HUMANITIES MONTANA

May 8, 2024

# RESULTS OF THE AUDIT

## October 31, 2023

JCCS
ACCOUNTING
AUDIT
TAX
EMPLOYEE BENEFITS
SPECIALIZED SERVICES

## OVERVIEW

### Presentation Outline

- Intro and Summary
- Required Communications Letter
- Independent Auditors' Reports
- Financial Statements and Notes
- Form 990

## SUMMARY

**Opinion on Financial Statements**

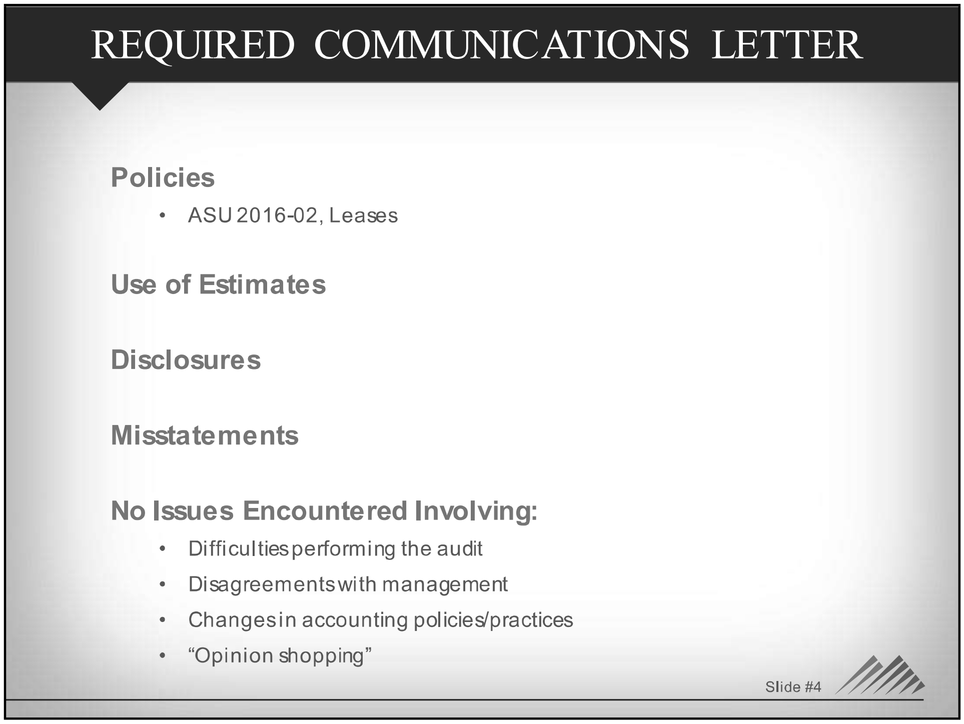
- Unqualified or "Clean" Opinion

**Opinion on Compliance**

- Unqualified or "Clean" Opinion

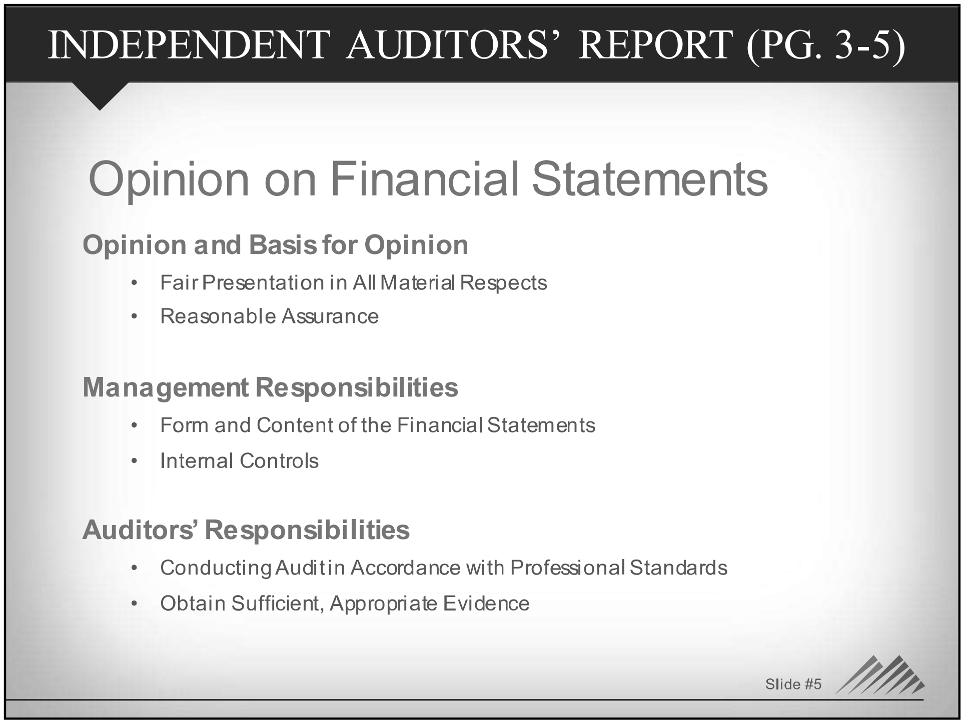
**Report to Management and Governance**

- No Reportable Control Deficiencies




-ASU 2016-02, Leases:

- New leasing standard requires leases with a term longer than one year, including options to renew, to be recorded on the balance sheet as a lease liability. No change for HM as the lease is renewed annually for a term of 12 months with no options to renew.




-Opinion on Financial statements:

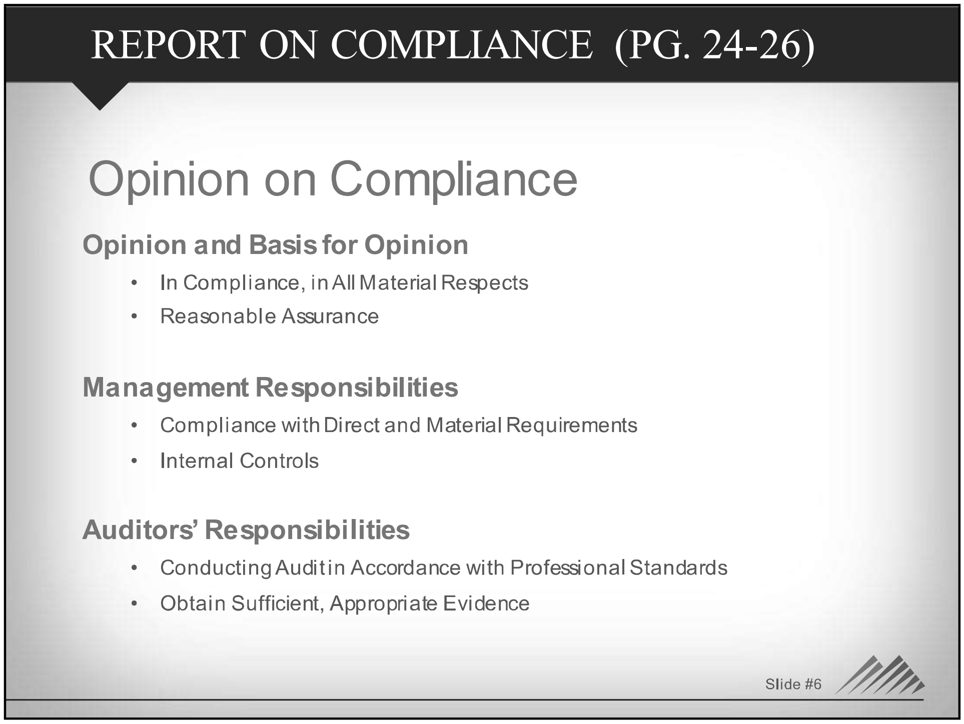
- Unqualified means that we did not have to qualify (or modify) our opinion on whether the financial statements are reasonably free from material misstatements.
    - Material misstatements are those that could influence the judgment of financial statement users.
- Reasonable assurance is a high level of assurance but is not absolute. Absolute assurance is not given due to the use of sampling during an audit (not every transaction is tested) and also audit procedures cannot be designed to overcome certain inherent risks (collusion, management override).

-Management Responsibilities:

- Management is responsible for the form and content of the financial statements, including internal controls over financial reporting.

-Auditor Responsibilities:

- Conduct audit in accordance with professional standards which require that the audit is planned and performed to obtain sufficient and appropriate evidence as a basis for our opinion.
    - Sufficient refers to the quantity of evidence obtained. Appropriate refers to the quality of evidence obtained.




-Opinion on Compliance:

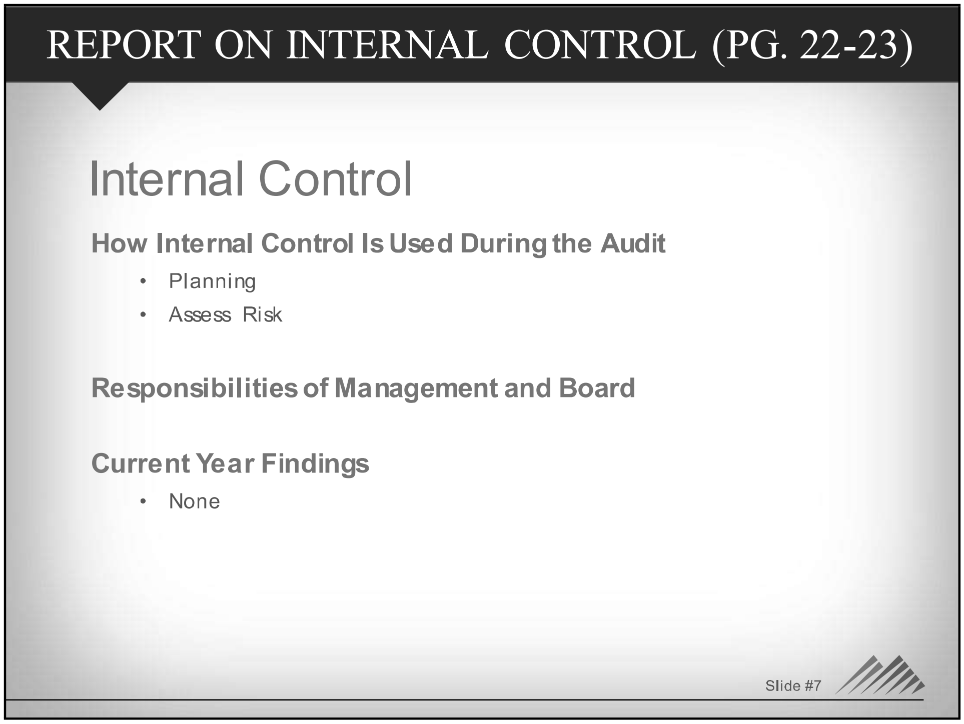
- Unqualified compliance opinion:
    - In our opinion HM has materially complied with direct and material compliance requirements of the NEH grant.

-Management Responsibilities:

- Management is responsible for direct and material compliance requirements of the NEH grant.

-Auditor Responsibilities:

- Conduct audit in accordance with professional standards which require that the audit is planned and performed to obtain sufficient and appropriate evidence as a basis for our opinion about whether HM has material complied with direct and material compliance requirements.

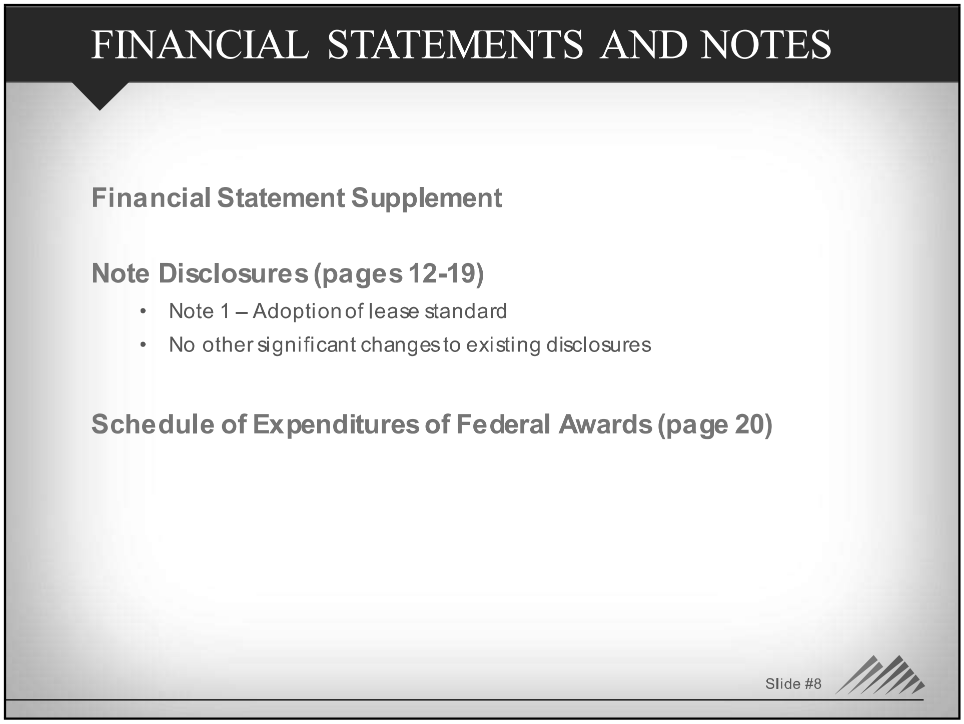



-Internal Controls:

- Procedures implemented by an organization to ensure integrity of financial information, promote accountability, and prevent fraud and errors.
- Internal controls are used as part of auditor planning to assess risk. Based on that risk assessment auditors design audit procedures to be performed.

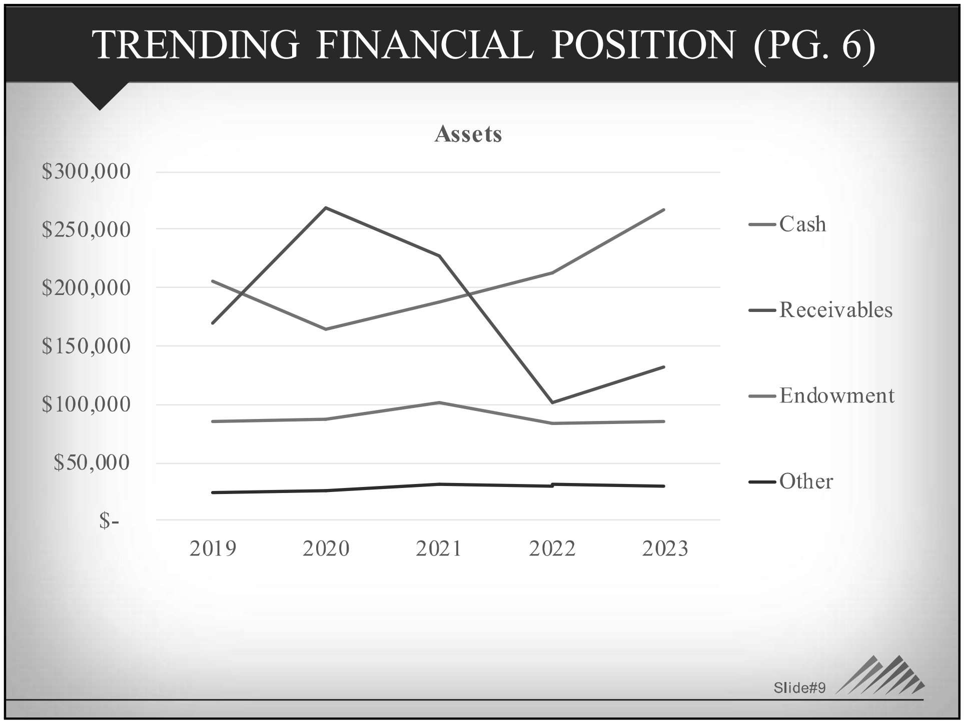
-Findings:

- As noted, no findings in the current year. An internal control related finding would be a misstatement in which internal controls were not in place to either prevent, or detect and correct, misstatements.



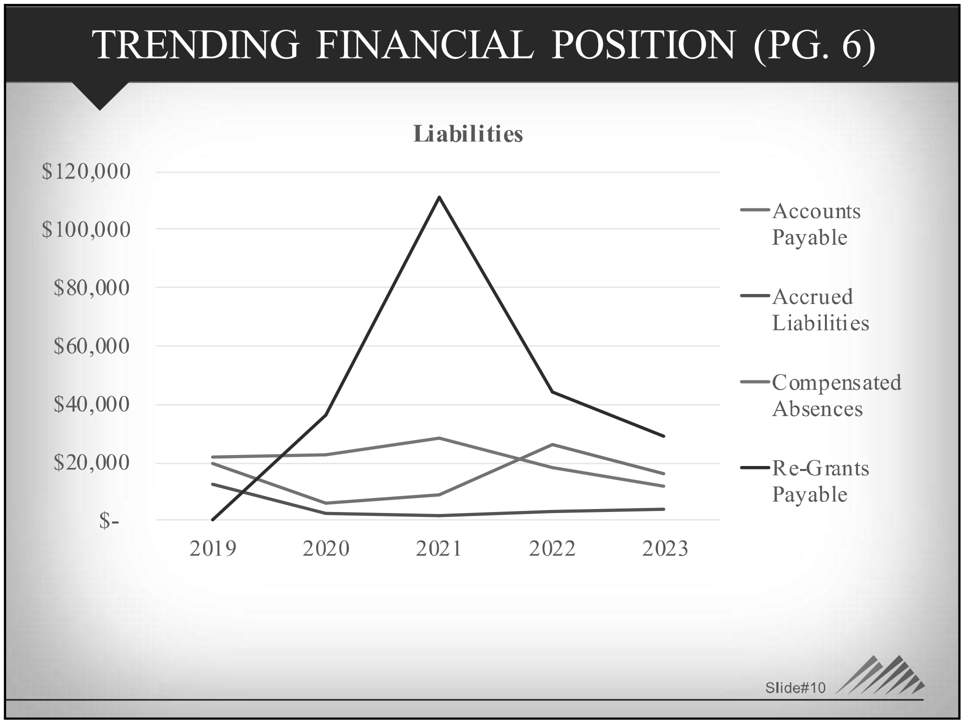

-Notes to financial statements:

- No major changes. Note 1 discusses adoption of previously mentioned lease standard.



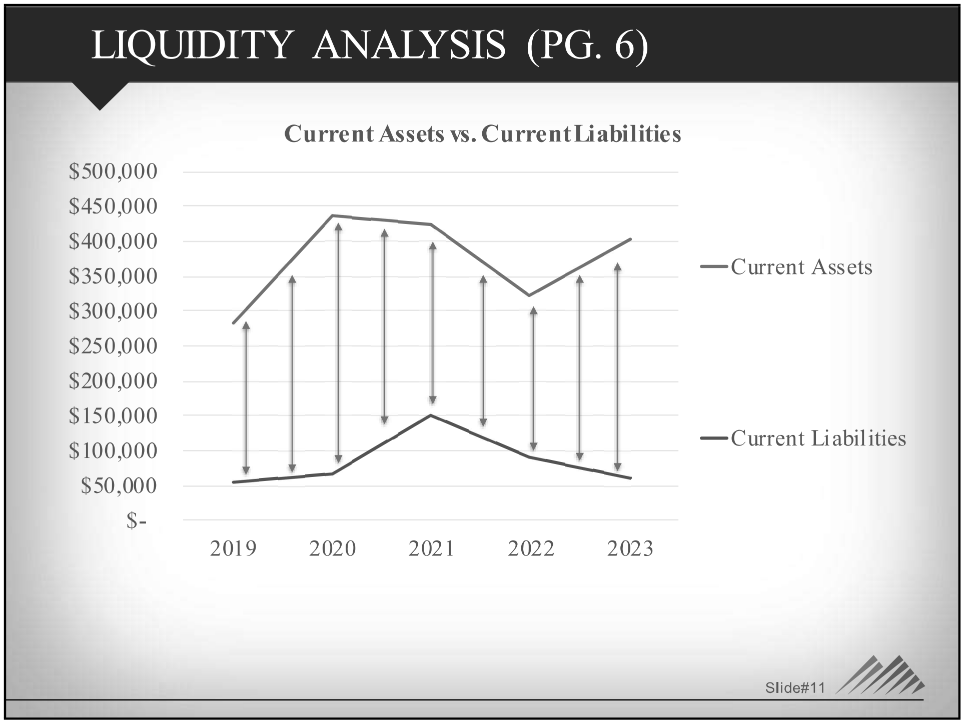

-Total assets up $82.5k:

- Cash up $53.9k which is the results of operations (cash based net income which is net income per financials adjusted for the effects of things like changes in payables, receivables, depreciation).
- Receivables up $29k which is largely due to $80k receivable from Engelhard Foundation offset by a decrease in NEH receivables which are more timing related.



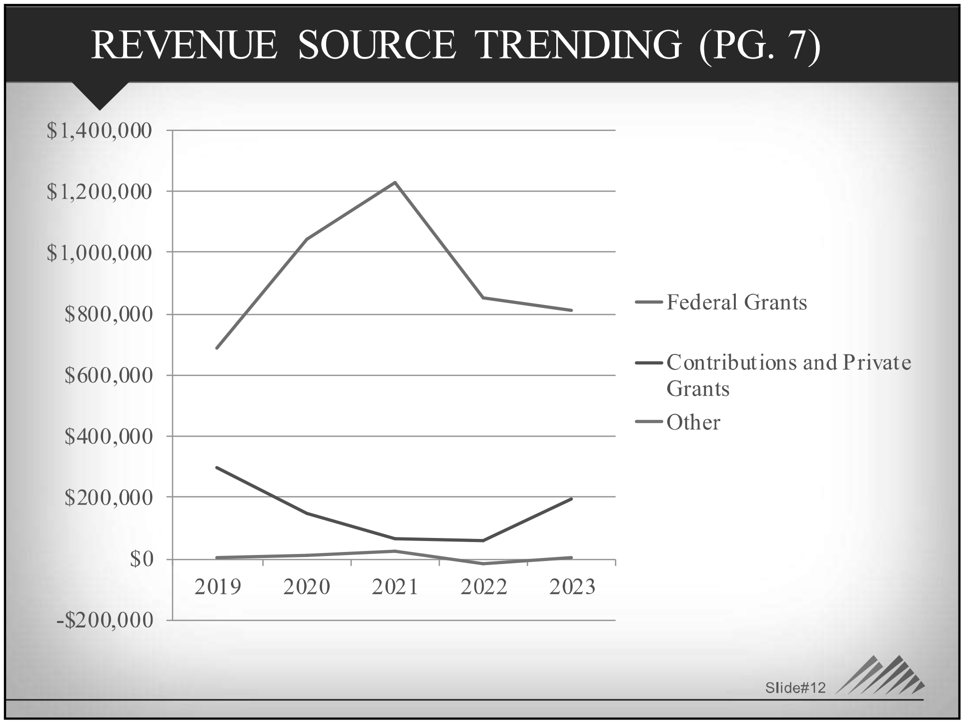

-Total liabilities down $31.8k:

- Accounts payable down $10k (timing)
- Regrants payable down $15.5k. Current year balance of regrants payable is more in line with pre-pandemic regrants.




-Liquidity:

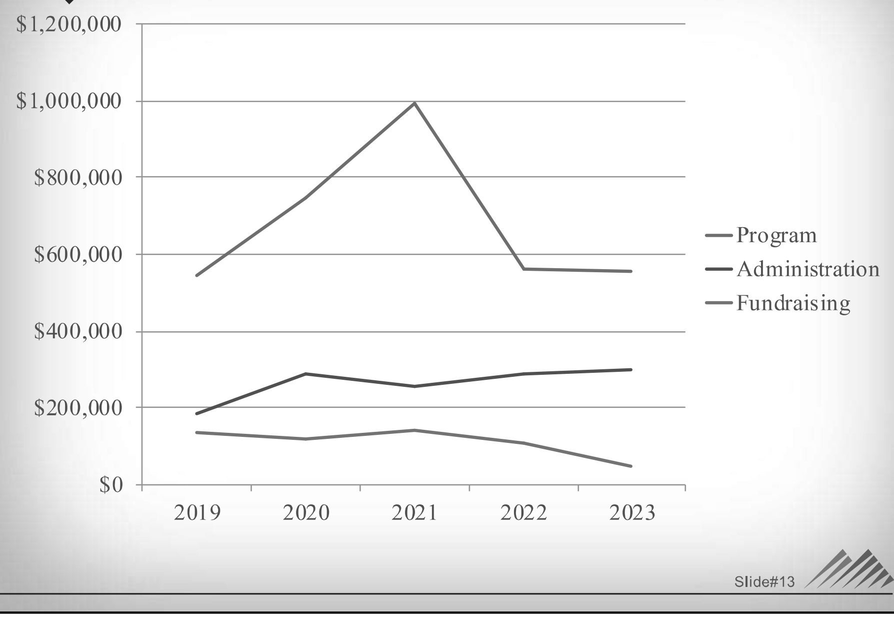
- Ability to meet short term obligations as they come due. Liquidity is important often important with reimbursement-based grants as some bills may need to be paid before NEH cash is received.
- $402k in current assets vs. $60.4k in current liabilities:
    - 6.65/1 current ratio which means that for every $1 in current liabilities, HM has $6.65 to cover those liabilities.




-Total revenue up $118k:

- Federal grant revenue down $41.4k
- Other grant revenue up $156.5k ($160k grant from the Engelhard Foundation recorded in full)
- $20k change in investment income ($13.2k loss in 2022 vs. $7.2k gain in 2023)

## FUNCTIONAL EXPENSE TRENDING (PG. 9)




-Total expenses down $55.8k:

- Primarily salaries and re-grants.

- Program expenses are expenses related to costs of carrying out an organizations mission:
    - 61.56% of total costs were program costs in 2023 (58.85% prior year)
- Administrative costs are those that relate to supporting functions of an organization:
    - 33.22% of total costs were administrative in 2023 (29.90% prior year)
- Fundraising costs are those attributable to development activities:
    - 5.22% of total costs were related to development (11.25% prior year)
        - Decrease in fundraising costs mostly due to salaries allocated to fundraising. Corresponds with development director leaving.

# EXPENDITURES (PG. 9)

**Top 5 Expense Categories**

1. Employee Costs: $418k ($440k PY)
2. Re-Grants: $185k ($197k in PY)
3. Program Honoraria and Travel: $145k ($146k PY)
4. Professional Services: $33.6k ($67k PY)
5. Board Expenses: $25k ($22k PY)

Slide #14

# FORM 990

- Core Form 990 – pages 1-12

- Schedule A – Public Charity Status/Support
- Schedule B – Schedule of Contributors
- Schedule C – Political Campaign and Lobbying
- Schedule D – Supplemental Financial Statements
- Schedule I – Grants and Other Assistance
- Schedule O – Supplemental Information

Slide #15

-Schedule A:

- Public charity status test. Generally, 33 1/3% of support needs to be coming from the public. Test looks at contribution income over the current and prior four years. Donor contributions over 2% of contribution income over those five years are excluded from the public support test.
    - HM is at 95.17% public support on current year 990. The reason HM is not at 100% is part of the Engelhard Foundation contributions have been excluded and also due to investment income.
    - Contributions from governmental agencies and other non-profits are not excluded for public support.
    - Public support percentages from other regional humanities councils:
        - Idaho Humanities Council: 96.48%
        - South Dakota Humanities Council: 95.19%
        - Wyoming Humanities Council: 98.14%
        - Humanities North Dakota: 99.96%

-Schedule B:

- Schedule of major donors. Not public information (Schedule B is required to be shown in the public copy but names and addresses are not required to be disclosed. Auditors will provide a redacted version once filed).

-Schedule C:

- Schedule of lobbying activities. Discloses what types of lobbying efforts were undertaken and costs associated with those efforts. Humanities on the Hill.

-Schedule I:

- Schedule of grants and other assistance to domestic organizations. Re-grants made as part of the NEH program.
- Highlights the impact that HM makes in the form re-grants made.