

NEW HAMPSHIRE HUMANITIES
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2019
and
Independent Auditor's Report

**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***

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Schedule of Findings and Questioned Cost

NEW HAMPSHIRE HUMANITIES
FINANCIAL STATEMENTS
June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Hampshire Humanities

Report on the Financial Statements

We have audited the accompanying financial statements of New Hampshire Humanities (a nonprofit entity), which comprise the statement of financial position as of June 30, 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.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

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 New Hampshire Humanities as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 March 18, 2020, on our consideration of New Hampshire Humanities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is 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 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 New Hampshire Humanities' internal control over financial reporting and compliance.

Vashon Clukay & Company PC

Manchester, New Hampshire
March 18, 2020

NEW HAMPSHIRE HUMANITIES
STATEMENT OF FINANCIAL POSITION
June 30, 2019

	<u>2019</u>
ASSETS	
CURRENT ASSETS:	
Cash and equivalents	\$ 161,569
Cash, restricted for investment in endowment	9,085
Grant receivable	260,621
Promises to give, net	27,691
Prepaid expenses	30,625
TOTAL CURRENT ASSETS	<u>489,591</u>
PROPERTY AND EQUIPMENT:	
Property and equipment	149,570
Website	1,956
	<u>151,526</u>
Less accumulated depreciation	(114,665)
PROPERTY AND EQUIPMENT, NET	<u>36,861</u>
OTHER NONCURRENT ASSETS:	
Promises to give, net	2,137
Investments	1,491,708
Beneficial interest in trusts	434,217
Endowment:	
Promises to give, net	9,500
Investments	3,116,720
TOTAL OTHER NONCURRENT ASSETS	<u>5,054,282</u>
TOTAL ASSETS	<u>\$ 5,580,734</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 26,251
Accrued expenses	10,690
Subawards payable	6,917
Deferred revenue	29,000
TOTAL CURRENT LIABILITIES	<u>72,858</u>
NET ASSETS:	
Without donor restrictions	915,968
With donor restrictions	4,591,908
TOTAL NET ASSETS	<u>5,507,876</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,580,734</u>

See notes to financial statements

NEW HAMPSHIRE HUMANITIES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
OPERATING ACTIVITIES:			
National Endowment Grant		\$ 683,400	\$ 683,400
Contributions and grants	\$ 250,089	53,300	303,389
Program fees	20,344		20,344
Net investment return	71,273	300,444	371,717
Inkind contributions	68,742		68,742
Total Operating Activities	<u>410,448</u>	<u>1,037,144</u>	<u>1,447,592</u>
NET ASSETS RELEASED FROM RESTRICTIONS - OPERATING			
Net assets released from restriction pursuant to endowment spending-rate distribution formula	138,777	(138,777)	-
Distributions from and change in value of beneficial interests in assets held by others	16,976	(5,443)	11,533
Satisfaction of program restrictions	689,703	(689,703)	-
Total Net Assets released from Restrictions - Operating	<u>845,456</u>	<u>(833,923)</u>	<u>11,533</u>
OPERATING EXPENSES:			
Program Services	808,935		808,935
Administration	223,099		223,099
Development	311,256		311,256
Total Operating Expenses	<u>1,343,290</u>	<u>-</u>	<u>1,343,290</u>
CHANGE IN NET ASSETS - OPERATING	<u>(87,386)</u>	<u>203,221</u>	<u>115,835</u>
NON-OPERATING ACTIVITIES:			
Contributions and grants	8,244	2,911	11,155
Net investment return		64,849	64,849
Total Non-Operating Activities	<u>8,244</u>	<u>67,760</u>	<u>76,004</u>
NET ASSETS RELEASED FROM RESTRICTIONS - NON-OPERATING			
Satisfaction of program restrictions	49,000	(49,000)	-
Total Net Assets released from Restrictions - Non-Operating	<u>49,000</u>	<u>(49,000)</u>	<u>-</u>
CHANGE IN NET ASSETS - NON-OPERATING	<u>57,244</u>	<u>18,760</u>	<u>76,004</u>
CHANGES IN NET ASSETS - TOTAL	<u>(30,142)</u>	<u>221,981</u>	<u>191,839</u>
Net assets at beginning of year	946,110	4,369,927	5,316,037
Net assets at end of year	<u>\$ 915,968</u>	<u>\$ 4,591,908</u>	<u>\$ 5,507,876</u>

See notes to financial statements

NEW HAMPSHIRE HUMANITIES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	<u>Program Services</u>	<u>Administration</u>	<u>Development Operating</u>	<u>Total Supporting Services</u>	<u>Total</u>
EXPENSES:					
Salaries	\$ 401,795	\$ 75,955	\$ 152,863	\$ 228,818	\$ 630,613
Payroll taxes and fringe benefits	140,244	5,048	60,003	65,051	205,295
Program and subaward fees	162,506	-	-	-	162,506
Office supplies	1,285	2,848	800	3,648	4,933
Telephone and internet	1,938	294	716	1,010	2,948
Postage and shipping	4,063	627	4,038	4,665	8,728
Printing	7,154	1,251	7,856	9,107	16,261
Conference/program site	5,699	594	42,334	42,928	48,627
Scholars	23,450	-	10,000	10,000	33,450
Travel	12,764	6,608	1,684	8,292	21,056
Marketing, advertising and recruitment	9,466	331	3,769	4,100	13,566
Consultants	-	2,245	10,500	12,745	12,745
Meetings	2,059	1,052	1,762	2,814	4,873
Dues and subscriptions	10,586	2,432	4,913	7,345	17,931
Cultivation and development	1,371	3,751	976	4,727	6,098
Equipment rental and maintenance	3,309	680	1,207	1,887	5,196
Technology support	9,109	1,723	6,702	8,425	17,534
Website support	822	129	268	397	1,219
Insurance	98	3,097	34	3,131	3,229
Legal and accounting	-	13,797	-	13,797	13,797
Board expenses	-	5,437	-	5,437	5,437
Bank fees and payroll service	757	3,000	831	3,831	4,588
Miscellaneous	-	11,891	-	11,891	11,891
Exhibits and books	10,460	-	-	-	10,460
Donated facilities	-	42,000	-	42,000	42,000
Donated services	-	26,742	-	26,742	26,742
Depreciation	-	11,567	-	11,567	11,567
Total	<u>\$ 808,935</u>	<u>\$ 223,099</u>	<u>\$ 311,256</u>	<u>\$ 534,355</u>	<u>\$ 1,343,290</u>

See notes to financial statements

NEW HAMPSHIRE HUMANITIES
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from grants and contributions	\$ 1,039,814
Interest income received	2,994
Distributions from beneficial interest in trusts	16,976
Cash paid to employees	(631,026)
Cash paid to suppliers and others	(634,263)
Net Cash (Used) by Operating Activities	<u>(205,505)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from investments	217,932
Purchase of investments	(187,672)
Net change in restricted cash activity	16,809
Purchase of property and equipment	(18,106)
Net Cash Provided by Investing Activities	<u>28,963</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Collections of contributions restricted for investment in endowment	35,252
Interest income restricted for long-term investment	107,481
Net Cash Provided by Financing Activities	<u>142,733</u>
Net (decrease) in cash	(33,809)
Cash, beginning of year	195,378
Cash, ending of year	<u>\$ 161,569</u>
 Reconciliation of Change in Net Assets to Net Cash (Used) by Operating Activities:	
Change in net assets	\$ 191,839
Adjustments to Reconcile Change in Net Assets to to Net Cash (Used) by Operating Activities:	
Depreciation	11,567
Allowance and discounts	(4,733)
Unrealized gains on investments	(314,558)
Loss on uncollectible promises to give	233
Change in beneficial interest in trusts	5,443
Interest income restricted for long-term investment	(107,481)
Change in assets and liabilities:	
Accounts receivable	19,513
Grant receivable	(24,871)
Promises to give	15,751
Prepaid expenses	60
Accounts payable	3,125
Accrued expenses	(1,925)
Subawards payable	(3,568)
Deferred revenue	11,600
Contributions restricted for long-term purposes	(7,500)
Net Cash (Used) by Operating Activities	<u>\$ (205,505)</u>
 Supplemental Disclosure of Non-cash Transactions:	
Satisfaction of pledge receivable with receipt of stock donation	\$ 49,767
In-kind donations received	68,742
In-kind expenses	(68,742)

See notes to financial statements

NEW HAMPSHIRE HUMANITIES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

New Hampshire Humanities was founded as a nonprofit corporation in 1978 to serve as the organization in New Hampshire which implements the objectives of the state-based program of the Division of Public Programs of the National Endowment for the Humanities. New Hampshire Humanities provides opportunities to cultivate curiosity, connect across cultures, examine beliefs, practice civility, strengthen community bonds, ignite ideas, inspire a passion for learning, and engage in civic life.

Accounting Policies

The accounting policies of New Hampshire Humanities conform to accounting principles generally accepted in the United States of America as applicable to non-profit entities except as indicated hereafter. The following is a summary of significant accounting policies.

Basis of Presentation

The financial statements have been prepared in accordance with the reporting pronouncements pertaining to Not-for-Profit Entities included within the FASB Accounting Standards Codification. The Entity is required to report information regarding its financial position and activities according to the following net asset classification:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors 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, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Recognition of Donor Restrictions

Contributions are recognized when the donor makes a promise to give to the Entity that is, in substance, unconditional. The Entity reports contributions restricted by the donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

NEW HAMPSHIRE HUMANITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Revenues from program services are recorded when earned. Other miscellaneous revenues are recorded upon receipt.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and equivalents consists of demand deposits, cash on hand and all highly liquid investments with an original maturity of 90 days or less, which are neither held for nor restricted by donors for long-term purposes. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Restricted Cash

Total restricted cash consists of amounts set aside for future use, including restricted pledges of the capital campaign.

Promises to Give

Unconditional promises to give are recorded as made. These amounts are recorded at the present value of the estimated fair value. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional.

Property and Equipment

Property and equipment is recorded at cost for purchased items and donated property and equipment is recorded at fair value determined as of the date of donation. The Entity's intent is to capitalize expenditures for major improvements or individual asset purchases with a cost in excess of \$500 or which extend the lives of the related assets by at least three years, and to charge to operations for expenditures which do not. Depreciation is computed using the straight-line method at rates intended to amortize the cost of related assets over their estimated useful lives as follows:

	<u>Years</u>
Property and equipment	3-8
Website	5-7

Depreciation expense was \$11,567 for the year ended June 30, 2019.

Investments

Investments, which consist of money market accounts, corporate bonds, mutual funds, and equities, are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

NEW HAMPSHIRE HUMANITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Beneficial Interest in Trusts

The Entity is a beneficiary of three agency endowment funds at The New Hampshire Charitable Foundation, the Education Fund, the New Hampshire Legacy Fund, and the William "Bud" Dunfey Fund for Excellence in the Humanities Fund. Pursuant to the terms of the resolutions establishing these funds, property contributed to The New Hampshire Charitable Foundation is held as separate funds designated for the benefit of the Entity. In accordance with its spending policies, the Foundation makes distributions from the funds to the Entity. The distributions are approximately 4.0% of the market value of the funds per year. The estimated value of the future distributions from the funds are included in these financial statements as required under FASB Accounting Standards Codification (FASB ASC 958-605), however, all property in the fund was contributed to The New Hampshire Charitable Foundation to be held and administered for the benefit of New Hampshire Humanities. New Hampshire Humanities received \$16,976 from the funds for the year ended June 30, 2019. The market value of the fund assets was approximately \$434,217 on June 30, 2019.

The Entity is a beneficiary of two designated funds at The New Hampshire Charitable Foundation, the Gilmore Fund for the New Hampshire Humanities Council and the New Hampshire Humanities Council Fund. Pursuant to the terms of the resolutions establishing these funds, property contributed to The New Hampshire Charitable Foundation is held as separate funds designated for the benefit of the Entity. In accordance with the spending policies, the Foundation makes distributions from these funds to the Entity. The distributions are approximately 4.0% of the market value of the fund per year. The funds are not included in these financial statements, since all property in the funds was contributed to The New Hampshire Charitable Foundation to be held and administered for the benefit of New Hampshire Humanities. New Hampshire Humanities received \$6,840 from the funds for the year ended June 30, 2018. The market value of the fund assets was approximately \$174,944 on June 30, 2019.

Subawards Payable

Subawards represent monies disbursed by New Hampshire Humanities to various other non-profit organizations in support of projects involving the humanities. The expense is recognized when the amount is obligated by the New Hampshire Humanities Board. The Entity has two years to expend funds that have been obligated to the re-grantees.

Donated Services, Materials and Facilities

New Hampshire Humanities recognizes in-kind revenue and expense for various discounts received on services provided to the Entity. The value of these services is recognized based on the value of the discount received. The Entity also recognizes in-kind donations of facilities for the office space rented for the year, estimated based on the fair value of the space. In-kind revenue and expense for the year ending June 30, 2019 was \$68,742.

Bad Debts

The Entity uses the reserve method for accounting for bad debts. It is the Entity's policy to charge off uncollectible receivables when management determines the receivable will not be collected. An allowance of \$1,835 has been recorded against promises to give as of June 30, 2019.

NEW HAMPSHIRE HUMANITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited. Administrative salaries and wages, utilities, equipment leases, and rent, as well as administrative components of dues and subscriptions, telephone, and postage are allocated based on management's estimate of time and utilization. Additionally, employee benefits and payroll taxes are allocated based on the proportionate share of salaries and wage expense attributable to Programs, General Administration and Resource Development to total salaries and wages.

Fund Raising Activities

Fund raising expenses represent the cost of preparing donation appeals, running special events with event sponsors, and letters of appreciation by staff of the Entity and totaled \$311,256 for the year ending June 30, 2019.

Income Taxes

The Entity has received a determination letter from the Internal Revenue Service stating that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code for any exempt function income. In addition, the Entity is not subject to state income taxes. Accordingly, no provision has been made for Federal or State income taxes.

The FASB adopted Accounting Standards Codification Topic 740 entitled *Accounting for Income Taxes* which requires the Entity to report uncertain tax positions for financial reporting purposes. FASB ASC 740 prescribes rules regarding how the Entity should recognize, measure and disclose in its financial statements, tax positions that were taken or will be taken on the Entity's tax returns that are reflected in measuring current or deferred income tax assets and liabilities. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in an increase in a liability for income tax payable or a reduction in a deferred tax asset or an increase in a deferred tax liability. The Entity does not have any material unrecognized tax benefits.

Fair Value of Financial Instruments

Cash and equivalents, accounts receivable, accounts payable and accrued expenses are carried in the financial statements at amounts which approximate fair value due to the inherently short-term nature of the transactions. The fair values determined for financial instruments are estimates, which for certain accounts may differ significantly from the amounts that could be realized upon immediate liquidation.

NEW HAMPSHIRE HUMANITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Entity has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

NOTE 2—LIQUIDITY AND AVAILABILITY

The following table represents the Entity’s financial assets at June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions.

Financial assets available for general expenditures, reduced by donor restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2019</u>
Cash and equivalents	\$ 161,569
Grant receivable	260,621
Promises to give, current, without donor restriction	14,390
Operating investments	700,059
Distributions from beneficial interest in trusts	6,016
Endowment spending-rate distributions and appropriations	<u>26,024</u>
Total Financial Assets	<u>\$ 1,168,679</u>

The Entity’s Finance Committee regularly monitors the availability of resources required to meet general expenditures and contractual commitments over a 12-month period. It is the Investment Committee’s (made up of the Finance Committee and two advisory investment professionals) responsibility to meet with a professional financial advisor on a semi-annual basis to review investments and recommend changes to the investment portfolio in the long-term investment account. The long-term investment account is administered by the Finance Committee as a funding source, if needed, for current operations and capital improvements. As such, the primary investment objective of this Fund is to preserve and protect its assets by earning a net total return that offers some liquidity (as operating reserves) while achieving long-term growth. The Entity has a \$100,000 line of credit available to meet cash flow needs.

NOTE 3—CONCENTRATION OF CREDIT RISK

The Entity maintains bank deposits at local financial institutions located in New Hampshire. The Entity’s demand deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to a total of \$250,000 per financial institution. The Entity had no uninsured deposits as of June 30, 2019, however, cash balances may exceed FDIC insured levels at various times during the period.

NEW HAMPSHIRE HUMANITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

NOTE 4—PROMISES TO GIVE

Unconditional promises to give consist of amounts committed by donors but not yet received by the Entity. As of June 30, 2019, the Entity has adopted a 10% allowance for future uncollectible receivables. Promises to give consist of the following at June 30, 2019:

	<u>2019</u>
Receivable in less than one year	\$ 38,913
Receivable in one to five years	<u>2,250</u>
	41,163
Less: allowance for uncollectible promises to give	<u>(1,835)</u>
Net unconditional promises to give	<u>\$ 39,328</u>

Promises to give appear as follows in the statement of financial position:

Promises to give, current, net	\$ 27,691
Promises to give, noncurrent, net	2,137
Endowment promises to give, net	<u>9,500</u>
	<u>\$ 39,328</u>

NOTE 5—INVESTMENTS

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The Entity reports under the Fair Value Measurements pronouncements of the FASB Accounting Standards Codification (FASB ASC 820-10), which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities in active markets that the Entity has the ability to access at the measurement date.

Level 2 - Inputs to the valuation include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities that are not active;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NEW HAMPSHIRE HUMANITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

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

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

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds and equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate debt securities: Valued using a market approach valuation technique which incorporates third-party pricing services and other relevant observable information such as market interest rates, yield curves, prepayment risk and credit risk generated by market transactions involving identical or comparable assets or liabilities in valuing these types of investments.

Beneficial interest in trusts: Valued using the fair value of the assets held in the trust as reported by the New Hampshire Charitable Foundation at year end. The Entity considers the measurement of its beneficial interest in the trusts to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets reported by the trustee, the Entity will never receive those individual assets or have the ability to direct the redemption or investment of them.

The following tables set forth by level, within the fair value hierarchy, the Entity's assets at fair value, except those measured at cost:

Assets at Fair Value as of June 30, 2019				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market funds (at cost)				\$ 34,949
Mutual funds	\$ 1,154,955			1,154,955
Equities	2,841,616			2,841,616
Corporate debt securities		\$ 576,908		576,908
Beneficial interest in trusts			\$ 434,217	434,217
Total assets at fair value	<u>\$ 3,996,571</u>	<u>\$ 576,908</u>	<u>\$ 434,217</u>	<u>\$ 5,042,645</u>

The reported change in the investments which use fair value measurements that use significant unobservable inputs (Level 3) is as follows:

NEW HAMPSHIRE HUMANITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Balance at June 30, 2018	\$ 439,660
Gains (losses) recognized in the change in donor restricted net assets	11,533
Drawdown from donor restricted net assets	(16,976)
Balance at June 30, 2019	<u>\$ 434,217</u>

NOTE 6—ENDOWMENTS

The State of New Hampshire adopted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). The Entity has determined that the endowment fund investments are subject to these bylaws. As required by generally accepted accounting principles, endowment fund net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted UPMIFA as requiring the preservation of the value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019, there are no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Entity in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Entity considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the funds
- 2) The purpose of the donor-restricted endowment funds
- 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 Entity
- 7) The investment policies of the Entity

As of June 30, 2019, the Entity had the following endowment net asset composition by type of fund:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,335,445
Accumulated investment gains	<u>790,775</u>
	<u>\$ 3,126,220</u>

Investment Policy

The Board of Directors has general investment standards for all funds. Each fund should be separately managed in accordance with the following: diversify across multiple asset classes to provide long-term

NEW HAMPSHIRE HUMANITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

appreciation of principal while managing risk, earn a competitive long-term return to meet annual distribution requirements and exceed inflation and expenses, manage for net total return to preserve and enhance the principal of the Fund, and provide competitive returns as measured against appropriate indices over a market cycle.

Spending Policy

For the year ended June 30, 2019 the Board established a maximum distribution of 4.5%. Distribution rates are calculated on a 36-month rolling average. The 36-month rolling average is calculated on an annual basis, using month end account balances. The projected distribution will be communicated in writing to the Investment Manager along with the expected distribution schedule.

Changes in Endowments

	With Donor Restrictions
Investment return, net	\$ 300,445
Contributions	73,786
Appropriation of endowment assets for expenditure	(138,777)
Total change	235,454
Balance at June 30, 2018	2,890,766
Balance at June 30, 2019	<u>\$ 3,126,220</u>

All endowment net assets are donor-restricted funds at June 30, 2019.

NOTE 7—LEASE COMMITMENTS

New Hampshire Humanities has three different leases for equipment. Monthly lease payments are approximately \$348. The leases were each five years, non-cancellable, and expire in years 2021 and 2022. Lease expense amounted to \$5,195 for the year ended June 30, 2019.

The following is a schedule, by years, of the future minimum payments for the operating leases:

Year Ended June 30,	Amount
2020	\$ 4,032
2021	3,600
2022	1,172
	<u>\$ 8,804</u>

NOTE 8—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2019:

NEW HAMPSHIRE HUMANITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

	<u>2019</u>
Subject to expenditure for specified purpose:	
Humanities to Go Spend Down Fund	\$ 366,779
New Ventures Spend Down Fund	398,846
Promises to give, the proceeds from which have been restricted by donors for:	
New Ventures Spend Down Fund	<u>5,225</u>
	<u>770,850</u>
Subject to the passage of time:	
NEH grant funding	<u>260,621</u>
Endowments:	
Subject to appropriation and expenditure when a specified event occurs:	
Restricted by donors for:	
Osborne Education Fund	282,532
Bickford Innovation Fund	126,182
Merrill Education Fund	178,265
Humanities to Go	<u>203,796</u>
	<u>790,775</u>
Subject to NFP endowment spending policy and appropriation:	
Osborne Education Fund	943,356
Bickford Innovation Fund	378,718
Merrill Education Fund	50,000
Humanities to Go	953,871
Unconditional promises to give, net - permanently restricted to general endowment	<u>9,500</u>
	<u>2,335,445</u>
Total endowments	<u>3,126,220</u>
Not subject to spending policy or appropriation:	
Beneficial interest in trusts	<u>434,217</u>
	<u>\$ 4,591,908</u>

NOTE 9—CONCENTRATION OF REVENUE RISK

The Entity's primary source of revenue is grants received from the National Endowment for the Humanities. During the year ended June 30, 2019, the Entity recognized revenue of \$683,400 (45%) from these grants. Revenue is recognized as earned under the terms of the grant contracts and is received on a cost reimbursement basis. Other support originates from contributions, in-kind donations, investment income and other sources.

NOTE 10—PENSION PLAN

The Entity has a deferred compensation pension plan under Section 403(b) of the Internal Revenue Code. Under the terms of the plan, employee contributions are made through a salary reduction plan. During the

NEW HAMPSHIRE HUMANITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

year ending June 30, 2019, the Entity's contribution to the plan was equal to 5.0% of each eligible employee's annual salary. The Entity contributed \$29,368 for the year ended June 30, 2019.

NOTE 11—LINE OF CREDIT

The Entity has an available line of credit with its primary bank for up to \$100,000. The interest rate is at the bank's prime rate plus 1.00%. The interest rate at June 30, 2019 was 6.50%. No amounts have been drawn on the line of credit and there was no outstanding balance due as of June 30, 2019.

NOTE 12—CONTINGENCIES

The Entity participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of additional expenses which may be disallowed by the granting agency cannot be determined at this time, although the Entity expects such amounts, if any, to be immaterial.

NOTE 13—SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 18, 2020 which is the date the financial statements were available to be issued.

SCHEDULE I
NEW HAMPSHIRE HUMANITIES
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Total Federal Expenditures	Passed Through to Subrecipients
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Received directly from U.S. Treasury Department			
Promotion of the Humanities Federal/State Partnership	45.129		
#SO-233948-16		\$ 244,150	
#SO-263445-19		<u>418,579</u>	<u>\$ 50,439</u>
		<u>662,729</u>	<u>50,439</u>
Promotion of the Humanities Challenge Grants	45.130	<u>350,000</u>	<u>-</u>
Total National Endowment for the Humanities		<u>1,012,729</u>	<u>50,439</u>
Total Expenditures of Federal Awards		<u>\$ 1,012,729</u>	<u>\$ 50,439</u>

See notes to schedule of expenditures of federal awards

NEW HAMPSHIRE HUMANITIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of New Hampshire Humanities under programs of the federal government for the year ended June 30, 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 New Hampshire Humanities, it is not intended to and does not present the financial position, changes in net assets, or cash flows of New Hampshire Humanities.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to New Hampshire Humanities’ financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

NOTE 3—INDIRECT COST RATE

New Hampshire Humanities has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—RELATIONSHIP TO FINANCIAL STATEMENTS

The recognition of expenditures of federal awards has been reported in the Entity’s financial statements as program services and management and general expenses.

**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***

Independent Auditor's Report

To the Board of Directors
New Hampshire Humanities

We have audited, 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, the financial statements of New Hampshire Humanities (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 March 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Hampshire Humanities' 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 New Hampshire Humanities' internal control. Accordingly, we do not express an opinion on the effectiveness of New Hampshire Humanities' 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Hampshire Humanities' 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vashon Clukay & Company PC

Manchester, New Hampshire
March 18, 2020

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Directors
New Hampshire Humanities

Report on Compliance for Each Major Federal Program

We have audited New Hampshire Humanities' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on New Hampshire Humanities' major federal program for the year ended June 30, 2019. New Hampshire Humanities' major federal program is 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of New Hampshire Humanities' 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 New Hampshire Humanities' 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 New Hampshire Humanities' compliance.

Opinion on Each Major Federal Program

In our opinion, New Hampshire Humanities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of New Hampshire Humanities 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 New Hampshire Humanities' 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 New Hampshire Humanities' 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.

Vashon Clukay & Company PC

Manchester, New Hampshire
March 18, 2020

**New Hampshire Humanities
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditor's report issued on compliance
for major federal programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)?

_____ yes X no

Identification of major federal program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
45.129	Promotion of the Humanities Federal/State Partnership

Dollar threshold used to distinguish between Type A and Type B program: \$ 750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Section II--Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III--Federal Award Findings and Questioned Costs

There were no findings and questioned costs as defined under 2 CFR 200.516(a).