

COLORADO HUMANITIES

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

OCTOBER 31, 2025 AND 2024

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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 statements of financial position as of October 31, 2025 and 2024, 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, 2025 and 2024, 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). 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 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, 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.

Watson Coon Ryan, LLC

WATON COON RYAN, LLC

CENTENNIAL, COLORADO

TBD

Colorado Humanities
Statements of Financial Position
October 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 55,540	\$ 200,791
Marketable securities	569,919	496,304
Grants receivable	-	99,336
Prepaid expenses and deposits	12,371	40,506
Beneficial interest in net assets held by community foundation	42,762	59,877
Total assets	<u>\$ 680,592</u>	<u>\$ 896,814</u>
LIABILITIES		
Accounts payable	\$ 70,233	\$ 37,774
Accrued payroll liabilities	26,910	28,902
Line of credit	10,000	75,000
Deferred rent and other liabilities	16,953	34,656
Total liabilities	124,096	176,332
NET ASSETS		
Net assets without donor restrictions	500,808	633,694
Net assets with donor restrictions	55,688	86,788
Total net assets	556,496	720,482
Total liabilities and net assets	<u>\$ 680,592</u>	<u>\$ 896,814</u>

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

Colorado Humanities
Statements of Activities
For the years ended October 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS						
National Endowment for the Humanities grant	\$ -	\$ 666,915	\$ 666,915	\$ -	\$ 1,302,336	\$ 1,302,336
Contributions	335,881	60,989	396,870	73,837	7,442	81,279
Donated services, materials and facilities	94,593	-	94,593	120,556	-	120,556
Program fees, admissions and rents	28,826	-	28,826	30,732	-	30,732
Change in beneficial interest in net assets of community foundation	-	3,111	3,111	-	9,442	9,442
Other income	2,221	-	2,221	-	-	-
Net investment return	79,774	-	79,774	118,850	-	118,850
Net assets released from restrictions	762,115	(762,115)	-	1,368,243	(1,368,243)	-
Total Revenue, Support and Gains	1,303,410	(31,100)	1,272,310	1,712,218	(49,023)	1,663,195
EXPENSES						
Program services						
Living history	275,641	-	275,641	333,917	-	333,917
Educational resources	20,407	-	20,407	144,816	-	144,816
Reading and writing	268,799	-	268,799	68,968	-	68,968
Conversations	183,011	-	183,011	437,107	-	437,107
Total program expenses	747,857	-	747,857	984,808	-	984,808
Supporting services						
Management and general	501,620	-	501,620	471,625	-	471,625
Fundraising	186,819	-	186,819	163,356	-	163,356
Total supporting services expenses	688,439	-	688,439	634,981	-	634,981
Total Expenses	1,436,296	-	1,436,296	1,619,789	-	1,619,789
CHANGE IN NET ASSETS	(132,886)	(31,100)	(163,986)	92,429	(49,023)	43,406
NET ASSETS, beginning of year	633,694	86,788	720,482	541,265	135,811	677,076
NET ASSETS, end of year	<u>\$ 500,808</u>	<u>\$ 55,688</u>	<u>\$ 556,496</u>	<u>\$ 633,694</u>	<u>\$ 86,788</u>	<u>\$ 720,482</u>

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

Colorado Humanities
Statement of Functional Expenses
For the year ended October 31, 2025

	Program Services					Supporting Services		
	Living History	Educational Resources	Reading and Writing	Conversations	Program Total	Management and General	Fundraising	Total Expenses
Personnel expenses	\$ 145,405	\$ 16,979	\$ 167,020	\$ 96,338	\$ 425,742	\$ 251,916	\$ 165,186	\$ 842,844
Contract and professional services	51,715	1,209	44,760	62,785	160,469	126,425	-	286,894
Program grants and awards	3,375	-	-	-	3,375	1,730	-	5,105
Occupancy costs	18,406	2,118	21,157	12,483	54,163	31,560	20,518	106,242
Publications, printing and postage	5,767	-	2,273	1,209	9,249	9,678	16	18,943
Travel, meetings and conferences	23,171	-	908	311	24,390	17,678	120	42,188
Supplies and equipment	157	-	2,253	-	2,410	17,881	-	20,292
Promotion and advertising	800	-	4,683	176	5,659	2,036	-	7,694
Affiliations, licenses and dues	460	-	4,407	108	4,975	21,830	-	26,804
Insurance and miscellaneous	116	-	2,376	105	2,598	19,379	-	21,976
Venue and event rental	25,392	-	17,953	8,900	52,244	-	-	52,244
Telephone	878	101	1,010	596	2,585	1,506	979	5,071
Total Expenses	\$ 275,641	\$ 20,407	\$ 268,799	\$ 183,011	\$ 747,857	\$ 501,620	\$ 186,819	\$ 1,436,296

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

Colorado Humanities
Statement of Functional Expenses
For the year ended October 31, 2024

	Program Services					Supporting Services		
	Living History	Educational Resources	Reading and Writing	Conversations	Program Total	Management and General	Fundraising	Total Expenses
Personnel expenses	\$ 157,744	\$ 81,656	\$ 40,054	\$ 222,838	\$ 502,292	\$ 209,655	\$ 138,503	\$ 850,450
Contract and professional services	77,394	40,174	21,100	111,495	250,163	143,613	-	393,776
Program grants and awards	2,800	-	-	192	2,992	1,115	-	4,107
Occupancy costs	20,434	10,577	5,188	28,866	65,065	27,159	17,941	110,165
Publications, printing and postage	27,103	287	235	9,598	37,223	6,764	6,055	50,042
Travel, meetings and conferences	45,246	10,914	1,158	40,889	98,207	19,819	-	118,026
Supplies and equipment	1,354	186	-	10,098	11,638	23,943	-	35,581
Promotion and advertising	409	408	800	4,918	6,535	2,867	-	9,402
Affiliations, licenses and dues	420	108	-	4,300	4,828	20,973	-	25,801
Insurance and miscellaneous	36	-	185	2,533	2,754	14,420	-	17,174
Telephone	977	506	248	1,380	3,111	1,297	857	5,265
Total Expenses	\$ 333,917	\$ 144,816	\$ 68,968	\$ 437,107	\$ 984,808	\$ 471,625	\$ 163,356	\$ 1,619,789

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

Colorado Humanities
Statements of Cash Flows
For the years ended October 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (163,986)	\$ 43,406
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain (loss) on operating investments	(63,587)	(99,068)
Change in beneficial interest held by community foundation	(3,111)	(9,441)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Grants and fees receivable	99,336	(62,786)
Prepaid expenses and deposits	28,135	(7,117)
Increase (decrease) in liabilities:		
Accounts payable	32,459	2,651
Accrued payroll liabilities	(1,992)	3,637
Deferred rent and other liabilities	(17,703)	34,656
Net cash provided (used) by operating activities	<u>(90,449)</u>	<u>(94,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested dividend and interest income	(10,028)	(9,192)
Distribution received from beneficial interest held by community foundation	<u>20,226</u>	<u>-</u>
Net cash used in investing activities	<u>10,198</u>	<u>(9,192)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of line of credit	(140,000)	-
Proceeds from line of credit	<u>75,000</u>	<u>75,000</u>
Net cash used by financing activities	<u>(65,000)</u>	<u>75,000</u>
Net increase (decrease) in cash and cash equivalents	(145,251)	(28,254)
Cash and cash equivalents, beginning of year	<u>200,791</u>	<u>229,045</u>
Cash and cash equivalents, end of year	<u><u>\$ 55,540</u></u>	<u><u>\$ 200,791</u></u>

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

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2025 AND 2024

1. DESCRIPTION OF THE ORGANIZATION

Colorado Humanities (the Organization) 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. The Organization develops programs in-house which are presented throughout Colorado. Programs are developed in partnership with educational and cultural organizations, and the Organization may also provide financial and technical assistance towards partnership programs. The programs of Colorado Humanities 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.

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.

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, 2025 and 2024, 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, 2025 and 2024, Colorado Humanities 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

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2025 AND 2024

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 a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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. Colorado Humanities records all contributions received with donor restrictions as increases in net assets with donor restrictions. When restrictions are satisfied, including when they are satisfied in the same reporting period as the contribution is received, the related amounts are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities.

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, which consist primarily of ticket sales for programs and events, when the performance obligations are satisfied, which generally occurs at the point in time when the related program or event is held.

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

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2025 AND 2024

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 NEH cost-reimbursable grants of \$161,203 that have not been recognized at October 31, 2025 and 2024, because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the federal contracts and grants.

In addition to contributions and grants, Colorado Humanities earns revenue from contracts with customers, which are accounted for in accordance with ASC 606, Revenue from Contracts with Customers. These revenues primarily include program fees, ticket and registration fees, materials sales, billable services, and packaged program cost share arrangements. Revenue is recognized at the point in time when the related goods or services are provided to customers and Colorado Humanities' performance obligations under the contract have been satisfied.

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). The Organization 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.

Leases. The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Advertising Costs. Advertising costs are expensed as incurred, and approximated \$7,694 and \$9,402 during the years ended October 31, 2025 and 2024, 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, 2025 and 2024. 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

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2025 AND 2024

and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. There are no significant estimates.

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 grants and fees receivable 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 Organization.

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:

	2025	2024
Cash and cash equivalents	\$ 55,540	\$ 200,791
Marketable securities	569,919	496,304
Grants and fees receivable	-	99,336
Beneficial interest in net assets of community foundation	42,762	59,877
Total financial assets	\$ 668,221	\$ 856,308
Less net assets with Donor Restrictions	(55,688)	(86,788)
	<u>\$ 612,533</u>	<u>\$ 769,520</u>

The Organization maintains an endowment whose earnings may be appropriated for general operations in accordance with the spending policies described in Note 5. Amounts appropriated for general expenditure as part of the Board's annual budget process may be used to fund general operating activities.

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, 2025 and 2024, is as follows:

	2025	2024
Cost	\$ 365,067	\$ 355,039
Gross unrealized gains	204,852	141,265
Fair Value	<u>\$ 569,919</u>	<u>\$ 496,304</u>

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

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

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

Level 2—Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at October 31, 2025 and 2024.

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 Colorado Gives Foundation: Valued at the fair value of the underlying assets, as reported to Colorado Humanities by Colorado Gives Foundation (the Foundation). 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 holds in the beneficial interest in assets held by Colorado Gives Foundation is, therefore, not readily determinable. Colorado Humanities considers all of the assets invested in the beneficial interest in assets held by the Foundation to be Level 3.

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

COLORADO HUMANITIES
NOTES TO FINANCIAL STATEMENTS
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The following table sets forth by level, within the fair value hierarchy, Colorado Humanities' assets at fair value as of October 31, 2025 and 2024:

Assets at Fair Value as of October 31, 2025

	Level 1	Level 2	Level 3	Total
Mutual Funds and Exchange Traded Funds	\$ 569,919	\$ -	\$ -	\$ 569,919
Beneficial Interest in Assets held by Colorado Gives	-	-	42,762	42,762
Total assets at fair value	\$ 569,919	\$ -	\$ 42,762	\$ 612,681

Assets at Fair Value as of October 31, 2024

	Level 1	Level 2	Level 3	Total
Mutual Funds and Exchange Traded Funds	\$ 496,304	\$ -	\$ -	\$ 496,304
Beneficial Interest in Assets held by Colorado Gives	-	-	59,877	59,877
Total assets at fair value	\$ 496,304	\$ -	\$ 59,877	\$ 556,181

See footnote 5 for reconciliation of level 3 investments.

5. BENEFICIAL INTEREST HELD IN COLORADO GIVES FOUNDATION

Colorado Humanities has one endowment fund with the Colorado Gives Foundation. Contributions received to establish this fund are held in perpetuity; however, Colorado Humanities may use investment earnings to support its programs. All earnings are considered restricted until appropriated for expenditure in accordance with the endowment agreement and applicable laws.

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, 2025 and 2024 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

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distributions from the Foundation for amounts in excess of the underlying assets. The Board requested a distribution of available earnings during the year ended October 31, 2025, but did not request a distribution during the year ended October 31, 2024. 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 held by community foundation.

Colorado Gives Foundation's 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 yield objective for short-term investments is between 4.0% and 6.5%. The target allocation for the long-term investment portfolio is approximately 57% equities and 43% fixed income. As of October 31, 2025 and 2024, 100% of the Foundations funds are held in the long term portfolio.

Changes in Endowment net assets for the years ended October 31, 2025 are as follows:

Endowment net assets at October 31, 2024	\$ 59,877
Investment Return:	
Investment Income	1,524
Fees	(575)
Net appreciation (realized and unrealized)	2,162
Total investment return	3,111
Disbursement	(20,226)
Net change in endowment assets	(17,115)
Endowment net assets at October 31, 2025	<u>\$ 42,762</u>

6. LINE OF CREDIT

The Organization maintains a \$100,000 line of credit. The line matures on February 21, 2027 and accrues interest at the prime rate plus 2.99%. As of October 31, 2025 and 2024, the line of credit balance was \$10,000 and \$75,000, respectively.

7. COMMITMENTS AND CONTINGENCIES

Colorado Humanities leases its office space under an agreement that includes a limited cancellation clause. If Colorado Humanities experiences a reduction of thirty percent or more in its annual federal grant award, the lease may be terminated. After October 31, 2024, Colorado Humanities experienced a reduction of over thirty percent in federal grant revenue, and the lease became eligible for termination. The lease also provides for extension options through July 31, 2034.

Due to this termination provision, management has concluded the lease is cancelable under ASC 842. Accordingly, no right-of-use asset or lease liability has been recognized, and rent expense is recorded as incurred. Total rent expense for office space for the years ended October 31, 2025 and 2024, was \$106,242 and \$110,165, respectively. The lease calls for monthly payments of \$8,084 through July 31, 2026; however, as noted in Note 12, the lease was canceled subsequent to year end and all remaining obligations were settled.

8. MAJOR DONORS

A significant portion of Colorado Humanities' revenue is derived from a large federal grant from the National Endowment for the Humanities (NEH). During the years ended October 31, 2025 and 2024,

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approximately 63% and 78%, respectively, of Colorado Humanities' total revenue was provided by this grantor. This concentration of revenue exposes the Organization to a current vulnerability related to changes in federal legislative and funding priorities; see the subsequent events footnote for additional information on the current status of NEH funding.

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. Colorado Humanities 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 \$53,738 and \$45,979 into the Plan for their employees for the fiscal years ended October 31, 2025 and 2024, 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, 2025 and 2024 are restricted by donors for specific programs. Amounts are released from restrictions when they are expended for the purpose specified by the donor. Amounts were restricted as follows for the year ended October 31:

	2025	2024
Restricted by Donors for specific purposes:		
Reading and Writing Program	\$ -	\$ 1,186
Living History Program	12,926	25,725
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Beneficial Interest in Colorado Gives Foundation Assets	42,762	59,877
Total Assets with Donor Restrictions:	<u>\$ 55,688</u>	<u>\$ 86,788</u>

Of this amount, \$42,762 and \$59,877 at October 31, 2025 and 2024 respectively and is held in the Colorado Gives Foundation (see Note 5).

Net assets with donor restrictions are reclassified to net assets without donor restrictions when the time and purpose restrictions imposed by donors have been satisfied. For the years ended October 31, 2025 and 2024, net assets released from restrictions as a result of satisfying program or time restrictions were \$741,980 and \$1,368,243, respectively. During the year ended October 31, 2025, the Board also appropriated \$20,226 from net assets with donor restrictions in accordance with its spending policy, and those amounts were released from restriction and reported in net assets without donor restrictions.

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11. CONTRIBUTED NONFINANCIAL ASSETS

For the years ended October 31, 2025 and 2024, contributed nonfinancial assets recognized within the statements of activities included the following:

	2025	2024
Judge Expense	\$ 57,617	\$ 85,990
Contract Labor	6,095	6,828
Printing and Supplies	1,406	3,955
Venue Expense	29,475	23,783
Total	<u>\$ 94,593</u>	<u>\$ 120,556</u>

Donated judge services and venue costs are utilized in program services; donated contract labor and donated food used for administrative activities are reported within management and general; and donated printing and supplies are reported within both program services and management and general.

Donated judge services consist of time contributed by judges and selectors for the Colorado Book Awards program. These individuals provide specialized skills in literary evaluation and manuscript review that are essential to the award selection process. The services are valued at fair value using current rates for similar professional services.

Donated contract labor includes professional, event, and childcare services supporting the Reading and Writing Program and the general operations of Colorado Humanities. These contributions are valued at fair value based on current rates for comparable services.

Contributed printing and supplies consist primarily of donated posters, flyers, books, and training materials used in the Living History and Reading and Writing programs. These contributions are valued at fair value based on the amounts the donors would charge customers for similar items.

Contributed venue expense includes donated event space for the Colorado Book Awards, Colorado Poet Laureate, Colorado West Chautauqua (Grand Junction), High Plains Chautauqua, History Live Durango, and Motherhead/Fatheread Institute events hosted by Colorado Humanities throughout the year. These contributions are valued at fair value based on the amounts the donors would charge customers for similar rentals.

Colorado Humanities also receives a significant amount of contributed volunteer time. Many individuals volunteer their services in a variety of roles; however, those services are not recognized as contributed revenue because they do not meet the criteria for recognition under ASC 958, that is, they do not create or enhance a nonfinancial asset or require specialized skills that would typically need to be purchased if not donated. While this support does not meet the recognition criteria under U.S. generally accepted accounting principles it is reported for cost-sharing purposes under the NEH grant. Total in-kind support reported for cost sharing purposes, including amounts recognized in the statements of activities, was approximately \$1,167,040 and \$1,781,613 for the years ended October 31, 2025 and 2024, 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.

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The current economic environment, together with recent changes at the National Endowment for the Humanities (NEH), has created challenges for Colorado Humanities related to the level and timing of federal funding. On April 2, 2025, NEH terminated all ongoing five-year NEH General Operating Support grants to state and jurisdictional humanities councils, including Colorado Humanities. On June 2, 2025, NEH rescinded this termination for all affected councils, including Colorado Humanities, and subsequently funded the councils with a 20% allocation of its fiscal year 2025 programmatic budget, which is approximately 50% less than the congressionally mandated amount.

On May 15, 2025, the Federation of State Humanities Councils (of which Colorado Humanities is a member) and Oregon Humanities jointly filed a lawsuit in federal district court against NEH and the Department of Government Efficiency, alleging illegal termination of grants and withholding of funds to the fifty-six state and jurisdictional humanities councils. A motion for summary judgment has been filed, and a ruling is expected in the summer of 2026.

With the passage of the federal fiscal year 2026 budget, Congress appropriated \$65 million in full funding for the humanities councils. Colorado Humanities has received official communication from NEH that partial funds, equal to approximately 50% of the congressionally mandated amount, will be released to the humanities councils by June 2026, and NEH has opened applications for fiscal year 2027 funding. Colorado Humanities has submitted its application requesting the full congressionally mandated funding amount.

To mitigate the impact of reduced federal funding and support long-term sustainability, Colorado Humanities has implemented measures to reduce operating costs and diversify revenue sources. These actions include transitioning to a fully remote operating model, reducing staff to a smaller cross-functional team, and modernizing financial and technology systems.

Additionally, subsequent to year end, the office lease was terminated in accordance with the termination provisions described in Note 7, and the remaining amounts owed were settled at a reduced amount.