Humanities
MONTANA

AUDITED FINANCIAL STATEMENTS

OCTOBER 31, 2023 AND 2022

JCCS

HUMANITIES MONTANA

CONTENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Humanities Montana
Missoula, Montana

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of Humanities Montana (a nonprofit organization), which comprise the statements of financial position as of October 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Humanities Montana, as of October 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Humanities Montana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 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 the Humanities Montana's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' 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 auditors' 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 and *Government Auditing Standard*s 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 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 and *Government 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 Montana’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 Montana’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.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Board of Directors and Management
Humanities Montana

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 schedule of expenditures of federal awards 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 25, 2024 on our consideration of Humanities Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Humanities Montana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humanities Montana's internal control over financial reporting and compliance.

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

Missoula, Montana
April 25, 2024

HUMANITIES MONTANA
STATEMENTS OF FINANCIAL POSITION
October 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 267,327	$ 213,465
Grants receivable	131,151	101,803
Prepaid expenses	3,864	6,539
Total Current Assets	402,342	321,807
Property and Equipment		
Equipment	5,169	5,169
Works of art	2,695	2,695
Website	42,513	34,943
Less: Accumulated depreciation and amortization	(24,802)	(17,803)
Net Property and Equipment	25,575	25,004
Other Assets		
Endowment - Montana Community Foundation	84,921	83,510
Total Assets	$ 512,838	$ 430,321
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 16,142	$ 26,158
Accrued liabilities	3,778	3,036
Compensated absences	11,525	18,521
Re-Grants payable	29,000	44,500
Total Current Liabilities	60,445	92,215
Net Assets		
Net assets without donor restriction	287,472	254,596
Net assets with donor restriction	164,921	83,510
Total Net Assets	452,393	338,106
Total Liabilities and Net Assets	$ 512,838	$ 430,321

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

HUMANITIES MONTANA
STATEMENT OF ACTIVITIES
For the Year Ended October 31, 2023

	Without Donor Restriction	With Donor Restriction	Total
Revenues			
Federal grant revenue	$ 812,342	$ -	$ 812,342
Other grant revenue	87,000	80,000	167,000
Contributions	26,438	-	26,438
In-kind contributions	3,466	-	3,466
Royalties	433	-	433
Investment income, net	1,710	5,505	7,215
Net assets released from restriction	4,094	(4,094)	-
Total Revenues	935,483	81,411	1,016,894
Expenses			
Program services	555,676	-	555,676
Administration	299,892	-	299,892
Fundraising	47,039	-	47,039
Total Expenses	902,607	-	902,607
Change in Net Assets	32,876	81,411	114,287
Beginning Net Assets	254,596	83,510	338,106
Ending Net Assets	$ 287,472	$ 164,921	$ 452,393

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

HUMANITIES MONTANA
STATEMENT OF ACTIVITIES
For the Year Ended October 31, 2022

	Without Donor Restriction	With Donor Restriction	Total
Revenues			
Federal grant revenue	$ 853,723	$ -	$ 853,723
Other grant revenue	10,450	-	10,450
Contributions	41,492	-	41,492
In-kind contributions	6,389	-	6,389
Investment income, net	(246)	(12,973)	(13,219)
Net assets released from restriction	5,167	(5,167)	-
Total Revenues	916,975	(18,140)	898,835
Expenses			
Program services	564,048	-	564,048
Administration	286,596	-	286,596
Fundraising	107,795	-	107,795
Total Expenses	958,439	-	958,439
Change in Net Assets	(41,464)	(18,140)	(59,604)
Beginning Net Assets	296,060	101,650	397,710
Ending Net Assets	$ 254,596	$ 83,510	$ 338,106

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

HUMANITIES MONTANA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended October 31, 2023

	Program Services	Administration	Fundraising	Total
Expenses				
Salaries and fringe benefits	$ 182,984	$ 196,188	$ 38,522	$ 417,694
Re-grants	184,631	-	-	184,631
Program honoraria and travel	143,158	1,564	344	145,066
Professional development	388	14,665	-	15,053
Rent and administration	2,798	8,597	2,026	13,421
Professional services	4,450	25,674	3,500	33,624
Postage and printing	1,898	2,484	1,140	5,522
Dues and subscriptions	3,500	20,172	-	23,672
Network and database expense	2,107	5,572	646	8,325
Advertising	-	-	25	25
Supplies	4,069	5,059	683	9,811
Insurance	440	1,318	153	1,911
Board expenses	25,253	-	-	25,253
Website expenses	-	11,600	-	11,600
Amortization expense	-	6,999	-	6,999
Total Expenses	$ 555,676	$ 299,892	$ 47,039	$ 902,607

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

HUMANITIES MONTANA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended October 31, 2022

	Program Services	Administration	Fundraising	Total
Expenses				
Salaries and fringe benefits	$ 168,251	$ 173,490	$ 98,715	$ 440,456
Re-grants	196,824	-	-	196,824
Program honoraria and travel	139,779	1,160	5,289	146,228
Professional development	1,580	1,912	-	3,492
Rent and administration	-	8,684	-	8,684
Professional services	19,420	46,681	1,055	67,156
Postage and printing	1,884	4,263	1,181	7,328
Dues and subscriptions	-	19,434	39	19,473
Network and database expense	-	8,158	-	8,158
Advertising	681	447	-	1,128
Supplies	13,254	4,022	629	17,905
Insurance	-	1,830	-	1,830
Miscellaneous	-	298	887	1,185
Board expenses	22,375	-	-	22,375
Website expenses	-	10,636	-	10,636
Amortization expense	-	5,581	-	5,581
Total Expenses	$ 564,048	$ 286,596	$ 107,795	$ 958,439

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

HUMANITIES MONTANA
STATEMENTS OF CASH FLOWS
For the Years Ended October 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	$ 114,287	$ (59,604)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Amortization expense	6,999	5,581
(Increase) Decrease in:		
Grants receivable	(29,348)	125,434
Prepaid expenses	2,675	1,714
Endowment - Montana Community Foundation	(1,411)	18,140
Increase (Decrease) in:		
Accounts payable	(10,016)	17,475
Accrued liabilities	742	1,146
Compensated absences	(6,996)	(10,145)
Re-Grants payable	(15,500)	(66,820)
Cash flows from operating activities	61,432	32,921
Cash Flows From Investing Activities:		
Purchases of capital assets	(7,570)	(7,038)
Net Change in Cash and Cash Equivalents	53,862	25,883
Cash and Cash Equivalents Beginning of the Year	213,465	187,582
Cash and Cash Equivalents End of the Year	$ 267,327	$ 213,465

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

1. Significant Accounting Policies

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

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

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

Accounting Standards Update - During the year ended October 31, 2023, the Organization has adopted FASB ASU (Accounting Standards Update) 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. This also includes the following additional ASU's, which amend and clarify Topic 842: ASU 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Leases (Topic 842): Narrow-Scope Improvements for Lessors; ASU 2019-01, Leases (Topic 842): Codification Improvements; ASU 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates; ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities; and ASU 2021-05, Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The effects of the adoption of these ASU's have been applied retrospectively as if the ASU's had always been in place. The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less.

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

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

1. Significant Accounting Policies (Continued)

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

Revenue and Revenue Recognition - The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

The Organization historically has no material revenue from contracts with customers. A majority of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as unearned revenue in the statement of financial position.

Contributed Nonfinancial Assets
The Organization received expense reimbursement donations of $3,466 and $6,389 for the years ended October 31, 2023 and 2022, respectively. These in-kind gifts are valued at the actual cost of the reimbursable expense. All gifts in-kind received by the Organization were considered without donor restrictions.

The Organization's policy related to gifts-in-kind is to utilize them to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The Organization received contributions of volunteer time, matching project funds, and miscellaneous items with an estimated value of $752,973 and $935,861 for the years ended October 31, 2023 and 2022, respectively. These amounts have not been recorded in these financial statements because they do not meet the requirements for recognition under accounting principles generally accepted in the United States of America.

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

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

1. Significant Accounting Policies (Continued)

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

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

Advertising Costs - The Organization expenses the costs of advertising as incurred. Total advertising expense was $27 and $1,128 during the years ended October 31, 2023 and 2022, respectively.

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

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

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

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

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

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

Income Taxes - Humanities Montana is a 501(c)(3) organization and is exempt from federal and state income taxes. A provision for income taxes has not been recorded, because the Organization had no business income unrelated to its exempt activities during the years ended October 31, 2023 and 2022.

1. Significant Accounting Policies (Continued)

Concentration of Risk - The Organization has a concentration of risk related to its revenue sources. The Organization received approximately 80% and 95% of its total revenue from the National Endowment for the Humanities grant during the years ended October 31, 2023 and 2022, respectively. A substantial change in the level of funding could have a significant impact on the operations of the Organization.

Use of Estimates - The preparation of the financial statements in conformity with Accounting Principles Generally Accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

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

2. Financial Assets

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

	2023	2022
Financial Assets, at Year End:		
Cash	$ 267,327	$ 213,465
Receivables	131,151	101,803
Beneficial Interest in Perpetual Trust	84,921	83,510
Total Financial Assets	483,399	398,778
Less Financial Assets Unavailable for General Expenditures Within One Year:		
Beneficial interest in Perpetual Trust	(84,921)	(83,510)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 398,478	$ 315,268

3. Grants Receivable

Grants receivable represent the balance of grant funds earned but not yet received in cash. The Organization uses the allowance method to determine uncollectible grants receivable. Management estimates the allowance for uncollectible grants receivable to be zero at October 31, 2023 and 2022. The balance of grants receivable at October 31, 2023 and 2022 is expected to be collected within one year of the statement of financial position date.

4. Endowment

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

Interpretation of Relevant Law

The Board of Directors and management of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Changes in endowment net assets for the years ended October 31, 2023 and 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets, October 31, 2021	$ -	$ 101,650	$ 101,650
Investment Return			
Investment Loss, Net	-	(78)	(78)
Net Depreciation, Realized and Unrealized	-	(14,094)	(14,094)
Reclassification Adjustment	3,968	(3,968)	-
Appropriations for Expenditure	(3,968)	-	(3,968)
Endowment Net Assets, October 31, 2022	-	83,510	83,510
Investment Return			
Investment Loss, Net	-	(160)	(160)
Net Appreciation, Realized and Unrealized	-	5,665	5,665
Reclassification Adjustment	4,094	(4,094)	-
Appropriations for Expenditure	(4,094)	-	(4,094)
Endowment Net Assets, October 31, 2023	$ -	$ 84,921	$ 84,921

The portion of endowment net assets whose use is restricted either by explicit donor stipulation or by UPMIFA that neither expires by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization at October 31, 2023 and 2022 were $55,911.

4. Endowment (Continued)

The portion of endowment net assets whose use was restricted by time was $29,010 and $27,599 at October 31, 2023 and 2022, respectively.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as assets with donor restriction. There were no such deficiencies as of October 31, 2023 and 2022.

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner intended to produce results consistent with a balanced bond and equity portfolio.

Strategies Employed for Achieving Objectives
The endowment assets are managed at the discretion of the MCF. To satisfy the Organization's long-term rate-of-return objectives, the MCF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The MCF targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization's policy is to not make any significant withdrawals from the endowment until the corpus reaches $100,000. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

5. Endowed Perpetual Trust

The Organization has been named a beneficiary of a perpetual trust held by the Montana Community Foundation (MCF), which was created by donation. Under the agreement set forth by the MCF, the Organization does not have variance power over the trust and, therefore, has not recorded it in the financial statements. The Organization receives distributions from the trust's annual income under a reasonable structure as set forth by the MCF. Income received annually from the trust is reported in the statement of activities as an increase in net assets without donor restriction. Distributions received from the endowed perpetual trust during the years ended October 31, 2023 and 2022 were $799 and $775, respectively. The balance of the trust at October 31, 2023 and 2022 is $18,028 and $16,305, respectively.

6. Re-Grants

Re-grant expense is recognized when the funds to be re-granted are obligated. Funds are considered obligated on the date re-grant award documents are approved by the board. A corresponding re-grant payable is recorded until the funds are disbursed to the recipients. Unclaimed re-grants revert to the Organization as program income and must be expensed under the same terms as the original grant award.

7. Leases

The Organization has an operating lease for an office space in Missoula, Montana on an annual lease that has no renewal options. Short-term lease costs for this lease were $6,726 during the years ended October 31, 2023 and 2022.

8. Risk Management

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

9. Employee Benefits

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

Employees are eligible to make elective deferrals on the first of the month following employment and can contribute up to the maximum amount allowed by law. Employees are eligible for employer match up to 10 percent of the employee's salary. For the years ending October 31, 2023 and 2022, the Organization contributed $23,301 and $28,525 in matching contributions, respectively.

10. Net Assets Without Donor Restriction

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

	2023	2022
Invested in property and equipment, net	$ 25,575	$ 25,004
Undesignated	261,897	229,592
Total net assets without donor restriction	$ 287,472	$ 254,596

11. Net Assets With Donor Restriction

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

	2023	2022
Grants receivable - time and purpose restriction	$ 80,000	$ -
Endowment earnings in excess of corpus	29,010	27,599
Donor restricted endowment	55,911	55,911
Total net assets with donor restriction	$ 164,921	$ 83,510

11. Net Assets With Donor Restriction

The table on the previous page presents the composition of net assets with donor restrictions. As of October 31, 2023 and 2022, $109,010 and $27,599, respectively, are restricted by donors by the passage of time. Additionally, as of October 31, 2023 and 2022, $55,911 is restricted in perpetuity by donors.

12. Subsequent Events

Management has evaluated subsequent events through April 25, 2024, the date on which the financial statements were available to be issued.

HUMANITIES MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended October 31, 2023

FEDERAL SOURCE *PASS THROUGH SOURCE* PROGRAM NAME	ASSISTANCE LISTING NUMBER	TOTAL FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
National Endowment for the Humanities (NEH)			
Direct Award			
General Support Grants to State Humanities Councils			
Grant No. SO-268603-20	45.129	$ 207,183	$ 12,767
Grant No. SO-289884-23	45.129	602,354	150,177
Grant No. ZSO-296479-23	45.129	683	-
Grant No. ZSO-283148-21	45.129	2,122	-
Total National Endowment for the Humanities		$ 812,342	$ 162,944

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

HUMANITIES MONTANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended October 31, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance of Humanities Montana for the year ended October 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Humanities Montana, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Humanities Montana.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting except that reported expenditures include website costs capitalized as assets and not reported as expenses in the 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 reimbursement.

3. Indirect Cost Rate

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

4. Programs

Humanities Montana receives a significant portion of funding from the National Endowment for the Humanities (NEH). The primary program for the year ended October 31, 2023, was the National Endowment for the Humanities comprised of ALN 45.129.

5. Re-Grants (Subrecipients)

The Organization provided re-grant awards to subrecipients based on the program guidelines. The total amount provided to subrecipients was $162,944 for the year ended October 31, 2023.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors and Management
Humanities Montana
Missoula, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Humanities Montana (a nonprofit organization), which comprise the statement of financial position as of October 31, 2023, 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 25, 2024.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Humanities Montana’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Humanities Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Humanities Montana's internal control.

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 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 or significant deficiencies may exist that were not been identified.

Board of Directors and Management
Humanities Montana

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether Humanities Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Missoula, Montana
April 25, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors and Management
Humanities Montana
Missoula, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited Humanities Montana's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Humanities Montana's major federal programs for the year ended October 31, 2023. Humanities Montana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Humanities Montana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2023.

Basis for Opinion on Each Major Federal Program
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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Humanities Montana and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Humanities Montana’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Humanities Montana’s federal programs.

Auditors' Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Humanities Montana's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Humanities Montana's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Humanities Montana's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Humanities Montana's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Humanities Montana's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Board of Directors and Management
Humanities Montana

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Missoula, Montana
April 25, 2024

HUMANITIES MONTANA
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS
For the Year Ended October 31, 2023

I. Summary of Auditors' Results

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of Humanities Montana were prepared in accordance with U.S. GAAP.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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*.

3. No instances of noncompliance material to the financial statements of Humanities Montana, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The Independent Auditors' Report on Compliance For The Major Federal Award Programs for Humanities Montana expresses an unmodified opinion on the major federal program.

6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).

7. The program tested as a major program was the following: National Endowment for the Humanities - Promotion of the Humanities Federal State Partnership, ALN 45.129.

8. The threshold for distinguishing Type A and B programs was $750,000 in expenditures.

9. Humanities Montana was determined to be a low-risk auditee.

II. Findings - Financial Statements Audit

No matters were reported.

III. Findings and Questioned Costs - Major Federal Award Programs

No matters were reported.

IV. Status of Prior Year Findings

No matters were reported.