

Humanities Iowa

## Audited Financial Statements

For the year ended October  
31, 2022

---

## CONTENTS

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Humanities Iowa  
Iowa City, IA

We have audited the accompanying financial statements of Humanities Iowa (a nonprofit organization), which comprise the statement of financial position as of October 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humanities Iowa as of October 31, 2022, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Humanities Iowa and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Humanities Iowa's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Humanities Iowa's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Humanities Iowa's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Jason F. Clausen, P.C.*

Fraser, MI  
June 28, 2023

**HUMANITIES IOWA**  
STATEMENT OF FINANCIAL POSITION  
OCTOBER 31, 2022

Assets

Current assets	
Cash and cash equivalents	\$ 61,919
Investments	639,377
Grants receivable, net	21,332
Prepaid expenses	<u>2,454</u>
Total current assets	725,082
Property and equipment	
Property and equipment	52,290
Less: accumulated depreciation	<u>(52,290)</u>
Net property and equipment	-
Other Assets	
Collections acquired since November 1, 2010	<u>250,000</u>
Total other assets	<u>250,000</u>
Total assets	<u><u>975,082</u></u>

Liabilities and net assets

Current liabilities	
Accounts payable and accrued expenses	2,505
Grants payable	<u>92,647</u>
Total current liabilities	<u>95,152</u>
Total liabilities	95,152
<u>Net assets</u>	
Net assets without donor restrictions	629,930
Net assets with donor restrictions	<u>250,000</u>
Total net assets	<u>879,930</u>
Total liabilities and net assets	<u><u>\$ 975,082</u></u>

See independent auditor's report and financial statements

**HUMANITIES IOWA**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED OCTOBER 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<u>Revenue and other support</u>			
Grant income	\$ 20,000	\$ -	\$ 20,000
Contributions	11,805	-	11,805
Fees and other income	34,423	-	34,423
Investment income			
Net assets released from restrictions	-	-	-
Total revenue and other support	66,228	-	66,228
<u>Investment loss</u>	(167,027)	-	(167,027)
<u>Expense</u>			
Program services	319,961	-	319,961
Management and general	51,641	-	51,641
Fundraising	6,395	-	6,395
Total expense	377,997	-	377,997
Change in net assets	(478,796)	-	(478,796)
Net assets, beginning of period	1,108,726	250,000	1,358,726
Net assets, end of period	\$ 629,930	\$ 250,000	\$ 879,930

See independent auditor's report and financial statements

**HUMANITIES IOWA**  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED OCTOBER 31, 2022

<u>Description</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 83,186	\$ 27,349	\$ 3,418	\$ 113,953
Employee benefits	23,689	7,788	973	32,450
Retirement benefits	7,749	2,548	318	10,615
Payroll taxes	6,358	2,090	262	8,710
Total personnel expenses	<u>120,982</u>	<u>39,775</u>	<u>4,971</u>	<u>165,728</u>
Distributions to regrant recipients	129,051	-	-	129,051
Program expenses	34,000	-	-	34,000
Professional fees	8,710	2,864	358	11,932
Office expenses	5,038	1,656	207	6,901
Printing and publications	4,800	1,578	198	6,576
Postage	7,843	2,579	322	10,744
Dues, fees, and subscriptions	3,897	1,281	161	5,339
Insurance	4,314	1,418	178	5,910
Miscellaneous	1,326	490	-	1,816
Total expenses on the statement of activities	<u>\$ 319,961</u>	<u>\$ 51,641</u>	<u>\$ 6,395</u>	<u>\$ 377,997</u>

See independent auditor's report and financial statements

**HUMANITIES IOWA**  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED OCTOBER 31, 2022

<u>Cash flows from operating activities</u>	
Change in net assets	\$ (478,796)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Net loss on investments	167,027
<u>Changes in operating assets and liabilities</u>	
Increase in accounts and grants receivable	(20,100)
Increase in prepaid expenses	1,242
Decrease in accounts and grants payable	<u>(97,018)</u>
Net cash used in operating activities	(427,645)
<u>Cash flows from investing activities</u>	
Investment income, net of amount reinvested	<u>425,061</u>
Net cash provided by investing activities	<u>425,061</u>
Net decrease in cash and cash equivalents	<u>(2,584)</u>
Cash and cash equivalents, beginning of period	<u>64,503</u>
Cash and cash equivalents, end of period	<u>\$ 61,919</u>

Total cash paid for interest during the fiscal year was \$0.



**HUMANITIES IOWA**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 1 – NATURE OF ACTIVITIES**

Humanities Iowa's (the "Organization") primary function is to administer grant funds received for programs to promote the humanities within the State of Iowa. The Organization's primary sources of funding are from grants and contributions.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

*Classification of Net Assets*

The Organization prepares its financial statements in accordance with FASB ASC 958-205, "Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. As permitted under the provisions of FASB 958-605, the Organization records donor-restricted contributions whose restrictions have been satisfied in the same reporting period as unrestricted support in such year.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Organization's balances in its bank accounts may exceed Federal Deposit Insurance Corporation limits. As of October 31, 2022, the Organization did not have any deposits in excess of federally insured limits.

*Grants and Accounts Receivable, Net*

The Organization carries its accounts receivable and grants receivable at the lower of cost or market, less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based upon specific delinquent accounts. When receivables are deemed uncollectible, they are charged against the allowance account. At October 31, 2022, the allowance for doubtful accounts was \$0.

*Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income includes capital gain distributions received from mutual funds.

*Current Financial Assets*

The Organization has \$722,628 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$61,919,

See independent auditor's report and financial statements

**HUMANITIES IOWA**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

investments of \$639,377, and grants receivable of \$21,332. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$62,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

*Capitalization and Depreciation*

The Organization follows a practice of capitalizing all expenditures for equipment at cost. The fair value of donated assets is similarly capitalized. Depreciation of equipment is calculated over the estimated useful lives of the respective assets on a straight-line basis.

*Functional Reporting of Expenses*

For the year ended October 31, 2022, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to program and supporting services. Indirect expenses are allocated to program and supporting based on Management's estimate of time and effort.

*Collections*

Prior to November 1, 2010, collections, which were acquired through the purchases and contributions since the Organization's inception, were not recognized as assets in the statements of financial position. Purchases of collection items were recorded as decreases in unrestricted net assets in the year in which the items were acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items were restricted by donors. Contributed collection items were not reflected on the financial statements. Beginning November 1, 2010, the Organization began capitalizing collections. Donated collections are stated at their estimated fair value at the time of donation. Collections purchased by the Organization are capitalized at cost. Gains and losses on the deaccession of donated collection items are classified in the statement of activities based on the absence or existence and nature of donor restrictions placed on the item at the time of the donation.

*Contributions*

Contributions are recognized when the donor makes an unconditional promise to give and are recognized as unrestricted, temporarily restricted or permanently restricted support depending on the existence of any donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets with Donor Restrictions*

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed 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 imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**HUMANITIES IOWA**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Donated Resources*

Donated materials, equipment and investments are recorded as unrestricted support at their fair value when received unless explicit donor stipulations specify how the donated assets must be used. During the year ended October 31, 2022, the Organization did not receive any donated materials, equipment, or investments.

A number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs. These contributions are utilized in all of the Organization's program service areas. When these contributed services require specialized skill or create or enhance nonfinancial assets, the Organization records these services at their fair value. For the year ended October 31, 2022, no amount was recorded for contributed services.

*Revenue Recognition*

The Organization's support consists mainly of grant and contribution income received from various sources. The grant revenue is recognized as regrants are awarded by the Organization's Board of Directors and as other federal expenditures are incurred. When the Organization expends more than it has received, a receivable is recorded. When the Organization has funds on hand in excess of expenditures and regrants paid, deferred revenue is recorded.

*Impairment of Long-Lived Assets*

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

*Income Taxes*

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's income tax returns. Management is not aware of any tax positions that would have a material effect on the financial statements that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities with full knowledge of the position and all relevant facts. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's income tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax penalties, and interest as a result of such challenge. The Organization recognizes penalties and interest arising from uncertain tax positions as incurred in expenses. No such penalties or interest were recognized during the year ended October 31, 2022.

The Organization files annual information returns with the Internal Revenue Service. The Organization's returns for the years ended October 31, 2019 through 2021 are open to

**HUMANITIES IOWA**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

examination by the taxing authorities generally for a period of three years after they were filed.

*Accrued Vacation and Sick*

Employees do not receive payment for unused vacation or sick time upon termination of employment. Employees may carry a portion of unused vacation or sick time from year to year. The liability for such carryover from year to year could not be reasonably estimated, therefore no accrual is recorded.

*Expense Allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to program and supporting services. Indirect expenses are allocated to program and supporting services on the basis of periodic time and expense analyses. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

**NOTE 3 - FAIR VALUE MEASUREMENTS**

Generally Accepted Accounting Principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under Generally Accepted Accounting Principles are described as follows:

- Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2            Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - 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. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of this asset or liability.
- Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lower level of any input that is significant to the fair value measurement. Valuation

**HUMANITIES IOWA**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)**

techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

*Money market funds:* Valued at the fair value of the fund at the close of the stock market on the last business day of the year.

*Mutual funds:* Valued at the accumulated unit value of the units held at the end of the year.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments are stated at their fair values, and consist of money market and equity investment as follows:

<u>October 31, 2022</u>	<u>Fair Value</u>	<u>In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Levels 3)</u>
Money Market Funds	\$ 17,877	\$ 17,877	\$ -0-	\$ -0-
Mutual Funds:				
Fixed Income	188,303	188,303	-0-	-0-
Equity	<u>433,197</u>	<u>433,197</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 639,377</u>	<u>\$ 639,377</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Investment income for the year ended October 31, 2022, reported as a net of realized gains and losses, dividends and interest of \$56,831, brokerage fees of \$4,377, and unrealized market fluctuations was (\$219,542).

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

<u>Description</u>	
Computer software	\$ 34,564
Equipment	<u>17,726</u>
Total	\$ 52,290
Less: Accumulated depreciation	<u>52,290</u>
Net property and equipment	<u>\$ -0-</u>

Depreciation expense for the fiscal year ended October 31, 2022 was \$0.

See independent auditor's report and financial statements

**HUMANITIES IOWA**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 5 – RETIREMENT PLAN**

The Organization has committed to a pension plan qualified under the Internal Revenue Code covering substantially all employees. Mandatory contributions to the pension plan are determined in accordance with the plan. The plan is funded currently by payment to an independent trustee. Employer contributions to the plan for the year ended October 31, 2022 totaled \$10,615.

**NOTE 6 – COLLECTIONS**

The Organization’s collections are made up of multi-media programs or exhibits which are considered relevant to the Organization’s purpose. These collections are on display through travelling exhibits or can be requested for use in educational, research or creative purposes from the archives. Each of the items is cataloged and cared for, and activities verifying their existence and assessing their condition are performed on a continuous basis. Included in these are collections of photographs of Iowa received from a documentary photographer in 1988, 2011, and 2018. The terms of these donations permanently limit their use to display/exhibition and prohibit sale of the photographs.

**NOTE 7 – GRANTS PAYABLE**

At October 31, 2022, the Organization had approved \$92,647 of regrants to subrecipients which had not yet been disbursed at that date.

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

The Organization receives support from varying sources that are restricted, either by purpose or passage of time.

The following table summarizes the portion of net assets that are restricted for the following purposes or periods at October 31, 2022:

<b>Subject to expenditure for a specified purpose:</b>	
Collections acquired since November 1, 2010 (see Note 6)	<u>\$ 250,000</u>
<b>Subject to the passage of time:</b>	
For periods after October 31, 2022	<u>-</u>
Total net assets with donor restrictions	<u>\$ 250,000</u>

**NOTE 9 – DATE OF MANAGEMENT’S REVIEW**

These financial statements have been reviewed by management through the date of this report, which is the date the financial statements were available to be issued.