assets by community foundation	46,297	57,173
Total assets	\$ 527,121	\$ 581,367
<b>LIABILITIES</b>		
Accounts payable	\$ 81,631	\$ 12,360
Accrued payroll liabilities	28,190	25,136
Total liabilities	109,821	37,496
<b>NET ASSETS</b>		
Net assets without donor restrictions		
Designated by the Board	228,135	228,135
Undesignated	62,877	157,730
Total net assets without donor restrictions	291,012	385,865
Net assets with donor restrictions	126,289	158,006
Total net assets	417,300	543,871
Total liabilities and net assets	\$ 527,121	\$ 581,367

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

**Colorado Humanities**  
**Statements of Activities**  
**For the year ended October 31, 2022 and 2021**

	2022			2021		
	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	\$ -	\$ 1,736,566	\$ 1,736,566	\$ -	\$ 770,979	\$ 770,979
Contributions	143,267	41,550	184,817	78,993	65,100	144,093
Paycheck Protection Program grant	-	-	-	106,915	-	106,915
Donated Services, materials and facilities	148,757	-	148,757	125,033	-	125,033
Program fees, admissions and rents	14,228	-	14,228	9,798	-	9,798
Change in beneficial interest in net assets of community foundation	-	(10,876)	(10,876)	-	7,479	7,479
Net investment return	(62,552)	-	(62,552)	84,751	-	84,751
Net assets released from restrictions	1,798,957	(1,798,957)	-	854,329	(854,329)	-
Total Revenue, Support and Gains	2,042,657	(31,717)	2,010,940	1,259,819	(10,771)	1,249,048
<b>EXPENSES</b>						
Program services						
Living history	266,570	-	266,570	231,969	-	231,969
Educational resources	80,445	-	80,445	26,375	-	26,375
Reading and writing	367,457	-	367,457	285,221	-	285,221
Conversations	73,256	-	73,256	101,393	-	101,393
Grants	797,945	-	797,945	59,546	-	59,546
Total program expenses	1,585,672	-	1,585,672	704,504	-	704,504
Supporting services						
Management and general	400,170	-	400,170	344,317	-	344,317
Fundraising	151,668	-	151,668	128,761	-	128,761
Total supporting services expenses	551,838	-	551,838	473,078	-	473,078
Total Expenses	2,137,510	-	2,137,510	1,177,582	-	1,177,582
<b>CHANGE IN NET ASSETS</b>	(94,853)	(31,717)	(126,570)	82,237	(10,771)	71,466
<b>NET ASSETS, beginning of year</b>	385,865	158,006	543,871	303,628	168,777	472,405
<b>NET ASSETS, end of year</b>	<u>\$ 291,012</u>	<u>\$ 126,289</u>	<u>\$ 417,300</u>	<u>\$ 385,865</u>	<u>\$ 158,006</u>	<u>\$ 543,871</u>

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

**Colorado Humanities**  
**Statement of Functional Expenses**  
**For the year ended October 31, 2022**

	Program Services						Supporting Services		
	Living History	Conversations	Educational Resources	Reading and Writing	Grants	Program Total	Management and General	Fundraising	Total Expenses
Personnel expenses	\$ 103,814	\$ 52,634	\$ 14,452	\$ 163,398	\$ 19,120	\$ 353,418	\$ 173,235	\$ 128,710	\$ 655,363
Affiliations, licenses and dues	50	-	-	-	-	50	19,717	-	19,767
Contract and professional services	66,588	9,994	63,950	107,017	15,033	262,582	123,645	-	386,227
Grants to subrecipients	-	-	-	-	760,114	760,114	-	-	760,114
Insurance and miscellaneous	22	-	-	58	185	265	11,786	-	12,051
Occupancy costs	14,851	7,426	1,856	23,205	2,785	50,123	24,133	18,564	92,821
Program grants and awards	-	-	-	15,836	-	15,836	191	-	16,027
Promotion and advertising	2,030	-	-	4,441	429	6,900	5,500	-	12,400
Publications, printing and postage	18,261	-	-	6,068	-	24,329	3,640	2,532	30,501
Supplies and equipment	8,833	-	-	5,768	-	14,601	21,191	-	35,792
Telephone	1,490	745	186	2,329	279	5,030	2,422	1,863	9,314
Travel, meetings and conferences	50,630	2,457	-	39,337	-	92,424	14,710	-	107,134
<b>Total Expenses</b>	<b>\$ 266,570</b>	<b>\$ 73,256</b>	<b>\$ 80,445</b>	<b>\$ 367,457</b>	<b>\$ 797,945</b>	<b>\$ 1,585,672</b>	<b>\$ 400,170</b>	<b>\$ 151,668</b>	<b>\$ 2,137,510</b>

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

**Colorado Humanities**  
**Statement of Functional Expenses**  
**For the year ended October 31, 2021**

	Program Services						Supporting Services		
	Living History	Conversations	Educational Resources	Reading and Writing	Grants	Program Total	Management and General	Fundraising	Total Expenses
Personnel expenses	\$ 105,752	\$ 68,483	\$ 8,952	\$ 132,995	\$ 40,398	\$ 356,580	\$ 151,617	\$ 93,402	\$ 601,599
Donated Services, materials and facilities	57,245	-	-	55,650	-	112,895	12,138	-	125,033
Contract and professional services	40,943	17,365	15,438	47,751	5,847	127,344	91,040	10,084	228,468
Program grants and awards	2,673	4	1	7,816	2	10,496	419	5	10,920
Occupancy costs	20,430	13,230	1,729	25,693	7,804	68,886	28,776	18,044	115,706
Publications, printing and postage	230	-	-	2,058	-	2,288	5,484	3,490	11,262
Travel, meetings and conferences	17	8	1	1,407	5	1,438	2,387	37	3,862
Supplies and equipment	703	461	52	2,971	235	4,422	19,836	1,561	25,819
Promotion and advertising	1,960	522	32	6,356	655	9,525	2,896	331	12,752
Affiliations, licenses and dues	-	-	-	-	3,832	3,832	18,165	-	21,997
Insurance and miscellaneous	11	22	-	3	2	38	8,685	36	8,759
Telephone	2,005	1,298	170	2,521	766	6,760	2,874	1,771	11,405
<b>Total Expenses</b>	<b>\$ 231,969</b>	<b>\$ 101,393</b>	<b>\$ 26,375</b>	<b>\$ 285,221</b>	<b>\$ 59,546</b>	<b>\$ 704,504</b>	<b>\$ 344,317</b>	<b>\$ 128,761</b>	<b>\$ 1,177,582</b>

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



**Colorado Humanities**  
**Statements of Cash Flows**  
**For the years ended October 31, 2022 and 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (126,570)	\$ 71,466
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on operating investments	70,880	(76,776)
Change in beneficial interest held by Community First Foundation	10,876	(7,479)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(11,972)	34,288
Prepaid expenses	(1,952)	848
Increase (decrease) in liabilities:		
Accounts payable	69,271	2,994
Accrued payroll liabilities	3,054	2,030
Net cash provided (used) by operating activities	13,587	27,371
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reinvested dividend and interest income	(7,410)	-
Proceeds from sale of investments	101	-
Purchase of investments	(13,885)	(6,297)
Net cash used in investing activities	(21,194)	(6,297)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit	-	(130,950)
Proceeds from line of credit	-	121,000
Net cash used in financing activities	-	(9,950)
Net increase (decrease) in cash and cash equivalents	(7,607)	11,124
Cash and cash equivalents, beginning of year	50,744	39,620
Cash and cash equivalents, end of year	\$ 43,137	\$ 50,744

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

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2022 AND 2021**

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. 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 the following 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.

**Grants** – 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. Grants were funded through the Cares Act in 2020, and through the American Rescue Plan in 2021 and 2022.

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.

**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.

**Receivables and Credit Policies.** Fees receivable consist primarily of noninterest-bearing amounts due for educational and training programs. Colorado Humanities determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Fees receivable are written off when deemed uncollectable. At October 31, 2022 and 2021, no allowance was deemed necessary.

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2022 AND 2021**

**Grants Receivable.** Colorado Humanities records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Colorado Humanities determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At October 31, 2022 and 2021, no allowance was deemed necessary.

**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. Colorado Humanities 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, 2022 and 2021 the organization had no fixed assets over the capitalization threshold.

**Beneficial Interest in Assets Held by Community Foundation.** During 2008, Colorado Humanities established an endowment fund that is perpetual in nature (the fund) under a community foundation's (the CF) Non-Profit Preservation Endowment Challenge Grant Program and named Colorado Humanities as beneficiary. Colorado Humanities granted variance power to the CF, which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the CF for Colorado Humanities benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

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.

**Investments.** Colorado Humanities records 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 external and direct internal investment expenses.

**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:

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2022 AND 2021**

*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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Colorado Humanities report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Revenue Recognition.** Colorado Humanities recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a 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. Colorado Humanities recognizes revenue from sales of educational and training services when the performance obligations of providing the services are met.

A portion of Colorado Humanities revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Colorado Humanities has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Colorado Humanities received cost-reimbursable grants of \$454,868 that have not been recognized at October 31, 2022 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under our federal contracts and grants.

**Donated Goods and Services.** Contributed goods and services are recorded at fair value at the date of donation or date of the services received.

**Advertising Costs.** Advertising costs are expensed as incurred, and approximated \$5,645 and \$5,548 during the years ended October 31, 2022 and 2021, respectively.

**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 Organization between program and supporting services based on methodology determined to be reasonable by the Organization.

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2022 AND 2021**

Personnel expenses are allocated based on the time and effort spent in the various functions. 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.** Colorado Humanities 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 Organization could be subject to taxation as unrelated business income. The Organization had no unrelated business taxable income for the years ended October 31, 2022 and 2021. The Organization 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.

**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 related to the allocation of expenses to functional categories.

**Financial Instruments and Credit Risk.** Colorado Humanities manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by Colorado Humanities to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, Colorado Humanities has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, and foundations supportive of Colorado Humanities mission. Although the fair values of investments are subject to fluctuation on a year-to-year basis, Colorado Humanities and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

**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**  
**OCTOBER 31, 2022 AND 2021**

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization 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:

	2022	2021
Cash and cash equivalents	\$43,137	\$50,744
Marketable securities	370,375	420,062
Grants and fees receivable	41,962	29,990
Beneficial interest in net assets of community foundation	46,297	57,173
Total financial assets	\$501,771	\$557,969
Less net assets with Donor Restrictions that will not be met in the next twelve months	(109,406)	(142,123)
Financial Assets Available to meet expenditures over the next twelve months	\$392,365	\$415,846

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, 2023 and accrues interest at the prime rate plus 2.24%. As of October 31, 2022 and 2021, there was no outstanding balance on the line of credit.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

Cost and fair value of the mutual funds and exchange traded funds at October 31, 2022 and 2021, is as follows:

	2022	2021
Cost	\$420,062	\$336,989
Gross unrealized gains (losses)	(49,687)	83,073
Fair Value	\$370,375	\$420,062

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2022 AND 2021**

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, 2022 and 2021.

*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

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2022 AND 2021**

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.

The following table sets forth by level, within the fair value hierarchy, Colorado Humanities' assets at fair value as of October 31, 2022 and 2021:

**Assets at Fair Value as of October 31, 2022**

	Level 1	Level 2	Level 3	Total
Mutual Funds and Exchange Traded Funds	\$ 370,375	\$ -	\$ -	\$ 370,375
Beneficial Interest in Assets held by Community First	-	-	46,297	46,297
Total assets at fair value	\$ 370,375	\$ -	\$46,297	\$ 416,672

**Assets at Fair Value as of October 31, 2021**

	Level 1	Level 2	Level 3	Total
Mutual Funds and Exchange Traded Funds	\$ 420,062	\$ -	\$ -	\$ 420,062
Beneficial Interest in Assets held by Community First	-	-	57,173	57,173
Total assets at fair value	\$ 420,062	\$ -	\$57,173	\$ 477,235

See footnote 6 for reconciliation of level 3 investments.

**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, 2022 and 2021 there were no such donor stipulations. As a result of this interpretation, Colorado Humanities retains 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 Colorado Humanities in a manner consistent with the standard of prudence prescribed by UPMIFA.

Colorado Humanities considers 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
- 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



**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2022 AND 2021**

*Investment and Spending Policies*

The Foundation determines the investments in which the money is invested. Colorado Humanities may request distributions from the Foundation for amounts in excess of the underlying assets. The Board did not request a distribution during the years ended October 31, 2022 and 2021. 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, 2022 and 2021 100% of the Foundations funds are held in the long term portfolio.

Changes in Endowment net assets for the years ended October 31, 2022 are as follows:

Endowment net assets at October 31, 2021	\$57,173
Investment Return:	
Investment Income	1,516
Fees	(664)
Net appreciation (realized and unrealized)	(9,133)
Total Investment Return	<u>(8,281)</u>
Endowment net assets at October 31, 2022	<u>\$46,297</u>

7. COMMITMENTS AND CONTINGENCIES

Colorado Humanities' leases its office at \$8,272 per month with annual escalations through March 2024. Colorado Humanities' lease expense is \$92,821 and \$115,707 for the fiscal year ended October 31, 2022 and 2021, respectively.

Future commitments are as follows:

Fiscal year ending:	
October 31, 2023	\$98,324
October 31, 2024	\$41,360

8. MAJOR DONORS

Colorado Humanities received 83% and 62% of its revenue from federal grants made through the National Endowment for the Humanities during the year ended October 31, 2022 and 2021, 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

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2022 AND 2021**

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 \$36,866 and \$37,621 into the Plan for their employees for the fiscal years ended October 31, 2022 and 2021, respectively.

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, 2022 and 2021 are restricted by donors for specific programs. Amounts are released from restrictions when they are expended for the purpose specified by the donor.

	2022	2021
Restricted by Donors for specific purposes:		
Reading and Writing Program	\$ 41,535	\$ 57,850
Living History Program	15,588	27,100
Conversations Program	4,436	-
Education Program	1,550	-
Program Marketing	-	-
Perpetual in nature, earning from which are subject to endowment spending policy and appropriation:		
Beneficial Interest in Community First Foundation Assets	46,297	57,173
Total Assets with Donor Restrictions:	\$ 109,406	\$ 142,123

Of this amount, \$46,297 and \$57,173 at October 31, 2022 and 2021 respectively, is designated as non-spendable and is held in the Community First Foundation (see Note 6).

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

11. PAYCHECK PROTECTION PROGRAM

Colorado Humanities was granted a \$106,915 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner for the year ended October 31, 2021. 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 \$106,915 as grant revenue for the year ended October 31, 2021.

**COLORADO HUMANITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2022 AND 2021**

12. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets within the statement of activities includes:

	2022	2021
Type of in-kind Donations:		
Contract Labor	17,356	32,659
Judge Expense	80,610	46,155
Printing and Supplies	25,875	484
Venue Expense	24,916	45,735
Total	\$148,757	\$125,033

The donated contract labor includes professional, event, and childcare services relating to the Reading and Writing Program and the general operations of Colorado Humanities. The contributions are valued and reported at fair market value based on current rates for similar services.

The donated judge expense is related to the donation of judges and selectors for the Colorado Book Awards program. The contributions are valued and reported at fair market value based on current rates for similar services.

The contributed printing and supplies comprises of the donation of lighting, posters, flyers, books, and training materials for the Living History and Reading and Writing programs. The contributions are valued and reported at fair market value based on what the donor would invoice for customers.

The contributed venue expense includes event space for the Colorado Book Awards, Colorado West Chautauqua (Grand Junction), High Plains Chautauqua, History Live Durango, and Motherread/Fatheread Institute events that Colorado Humanities hosts throughout the year. The contributions are valued and reported at fair market value based on what the donor would invoice for customers.

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.

Additionally, 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 \$819,903 and \$496,584 for the years ended October 31, 2022 and 2021 respectively.

13. 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, 2022

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing 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 & SO-283115-22	\$ -	913,052
<i>COVID-19 Promotion of the Humanities-Federal-State Partnership</i>	45.129	ZSO-283129-21	<u>760,114</u>	<u>823,514</u>
Total Expenditures of Federal Awards			<u>\$ 760,114</u>	<u>\$ 1,736,566</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, 2022

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, 2022. 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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2023.

**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  
MAY 31, 2023

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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**

***Opinion on Each Major Federal Program***

We have audited Colorado Humanities' 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 Colorado Humanities' major federal programs for the year ended October 31, 2022. Colorado Humanities' 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, Colorado Humanities complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Colorado Humanities 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 Colorado Humanities' 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 Colorado Humanities' 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 Colorado Humanities' 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 GAAS, *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 Colorado Humanities' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Colorado Humanities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Colorado Humanities' 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 Colorado Humanities' 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.

*Watson Coon Ryan, LLC*

CENTENNIAL, COLORADO  
May 31, 2023

## 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?	___ Yes	__x__ No
• Significant deficiency(ies) identified?	___ Yes	__x__ None Reported
Noncompliance material to financial statements noted?	___ Yes	__x__ No

#### *Federal Awards*

Internal control over major federal programs:		
• Material weakness(es) identified?	___ Yes	__x__ No
• Significant deficiency(ies) identified?	___ Yes	__x__ 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)?		
	___ Yes	__x__ No
Identification of major federal programs:		
<u>Assistance Listing</u> Number(s): 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?	__x__ Yes	___ No

### Section II: Financial Statement Findings.

There were no financial statement findings.

**Section III: Federal Awards Findings**

There were no federal award findings.

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

There were no prior year findings.