

# **HUMANITIES WASHINGTON**

DECEMBER 31, 2019 AND 2018  
FINANCIAL STATEMENTS



# HUMANITIES WASHINGTON

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## Independent Auditors' Report

Board of Trustees  
Humanities Washington  
Seattle, Washington

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

We have audited the accompanying financial statements of Humanities Washington (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



Board of Trustees  
Humanities Washington  
Seattle, Washington

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humanities Washington as of December 31, 2019 and 2018, 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.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 November 19, 2020, on our consideration of Humanities Washington's 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 Humanities Washington's 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 Humanities Washington's internal control over financial reporting and compliance.

**BADER MARTIN, P.S.**

November 19, 2020

# HUMANITIES WASHINGTON

## STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 403,475	\$ 595,303
Investments	681,406	444,785
Pledges receivable	69,306	59,370
Grants and other receivables	38,220	37,491
Deposits and prepaid expenses	32,995	35,416
Total current assets	1,225,402	1,172,365
Property and equipment, net	31,930	48,822
Endowment investments	404,956	342,722
Total assets	<b>\$ 1,662,288</b>	<b>\$ 1,563,909</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 84,375	\$ 47,775
Deferred revenue	17,677	32,009
Capital lease, current portion	1,283	1,157
Grants payable	17,000	18,890
Total current liabilities	120,335	99,831
Capital lease, net of current portion	2,062	3,345
Deferred rent	5,715	6,587
Total liabilities	128,112	109,763
Net assets:		
Without donor restrictions	807,601	824,929
With donor restrictions	726,575	629,217
Total net assets	1,534,176	1,454,146
Total liabilities and net assets	<b>\$ 1,662,288</b>	<b>\$ 1,563,909</b>

*See notes to financial statements*

# HUMANITIES WASHINGTON

## STATEMENT OF ACTIVITIES

FOR YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Grants	\$ 1,037,704	\$ 256,884	\$ 1,294,588
Gifts and contributions	61,765	201,117	262,882
Special events, net of expenses of \$79,189	75,838		75,838
Other income	2,664		2,664
Net investment return	62,289	62,234	124,523
Net assets released from restrictions	422,877	(422,877)	
Total support and revenue	<u>1,663,137</u>	<u>97,358</u>	<u>1,760,495</u>
Operating expenses:			
Program services:			
Family Reading	311,067		311,067
Speakers Bureau	246,817		246,817
Center for WA Cultural Traditions	242,168		242,168
Think & Drink Conversation Programs	108,780		108,780
Grants	92,594		92,594
Other programs	278,653		278,653
Total program services	<u>1,280,079</u>		<u>1,280,079</u>
Support services:			
Management & general	199,985		199,985
Fundraising	200,401		200,401
Total support services	<u>400,386</u>		<u>400,386</u>
Total operating expenses	<u>1,680,465</u>		<u>1,680,465</u>
Change in net assets	(17,328)	97,358	80,030
Net assets, beginning of year	<u>824,929</u>	<u>629,217</u>	<u>1,454,146</u>
Net assets, end of year	<u><u>\$ 807,601</u></u>	<u><u>\$ 726,575</u></u>	<u><u>\$ 1,534,176</u></u>

*See notes to financial statements*

# HUMANITIES WASHINGTON

## STATEMENT OF ACTIVITIES

FOR YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Grants	\$ 905,811	\$ 200,000	\$ 1,105,811
Gifts and contributions	164,270	277,448	441,718
Special events, net of expenses of \$75,643	100,316		100,316
Other income	19,724		19,724
Net investment loss	(18,207)	(22,237)	(40,444)
Net assets released from restrictions	358,579	(358,579)	
Total support and revenue	<u>1,530,493</u>	<u>96,632</u>	<u>1,627,125</u>
Operating expenses:			
Program services:			
Family Reading	267,563		267,563
Speakers Bureau	276,707		276,707
Center for WA Cultural Traditions	204,448		204,448
Think & Drink Conversation Programs	137,375		137,375
Grants	92,523		92,523
Other programs	218,029		218,029
Total program services	<u>1,196,645</u>		<u>1,196,645</u>
Support services:			
Management & general	127,436		127,436
Fundraising	205,523		205,523
Total support services	<u>332,959</u>		<u>332,959</u>
Total operating expenses	<u>1,529,604</u>		<u>1,529,604</u>
Change in net assets	889	96,632	97,521
Net assets, beginning of year	<u>824,040</u>	<u>532,585</u>	<u>1,356,625</u>
Net assets, end of year	<u><u>\$ 824,929</u></u>	<u><u>\$ 629,217</u></u>	<u><u>\$ 1,454,146</u></u>

*See notes to financial statements*

**HUMANITIES WASHINGTON**

STATEMENT OF FUNCTIONAL EXPENSES

FOR YEAR ENDED DECEMBER 31, 2019

	Family Reading	Speakers Bureau	Center for WA Cultural Traditions	Think & Drink	Grants	Other Programs	Total Program Services	Management & General	Fundraising	Total
Grants to domestic organizations					\$ 42,410		\$ 42,410			\$ 42,410
Wages, benefits and payroll taxes	\$ 105,199	\$ 92,874	\$ 115,637	\$ 83,423	35,852	\$ 149,321	582,306	\$ 107,852	\$ 146,771	836,929
Management	556	556	556	556	556	1,112	3,892	552	556	5,000
Legal								1,113		1,113
Accounting								31,354		31,354
Lobbying								10,000		10,000
Professional fundraising services									29,978	29,978
Advertising and promotion	162	139	177	120	53	26,837	27,488	213	738	28,439
Office expenses	1,832	1,547	1,968	1,445	605	2,533	9,930	2,418	2,553	14,901
Occupancy	6,311	5,707	6,361	5,054	2,194	9,145	34,772	6,231	8,151	49,154
Travel	3,517	1,188	7,658	1,014	334	22,429	36,140	20,892	954	57,986
Conferences, conventions, meetings								9,066		9,066
Interest								414		414
Depreciation and amortization	1,877	1,877	1,877	1,877	1,877	3,753	13,138	1,877	1,877	16,892
Insurance	498	498	498	498	498	995	3,485	583	498	4,566
Repairs and maintenance	1,631	1,500	1,959	1,199	503	3,674	10,466	1,342	2,180	13,988
Direct program expenses	181,189	136,452	99,954	10,070	1,357	40,366	469,388			469,388
Dues and fees	3,554	3,300	4,535	3,034	6,159	12,155	32,737	5,347	5,125	43,209
Postage	4,244	206	266	168	64	5,637	10,585	213	207	11,005
Miscellaneous	497	973	722	322	132	696	3,342	518	813	4,673
<b>Total expenses</b>	<b>\$ 311,067</b>	<b>\$ 246,817</b>	<b>\$ 242,168</b>	<b>\$ 108,780</b>	<b>\$ 92,594</b>	<b>\$ 278,653</b>	<b>\$ 1,280,079</b>	<b>\$ 199,985</b>	<b>\$ 200,401</b>	<b>\$ 1,680,465</b>

*See notes to financial statements*



**HUMANITIES WASHINGTON**

STATEMENT OF FUNCTIONAL EXPENSES

FOR YEAR ENDED DECEMBER 31, 2018

	Family Reading	Speakers Bureau	Center for WA Cultural Traditions	Think & Drink	Grants	Other Programs	Total Program Services	Management & General	Fundraising	Total
Grants to domestic organizations					\$ 42,742		\$ 42,742			\$ 42,742
Wages, benefits and payroll taxes	\$ 93,230	\$ 131,123	\$ 126,720	\$ 90,586	35,975	\$ 97,969	575,603	\$ 56,055	\$ 134,829	766,487
Management	616	616	616	616	616	1,232	4,312	2,784	616	7,712
Accounting								22,693		22,693
Lobbying								10,000		10,000
Professional fundraising services									43,825	43,825
Advertising and promotion	249	8,468	540	303	72	10,245	19,877	114	260	20,251
Office expenses	1,608	2,202	5,768	2,499	572	2,136	14,785	1,100	2,482	18,367
Occupancy	5,890	8,085	7,911	5,866	2,373	6,265	36,390	3,615	8,080	48,085
Travel	2,420	2,928	7,949	2,306	14	13,121	28,738	10,342	727	39,807
Conferences, conventions, meetings								12,060		12,060
Interest								527		527
Depreciation and amortization	1,823	1,823	1,823	1,823	1,823	3,649	12,764	1,823	1,823	16,410
Insurance	456	456	465	456	456	912	3,201	544	456	4,201
Repairs and maintenance	695	2,193	799	663	245	2,228	6,823	375	946	8,144
Direct program expenses	151,277	112,106	45,363	27,164	41	62,025	397,976			397,976
Dues and fees	4,893	5,143	5,805	4,624	7,425	15,138	43,028	4,742	9,341	57,111
Postage	4,021	1,063	243	129	44	2,482	7,982	220	1,431	9,633
Miscellaneous	385	501	446	340	125	627	2,424	442	707	3,573
<b>Total expenses</b>	<b>\$ 267,563</b>	<b>\$ 276,707</b>	<b>\$ 204,448</b>	<b>\$ 137,375</b>	<b>\$ 92,523</b>	<b>\$ 218,029</b>	<b>\$ 1,196,645</b>	<b>\$ 127,436</b>	<b>\$ 205,523</b>	<b>\$ 1,529,604</b>

*See notes to financial statements*

# HUMANITIES WASHINGTON

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 80,030	\$ 97,521
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	16,892	16,410
Realized and unrealized (gains) losses on investments	(106,994)	56,514
Donated securities	(7,501)	(1,715)
Changes in operating assets and liabilities:		
Pledges, grants, and other receivables	(10,665)	(50,729)
Deposits and prepaid expenses	2,421	(2,625)
Accounts payable and accrued expenses	36,600	4,507
Deferred revenue	(14,332)	32,009
Grants payable	(1,890)	1,750
Deferred rent	(872)	541
Net cash provided by (used in) operating activities	<u>(6,311)</u>	<u>154,183</u>
Cash flows from investing activities:		
Purchase of property and equipment		(4,365)
Purchases of investments	(498,892)	(398,228)
Proceeds from sales of investments	314,532	384,858
Net cash used in investing activities	<u>(184,360)</u>	<u>(17,735)</u>
Cash flows from financing activities:		
Payments on capital lease	(1,157)	(1,044)
Net change in cash and cash equivalents	(191,828)	135,404
Cash and cash equivalents, beginning of year	595,303	459,899
Cash and cash equivalents, end of year	<u><u>\$ 403,475</u></u>	<u><u>\$ 595,303</u></u>
Supplemental cash flow disclosures:		
Equipment purchased with capital lease		<u><u>\$ 6,159</u></u>

*See notes to financial statements*

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization:

Humanities Washington (HW) is an independent, not-for-profit organization incorporated in 1973 that exists to provide public programs in the humanities. HW creates spaces for people to explore different perspectives, opening minds and bridging divides. Through the programs noted below, HW promotes awareness of the history of local communities and their residents, provides opportunities for people to gather and learn more about their unique past and shared present, and nurtures relationships that enable communities to move forward towards a more prosperous future. HW acts as a catalyst and facilitator, supporting and partnering with a wide network of communities, organizations, and individuals across the state by creating, inspiring, supporting, and enhancing high quality public humanities programming; providing organizational and technical support to community organizations across the state; and promoting public awareness of the power of the humanities and the value it provides individuals, organizations, and communities statewide.

HW is one of 56 state and jurisdictional humanities councils whose work is funded, in part, by the National Endowment for the Humanities (NEH). NEH funding must be matched, at least, 1:1 by cash contributions to the council from any source, program income the council has earned, subrecipient (grantee) cost share, and the value of in-kind contributions made by a third party. As a recipient of federal funds, HW is affected by the specific legislative authority of the NEH, which provides that only activities that are within the humanities, as defined by Congress, can be supported by federal funds. Contributions from individuals, corporations, and foundations provide HW with the ability to reach more broadly across the state and meet important needs in rural and urban communities.

Humanities Washington's primary programs are:

**Family Reading** – HW's family reading program nurtures reading skills, creates a predisposition for future learning, and builds critical thinking skills and family bonds through group discussions about the themes presented in children's literature. The program focuses on academically at-risk children in elementary school, typically from low-income communities.

**Speakers Bureau** – Speakers travel the state to deliver free presentations and lead discussions on diverse subjects including history, politics, music, philosophy, spiritual traditions, and everything in between. Speakers are carefully selected based on their expertise and ability to offer fascinating content and insight that inspires discussion with audiences of all ages and backgrounds.

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Organization (continued):

Center for Washington Cultural Traditions – HW’s newest program, the Center for Washington Cultural Traditions is Washington State’s folklife and traditional arts program, developed and run as a partnership between HW and ArtsWA/the Washington State Arts Commission. Folklife and traditional arts are activities and objects that are inseparable from a cultural community. They are expressions of people’s heritage and help tell their story: foods, occupations, crafts, traditional medicine, storytelling, music, and more. The Center serves communities throughout Washington State by surveying, studying, and supporting cultural traditions and tradition bearers through research and a wide range of programming.

Think & Drink Conversation Programs – HW’s Think & Drink program brings hosted conversations on provocative topics and new ideas to pubs and tasting rooms across the state, sparking lively conversation on ethics, morality, religion, history, and politics.

Grants – Through a small grants program, HW supports projects across the state that use the humanities as a launch point for community dialogue and discussion about contemporary issues. The primary goal of this support is to encourage a critical examination of ideas, provide context for current issues, and build bridges between public issues and research.

Other Programs – HW sponsors the Washington State Poet Laureate in partnership with ArtsWA/the Washington State Arts Commission. The poet laureate serves a two-year term and builds awareness of and appreciation for poetry through public readings, workshops, lectures, and presentations in communities, schools, colleges, universities, and other public settings in geographically diverse areas of the state. In addition, HW presents the annual Humanities Washington Award, given in memory of Heather C. Frank of Yakima. The Humanities Washington Award recognizes outstanding achievement in the public humanities in two categories: "Philanthropy and Leadership" and "Scholarship and Service." These awards are presented annually to two individuals or organizations whose time and talents enlarge the meaning of the humanities in our lives and whose work reflects the spirit and programs of HW. Lastly, on an ongoing basis, HW is also involved in humanities-related special initiatives and ad-hoc projects.

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies:

#### Basis of accounting:

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

#### Net assets and revenue recognition:

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of HW and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations that consist of assets, liabilities, revenue, and expenses available for current programs and administration. It also consists of capital assets acquired through expenditure of unrestricted funds or in satisfaction of restrictions on funds contributed to purchase capital assets.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations, and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. When a restriction expires or the stipulated purpose has been fulfilled, 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. Expenses are reported as decreases in net assets without donor restrictions.

HW's grants support and revenue is generally from grants funded on a reimbursement basis. HW recognizes grant revenue when amounts allowed for reimbursement have been expended or conditions have been met. Unconditional promises to give and contributions are recorded at fair value as cash or receivables, and as revenues in the period received, in accordance with donor-imposed restrictions.

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### Cash and cash equivalents:

HW considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. On occasion, HW maintains cash balances in excess of federal insurance limits.

#### Investments:

All investments are presented at fair value. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of investments was determined using Level 1 observable market inputs, within the fair value hierarchy, consisting of quoted prices in active markets for identical assets. Cash and cash equivalents included in the investment balances are reported as investments due to the nature of their purpose and any amounts held at year end are for future investing activities.

Net investment return (loss) is reported on the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment management expenses.

#### Receivables:

Receivables are stated at the amount management expects to collect. Management provides for uncollectible amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts. Specific accounts are written off against the allowance after management has used all reasonable means to collect. No such allowance was deemed necessary at December 31, 2019 or 2018.

#### Property and equipment:

Property and equipment is stated at cost, except for donated items which are stated at their estimated fair value at the date of the gift. Repairs and maintenance of equipment are expensed as incurred. HW capitalizes all property and equipment purchases with an estimated useful life of more than one year and a total cost greater than \$1,500. Depreciation is computed using the straight-line method and the half-year convention over estimated useful lives of two to ten years. Leasehold improvements are amortized over the shorter of the term of the lease or useful life.

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### Property and equipment (continued):

HW has a capital lease agreement with a third party for a copier machine. Property and equipment includes \$6,159 related to the asset held under capital lease as of December 31, 2019 and 2018. Accumulated depreciation includes \$2,566 and \$1,540 related to the asset held under the capital lease as of December 31, 2019 and 2018, respectively.

#### Grant expense:

Grant expense and the related liability are recognized when grants are awarded by HW.

#### Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Concentrations of risks:

HW's assets are exposed to various risks such as interest rate, market, and credit risks. Due to the risk associated with certain assets, it is reasonably possible that changes in the values of the assets will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. At December 31, 2019, 43% of receivables were due from two donors. At December 31, 2018, 83% of receivables were due from two donors and one Federal awarding agency.

A significant portion of HW revenues consists of government grants. A significant reduction in the level of this support, if this were to occur, may have a significant adverse effect on HW's programs. The grants from the NEH require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to the NEH. The NEH grants accounted for 57% and 53% of total support and revenue for 2019 and 2018, respectively.

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related disclosures. Actual results could differ from those estimates.

#### Income taxes:

HW is a nonprofit corporation as defined in Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code.

HW evaluates its uncertain tax positions and a loss contingency is recognized when it is more likely than not that a liability has been incurred and the amount can be reasonably estimated.

#### Donated goods and services:

Contributed goods and services are included in in-kind contributions for the years ended December 31, 2019 and 2018, respectively. These services benefited HW as a whole and included donated professional services, software licenses, and travel expenses. HW received \$18,244 and \$41,984 in 2019 and 2018, respectively.

#### Subsequent events:

HW has evaluated subsequent events through the date these financial statements were available to be issued, which was November 19, 2020.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States (US). The immediate impact on the US and international economies has been significant. There is significant uncertainty regarding the breadth and duration of the business disruptions related to COVID-19, as well as the impact on the US and global economies. The Organization does not expect this matter to negatively affect its results of operations, financial position, or cash flows.



# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued):

#### Subsequent events (continued):

In April 2020, the Organization received a loan of \$153,906 through the U.S. Small Business Administration (SBA) Paycheck Protection Program. The loan bears interest at 1% and will mature in April 2022. Loan payments are deferred to either (1) the date that the SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. If certain terms of the agreement are met, some or all of the balance owed will be forgiven.

In addition, the Organization received \$568,167 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds through an existing NEH grant for mandatory re-grant to subrecipients within Washington State's cultural community for general operating support.

### 3. Liquidity and availability:

Financial assets to meet cash needs for general expenditures within one year consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 403,475	\$ 595,303
Investments	1,086,362	787,507
Receivables	<u>107,526</u>	<u>96,861</u>
Total financial assets	1,597,363	1,479,671
Donor-imposed restrictions:		
Restricted funds	(321,617)	(286,495)
Endowments - corpus	<u>(261,583)</u>	<u>(261,583)</u>
Net financial assets after donor-imposed restrictions	1,014,163	931,593
Internal designations:		
Endowment fund earnings	(143,375)	(81,139)
Board designated funds	<u>(505,561)</u>	<u>(444,784)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 365,227</u></u>	<u><u>\$ 405,670</u></u>

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 3. Liquidity and availability (continued):

HW generally receives about fifty percent of its annual revenues from the NEH, which are usually committed before the fiscal year begins; forty percent from contributions and pledges from both public and private donors, half of which are normally committed in advance of finalizing program expenses; and the remaining ten percent from its investment portfolio and in-kind contributions. HW considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Because the majority of HW's revenues are committed prior to the start of each fiscal year, concerns about maintaining adequate liquid assets to fund near-term operating needs are low. HW manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. HW maintains an operating reserves policy that stipulates a year-end balance of at least four months but no more than six months of expected expenditures in invested reserves plus the balance of unrestricted and undesignated earnings on the permanent endowment. To achieve these targets, HW forecasts its future cash flows and monitors its liquidity and reserves bi-monthly.

### 4. Investments:

Investments consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 11,259	\$ 10,097
Fixed income mutual funds	400,593	370,852
Equity mutual funds	<u>674,510</u>	<u>406,558</u>
	<u><b>\$ 1,086,362</b></u>	<u><b>\$ 787,507</b></u>

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 4. Investments (continued):

Investments are presented in the statements of financial position as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Without donor restrictions	\$ 681,406	\$ 444,785
With donor restrictions	<u>404,956</u>	<u>342,722</u>
	<u><b>\$ 1,086,362</b></u>	<u><b>\$ 787,507</b></u>

Investment return (loss) consists of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 24,180	\$ 22,604
Realized gains	6,407	11,313
Unrealized gains (losses)	100,587	(67,827)
Investment management fees	<u>(6,651)</u>	<u>(6,534)</u>
	<u><b>\$ 124,523</b></u>	<u><b>\$ (40,444)</b></u>

### 5. Pledges receivable:

Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value, which is measured at present value of the future cash flows. The discounts (if any) on those amounts are computed using risk-adjusted interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in the gifts and contributions revenue in the statements of activities.

All pledges receivable were expected to be collected within one year at December 31, 2019 and 2018.

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Property and equipment:

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Information technology	\$ 86,463	\$ 90,232
Furniture and fixtures	45,843	45,843
Leasehold improvements	<u>23,706</u>	<u>23,706</u>
	156,012	159,781
Less accumulated depreciation	<u>124,082</u>	<u>110,959</u>
Total	<u><u>\$ 31,930</u></u>	<u><u>\$ 48,822</u></u>

7. Net assets without donor restrictions:

Net assets without donor restrictions consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 302,040	\$ 380,145
Board designated operating reserves	<u>505,561</u>	<u>444,784</u>
Total net assets without donor restriction	<u><u>\$ 807,601</u></u>	<u><u>\$ 824,929</u></u>

HW's Board of Trustees has set aside a specific proportion of financial assets without donor restrictions as reserves to fund operations in case of shortfall in funding sources.

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Net assets with donor restrictions:

Net assets with donor restrictions consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Subject to the passage of time or expenditure for a specified purpose:		
Family Reading program	\$ 54,228	\$ 63,392
Endowment fund earnings	143,375	81,139
Speakers Bureau program	50,000	50,197
Center for Washington Cultural Traditions	160,974	136,182
Poet Laureate program	11,621	36,724
Democracy and the Informed Citizen	44,794	
	<u>464,992</u>	<u>367,634</u>
Total subject to the passage of time or expenditure for a specified purpose		
Endowments:		
Washington Stories Fund	100,000	100,000
Frank Family Endowment	40,000	40,000
Other endowment gifts	121,583	121,583
	<u>261,583</u>	<u>261,583</u>
Total endowments		
Total net assets with donor restrictions	<u><u>\$ 726,575</u></u>	<u><u>\$ 629,217</u></u>

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 9. Operating lease:

HW leases office space under a noncancelable lease that expires on November 30, 2021. Rent payments escalate over the term of the lease and are included in the future minimum rental payment schedule below. Rent expense amounted to \$49,155 and \$48,085 for the years ended December 31, 2019 and 2018, respectively.

Future minimum rental payments are as follows for the years ending December 31:

2020	\$ 49,932
2021	<u>47,026</u>
	<u><b>\$ 96,958</b></u>

### 10. Employee benefit plan:

HW offers a deferred compensation plan under Section 403(b) of the Internal Revenue Code to all full-time employees. HW made contributions to the plan of up to 6% of each full-time employee's gross annual income for the years ended December 31, 2019 and 2018. Total expenses for the years ended December 31, 2019 and 2018, under this plan were \$36,034 and \$33,647, respectively.

### 11. Endowment:

HW's endowment consists of various funds established for the purpose of providing long-term stability for HW. The endowment is comprised of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

The Board of Trustees of HW has interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 11. Endowment (continued):

#### Interpretation of relevant law (continued):

As a result of this interpretation, HW classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as endowment funds (if any) is classified as net assets with donor restrictions subject to a specified purpose until those amounts are appropriated for expenditure by HW in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, HW considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund,
- The purposes of HW and the donor-restricted endowment fund,
- General economic conditions,
- The possible effects of inflation or deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of HW, and
- The investment policies of HW.

#### Return objectives and risk parameters:

HW has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that HW must hold in perpetuity or for donor-specified periods, as well as board-designated funds. HW expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually based upon a three-year rolling average. Actual returns in any given year may vary from this amount.

#### Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, HW relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HW targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

# HUMANITIES WASHINGTON

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 11. Endowment (continued):

Spending policy and how the investment objectives relate to spending policy:

HW may appropriate for distribution up to 5% of the rolling average of the fair value of endowment funds for the preceding 16 quarters depending on forecasted annual spending requirements. When setting this maximum annual appropriation, HW considered the long-term expected return on its endowment. Accordingly, over the long term, HW expects the current spending plan to allow its endowment to grow at an average of 3% annually. This is consistent with HW's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires HW to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 or 2018.

Endowment net assets:

Endowment net assets consist of donor-restricted funds. Changes to endowment net assets are as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Beginning of year	\$ 342,722	\$ 364,959
Investment return, net	<u>62,234</u>	<u>(22,237)</u>
End of year	<u><b>\$ 404,956</b></u>	<u><b>\$ 342,722</b></u>



## OTHER INFORMATION



Independent Auditors' 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*

Board of Trustees  
Humanities Washington  
Seattle, Washington

We have audited, in accordance with the 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 Humanities Washington (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 November 19, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Humanities Washington's internal control over financial reporting (internal control) to determine the 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 Humanities Washington's internal control. Accordingly, we do not express an opinion on the effectiveness of Humanities Washington's 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.

Board of Trustees  
Humanities Washington  
Seattle, Washington

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Humanities Washington's 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 determination of financial statement amounts. 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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BADER MARTIN, P.S.**

November 19, 2020



Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees  
Humanities Washington  
Seattle, Washington

**Report on Compliance for Each Major Federal Program**

We have audited Humanities Washington's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Humanities Washington's major federal programs for the year ended December 31, 2019. Humanities Washington's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Humanities Washington's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Humanities Washington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Bader Martin, P.S.** Certified Public Accountants + Business Advisors

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Board of Trustees  
Humanities Washington  
Seattle, Washington

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

In our opinion, Humanities Washington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### **Report on Internal Control over Compliance**

Management of Humanities Washington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Humanities Washington's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Humanities Washington's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**BADER MARTIN, P.S.**

November 19, 2020

# HUMANITIES WASHINGTON

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR YEAR ENDED DECEMBER 31, 2019

<u>Federal Assistance Description</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Federal Expenditures</u>
National Foundation of the Arts and the Humanities:			
Promotion of the Humanities - Federal/State Partnership*	45.129	SO-258577-18	\$ 995,365
Promotion of the Arts - Grants to Organizations and Individuals	45.024	1848193-55-19	36,228
Promotion of the Arts Partnership Agreements	45.025	N/A	<u>20,000</u>
Total National Foundation of the Arts and the Humanities			<u>1,051,593</u>
Total expenditures			<u><b>\$ 1,051,593</b></u>

\* Denotes major program

*See notes to schedule of expenditures of federal awards*

# HUMANITIES WASHINGTON

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Humanities Washington (HW) under programs of the federal government for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of HW, it is not intended to and does not present the financial position, changes in net assets, or cash flows of HW.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance.

### 3. Indirect Cost Rate

HW has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

# HUMANITIES WASHINGTON

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

#### Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major federal award programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

#### Identification of Major Programs

##### Name of Federal Program or Cluster

National Foundation of the Arts and the Humanities – Promotion of the Humanities – Federal/State Partnership – CFDA 45.129

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

#### Section II – Financial Reporting Finding

None



# HUMANITIES WASHINGTON

## SCHEDULE OF PRIOR AUDIT FINDINGS

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### **Section III – Federal Award Findings and Questioned Costs**

#### **2018-001 – Proper reporting period**

**Condition:**

The annual SF-425 report is required to be completed using the applicable grant award year.

**Action Taken:** Management has corrected the SF-425 report using the financial data for the grant period.