Humanities MONTANA

AUDITED FINANCIAL STATEMENTS

OCTOBER 31, 2019 AND 2018

JCCS

HUMANITIES MONTANA

CONTENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Humanities Montana
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Humanities Montana (a nonprofit organization), which comprise the statements of financial position as of October 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 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 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.

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

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Board of Directors and Management
Humanities Montana

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humanities Montana, as of October 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 Matters
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 April 14, 2020, on our consideration of Humanities Montana'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 Montana'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 Montana's internal control over financial reporting and compliance.

Junkermier, Clark, Campanella, Stevens, P.C.

Missoula, Montana
April 14, 2020

HUMANITIES MONTANA
STATEMENTS OF FINANCIAL POSITION
October 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 205,402	$ 184,352
Current grants receivable	69,218	64,562
Prepaid expenses	7,454	10,580
Total Current Assets	282,074	259,494
Property and Equipment		
Equipment	5,169	5,169
Works of art	2,695	2,695
Website	14,750	-
Less: Accumulated depreciation and amortization	(5,169)	(5,169)
Net Property and Equipment	17,445	2,695
Other Assets		
Endowment - Montana Community Foundation	84,412	87,523
Long-term grants receivable	100,000	-
Total Other Assets	184,412	87,523
Total Assets	$ 483,931	$ 349,712
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 19,714	$ 18,430
Accrued liabilities	12,331	5,196
Compensated absences	21,720	18,807
Total Current Liabilities	53,765	42,433
Net Assets		
Net assets without donor restriction	195,724	209,756
Net assets with donor restriction	234,442	97,523
Total Net Assets	430,166	307,279
Total Liabilities and Net Assets	$ 483,931	$ 349,712

See the independent auditors' report and the accompanying notes to the financial statements.

HUMANITIES MONTANA
STATEMENT OF ACTIVITIES
For the Year Ended October 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenues			
Federal grant revenue	$ 690,718	$ -	$ 690,718
Other grant revenue	66,925	150,000	216,925
Contributions	83,324	-	83,324
Royalties	677	-	677
Investment income, net	713	1,718	2,431
Net assets released from restriction	14,799	(14,799)	-
Total Revenues	857,156	136,919	994,075
Expenses			
Administration	187,543	-	187,543
Program services	545,591	-	545,591
Fundraising	138,054	-	138,054
Total Expenses	871,188	-	871,188
Change in Net Assets	(14,032)	136,919	122,887
Beginning Net Assets	209,756	97,523	307,279
Ending Net Assets	$ 195,724	$ 234,442	$ 430,166

See the independent auditors' report and the accompanying notes to the financial statements.

HUMANITIES MONTANA
STATEMENT OF ACTIVITIES
For the Year Ended October 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
Revenues			
Federal grant revenue	$ 705,117	$ -	$ 705,117
Other grant revenue	54,700	-	54,700
Contributions	81,738	-	81,738
Investment income, net	358	5,115	5,473
Net assets released from restriction	44,907	(44,907)	-
Total Revenues	886,820	(39,792)	847,028
Expenses			
Administration	126,113	-	126,113
Program services	596,636	-	596,636
Fundraising	72,604	-	72,604
Total Expenses	795,353	-	795,353
Change in Net Assets	91,467	(39,792)	51,675
Beginning Net Assets	118,289	137,315	255,604
Ending Net Assets	$ 209,756	$ 97,523	$ 307,279

See the independent auditors' report and the accompanying notes to the financial statements.

HUMANITIES MONTANA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended October 31, 2019

	Administration	Program Services	Fundraising	Total
Expenses				
Salaries and fringe benefits	$ 90,741	$ 197,061	$ 111,544	$ 399,346
Re-grants	-	71,255	-	71,255
Program honoraria and travel	1,484	190,375	8,785	200,644
Professional development	6,959	16,584	164	23,707
Rent and administration	1,735	9,488	5,922	17,145
Professional services	45,471	10,700	500	56,671
Postage and printing	2,000	3,780	1,762	7,542
Dues and subscriptions	15,570	-	2,000	17,570
Network and database expense	1,755	6,251	2,961	10,967
Advertising	7,353	11,873	-	19,226
Supplies	1,567	14,089	3,060	18,716
Telephone	475	1,691	836	3,002
Insurance	231	1,124	390	1,745
Miscellaneous	1,001	-	-	1,001
Board expenses	2,186	11,320	130	13,636
Website expenses	9,015	-	-	9,015
Total Expenses	$ 187,543	$ 545,591	$ 138,054	$ 871,188

See the independent auditors' report and the accompanying notes to the financial statements.

HUMANITIES MONTANA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended October 31, 2018

	Administration	Program Services	Fundraising	Total
Expenses				
Salaries and fringe benefits	$ 69,441	$ 182,697	$ 25,994	$ 278,132
Re-grants	-	154,040	-	154,040
Program honoraria and travel	-	178,946	7,963	186,909
Professional development	2,196	14,215	300	16,711
Rent and administration	2,631	8,563	2,050	13,244
Professional services	28,465	22,755	28,000	79,220
Postage and printing	1,021	4,687	1,164	6,872
Dues and subscriptions	13,004	-	3,000	16,004
Network and database expense	2,092	6,186	1,231	9,509
Advertising	3,578	3,221	-	6,799
Supplies	1,246	4,994	2,196	8,436
Telephone	1,214	3,752	552	5,518
Insurance	316	977	144	1,437
Miscellaneous	909	61	10	980
Board expenses	-	11,542	-	11,542
Total Expenses	$ 126,113	$ 596,636	$ 72,604	$ 795,353

See the independent auditors' report and the accompanying notes to the financial statements.

HUMANITIES MONTANA
STATEMENTS OF CASH FLOWS
For the Years Ended October 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in Net Assets	$ 122,887	$ 51,675
Adjustments to Reconcile Change in Net Assets		
to Net Cash from Operating Activities:		
(Increase) Decrease in:		
Grants Receivable	(104,656)	19,883
Prepaid Expenses	3,126	(7,345)
Endowment - Montana Community Foundation	3,111	(238)
Increase (Decrease) in:		
Accounts Payable	1,284	9,448
Accrued Liabilities	7,135	788
Compensated Absences	2,913	5,354
Cash Flows From Operating Activities	35,800	79,565
Cash Flows From Investing Activities:		
Purchases of Capital Assets	(14,750)	-
Net Change in Cash and Cash Equivalents	21,050	79,565
Cash and Cash Equivalents Beginning of the Year	184,352	104,787
Cash and Cash Equivalents End of the Year	$ 205,402	$ 184,352

See the independent auditors' report and the accompanying notes to the financial statements.

1. Significant Accounting Policies

Organization - Humanities Montana (the "Organization") is a non-profit corporation incorporated in 1972 under the laws of the State of Montana. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Humanities Montana is located in Missoula, Montana and was formed at the invitation of the National Endowment for the Humanities to encourage and promote, through grants or other arrangements with non-profit groups, education in and public understanding and appreciation of the humanities in Montana. This is accomplished through providing services and grants in support of public programs in history, literature, philosophy, and other disciplines of the humanities. The educational and cultural programs sponsored by the Organization encourage Montanans to reflect on humanity's creative achievements, to conserve cultural diversity, and foster appreciation of culture.

The Board of Directors is composed of both public representatives and representatives of the humanities institutions and disciplines in the State of Montana. The Governor of the State of Montana appoints up to four members of the Board of Directors.

Basis of Accounting - Humanities Montana uses the accrual basis of accounting and, accordingly, the financial statements reflect all significant receivables, payables, and other liabilities. Revenues are recognized when earned and expenses are recorded when services are rendered and the liability is incurred. The Organization measures financial instruments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are recorded at quoted active market prices at the reporting date for identical assets (Level 1).

Adoption of ASU 2016-14 - During the year ended October 31, 2019, the Organization adopted FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

The effects of ASU 2016-14 require the reclassification of the classes of net assets reflected in the financial statements for the year ended October 31, 2018. There was no effect on total net assets or changes in net assets for the year ended October 31, 2018 as a result of these reclassifications.

Classification of Net Assets - The financial statement presentation follows the recommendations of Financial Accounting Standards Board Accounting Standards Codification 958, *Not-for-Profit Entities* (FASB ASC 958). Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to the two following classes of net assets:

Net assets without donor restrictions represent net amounts that have been earned and expended according to contract restrictions and net amounts from generally unrestricted activities. Grants and donor-restricted contributions received in a fiscal year whose restrictions were met in the same fiscal year are reported as net assets without donor restriction. Net assets without donor restrictions include cash and fixed assets that are contractually designated for operations.

Net assets with donor restrictions represent resources restricted by donors as to purpose or by passage of time, or resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

1. Significant Accounting Policies (Continued)

Cash and Cash Equivalents and Investments - For purposes of the Statement of Cash Flows, the Organization considers cash in banks, cash on hand, and highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash deposits at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC). At times during the year, cash balances may be in excess of the FDIC insured limit. Management does not consider this to be a significant risk.

Vacation and Sick Leave - The Organization records a liability for 100 percent of accumulated vacation benefits and 25 percent of accumulated sick leave benefits plus related taxes. After a six-month probationary period, the Organization pays terminated employees the full amount of accumulated vacation up to 240 hours and 25 percent of all accumulated sick leave.

Revenue Recognition - Contract, grant, and other revenues are recognized when earned. Contributed service revenue is recognized when donated services create or enhance non-financial assets or when they require specialized skills provided by people possessing those skills that would typically be purchased if not provided by donation. Contributed goods are recognized at their estimated fair value at the date of contribution.

The Organization received contributions of volunteer time, matching project funds, and miscellaneous items with an estimated value of $666,676 and $959,559 during the years ended October 31, 2019 and 2018, respectively, that have not been recorded in these financial statements because they do not meet the requirements for recognition under accounting principles generally accepted in the United States of America.

Investments - The Organization's investments are held and managed by the Montana Community Foundation. Investment balances are stated at fair value based on quoted prices in active markets for identical assets (Level 1). Interest, dividends, and realized and unrealized gains and losses are included in investment income. The composition of investments within this account are determined solely by the Montana Community Foundation. As such, the cost basis of these investments is not available.

Fixed Assets - The Organization capitalizes equipment with an acquisition cost of $5,000 or more per unit and an estimated useful life of at least three years. Property and equipment is stated at cost and depreciated on a straight-line basis over the estimated useful life of the assets. Works of art are stated at cost and are not depreciated, because the salvage value is expected to be in excess of cost.

Concentration of Risk - The Organization has a concentration of risk related to its revenue sources. The Organization received approximately 69% and 83% of its total revenue from the National Endowment for the Humanities grant during the years ended October 31, 2019 and 2018, respectively. A substantial change in the level of funding could have a significant impact on the operations of the Organization.

Income Taxes - Humanities Montana is a 501(c)(3) organization and is exempt from Federal and state income taxes. A provision for income taxes has not been recorded, because the Organization had no business income unrelated to its exempt activities during the years ended October 31, 2019 and 2018.

Advertising Costs - The Organization expenses the costs of advertising as incurred. Total advertising expense was $19,226 and $6,799 during the years ended October 31, 2019 and 2018, respectively.

1. Significant Accounting Policies (Continued)

Use of Estimates - The preparation of the 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 reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Management of Liquid Resources - The Organization is substantially supported by federal granting agencies. Additional funding is obtained from contributions and donations. For donations and grants received with donor restrictions, the Organization must maintain adequate resources to meet those responsibilities to donors. Thus, some of the Organization's financial assets may not be available for general expenditure within one year of the date of the statement of financial position. The Organization manages its liquidity to make financial assets without donor restrictions available for general expenditures, liabilities, and other obligations as they come due.

Functional Allocation of Expenses - The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Certain administrative and other costs have been allocated among the programs based on specific identification or based on estimates of the expenses incurred. The primary activity groups and their related purposes are summarized as follows:

Program Service - Expenses which are associated with the Organization's objectives and purpose.

Administrative Expenses - Expenses which allow the Organization to operate and provide services to program services, but are not directly attributable to the provision of program services.

Fundraising Expenses - Provides for time and materials related to appeals to donors and creation of public awareness and support for the Organization's mission.

These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include:

Expense	Method of Allocation
Salaries and fringe benefits	Time and effort, purpose
Program honoraria and travel	Purpose
Professional development	Time and effort
Rent and administration	Time and effort
Professional services	Time and effort, purpose
Postage and printing	Time and effort
Dues and subscriptions	Purpose
Network and database expense	Time and effort
Advertising	Purpose
Supplies	Time and effort
Telephone	Time and effort
Insurance	Time and effort
Board expenses	Purpose

2. Financial Assets

The following table reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor imposed restrictions within one year of the statement of financial position date:

	2019	2018
Financial Assets, at Year End:		
Cash	$ 205,402	$ 184,352
Receivables	169,218	64,562
Beneficial Interest in Perpetual Trust	84,412	87,523
Total Financial Assets as of October 31	459,032	336,437
Less Financial Assets Unavailable for General Expenditures Within One Year Due to:		
Beneficial interest in Perpetual Trust	(84,412)	(87,523)
Receivables, Long Term	(100,000)	-
Total Financial Assets Unavailable for General Expenditure Within One Year:	(184,412)	(87,523)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 274,620	$ 248,914

3. Grants Receivable

Grants receivable represent the balance of grant funds earned but not yet received in cash. The Organization uses the allowance method to determine uncollectible grants receivable. Management estimates the allowance for uncollectible grants receivable to be zero at October 31, 2019 and 2018. Of the grants receivable the amount expected to be collected within one year of the balance sheet date at October 31, 2019 and 2018 is $69,218 and $64,562, respectively. The long term portion of grants receivable at October 31, 2019 and 2018 is $100,000 and zero, respectively, and is expected to be collected by the year ended October 31, 2021. A discount for the long-term portion of grants receivable has not been included because the present value approximates the future value.

4. Endowment

The Organization has an endowment held at the Montana Community Foundation (MCF). The endowment consists of cash, fixed income investments, and equities that are fully managed by the MCF. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

4. Endowment (Continued)

Interpretation of Relevant Law

The Board of Directors and management of the Organization have interpreted the 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. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Changes in endowment net assets for the years ended October 31, 2019 and 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets, October 31, 2017	$ -	$ 87,315	$ 87,315
Investment Return			
Investment Loss, Net	-	(16)	(16)
Net Appreciation, Realized and Unrealized	-	4,036	4,036
Appropriations for Expenditure	-	(3,782)	(3,782)
Endowment Net Assets, October 31, 2018	-	87,553	87,553
Investment Return			
Investment Loss, Net	-	(46)	(46)
Net Appreciation, Realized and Unrealized	-	729	729
Appropriations for Expenditure	-	(3,824)	(3,824)
Endowment Net Assets, October 31, 2019	$ -	$ 84,412	$ 84,412

The portion of endowment net assets whose use is restricted either by explicit donor stipulation or by UPMIFA that neither expires by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization at October 31, 2019 and 2018 was $55,911.

4. Endowment (Continued)

The portion of endowment net assets whose use was restricted by time was $28,531 and $31,612 at October 31, 2019 and 2018, respectively.

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 the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as assets with donor restriction. There were no such deficiencies as of October 31, 2019 and 2018.

Return Objectives and Risk Parameters
The Organization 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. Under this policy, the endowment assets are invested in a manner intended to produce results consistent with a balanced bond and equity portfolio.

Strategies Employed for Achieving Objectives
The endowment assets are managed at the discretion of the MCF. To satisfy the Organization's long-term rate-of-return objectives, the MCF 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). The MCF targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization's policy is to not make any significant withdrawals from the endowment until the corpus reaches $100,000. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization’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.

5. Endowed Perpetual Trust

The Organization has been named a beneficiary of a perpetual trust held by the Montana Community Foundation (MCF), which was created by donation. Under the agreement set forth by the MCF, the Organization does not have variance power over the trust and, therefore, has not recorded it in the financial statements. The Organization is to receive distributions from the trust's annual income under a reasonable structure as set forth by the MCF. Income received annually from the trust will be reported in the statement of activities as an increase in assets without donor restriction. No cash has been received from the endowed perpetual trust during the years ended October 31, 2019 and 2018. The balance of the trust at October 31, 2019 and 2018 is $16,481 and $17,086, respectively.

6. Re-Grants

Re-grant expense is recognized when the funds to be re-granted are obligated. Funds are considered obligated on the date that re-grant award documents are mailed to the recipient. A corresponding re-grant payable is recorded until which time the funds are disbursed to the recipients. Re-grants which are not claimed revert to the Organization as program income and must be expensed under the same terms as the original grant award.

7. Leases

The Organization classifies its leases as either operating or capital leases. Currently all leases are operating leases. The Organization leases office space in Missoula, Montana on an annual lease.

8. Risk Management

The Organization faces a number of risks including (a) loss or damage to property, (b) general liability, (c) workers compensation, and (d) employee medical insurance. Commercial insurance policies are purchased for loss or damage to property, general liability, and employee medical insurance.

9. Employee Benefits

The Organization participates in the Teachers Insurance and Annuity Association College Retirement Equities Fund (Plan) to provide retirement benefits for eligible employees. The Plan is a Section 403(b) defined contribution retirement plan. Plan contributions are invested, at the direction of the participant, in one or more of the funding vehicles available under the plan.

Employees are eligible to make elective deferrals on the first of the month following employment and can contribute up to the maximum amount allowed by law. Employees are eligible for employer match up to 10 percent of the employee's salary. For the years ending October 31, 2019 and 2018, the Organization contributed $27,221 and $19,435 in matching contributions, respectively.

The Organization also participates in the Montana University System Group Health Insurance Program to provide for health coverage for eligible employees and their dependents.

10. Net Assets Without Donor Restriction

Net assets without donor restriction are as follows at October 31:

	2019	2018
Invested in property and equipment, net	$ 17,445	$ 2,695
Undesignated	178,279	207,061
Total net assets without donor restriction	$ 195,724	$ 209,756

11. Net Assets With Donor Restriction

Net assets with donor restriction are as follows at October 31:

	2019	2018
Time restriction for uncollected grants receivable	$ 150,000	$ 10,000
Endowment earnings in excess of corpus	28,531	31,612
Donor restricted endowment	55,911	55,911
Total net assets with donor restriction	$ 234,442	$ 97,523

The table above presents the composition of net assets with donor restrictions. As of October 31, 2019 and 2018, $178,531 and $41,612, respectively, are restricted by donors by the passage of time. Additionally, as of October 31, 2019 and 2018, $55,911 are restricted by donors as to their use as well as by the passage of time.

12. Subsequent Events

Management has evaluated subsequent events through April 14, 2020, the date on which the financial statements were available to be issued.

Subsequent to October 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Restrictions and closures recommended by state and federal agencies may have an impact on the Organization's future operations, which are unknown at this time. Management continues to closely monitor the situation and is taking steps to reduce risk and continue operations.

HUMANITIES MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended October 31, 2019

FEDERAL SOURCE *PASS THROUGH SOURCE* PROGRAM NAME	FEDERAL CFDA NUMBER	TOTAL FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
National Endowment for the Humanities (NEH)			
Direct			
General Support Grants to State Humanities Councils			
Grant No. SO-253148-17	45.129	$ 690,718	$ 35,020
Total National Endowment for the Humanities		690,718	35,020
TOTAL FEDERAL EXPENDITURES		$ 690,718	$ 35,020

See accompanying notes to the schedule of expenditures of federal awards.

HUMANITIES MONTANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended October 31, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Humanities Montana under programs of the federal government for the year ended October 31, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Humanities Montana, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Humanities Montana.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Humanities Montana did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Programs

Humanities Montana receives a significant portion of funding from the National Endowment for Humanities (NEH). The primary program for the year ended October 31, 2019, was the National Endowment for Humanities comprised of CFDA number 45.129.

5. Re-Grants (Subrecipients)

The Organization provided re-grant awards to subrecipients based on the program guidelines. The total amounts provided to subrecipients and included in the Schedule for the year ended October 31, 2019 are as follows:

National Endowment for the Humanities CFDA No. 45.129	$35,020

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 Directors and Management
Humanities Montana
Missoula, Montana

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 Montana (a nonprofit organization), which comprise the statement of financial position as of October 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 the schedule of expenditures of federal awards for the NEH Federal/State Partnership Program (CFDA 45.129) of Humanities Montana for the year ended October 31, 2019, and the related notes (the financial statements), and have issued our report thereon dated April 14, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Humanities Montana’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 Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Humanities Montana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: see finding **2019-001**.

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Board of Directors and Management
Humanities Montana

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. We consider the following deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: see finding **2019-002**.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Humanities Montana'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*.

Humanities Montana's Response to Findings
Humanities Montana's response to the finding identified in our audit is described in the accompanying schedule of findings, questioned costs, and recommendations. Humanities Montana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Junkermier, Clark, Campanella, Stevens, P.C.

Missoula, Montana
April 14, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE NEH FEDERAL/STATE PARTNERSHIP PROGRAM (CFDA NO. 45.129) AND ON INTERNAL CONTROL OVER COMPLIANCE BASED ON AN AUDIT IN ACCORDANCE WITH THE NEH OIG PROGRAM-SPECIFIC AUDIT GUIDE

Board of Directors and Management
Humanities Montana
Missoula, Montana

Report on Compliance for NEH Federal/State Partnership Program (CFDA 45.129)
We have audited Humanities Montana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its NEH Federal/State Partnership Program (CFDA 45.129) for the year ended October 31, 2019.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to the NEH Federal/State Partnership Program.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for Humanities Montana’s NEH Federal/State Partnership Program (CFDA 45.129) 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 NEH Federal/State Partnership Program (CFDA 45.129) occurred. An audit includes examining, on a test basis, evidence about Humanities Montana’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 Humanities Montana's NEH Federal/State Partnership Program (CFDA 45.129). However, our audit does not provide a legal determination of Humanities Montana’s compliance.

Opinion on Compliance for NEH Federal/State Partnership Program (CFDA 45.129)
In our opinion, Humanities Montana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its NEH Federal/State Partnership Program (CFDA 45.129) for the year ended October 31, 2019.

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Board of Directors and Management
Humanities Montana

Report on Internal Control Over Compliance
Management of Humanities Montana 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 Montana's internal control over compliance with the types of requirements that could have a direct and material effect on its NEH Federal/State Partnership Program (CFDA 45.129) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its NEH Federal/State Partnership Program (CFDA 45.129) 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 Montana'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 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.

Junkermier, Clark, Campanella, Stevens, P.C.

Missoula, Montana
April 14, 2020

HUMANITIES MONTANA
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS
For the Year Ended October 31, 2019

I. Summary of Auditors' Results

Our program-specific audit disclosed no findings that are required to be reported herein under the NEH Office of Inspector General Program - Specific Audit Guide.

II. Findings - Financial Statements Audit

Corrective Action In-Process

Material Weakness

2019-001 REVENUE RECOGNITION FOR UNCONDITIONAL CONTRIBUTIONS AND GRANTS

Condition and Criteria: During the current year audit, we discovered one transaction related to an unconditional multi-year grant in which the amounts to be received in future periods were not accrued. The only revenue recognized was the current year funds received. However, in accordance with ASC 958-605-25, contributions or grants received with conditions based on time should be recorded as unconditional, with a corresponding donor restriction in net assets due to the passage of time.

Cause: The Organization does not have internal controls in place to ensure the proper recording of unconditional multi-year grants.

Effect: The effect of this deficiency in internal controls was the understatement of assets and net assets in the amount of $150,000. This deficiency has the potential effect of understating financial resources for grant payments occurring in the future.

Recommendations: We recommend the Organization implement procedures to closely review contribution and grant agreements for restrictions and conditions to ensure unconditional, multi-year grants are recorded in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). Conditional revenue should not be recognized as revenue until the condition on which it depends is substantially met (other than the passage of time). Restricted revenue should be recognized as revenue when received and reclassified from net assets with donor restriction to net assets without donor restriction when the restriction is satisfied or when the stipulated time has passed. These procedures could include reading major award letters to ensure they are unconditional and then tracing the future payments to the receivables listing.

Significant Deficiency

2019-002 CAPITALIZATION OF WEBSITE COSTS

Condition and Criteria: During the current year audit, we discovered costs incurred by the Organization related to capitalizable website work were incorrectly expensed. However, in accordance with ASC 350-50-55-3, website costs that should be capitalized include costs related to website work that is performed to: develop or acquire software for website operations, develop or acquire code for web applications, develop or acquire database software, develop HTML web pages or templates, install developed applications, create hypertext links to other website's or locations in the website, and testing of website applications.

Cause: The Organization does not have internal controls in place to ensure the proper recording of capitalizable website costs.

Effect: The effect of this deficiency in internal controls was an understatement of assets and net assets in the amount of $14,750.

Recommendation: We recommend the Organization implement procedures to more closely review website work being performed for potential capitalization. During the audit, the Organization requested the contractor performing the website work to provide detail on time spent on work that is capitalizable. Thus, in order for the Organization to be able to assess whether website work performed should be capitalized, we recommend that the Organization continue requiring its' website contractor to continue to provide detail of the time spent on capitalizable website work.

III. Findings and Questioned Costs - Promotion of the Humanities - Federal/State Partnership

Our program-specific audit disclosed no findings that are required to be reported herein under the NEH Office of Inspector General Program - Specific Audit Guide.

IV. Schedule of Prior Audit Findings, Questioned Costs, and Recommendations

No matters were reported in the prior year.

CORRECTIVE ACTION PLAN

April 14, 2020

National Endowment for the Humanities

Humanities Montana respectfully submits the following corrective action plan for the year ended October 31, 2019.

Name and address of independent public accounting firm:

JCCS, P.C.
2620 Connery Way
Missoula, MT 59808

Audit period:

The finding from the October 31, 2019 schedule of findings, questioned costs, and recommendations are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2019-001 Revenue Recognition for Unconditional Contributions and Grants

Recommendation: The Organization should implement procedures to review contribution and grant revenue for restrictions and conditions to ensure unconditional, multi-year grants are recorded in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). Conditional revenue should not be recognized as revenue until the condition on which it depends is substantially met (other than the passage of time). Restricted revenue should be recognized as revenue when received and reclassified from net assets with donor restriction to net assets without donor restriction when the restriction is satisfied or when the stipulated time has passed. These procedures could include reading major award letters to ensure they are unconditional and then tracing the future payments to the receivables listing.

Action Taken: We concur with the recommendation, and it was implemented effective February 25, 2020.

SIGNIFICANT DEFICIENCY

2019-001 Capitalization of Website Costs

Recommendation: The Organization should implement procedures to more closely review the website work performed for potential capitalization. During the audit, the Organization requested the contractor performing the website work to provide detail on time spent on work that is capitalizable. Thus, in order for the Organization to assess whether website work is capitalizable, we recommend that the Organization continue requiring its' website contractor to continue to provide detail of the time spent on capitalizable work.

Action Taken: We concur with the recommendation, and it was implemented effective February 25, 2020.

If the National Endowment for the Humanities has questions regarding this plan, please call me, Randi Tanglen, at (406) 243-6022.

Sincerely yours,

Randi Lynn Tanglen

Randi Lynn Tanglen, Ph.D.
Executive Director