

HUMANITIES COUNCIL OF WASHINGTON, D.C.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

October 31, 2015 and 2014

HUMANITIES COUNCIL OF WASHINGTON, D.C.

Financial Statements

October 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Humanities Council of Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Humanities Council of Washington, D.C. (the Organization), which comprise the statements of financial position as of October 31, 2015 and 2014, and the related statements of activities 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. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humanities Council of Washington, D.C. as of October 31, 2015 and 2014, 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 Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and are 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 audits 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.

HAN GROUP LLC

HAN GROUP LLC
McLean, Virginia
July 27, 2016

HUMANITIES COUNCIL OF WASHINGTON, D.C.

Statements of Financial Position

October 31, 2015 and 2014

	2015	2014
Assets		
Cash	\$ 227,812	\$ 475,344
Grants and contributions receivable	157,829	167,119
Prepaid expenses	12,453	10,007
Property and equipment, net	4,744	2,288
	<hr/>	<hr/>
Total assets	\$ 402,838	\$ 654,758
	<hr/>	<hr/>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 21,393	\$ 13,232
Accrued leave	18,806	24,300
Pass-through contributions payable	3,000	224,849
Deferred revenue	-	5,000
	<hr/>	<hr/>
Total liabilities	43,199	267,381
	<hr/>	<hr/>
Net Assets		
Unrestricted	300,917	284,994
Temporarily restricted	58,722	102,383
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Total net assets	359,639	387,377
	<hr/>	<hr/>
Total liabilities and net assets	\$ 402,838	\$ 654,758
	<hr/>	<hr/>

See accompanying notes.

HUMANITIES COUNCIL OF WASHINGTON, D.C.

Statement of Activities

Year Ended October 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Federal government grants	\$ 536,184	\$ -	\$ 536,184
Other grants and contracts	261,330	-	261,330
Contributions	63,603	60,000	123,603
Interest income	60	-	60
Other income	24	-	24
Net assets released from purpose restrictions:	103,661	(103,661)	-
Total revenue and support	<u>964,862</u>	<u>(43,661)</u>	<u>921,201</u>
Expenses			
Program services	577,446	-	577,446
Supporting services:			
Management and general	265,977	-	265,977
Fundraising	105,516	-	105,516
Total supporting services	<u>371,493</u>	<u>-</u>	<u>371,493</u>
Total expenses	<u>948,939</u>	<u>-</u>	<u>948,939</u>
Changes in Net Assets	15,923	(43,661)	(27,738)
Net Assets, beginning of year	<u>284,994</u>	<u>102,383</u>	<u>387,377</u>
Net Assets, end of year	<u>\$ 300,917</u>	<u>\$ 58,722</u>	<u>\$ 359,639</u>

See accompanying notes.

HUMANITIES COUNCIL OF WASHINGTON, D.C.

Statement of Activities

Year Ended October 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Federal government grants	\$ 506,055	\$ -	\$ 506,055
Other grants and contracts	309,243	100,000	409,243
Contributions	62,198	59,500	121,698
Interest income	71	-	71
Net assets released from purpose restrictions:	<u>98,702</u>	<u>(98,702)</u>	<u>-</u>
Total revenue and support	<u>976,269</u>	<u>60,798</u>	<u>1,037,067</u>
Expenses			
Program services	609,117	-	609,117
Supporting services:			
Management and general	237,430	-	237,430
Fundraising	<u>113,029</u>	<u>-</u>	<u>113,029</u>
Total supporting services	<u>350,459</u>	<u>-</u>	<u>350,459</u>
Total expenses	<u>959,576</u>	<u>-</u>	<u>959,576</u>
Changes in Net Assets	16,693	60,798	77,491
Net Assets, beginning of year	<u>268,301</u>	<u>41,585</u>	<u>309,886</u>
Net Assets, end of year	<u>\$ 284,994</u>	<u>\$ 102,383</u>	<u>\$ 387,377</u>

See accompanying notes.

HUMANITIES COUNCIL OF WASHINGTON, D.C.

Statements of Cash Flows

Years Ended October 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (27,738)	\$ 77,491
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,069	339
Loss on disposal of property and equipment	1,396	-
Change in operating assets and liabilities:		
Decrease (increase) in grants and contributions receivable	9,290	(41,911)
(Increase) decrease in prepaid expenses	(2,446)	1,273
Increase (decrease) in accounts payable and accrued expenses	8,161	(946)
(Decrease) increase in accrued leave	(5,494)	4,179
(Decrease) increase in pass-through contributions payable	(221,849)	55,819
Decrease in deferred revenue	(5,000)	-
Net cash (used in) provided by operating activities	<u>(242,611)</u>	<u>96,244</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(4,921)</u>	<u>(2,627)</u>
Net cash used in investing activities	<u>(4,921)</u>	<u>(2,627)</u>
Net (Decrease) Increase in Cash	(247,532)	93,617
Cash, beginning of year	<u>475,344</u>	<u>381,727</u>
Cash, end of year	<u><u>\$ 227,812</u></u>	<u><u>\$ 475,344</u></u>

See accompanying notes.

HUMANITIES COUNCIL OF WASHINGTON, D.C.

Notes to Financial Statements

October 31, 2015 and 2014

1. Nature of Operations

Humanities Council of Washington, D.C. (the Organization) is a non-profit organization, incorporated under the laws of the District of Columbia in 1980. The purpose of the Organization is to fund and conduct humanities-based cultural and educational programs within the District of Columbia. The Organization funds its program and supporting services primarily through grants and contributions from federal government agencies, other government agencies, corporations, foundations and individuals.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Grants and Contributions Receivable

Grants and contributions receivable are due from the Organization's various grantors and contributors. The balances of grants and contributions receivable at October 31, 2015 and 2014 have been deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

Property and Equipment

Property and equipment over \$1,000 with a projected useful life exceeding one year are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives. Expenditures for minor and routine repairs and maintenance are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses.

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or the passage of time.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Grants revenue under cost reimbursable federal government grants is recognized based upon direct costs incurred plus allowable indirect costs. Revenue recognized but not received from the granting agency is reported as grants receivable in the accompanying statements of financial position.

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted grants and contributions received and fulfilled in the same accounting period are treated as unrestricted. Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Certain management and staff expenses have been allocated to program and supporting services on the basis of time spent.

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 certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Concentrations

The Organization maintains cash deposits with various financial institutions that may, from time to time, exceed insurable limits. Management periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

HUMANITIES COUNCIL OF WASHINGTON, D.C.

Notes to Financial Statements

October 31, 2015 and 2014

3. Concentrations (continued)

During the year ended October 31, 2015, the Organization received 77% of its revenue from the National Endowment for the Humanities and the Commission on the Arts and Humanities of the Government of the District of Columbia. The Organization received 68% of its revenue from the National Endowment for the Humanities and the Commission on the Arts and Humanities of the Government of the District of Columbia during the year ended October 31, 2014. At October 31, 2015 and 2014, 90% and 92%, respectively, of grants and contributions receivable were due from three grantors including the National Endowment for the Humanities and Humanities of the Government of the District of Columbia.

4. Property and Equipment

The Organization held the following property and equipment at October 31:

	<u>2015</u>	<u>2014</u>
Computer equipment and software	\$ 25,283	\$ 69,744
Furniture and equipment	<u>8,474</u>	<u>49,320</u>
Total property and equipment	33,757	119,064
Less: accumulated depreciation	<u>(29,013)</u>	<u>(116,776)</u>
Property and equipment, net	<u>\$ 4,744</u>	<u>\$ 2,288</u>

5. Pass-Through Contributions

The Organization accepts contributions on behalf of others and subsequently transfers the contributions to various designated recipient organizations. Based on the nature of these pass-through contributions, the amounts are to be excluded from the Organization's revenues and expenses in accordance with generally accepted accounting principles as the Organization is not considered the primary beneficiary and does not have explicit variance power over the contributions.

During the year ended October 31, 2015, the Organization did not receive any pass-through contributions. Transfers of the contributions to the various designated recipient organizations during the year ended October 31, 2015 were \$221,849. The remaining \$3,000 pass-through contributions payable at October 31, 2015 was subsequently disbursed. Pass-through contributions received during the year ended October 31, 2014 were \$458,076, net of fiscal agent fee of \$23,774. Transfers of the contributions to the various designated recipient organizations during the year ended October 31, 2014 were \$402,257. The remaining \$224,849 that was received but not yet transferred at October 31, 2014 is recorded as pass-through contributions payable in the accompanying statements of financial position.

HUMANITIES COUNCIL OF WASHINGTON, D.C.

Notes to Financial Statements

October 31, 2015 and 2014

6. Commitments and Contingencies

Operating Leases

In November 2000, the Organization entered into an office lease commencing in December 2000 and terminating in November 2003. Subsequent to November 2003, several addendums were made to the lease extending the lease terms. The last addendum to the lease was entered in March 2009 extending the lease from June 2009 to May 2012. The terms of addendum included 4% of rental increase at each anniversary date. The lease converted to a month-to-month lease after the expiration of the last addendum. Rent expense was \$51,917 and \$51,917 for the years ended October 31, 2015 and 2014, respectively.

Government Grants

Funds that the Organization receives from the National Endowment for the Humanities are subject to audit under the provisions of Office of Management and Budget (OMB) Circular A-133. The ultimate determination of amounts received under Federal government grants is based upon the allowance of costs reported to and accepted by the oversight agency. Until such grants are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

7. Temporarily Restricted Net Assets

At October 31, 2015 and 2014, temporarily restricted net assets are available for the following:

	<u>2015</u>	<u>2014</u>
Centennial Campfires Initiative	\$ 40,000	\$ -
DC Community Heritage Project	3,722	-
One City Youth Initiative	-	58,840
Summer Programming in Ward 8	-	26,132
Teaching Recognition Activities	-	17,411
Time restricted – 2016	<u>15,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 58,722</u>	<u>\$ 102,383</u>

HUMANITIES COUNCIL OF WASHINGTON, D.C.

Notes to Financial Statements

October 31, 2015 and 2014

8. Retirement Plan

The Organization sponsors a 403(b) tax-deferred annuity plan (the Plan) for eligible employees. Eligible employees may contribute a percentage of their annual compensation, subject to certain limitations, to the Plan. The Organization makes contributions at the Board of Director's discretion. The Organization contributed \$6,279 and \$8,268 to the Plan during the years ended October 31, 2015 and 2014, respectively.

9. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the years ended October 31, 2015 and 2014, as the Organization had no taxable net unrelated business income. The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, Income Taxes. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

The Organization performed an evaluation of uncertain tax positions for the years ended October 31, 2015 and 2014, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. At October 31, 2015, the statute of limitations for tax years ended October 31, 2012 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

10. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 27, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.

SUPPLEMENTAL INFORMATION



HUMANITIES COUNCIL OF WASHINGTON, D.C.

Schedule of Functional Expenses

Year Ended October 31, 2015

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 128,433	\$ 156,292	\$ 46,018	\$ 330,743
Professional fees	165,013	-	30,026	195,039
Subgrants	174,863	-	-	174,863
Benefits and taxes	30,292	36,831	10,917	78,040
Rent expenses	25,700	32,393	9,217	67,310
Office expenses	17,191	10,926	4,737	32,854
Travel and meetings	4,734	9,244	76	14,054
Program event expenses	1,575	-	-	1,575
Other expenses	29,645	20,291	4,525	54,461
Total Expenses	\$ 577,446	\$ 265,977	\$ 105,516	\$ 948,939

HUMANITIES COUNCIL OF WASHINGTON D.C.

Schedule of Findings and Questioned Costs

Year Ended October 31, 2015

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 159,707	\$ 148,224	\$ 61,383	\$ 369,314
Professional fees	144,656	-	16,831	161,487
Subgrants	192,063	-	-	192,063
Benefits and taxes	33,720	29,842	13,253	76,815
Rent expenses	30,858	21,802	11,866	64,526
Office expenses	27,107	5,057	4,951	37,115
Travel and meetings	5,033	8,643	178	13,854
Program event expenses	3,652	170	-	3,822
Other expenses	12,321	23,692	4,567	40,580
Total Expenses	\$ 609,117	\$ 237,430	\$ 113,029	\$ 959,576