

**VERMONT HUMANITIES COUNCIL**

Financial Statements  
(With Independent Auditors' Report)

December 31, 2019 and 2018

**VERMONT HUMANITIES COUNCIL**  
December 31, 2019 and 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Vermont Humanities Council  
Montpelier, Vermont

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Vermont Humanities Council (a nonprofit organization, the "Council"), which comprise the statement of financial position as of December 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.

#### ***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 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 the Council as of December 31, 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 Matters***

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 29, 2020, on our consideration of the Council'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 the Council'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 the Council's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited the Vermont Humanities Council's 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated September 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McSoley McCoy & Co.*

April 29, 2020  
South Burlington, Vermont  
VT Reg. No. 92-349

**VERMONT HUMANITIES COUNCIL**

## Statements of Financial Position

December 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 344,862	\$ 731,519
Accounts receivable	9,787	6,743
Grants receivable	387,450	-
Pledges receivable	52,590	86,373
Prepays	3,587	-
Total current assets	<u>798,276</u>	<u>824,635</u>
Property and equipment:		
Land	85,000	85,000
Building	220,470	220,470
Building improvements	393,878	393,878
Furniture and equipment	49,993	46,087
Total property and equipment	<u>749,341</u>	<u>745,435</u>
Less: accumulated depreciation	<u>(502,502)</u>	<u>(465,125)</u>
Net property and equipment	<u>246,839</u>	<u>280,310</u>
Other assets:		
Interest in assets held by the Vermont Community Foundation	241,456	215,889
Long-term investments	<u>1,207,779</u>	<u>1,057,152</u>
Total other assets	<u>1,449,235</u>	<u>1,273,041</u>
 Total assets	 <u>\$ 2,494,350</u>	 <u>\$ 2,377,986</u>
 <b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 87,983	\$ 24,305
Accrued payroll liabilities	43,289	34,929
Grants payable	-	18,650
Total current liabilities	<u>131,272</u>	<u>77,884</u>
Net assets:		
Without donor restrictions-		
Undesignated	568,492	596,048
Investment in property and equipment	246,839	280,310
Board designated for long-term investments	<u>1,143,184</u>	<u>999,991</u>
Total without donor restrictions	1,958,515	1,876,349
With donor restrictions	<u>404,563</u>	<u>423,753</u>
Total net assets	<u>2,363,078</u>	<u>2,300,102</u>
 Total liabilities and net assets	 <u>\$ 2,494,350</u>	 <u>\$ 2,377,986</u>

See accompanying notes to the financial statements.

**VERMONT HUMANITIES COUNCIL**

Statement of Activities

For the Year Ended December 31, 2019

(With Summarized Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Total
<b>Support and Revenues</b>				
National Endowment for the Humanities	\$ 767,700	\$ -	\$ 767,700	\$ 640,190
State grants	217,959	-	217,959	217,959
Contributions and grants	304,380	30,585	334,965	594,555
Board authorized allocation of				
investment income for operations	55,548	-	55,548	30,805
Program service fees	50,658	-	50,658	46,909
Autumn conference income	26,819	-	26,819	28,954
Miscellaneous income	<u>1,020</u>	<u>-</u>	<u>1,020</u>	<u>10,020</u>
	1,424,084	30,585	1,454,669	1,569,392
Net assets released from restrictions	<u>70,190</u>	<u>(70,190)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,494,274</u>	<u>(39,605)</u>	<u>1,454,669</u>	<u>1,569,392</u>
 <b>Operating Expenses</b>				
Programs	1,150,015	-	1,150,015	1,023,439
General and administrative	259,611	-	259,611	266,617
Development	<u>140,649</u>	<u>-</u>	<u>140,649</u>	<u>130,152</u>
Total operating expenses	<u>1,550,275</u>	<u>-</u>	<u>1,550,275</u>	<u>1,420,208</u>
Change in net assets from operations	(56,001)	(39,605)	(95,606)	149,184
 <b>Other Changes</b>				
Investment return reduced by portion of cumulative net appreciation designated for current operations	<u>138,167</u>	<u>20,415</u>	<u>158,582</u>	<u>(108,886)</u>
Change in net assets	82,166	(19,190)	62,976	40,298
Net assets, beginning of year	<u>1,876,349</u>	<u>423,753</u>	<u>2,300,102</u>	<u>2,259,804</u>
Net assets, end of year	<u>\$ 1,958,515</u>	<u>\$ 404,563</u>	<u>\$ 2,363,078</u>	<u>\$ 2,300,102</u>

See accompanying notes to the financial statements.

**VERMONT HUMANITIES COUNCIL**

Statement of Functional Expenses  
For the Year Ended December 31, 2019  
(With Summarized Totals for 2018)

	2019			Total	2018
	Programs	General & Administrative	Development		Summarized Total
Salaries and wages	\$ 400,616	\$ 114,462	\$ 57,231	\$ 572,309	\$ 578,062
Payroll taxes	33,796	9,656	4,828	48,280	51,467
Employee benefits	109,898	31,399	15,700	156,997	121,108
Subtotal - personnel costs	<u>544,310</u>	<u>155,517</u>	<u>77,759</u>	<u>777,586</u>	<u>750,637</u>
Awards and grants	91,450	-	-	91,450	94,835
Books, tapes, and videos	98,203	-	-	98,203	89,661
Conferences, meetings and travel	35,407	9,413	4,980	49,800	86,383
Equipment rental and maintenance	4,234	1,411	706	6,351	7,007
Honoraria and scholars	131,720	-	-	131,720	133,315
Membership dues	6,682	3,341	3,341	13,364	12,348
Miscellaneous	2,042	4,287	-	6,329	15,278
Occupancy	51,603	2,538	4,086	58,227	23,039
Postage and shipping	17,112	1,070	3,209	21,391	27,256
Printing and publications	33,685	2,105	6,316	42,106	43,353
Professional fees	119,764	37,951	37,951	195,666	85,542
Supplies	7,179	2,393	1,197	10,769	6,933
Telephone	6,624	2,208	1,104	9,936	7,068
Subtotal - other operating expenses	<u>605,705</u>	<u>66,717</u>	<u>62,890</u>	<u>735,312</u>	<u>632,018</u>
Total expenses before depreciation	1,150,015	222,234	140,649	1,512,898	1,382,655
Depreciation	-	37,377	-	37,377	37,553
Total expenses	<u>\$ 1,150,015</u>	<u>\$ 259,611</u>	<u>\$ 140,649</u>	<u>\$1,550,275</u>	<u>\$ 1,420,208</u>

See accompanying notes to the financial statements.



**VERMONT HUMANITIES COUNCIL**

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$ 62,976	\$ 40,298
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	37,377	37,553
Loss on disposal of fixed asset	-	5,687
Gain on investments	(202,088)	(130,244)
Interest and dividends restricted for reinvestment	(2,418)	(2,566)
(Increase) decrease in:		
Accounts receivable	(3,044)	(4,293)
Grants receivable	(387,450)	181,175
Pledges receivable	33,783	(34,746)
Prepays	(3,587)	-
Increase (decrease) in:		
Accounts payable	63,678	10,064
Accrued payroll liabilities	8,360	(14,889)
Grants payable	(18,650)	550
Total adjustments	(474,039)	48,291
Net cash provided by (used in) operating activities	(411,063)	88,589
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale and maturity of investments	259,614	244,435
Purchases of investment securities	(233,720)	(72,485)
Purchases of property and equipment	(3,906)	(4,945)
Net cash provided by investing activities	21,988	167,005
<b>Cash Flows from Financing Activities</b>		
Interest and dividends restricted for reinvestment	2,418	2,566
Net increase (decrease) in cash and cash equivalents	(386,657)	258,160
Cash and cash equivalents, beginning of year	731,519	473,359
Cash and cash equivalents, end of year	\$ 344,862	\$ 731,519

See accompanying notes to the financial statements.

## VERMONT HUMANITIES COUNCIL

Notes to Financial Statements

December 31, 2019 and 2018

### (1) Organization and Significant Accounting Policies

#### (a) Description of organization

Vermont Humanities Council (the “Council”) was incorporated on September 5, 1975 under the laws of the State of Vermont. The Council is part of a federal initiative carried out in every state under funding from the National Endowment for the Humanities (NEH).

The Council has organized its activities around a mission statement which seeks to engage all Vermonters in the world of ideas, foster a culture of thoughtfulness, and inspire a lifelong love of reading and learning. A state affiliate of the NEH, the Council believes that engagement with the world of ideas, in interaction with others, contributes uniquely to richer lives, stronger communities, a more humane society, and a better world.

The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

#### (b) Basis of presentation

The accompanying financial statements are prepared using the accrual basis of accounting under U.S. generally accepted accounting principles (U.S. GAAP).

#### (c) Financial statement presentation

The Council reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

#### (d) Contributions

Contributions received are recorded as with or without donor restrictions depending on the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in without donor restricted net assets if the restriction expires in the period in which the support was recognized. All other donor-restricted support is reported as an increase in with donor restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restricted net assets are reclassified to without donor restricted net assets and reported as net assets released from restrictions.

#### (e) Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts on deposit in financial institutions and other short-term investments with original maturities of three months or less except money market funds which are considered investments. Cash and cash equivalents are stated at cost, which approximates market value.

## VERMONT HUMANITIES COUNCIL

Notes to Financial Statements

December 31, 2019 and 2018

### Organization and Significant Accounting Policies (continued)

The Council maintains its cash in accounts at various local banks. Management believes the Council is not exposed to any significant credit risk on cash.

#### (f) Gifts, grants, and other receivables

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefit received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met, and the promises become unconditional.

#### (g) Investments

The Council carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Donated securities are recorded at fair market value on the date of the donation. It is the Council's policy to liquidate all donated securities as soon as possible with any resulting gain or loss reported in the statement of activities in the without donor restrictions category.

#### (h) Interest in assets held by the Vermont Community Foundation

The Council is a beneficiary of irrevocable trusts held and administered by the Vermont Community Foundation (the "Foundation"). The fair value of the beneficial interest in the trusts are recognized as a long-term asset in the statements of financial position. The Council's estimate of fair value at each reporting date is based on fair value information received from the Foundation. These assets are not subject to control or direction by the Council. Gains and losses, which are not distributed by the trusts, are reflected in investment income in the statement of activities.

#### (i) Property and equipment

Donations of property and equipment are recorded as support at their estimated value. Such donations are reported as without donor restriction support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies with donor restricted net assets to without donor restricted net assets at that time. Purchased property and equipment is stated at cost. It is the Council's policy to capitalize items in excess of \$1,000; items of a lesser cost are expensed when purchased. Depreciation is computed on the straight-line method over the estimated useful lives of the underlying assets, which range from five to thirty years. Depreciation expense was \$37,377 and \$37,553 for the years ending December 31, 2019 and 2018, respectively.

## VERMONT HUMANITIES COUNCIL

Notes to Financial Statements

December 31, 2019 and 2018

### Organization and Significant Accounting Policies (continued)

#### (j) Functional expenses

The costs of program and supporting service activities have been summarized on a functional basis as a separate statement in the financial statements. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated on a square footage basis include supplies, telephone, occupancy, membership dues and miscellaneous. Expenses that are allocated on the basis of estimates of time and effort include wages and benefits.

#### (k) Use of accounting estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (l) Prior year totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2018 from which the summarized information was derived.

#### (m) Recognition of grant revenue

The Council recognizes government grants when there is reasonable assurance that the Council will comply with the conditions attached to the grant arrangement and the grant will be received. Government grants are recognized in the statement of activities over the years in which the Council recognizes the related costs for which the grant is intended to compensate.

## VERMONT HUMANITIES COUNCIL

Notes to Financial Statements

December 31, 2019 and 2018

### Organization and Significant Accounting Policies (continued)

#### (n) Recently issued accounting standards

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for both contributions received and made to assist all entities in evaluating whether a transaction should be accounted for as a contribution or exchange transaction. This standard should be applied on a modified prospective basis. Retrospective application is permitted.

The new standard is effective for the Council for fiscal years beginning after December 15, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right of use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for the Council for fiscal years beginning after December 15, 2020 with early adoption permitted.

#### (o) Subsequent events

Management has evaluated subsequent events through April 29, 2020, which is the date the financial statements were available to be issued.

### (2) Investments and Interest in Assets Held by Vermont Community Foundation

U.S. GAAP establishes 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. In accordance with this framework, the Council reports its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the Council's valuation techniques.

Level 1 - The most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of December 31.

Level 2 - Investments are measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term.

Level 3 - Investments are measured using inputs that are unobservable, and are used in situations for which there is little, if any, market activity for the investment.

## VERMONT HUMANITIES COUNCIL

Notes to Financial Statements

December 31, 2019 and 2018

### Investments and Interest in Assets Held by Vermont Community Foundation (continued)

The primary use of fair value measures in the Council's financial statements is for the recurring measurement of investments. When available, the Council measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not always available for the assets and liabilities that the Council is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The Council did not transfer any investments between levels 1, 2 and 3 during the year.

The fair value of the Council's long-term investments is determined by the closing price on the last business day of the year as determined by level 1 inputs. Long-term investments were held by Community Bank at December 31, 2019.

Long-term investments consist of money market funds, mutual funds, and bond funds as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 44,721	\$ 171,323
Mutual funds	787,955	504,644
Bond mutual funds	<u>375,103</u>	<u>381,185</u>
Total	<u>\$ 1,207,779</u>	<u>\$ 1,057,152</u>

The value of interests in assets held by the Foundation is determined by information provided by the Foundation. These funds are valued at discounted cash flow to calculate estimated market value of pooled funds. This investment is classified as level 3.

Interests in assets held by the Foundation are as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Vermont Humanities Council Fund	\$ 191,606	\$ 170,970
Vermont Council on the Humanities Endowment	<u>49,850</u>	<u>44,919</u>
Total	<u>\$ 241,456</u>	<u>\$ 215,889</u>

In 2009, the Council transferred \$150,000 from its investment portfolio to the Foundation to establish the Vermont Humanities Council Fund (the "Fund") designated solely and exclusively to support the charitable purposes, programs and operations of the Council. The agreement provides that distributions are to be determined annually by the Foundation Trustees. The Council can request to withdraw amounts in excess of the annual distribution, or at any time the Council may request or the Foundation may decide that the Fund be returned to the Council, provided that a majority of the governing boards of the Council and the Foundation approve of the withdrawal. At the time of the transfer, the Council granted variance power to the Foundation allowing the Foundation Trustees the power to modify any restriction on the distribution if such restriction becomes unnecessary, incapable of fulfillment, or is inconsistent with the needs of the community.

**VERMONT HUMANITIES COUNCIL**

Notes to Financial Statements

December 31, 2019 and 2018

Investments and Interest in Assets Held by Vermont Community Foundation (continued)

Previously, the Council transferred \$33,242 to the Foundation to establish the Vermont Council on the Humanities Endowment Fund (the “Endowment”) to support the activities of the Council. The agreement provides that distributions are to be determined annually by the Foundation Trustees. At the time of the transfer, the Council granted variance power to the Foundation allowing the Foundation Trustees the power to modify any restrictions on the distribution if such restriction becomes unnecessary, incapable of fulfillment, or is inconsistent with the needs of the community.

The following table reconciles the beginning and ending balances of fair value measurements using significant unobservable inputs (Level 3) of the investment for the years ended December 31, 2019 and 2018.

Balance as of January 1, 2019	\$ 215,889
Distributions	(11,668)
Total changes included in statement of activities	<u>37,235</u>
Balance as of December 31, 2019	<u>\$ 241,456</u>
Balance as of January 1, 2018	\$ 251,638
Sales	(1,954)
Distributions	(23,679)
Total changes included in statement of activities	<u>(10,116)</u>
Balance as of December 31, 2018	<u>\$ 215,889</u>

The following table represents the Council’s level 3 financial instruments as of December 31, 2019 and 2018, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Type	Fair Value	Valuation Technique	Significant Unobservable Inputs
Beneficial interest in assets held at the Vermont Community Foundation	2019 - \$241,456 2018 - \$215,889	Discounted cash flows	Prices of assets included in this investment

**VERMONT HUMANITIES COUNCIL**

Notes to Financial Statements

December 31, 2019 and 2018

Investments and interest in assets held by Vermont Community Foundation (continued)

The components of investment return consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income, net of fees	\$ 19,943	\$ 19,503
Net gain (loss) on investments	<u>194,187</u>	<u>(97,584)</u>
Total	<u>\$ 214,130</u>	<u>\$ (78,081)</u>

The components of investment returns were divided between operating and non-operating activities at December 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Board authorized allocation of investment income for operations	\$ 55,548	\$ 30,805
Investment return increased (reduced) by portion of cumulative net appreciation designated for current operations	<u>158,582</u>	<u>(108,886)</u>
Total	<u>\$ 214,130</u>	<u>\$ (78,081)</u>

The Council's investments are subject to various risks, such as interest rate, credit and overall market volatility risks.



## VERMONT HUMANITIES COUNCIL

Notes to Financial Statements

December 31, 2019 and 2018

### (3) Net Assets With Donor Restrictions

Net assets with donor restrictions are available to support a future period or a specific activity not yet completed by the Council. Net assets with donor restrictions at December 31, 2019 and 2018 consisted of:

	2019	2018
VCF VCH Endowment	\$ 33,242	\$ 33,242
N E Foundation Humanities	24,500	24,500
Margo George Endowment	20,000	20,000
Peter Gilbert Fund Endowment	147,098	130,600
Victor R. Swenson Humanities Educator Award	57,025	49,503
Margot J. George Program Fund	7,579	3,529
Vermont Council on the Humanities Endowment	16,608	11,677
Never Too Early	10,000	10,000
Humanities Camp	10,511	32,880
Vermont Reads	75,000	100,000
First Wednesdays	-	7,822
Time restricted pledges	3,000	-
Total	<u>\$ 404,563</u>	<u>\$ 423,753</u>

### (4) Endowments and Board-Designated Net Assets

The Council's endowment consists of four funds established to provide for the long-term financial stability of the Council, including three donor-restricted endowment funds and board-designated net assets. The donor-restricted endowments are the Vermont Council on the Humanities Endowment, the Victor R. Swenson Humanities Educator Award, and the Margot J. George Program Fund. As required by the U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2018, the Board of Directors initiated a special fundraising campaign whereby the Council solicited donations honoring the impending retirement of its executive director. The Council raised \$130,600 and the donors directed contributions to the Peter Gilbert Fund Endowment.

The Council's basic investment standards shall be those of a prudent investor as articulated in the State Uniform Prudent Investor Act (14 V.S.A. Chapter 9) and the Uniform Prudent Management of Institutional Funds Act (14 V.S.A. Chapter 120), as well as other applicable law. The Council classifies as with donor restricted net assets the fair value of the original gift to donor-restricted endowment funds absent explicit donor restrictions to the contrary, as it did under prior law. Accumulation of interest, dividends and appreciation on the principal, which may be used for Council programs, are classified as with donor restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the donor-restricted purpose.

## VERMONT HUMANITIES COUNCIL

Notes to Financial Statements

December 31, 2019 and 2018

### Endowments and Board-Designated Net Assets (continued)

The Board has designated that a portion of the Council's without donor restricted net assets be maintained to provide for the long-term financial stability of the Council. The Council invests its endowment from the New England Foundation for the Humanities with its board-designated net assets. The Council has adopted investment and spending policies for these funds (Policy VIII. Investment Policy, revised May 8, 2013). The investment objective is to achieve growth within acceptable risk levels in order to generate a long-term rate of capital appreciation, net of spending, that equals or exceeds the rate of inflation and provides the opportunity for increasing levels of distributions to support the Council's humanities programs. The Council's goal is to have the total value of the net long-term investment be equal to 50-100% of the annual operating budget.

The Council's policy permits limited withdrawals of the Council's board-designated net assets and endowment income for operating purposes. Annual disbursements from the Council's board-designated net assets shall be established by the Board as part of its approval of the Council's budget. With Board approval, additional withdrawals may be made to meet operating or capital needs. Annual distributions from endowments shall be 4.0% of the average market value for the previous 13 quarters. The Board may, at its discretion, distribute less than 4.0% of this moving average. Any increase in annual distributions from endowments must be recommended by the Finance Committee and approved by the Board. The Council authorized distributions from its board-designated net assets of \$55,548 and \$30,805 for the years ended December 31, 2019 and 2018, respectively.

In December 2010, the Council received \$20,000 for the Estate of Margot J. George. Per the Executor's instructions, the funds are to be used to create a permanent endowment to support Vermont Humanities Council programming and/or events, ideally in Montpelier. In accordance with the donor's wishes, the Council has established the Margot J. George Program Fund and has invested the funds in a separate account with Community Bank.

Board-designated net assets were \$1,143,184 and \$999,991 at December 31, 2019 and 2018, respectively. The New England Foundation for the Humanities Endowment Fund net assets were \$24,500 at December 31, 2019 and 2018, and were considered with donor restrictions at year end. The Margot J. George Program Fund net assets were \$27,579 and \$23,529 for the years ended December 31, 2019 and 2018, respectively.

The Vermont Council on the Humanities Endowment is held by the Vermont Community Foundation and managed by Trustees of that institution. The Vermont Council on the Humanities Endowment net assets were \$49,850 and \$44,919 at December 31, 2019 and 2018, respectively. Annual withdrawals from the Endowment are determined by the Trustees and were \$2,362 and \$4,710 for the years ended December 31, 2019 and 2018, respectively, to support the Council's regular programs.

**VERMONT HUMANITIES COUNCIL**

Notes to Financial Statements

December 31, 2019 and 2018

Endowments and Board-Designated Net Assets (continued)

Endowment and board-designated net asset activity for the years ending December 31, 2019 and 2018 were as follows:

	2019		
	Board Designated		
	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	\$ 999,991	\$ 223,548	\$ 1,223,539
Investment return -			
Investment income	25,421	4,108	29,529
Net appreciation (realized and unrealized)	<u>180,360</u>	<u>17,965</u>	<u>198,325</u>
Total investment return	205,781	22,073	227,854
Appropriated for expenditures	-	(7,362)	(7,362)
Other changes -			
Contributions	-	12,585	12,585
Transfers and fees	<u>(62,588)</u>	<u>(1,817)</u>	<u>(64,405)</u>
Endowment net assets at December 31, 2019	<u>\$ 1,143,184</u>	<u>\$ 249,027</u>	<u>\$ 1,392,211</u>
	2018		
	Board Designated		
	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	\$ 1,158,404	\$ 102,170	\$ 1,260,574
Investment return -			
Investment income	27,195	1,220	28,415
Net depreciation (realized and unrealized)	<u>(98,568)</u>	<u>(4,852)</u>	<u>(103,420)</u>
Total investment return	(71,373)	(3,632)	(75,005)
Appropriated for expenditures	-	(4,710)	(4,710)
Other changes -			
Contributions	-	130,600	130,600
Transfers and fees	<u>(87,040)</u>	<u>(880)</u>	<u>(87,920)</u>
Endowment net assets at December 31, 2018	<u>\$ 999,991</u>	<u>\$ 223,548</u>	<u>\$ 1,223,539</u>

**VERMONT HUMANITIES COUNCIL**

Notes to Financial Statements

December 31, 2019 and 2018

Endowments and Board-Designated Net Assets (continued)

As of December 31, 2019 and 2018, endowment and board-designated net assets are classified as follows:

	2019		
	Board- Designated	With	Total
	Without Restriction	Donor Restrictions	
Vermont Council on the Humanities Endowment	\$ -	\$ 49,850	\$ 49,850
Victor R. Swenson Humanities Educator Award	-	24,500	24,500
Margot J. George Program Fund	-	27,579	27,579
Peter Gilbert Endowment Fund	-	147,098	147,098
Board-designated			
Community Bank-designated for long-term investment	951,578	-	951,578
VCF Humanities Council Fund	191,606	-	191,606
Endowment net assets at December 31, 2019	\$ 1,143,184	\$ 249,027	\$ 1,392,211
	2018		
	Board- Designated	With	Total
	Without Restriction	Donor Restrictions	
Vermont Council on the Humanities Endowment	\$ -	\$ 44,919	\$ 44,919
Victor R. Swenson Humanities Educator Award	-	24,500	24,500
Margot J. George Program Fund	-	23,529	23,529
Peter Gilbert Endowment Fund	-	130,600	130,600
Board-designated			
Community Bank-designated for long-term investment	829,021	-	829,021
VCF Humanities Council Fund	170,970	-	170,970
Endowment net assets at December 31, 2018	\$ 999,991	\$ 223,548	\$ 1,223,539

(5) Retirement Plan

The Council sponsors a 403(b) Tax Shelter Annuity Retirement Plan for its employees. After completion of the initial hire period, the Council contributes to the plan six percent of the annual salary of regular full-time and part-time employees working at least 20 hours per week. Total retirement expense was \$42,111 and \$26,181 for the years ending December 31, 2019 and 2018, respectively.

## VERMONT HUMANITIES COUNCIL

Notes to Financial Statements

December 31, 2019 and 2018

### (6) Matching Contributions

The NEH requires that its grants be matched dollar-for-dollar from local sources. This match requirement may be met by either cash or in-kind service donations. In order to meet this matching requirement, the Council has established a policy of requiring its regrantees to provide matching funds (cash or in-kind) equal to or more than the amount of the regrant. Revenue from NEH grants is recognized contingent on the Council's compliance with the matching requirements. Any cash match is included in revenues; however, in-kind contributions are not recognized for financial reporting purposes.

### (7) Income Taxes

The Council qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from income taxes under Section 501(a) of the IRC since August 21, 1976. In addition, it has been classified as an organization that is not a private foundation under Section 509(a) of the IRC.

U.S. generally accepted accounting principles requires entities to disclose in their financial statements the nature of any uncertainty in their tax positions. For tax exempt entities, tax exempt status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax exempt status. Management believes the Council has no uncertain tax positions. The Council anticipates that it will not have a change in uncertain tax positions during the next twelve months that would have a material impact on the Council's financial statements. If necessary, the Council would accrue interest and penalties on uncertain tax positions as a component of the provision for income taxes. The Council is no longer subject to federal and state income tax examinations by tax authorities for years before 2016.

### (8) Concentration of Support

The Council receives a significant portion of its support from NEH and state appropriations. This funding is negotiated each year and is not guaranteed for future years beyond 2020. A significant reduction in the level of support, if this were to occur, would have a significant effect on the Council's programs and activities.

### (9) Commitments and Contingencies

The Council participated in a federally assisted grant program, namely the National Endowment for the Humanities Promotion of the Humanities Federal/State Partnership-General Support Grant. This program is subject to a program compliance audit by the grantor or its representative. The amount, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time, although the Council expects such amounts, if any, to be immaterial.

**VERMONT HUMANITIES COUNCIL**

Notes to Financial Statements

December 31, 2019 and 2018

(10) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the financial position date, comprise the following:

Cash and cash equivalents	\$	344,862
Accounts receivable		9,787
Grants receivable		387,450
Pledges receivable		<u>52,590</u>
	\$	<u>794,689</u>

The Council regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Council has various sources of liquidity at its disposal, including cash and cash equivalents, and various receivables.

In addition to financial assets available to meet general expenditures over the next 12 months, the Council operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Council strives to maintain liquid cash reserves sufficient to cover 90 days of general expenditures. General expenditures include administrative, fundraising and operating expenses.

The Council receives the majority of its funding from grants and contributions which are available to meet annual cash needs for general expenditures. Some funding sources are restricted to specific programs, and are used in accordance with the associated purpose restrictions.

(11) Subsequent Event

In March 2020, a worldwide pandemic was declared due to the spread of COVID-19. The ultimate impact of this event on the Council's operations and financial statements is unknown as of the date of the auditors' report.

In April 2020, the Council received a loan of approximately \$146,000 under the Paycheck Protection Program issued by the Small Business Administration. The Council expects to meet the guidance under the loan such that the loan is forgiven at the end of the eight-week payroll protection period. If the loan is not forgiven, it will mature in two years from the issuance date and has an interest rate of 1%.

**VERMONT HUMANITIES COUNCIL**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2019

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor Number</b>	<b>Expenditures</b>
<b>U.S. Department of Treasury:</b>			
<i>Passed through the National Endowment for the Humanities</i>			
Promotion of the Humanities - Federal/State Partnership	45.129	SO-253173-17	\$ <u>767,700</u>

See notes to schedule of expenditures of federal awards.

**VERMONT HUMANITIES COUNCIL**  
Notes to Schedule of Expenditures of Federal Awards  
December 31, 2019

**1. Basis of Presentation**

The schedule of expenditures of Federal awards (the “Schedule”) includes the federal award activity of Vermont Humanities Council (the “Council”) under programs of the federal government for the year ended December 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 the Council, it is not intended to and does not present the financial position, activities, or cash flows for the Council.

**2. Basis of Accounting**

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, where certain types of expenditures are not allowable or are limited as to reimbursement.

The Council has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**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**

To the Board of Directors of  
Vermont Humanities Council  
Montpelier, Vermont

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 Vermont Humanities Council (a nonprofit organization, the "Council"), which comprise the statement of financial position as of December 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 have issued our report thereon dated April 29, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council'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 the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's 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 the Council's financial statements are free from material misstatement, we performed tests of 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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McSoley McCoy & Co.*

April 29, 2020  
South Burlington, Vermont  
VT Reg. No. 92-349

**Independent Auditors' Report on Compliance for the Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors of  
Vermont Humanities Council  
Montpelier, Vermont

**Report on Compliance for the Major Federal Program**

We have audited Vermont Humanities Council's (the "Council") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Council's major federal program for the year ended December 31, 2019. The Council's 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 the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the Council's major federal program 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 the Council'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 the major federal program. However, our audit does not provide a legal determination of the Council's compliance.

**Opinion on Major Federal Program**

In our opinion, the Council 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 programs for the year ended December 31, 2019.

## Report on Internal Control Over Compliance

Management of the Council 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 the Council's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the Council's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council'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 requirements 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 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.

*McSoley McCoy & Co.*

April 29, 2020  
South Burlington, Vermont  
VT Reg. No. 92-349

**Vermont Humanities Council**  
 Schedule of Findings and Questioned Costs  
 December 31, 2019

1) **Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes   X   no

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes   X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   X   no

Type of auditors' report issued on compliance for the major program Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)(vii)? \_\_\_\_\_ yes   X   no

*Identification of Major Program*

<u>Name of federal program or cluster</u>	<u>CFDA #</u>
Promotion of the Humanities – Federal/State Partnership	45.129

Dollar threshold used to distinguish between type A and type B programs, as those terms are defined in the OMB Uniform Guidance: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

**Vermont Humanities Council**  
Schedule of Findings and Questioned Costs  
December 31, 2019

2) **Finding Relating to the Financial Statements Required to be Reported in Accordance with *Government Auditing Standards***

There were no findings related to the financial statements required to be reported.

3) **Findings and Questioned Costs For Federal Awards**

There were no findings and questioned costs for federal awards.

April 29, 2020

## Schedule of Prior Audit Finding, Questioned Costs, and Recommendations



**Vermont  
Humanities**

**Because Ideas Matter**

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Montpelier, Vermont 05602

Phone: 802.262.2626

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[vermonthumanities.org](http://vermonthumanities.org)

**Prior Audit Finding:** The Council submitted their annual financial report based on expenditures submitted for reimbursement rather than expenditures incurred through the reporting period date. There were no questioned costs.

**Current Status:** The Council has new management who have consulted with the Auditors as well as the NEH Inspector General. We believe there is now a greater and mutual understanding of how this form should be completed. There were no issues noted in 2019.

April 29, 2020



**Vermont  
Humanities**

**Because Ideas Matter**

**VHC CORRECTIVE ACTION PLAN:** The Council has new management who have consulted with the Auditors as well as the NEH Inspector General. We believe there is now a greater and mutual understanding of how this form should be completed.

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Signature:  \_\_\_\_\_

Title: Executive Director \_\_\_\_\_