

COLORADO HUMANITIES

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

AND

FEDERAL AWARDS IN ACCORDANCE
WITH THE UNIFORM GUIDANCE

OCTOBER 31, 2023 AND 2022

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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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Colorado Humanities as of October 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 June 8, 2024 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
JUNE 8, 2024

Colorado Humanities
Statements of Financial Position
October 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 229,045	\$ 43,137
Marketable securities	388,044	370,375
Grants and fees receivable	36,550	41,962
Prepaid expenses and deposits	33,389	25,350
Beneficial interest in net assets by community foundation	50,436	46,297
Total assets	\$ 737,464	\$ 527,121
LIABILITIES		
Accounts payable	\$ 35,123	\$ 81,633
Accrued payroll liabilities	25,265	28,190
Total liabilities	60,388	109,823
NET ASSETS		
Net assets without donor restrictions		
Designated by the Board	-	228,135
Undesignated	541,265	79,757
Total net assets without donor restrictions	541,265	307,892
Net assets with donor restrictions	135,811	109,406
Total net assets	677,076	417,298
Total liabilities and net assets	\$ 737,464	\$ 527,121

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

Colorado Humanities
Statements of Activities
For the years ended October 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS						
National Endowment for the Humanities Grant	\$ -	\$ 1,215,838	\$ 1,215,838	\$ -	\$ 1,736,566	\$ 1,736,566
Contributions	339,687	98,700	438,387	143,267	41,550	184,817
Donated Services, materials and facilities	284,525	-	284,525	148,757	-	148,757
Program fees, admissions and rents	33,706	-	33,706	14,228	-	14,228
Change in beneficial interest in net assets of community foundation	-	4,138	4,138	-	(10,876)	(10,876)
Net investment return	20,370	-	20,370	(62,552)	-	(62,552)
Net assets released from restrictions	1,292,271	(1,292,271)	-	1,815,840	(1,815,840)	-
Total Revenue, Support and Gains	1,970,559	26,405	1,996,964	2,059,540	(48,600)	2,010,940
EXPENSES						
Program services						
Living history	302,272	-	302,272	266,570	-	266,570
Educational resources	167,915	-	167,915	80,444	-	80,444
Reading and writing	585,849	-	585,849	367,457	-	367,457
Conversations	122,494	-	122,494	73,256	-	73,256
Grants	-	-	-	797,945	-	797,945
Total program expenses	1,178,530	-	1,178,530	1,585,672	-	1,585,672
Supporting services						
Management and general	405,638	-	405,638	400,172	-	400,172
Fundraising	153,018	-	153,018	151,669	-	151,669
Total supporting services expenses	558,656	-	558,656	551,841	-	551,841
Total Expenses	1,737,186	-	1,737,186	2,137,513	-	2,137,513
CHANGE IN NET ASSETS	233,373	26,405	259,778	(77,973)	(48,600)	(126,573)
NET ASSETS, beginning of year	307,892	109,406	417,298	385,865	158,006	543,871
NET ASSETS, end of year	<u>\$ 541,265</u>	<u>\$ 135,811</u>	<u>\$ 677,076</u>	<u>\$ 307,892</u>	<u>\$ 109,406</u>	<u>\$ 417,298</u>

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

Colorado Humanities
Statement of Functional Expenses
For the year ended October 31, 2023

	Program Services					Supporting Services		
	Living History	Educational Resources	Reading and Writing	Conversations	Program Total	Management and General	Fundraising	Total Expenses
Personnel expenses	147,203	34,802	195,431	64,261	441,697	162,616	126,020	730,333
Contract and professional services	76,854	97,651	250,135	24,821	449,461	107,169	-	556,630
Program grants and awards	700	-	28,142	-	28,842	241	-	29,083
Occupancy costs	21,839	5,460	29,483	9,828	66,610	24,024	18,563	109,197
Publications, printing and postage	10,179	4,226	12,234	4,257	30,896	7,376	7,289	45,561
Travel, meetings and conferences	40,194	11,320	44,119	18,147	113,780	51,003	-	164,783
Supplies and equipment	465	13,971	19,407	259	34,102	16,425	-	50,527
Promotion and advertising	3,005	-	4,504	250	7,759	2,706	-	10,465
Affiliations, licenses and dues	420	-	500	64	984	20,432	-	21,416
Insurance and miscellaneous	65	148	74	-	287	12,162	-	12,449
Telephone	1,348	337	1,820	607	4,112	1,484	1,146	6,742
Total Expenses	<u>\$ 302,272</u>	<u>\$ 167,915</u>	<u>\$ 585,849</u>	<u>\$ 122,494</u>	<u>\$ 1,178,530</u>	<u>\$ 405,638</u>	<u>\$ 153,018</u>	<u>\$ 1,737,186</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	Educational Resources	Reading and Writing	Conversations	Grants	Program Total	Management and General	Fundraising	Total Expenses
Personnel expenses	\$ 103,814	\$ 14,452	\$ 163,398	\$ 52,634	\$ 19,120	\$ 353,418	\$ 173,236	\$ 128,710	\$ 655,364
Affiliations, licenses and dues	50	-	-	-	-	50	19,717	-	19,767
Contract and professional services	66,588	63,950	107,017	9,994	15,033	262,582	123,646	-	386,228
Grants to subrecipients	-	-	-	-	760,114	760,114	-	-	760,114
Insurance and miscellaneous	22	-	58	-	185	265	11,786	-	12,051
Occupancy costs	14,851	1,856	23,205	7,426	2,785	50,123	24,134	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	186	2,329	745	279	5,029	2,422	1,863	9,314
Travel, meetings and conferences	50,631	-	39,337	2,457	-	92,425	14,709	-	107,134
Total Expenses	\$ 266,570	\$ 80,444	\$ 367,457	\$ 73,256	\$ 797,945	\$ 1,585,672	\$ 400,172	\$ 151,669	\$ 2,137,513

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

Colorado Humanities
Statements of Cash Flows
For the years ended October 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 259,778	\$ (126,573)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain (loss) on operating investments	(8,817)	70,880
Change in beneficial interest held by Community First Foundation	(4,138)	10,876
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	5,412	(11,972)
Prepaid expenses	(8,039)	(1,952)
Increase (decrease) in liabilities:		
Accounts payable	(46,510)	69,271
Accrued payroll liabilities	(2,925)	3,054
Net cash provided (used) by operating activities	194,761	13,584
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested dividend and interest income	(8,853)	(7,408)
Proceeds from sale of investments	-	101
Purchase of investments	-	(13,885)
Net cash used in investing activities	(8,853)	(21,192)
Net increase (decrease) in cash and cash equivalents	185,908	(7,607)
Cash and cash equivalents, beginning of year	43,137	50,744
Cash and cash equivalents, end of year	\$ 229,045	\$ 43,137

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

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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, and connecting outstanding authors with readers.

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 NEH and through the American Rescue Plan in 2023 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, 2023 and 2022, no allowance was deemed necessary.

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, 2023 and 2022, no allowance was deemed necessary.

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
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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, 2023 and 2022 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:

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 reports 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.

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
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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 \$328,191 and \$454,868 that have not been recognized at October 31, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the federal contracts and grants.

Donated Goods and Services. Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 11). CH does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Advertising Costs. Advertising costs are expensed as incurred, and approximated \$3,880 and \$5,645 during the years ended October 31, 2023 and 2022, 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.

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, 2023 and 2022. 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

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
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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.

Reclassifications. Certain balances in the prior year’s financial statement have been reclassified to conform with the current year’s presentation. Such reclassifications had no effect on previously reported change in net assets.

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:

	2023	2022
Cash and cash equivalents	\$229,045	\$43,137
Marketable securities	388,044	370,375
Grants and fees receivable	36,550	41,962
Beneficial interest in net assets of community foundation	50,436	46,297
Total financial assets	\$704,075	\$501,771
Less net assets with Donor Restrictions that will not be met in the next twelve months	(135,811)	(109,406)
Financial Assets Available to meet expenditures over the next twelve months	\$568,264	\$392,365

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. 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 Statement of Activities.

Cost and fair value of the mutual funds and exchange traded funds at October 31, 2023 and 2022, is as follows:

	2023	2022
Cost	\$345,848	\$336,995
Gross unrealized gains (losses)	42,196	33,380
Fair Value	\$388,044	\$370,375

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).

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
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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, 2023 and 2022.

Mutual Funds and Exchange Traded 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.

The following table sets forth by level, within the fair value hierarchy, Colorado Humanities' assets at fair value as of October 31, 2023 and 2022:

Assets at Fair Value as of October 31, 2023

	Level 1	Level 2	Level 3	Total
Mutual Funds and Exchange Traded Funds	\$ 388,044	\$ -	\$ -	\$ 388,044
Beneficial Interest in Assets held by Community First	-	-	50,436	50,436
Total assets at fair value	\$ 388,044	\$ -	\$50,436	\$ 438,480

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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

See footnote 6 for reconciliation of level 3 investments.

5. 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, 2023 and 2022 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

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, 2023 and 2022. 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, 2023 and 2022, 100% of the Foundations funds are held in the long term portfolio.

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

Changes in Endowment net assets for the years ended October 31, 2023 are as follows:

Endowment net assets at October 31, 2022	\$46,297
Investment Return:	
Investment Income	1,113
Fees	(467)
Net appreciation (realized and unrealized)	3,493
Total Investment Return	<u>4,139</u>
Endowment net assets at October 31, 2023	<u>\$50,436</u>

6. LINE OF CREDIT

The Organization maintains a \$100,000 line of credit. The line matures on February 21, 2026 and accrues interest at the prime rate plus 2.99%. As of October 31, 2023 and 2022, there was no outstanding balance on the line of credit.

7. COMMITMENTS AND CONTINGENCIES

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. The Organization implemented the standard in the year ending October 31, 2023 utilizing the transition method. The impact of this standard as of October 31, 2023 was not considered material and as such, no changes have been made to the financial statements as a result of implementing this standard. Leases as of October 31, 2022 are recorded in accordance with ASC 840.

Colorado Humanities' leases its office at \$8,272 per month with annual escalations through March 2024. Colorado Humanities' lease expense is \$92,821 for the fiscal year ended October 31, 2022. The lease has no renewal or extension options.

Future commitments are as follows:

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

The lease was amended subsequent to year end to allow for additional renewal and extension options that will allow the lease to be extended through July 31, 2034.

8. MAJOR DONORS

A significant portion of the Colorado Humanities' revenues consists of a large government grant through the through the National Endowment for the Humanities. Thus, its funding is vulnerable to changes in the legislative priorities of the federal government. During the years ended October 31, 2023 and 2022 Colorado Humanities received 61% and 83%, respectively, of its revenue from this grant.

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

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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 \$34,345 and \$36,866 into the Plan for their employees for the fiscal years ended October 31, 2023 and 2022, 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, 2023 and 2022 are restricted by donors for specific programs. Amounts are released from restrictions when they are expended for the purpose specified by the donor.

	2023	2022
Restricted by Donors for specific purposes:		
Reading and Writing Program	\$ 67,092	\$ 41,535
Living History Program	18,283	15,588
Conversations Program	-	4,436
Education Program	-	1,550
Perpetual in nature, earning from which are subject to endowment spending policy and appropriation:		
Beneficial Interest in Community First Foundation Assets	50,436	46,297
Total Assets with Donor Restrictions:	\$ <u>135,811</u>	\$ <u>109,406</u>

Of this amount, \$50,436 and \$46,297 at October 31, 2023 and 2022 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. CONTRIBUTED NONFINANCIAL ASSETS

For the years ended October 31, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

	2023	2022
Judge Expense	212,644	80,610
Contract Labor	13,055	17,356
Printing and Supplies	19,682	25,875
Venue Expense	39,144	24,916
Total	\$ <u>284,525</u>	\$ <u>148,757</u>

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

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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 Poet Laureate, 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 \$1,511,684 and \$819,903 for the years ended October 31, 2023 and 2022 respectively.

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, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Provided through to Subrecipients	Federal Expenditures
National Endowment for the Humanities				
<i>Promotion of the Humanities-Federal-State Partnership</i>	45.129	SO-283115-22	\$ -	1,115,613
<i>COVID-19 Promotion of the Humanities-Federal-State Partnership</i>	45.129	ZSO-283129-21	-	100,225
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,215,838</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, 2023

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, 2023. 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.

**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

To the Board of Directors and Management
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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 8, 2024.

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

June 8, 2024

**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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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
June 8, 2024

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.