

FLORIDA HUMANITIES COUNCIL, INC.

**Financial Statements, Supplementary Financial Information
and Reports as Required by the Comptroller General
of the United States and the Uniform Guidance**

October 31, 2016 and 2015

(With Independent Auditor's Report Thereon)

FLORIDA HUMANITIES COUNCIL, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statement of Activities - 2016	4
Statement of Activities - 2015	5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 15
Supplementary Financial Information:	
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards	17
Compliance and Internal Control:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18 - 19
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	20 - 21
Schedule of Findings and Questioned Costs	22



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Independent Auditor's Report

The Board of Directors
Florida Humanities Council, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Humanities Council, Inc. which comprise the statements of financial position as of October 31, 2016 and 2015 and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended October 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Florida Humanities Council, Inc. as of October 31, 2016 and 2015, the changes in its net assets and its cash flows for the years then ended, and its functional expenses for the year ended October 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Florida Humanities Council, Inc.'s 2015 financial statements, and our report dated February 12, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended October 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017, on our consideration of Florida Humanities Council, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida Humanities Council, Inc.'s internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

January 30, 2017
Tampa, Florida

FLORIDA HUMANITIES COUNCIL, INC.

Statements of Financial Position

October 31, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash, including restricted cash of \$153,662 and \$160,782 in 2016 and 2015, respectively (Note 8)	\$ 289,758	304,659
Accounts receivable:		
Grants receivable (Note 8)	210,661	146,602
Other receivables	11,835	-
Current portion of gifted facilities (Note 4)	28,551	26,626
Prepaid expenses and other current assets	42,467	42,635
	<hr/>	<hr/>
Total current assets	583,272	520,522
Investments (Note 2)	850,005	839,112
Gifted facilities, less current portion (Note 4)	86,636	115,186
Software and equipment, net (Note 3)	49,339	81,897
	<hr/>	<hr/>
	\$ 1,569,252	1,556,717
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Current liabilities:		
Grants payable	\$ 153,662	160,782
Current portion of capital lease obligation	-	1,069
Accounts payable and accrued expenses	177,483	176,141
Deferred revenue	55,865	44,890
	<hr/>	<hr/>
Total current liabilities	387,010	382,882
Net assets:		
Unrestricted	1,052,970	1,017,938
Temporarily restricted (Note 5)	115,187	141,812
Permanently restricted (Note 6)	14,085	14,085
	<hr/>	<hr/>
Total net assets	1,182,242	1,173,835
Commitments and contingencies (Notes 7 and 9)		
	<hr/>	<hr/>
	\$ 1,569,252	1,556,717
	<hr/> <hr/>	<hr/> <hr/>

FLORIDA HUMANITIES COUNCIL, INC.

Statement of Activities

**Year Ended October 31, 2016
(With Comparative Totals for 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
Operating support and revenue (Note 8):					
Public support:					
Contributions	\$ 227,500	9,084	-	236,584	267,830
Government grants	1,987,505	-	-	1,987,505	2,103,425
In-kind contributions (Note 11)	703,406	-	-	703,406	314,026
	<u>2,918,411</u>	<u>9,084</u>	<u>-</u>	<u>2,927,495</u>	<u>2,685,281</u>
Revenue:					
Program service fees	89,290	-	-	89,290	118,016
Investment return designated for current operations (Note 2)	5,065	-	-	5,065	3,071
Other revenue	2,778	-	-	2,778	1,325
	<u>97,133</u>	<u>-</u>	<u>-</u>	<u>97,133</u>	<u>122,412</u>
Net assets released from restrictions:					
Satisfaction of donor restrictions - building lease	35,709	(35,709)	-	-	-
	<u>35,709</u>	<u>(35,709)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating support and revenue	3,051,253	(26,625)	-	3,024,628	2,807,693
Operating expenses:					
Program services	2,416,391	-	-	2,416,391	2,123,489
Supporting services:					
Management and general	453,915	-	-	453,915	473,105
Fundraising	151,989	-	-	151,989	188,434
Total operating expenses	<u>3,022,295</u>	<u>-</u>	<u>-</u>	<u>3,022,295</u>	<u>2,785,028</u>
Increase (decrease) in net assets before other changes	28,958	(26,625)	-	2,333	22,665
Other changes:					
Investment return in excess of (deficient to cover) amounts designated for current operations (Note 2)	6,074	-	-	6,074	(95,378)
Increase (decrease) in net assets	35,032	(26,625)	-	8,407	(72,713)
Net assets, beginning of year	<u>1,017,938</u>	<u>141,812</u>	<u>14,085</u>	<u>1,173,835</u>	<u>1,246,548</u>
Net assets, end of year	<u>\$ 1,052,970</u>	<u>115,187</u>	<u>14,085</u>	<u>1,182,242</u>	<u>1,173,835</u>

FLORIDA HUMANITIES COUNCIL, INC.

Statement of Activities

Year Ended October 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating support and revenue (Note 8):				
Public support:				
Contributions	\$ 256,952	10,878	-	267,830
Government grants	2,103,425	-	-	2,103,425
In-kind contributions (Note 11)	<u>314,026</u>	<u>-</u>	<u>-</u>	<u>314,026</u>
	2,674,403	10,878	-	2,685,281
Revenue:				
Program service fees	118,016	-	-	118,016
Investment return designated for current operations (Note 2)	3,071	-	-	3,071
Other revenue	<u>1,325</u>	<u>-</u>	<u>-</u>	<u>1,325</u>
	122,412	-	-	122,412
Net assets released from restrictions:				
Satisfaction of donor restrictions - building lease	<u>35,709</u>	<u>(35,709)</u>	<u>-</u>	<u>-</u>
	<u>35,709</u>	<u>(35,709)</u>	<u>-</u>	<u>-</u>
Total operating support and revenue	2,832,524	(24,831)	-	2,807,693
Operating expenses:				
Program services	2,123,489	-	-	2,123,489
Supporting services:				
Management and general	473,105	-	-	473,105
Fundraising	<u>188,434</u>	<u>-</u>	<u>-</u>	<u>188,434</u>
Total operating expenses	<u>2,785,028</u>	<u>-</u>	<u>-</u>	<u>2,785,028</u>
Increase (decrease) in net assets before other changes	47,496	(24,831)	-	22,665
Other changes:				
Investment return deficient to cover amounts designated for current operations (Note 2)	<u>(95,378)</u>	<u>-</u>	<u>-</u>	<u>(95,378)</u>
Decrease in net assets	(47,882)	(24,831)	-	(72,713)
Net assets, beginning of year	<u>1,065,820</u>	<u>166,643</u>	<u>14,085</u>	<u>1,246,548</u>
Net assets, end of year	<u>\$ 1,017,938</u>	<u>141,812</u>	<u>14,085</u>	<u>1,173,835</u>

FLORIDA HUMANITIES COUNCIL, INC.

Statement of Functional Expenses

**Year Ended October 31, 2016
(With Comparative Totals for 2015)**

	Program Services					Supporting Services			Total Expenses	
	Communications	Re-grants	Public Program	Teacher Center	Total	Management and General	Fund Raising	Total	2016	2015
Salaries	\$ 154,095	90,249	135,236	112,799	492,379	213,882	78,991	292,873	785,252	801,970
Payroll taxes	11,470	6,539	9,719	8,334	36,062	16,110	5,860	21,970	58,032	60,012
Employee benefits	31,104	13,391	22,993	31,341	98,829	29,360	26,613	55,973	154,802	149,805
Total salaries and related expenses	196,669	110,179	167,948	152,474	627,270	259,352	111,464	370,816	998,086	1,011,787
Direct program expenses	10,950	332,904	186,916	26,850	557,620	149	-	149	557,769	651,122
Travel and meetings	36,265	4,299	34,633	95,092	170,289	35,788	1,048	36,836	207,125	304,846
Professional fees	66,953	8,049	144,925	4,118	224,045	61,219	21,138	82,357	306,402	249,753
Occupancy	7,663	2,497	10,628	8,553	29,341	46,608	3,689	50,297	79,638	87,418
Supplies, dues and subscriptions	3,709	961	6,973	10,017	21,660	28,831	5,069	33,900	55,560	58,352
Printing and publications	29,988	363	2,479	1,322	34,152	1,253	656	1,909	36,061	37,151
Postage	21,074	654	2,930	505	25,163	2,061	2,742	4,803	29,966	28,824
In-kind (Note 11)	-	-	695,683	2,000	697,683	5,723	-	5,723	703,406	314,026
Other	8,187	-	285	281	8,753	4,063	2,908	6,971	15,724	21,070
Total expenses before depreciation and amortization	381,458	459,906	1,253,400	301,212	2,395,976	445,047	148,714	593,761	2,989,737	2,764,349
Depreciation and amortization	6,389	3,742	5,607	4,677	20,415	8,868	3,275	12,143	32,558	20,679
Total expenses - 2016	\$ 387,847	463,648	1,259,007	305,889	2,416,391	453,915	151,989	605,904	3,022,295	
Total expenses - 2015	\$ 393,920	429,018	889,747	410,804	2,123,489	473,105	188,434	661,539		2,785,028

FLORIDA HUMANITIES COUNCIL, INC.

Statements of Cash Flows

Years Ended October 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 8,407	(72,713)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	32,558	20,679
Realized and unrealized (gains) losses on investments	(6,074)	95,378
Decrease (increase) in accounts receivable	(75,894)	123,509
Decrease in gifted facilities	26,625	24,831
Decrease (increase) in prepaid expenses and other assets	168	(21,045)
Decrease in grants payable	(7,120)	(35,404)
Increase in accounts payable and accrued expenses	1,342	53,289
Increase in deferred revenue	10,975	21,680
	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	(9,013)	210,204
Cash flows from investing activities:		
Purchases of investments	(286,439)	(476,105)
Proceeds received on sale of investments	281,620	448,528
Purchases of equipment	-	(72,222)
	<u> </u>	<u> </u>
Net cash used in investing activities	(4,819)	(99,799)
Cash flows from financing activities:		
Principal payments on capital lease obligation	(1,069)	(3,559)
	<u> </u>	<u> </u>
Net cash used in financing activities	(1,069)	(3,559)
Net change in cash	(14,901)	106,846
Cash, beginning of year	<u>304,659</u>	<u>197,813</u>
Cash, end of year	<u>\$ 289,758</u>	<u>304,659</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 39</u>	<u>198</u>

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements

October 31, 2016 and 2015

(1) **Description of Organization and Summary of Significant Accounting Policies**

(a) **Description of Organization**

Florida Humanities Council, Inc. (FHC) was organized as a nonprofit corporation in November 1971 to support activities which foster public knowledge and appreciation of the humanities among the citizens of the state. FHC achieves its mission by re-granting and administering funds awarded by the National Endowment for the Humanities (NEH) for educational and cultural programs and by providing public humanities education for the people and communities of Florida. FHC also receives support from the State of Florida, corporate and individual donors, foundations and memberships.

(b) **Financial Statement Presentation**

The Financial Accounting Standards Board (FASB) issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and nonauthoritative - and making the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance is incorporated into ASC Topic 105, *Generally Accepted Accounting Principles*.

In accordance with accounting standards issued by the FASB, FHC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, FHC is required to present a statement of cash flows.

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with FHC's financial statements for the year ended October 31, 2015, from which the summarized information was derived.

(c) **Contributions**

In accordance with FASB standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

(d) **Cash and Cash Equivalents and Investments**

For purposes of the statements of cash flows, FHC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(1) **Description of Organization and Summary of Significant Accounting Policies - Continued**

(e) **Equipment**

Equipment is recorded at cost or, in the event of contributed property, at fair market value at the date of the contribution. Equipment is depreciated over its estimated useful life using the straight-line method. Expenditures for equipment in excess of \$1,000 and with a useful life of at least one year are capitalized.

(f) **Grants Payable**

Grants awarded but unpaid at year end are reported as liabilities in the accompanying statements of financial position. Corresponding amounts of cash or cash equivalents are restricted for payment of these liabilities. Grants are awarded by FHC to nonprofit organizations for public humanities projects. The unexpended balances of grants awarded by FHC are required to be returned to FHC. Grants are recognized as an expense when they are awarded by FHC.

(g) **Donated Services, Materials and Building Space**

Donated materials and building space are reflected in the accompanying financial statements at their estimated fair market value at date of receipt. Donations of services are recorded as support at their estimated fair value if the services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

(h) **Income Taxes**

FHC has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. Income earned in furtherance of FHC's tax-exempt purpose is exempt from Federal and State income taxes. FHC is treated as a publicly supported organization, and not as a private foundation.

FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes*, clarifies the accounting and recognition for income tax positions taken or expected to be taken in FHC's income tax returns. FHC's income tax filings are subject to audit by taxing authorities and filings for periods after fiscal 2012 are open for examination. FHC does not believe it has any unrecognized exposure relating to uncertain tax positions at October 31, 2016.

(i) **Estimates in Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 increases or decreases in net assets during the period. Actual results could differ from those estimates.

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(2) Investments

At October 31, 2016 and 2015, the cost and market value of investments were as follows:

	2016		2015	
	Cost	Market	Cost	Market
Money market funds	\$ 17,906	17,906	296,227	296,227
Bond funds	267,908	268,492	264,163	264,012
Equity mutual funds	551,116	563,607	271,842	278,873
	\$ 836,930	850,005	832,232	839,112

The following schedule summarizes investment return for the years ended October 31, 2016 and 2015:

	2016	2015
Interest and dividends	\$ 13,526	12,006
Net realized and unrealized gains (losses)	6,074	(95,378)
Investment management fees	(8,461)	(8,935)
Net investment return	11,139	(92,307)
Investment return designated for current operations	5,065	3,071
Investment return in excess of (deficient to cover) amounts designated for current operations	\$ 6,074	(95,378)

FHC's investments in bond and equity mutual funds are not concentrated in a single entity or in a few entities, nor are there any specific industry concentrations.

(3) Software and Equipment

Software and equipment consists of the following at October 31, 2016 and 2015:

	2016	2015
Software	\$ 108,998	108,998
Copier held under capital lease	-	16,683
Computers and equipment	34,608	34,608
Website	34,750	34,750
	178,356	195,039
Less accumulated depreciation	(129,017)	(113,142)
	\$ 49,339	81,897

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(3) Software and Equipment - Continued

Depreciation and amortization charged to operations amounted to \$32,558 and \$20,679 for the years ended October 31, 2016 and 2015, respectively.

(4) Gifted Facilities

Gifted facilities as of October 31, 2016 and 2015 represent the present value of the excess of the fair rental value of a building lease described in Note 7 over below market rent payments due under the lease with an original lease term in excess of one year. FHC leases approximately 4,000 square feet in St. Petersburg for \$5 per square foot. Recognition of the fair value of the lease follows:

Balance at October 31, 2014	\$	166,643
Recognition of annual fair value of gifted facilities		10,878
Recognition of rent expense for the year ended October 31, 2015		<u>(35,709)</u>
Balance at October 31, 2015		141,812
Recognition of annual fair value of gifted facilities		9,084
Recognition of rent expense for the year ended October 31, 2016		<u>(35,709)</u>
Balance at October 31, 2016		115,187
Current portion of gifted facilities		<u>28,551</u>
Gifted facilities, less current portion	\$	<u><u>86,636</u></u>

(5) Temporarily Restricted Net Assets

Temporary restrictions on net assets at October 31, 2016 and 2015 relate to assets contributed by donors for gifted facilities described in Note 4.

(6) Permanently Restricted Net Assets

Permanently restricted net assets consist of a donor-restricted endowment fund. The corpus is maintained in a money market account. Interest income is designated for unrestricted purposes and as such interest income from the endowment fund is classified as unrestricted support upon appropriation by the Board of Directors.

The Board of Directors of FHC has interpreted the wishes of donors and state law with respect to endowment funds 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, FHC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(6) Permanently Restricted Net Assets - Continued

FHC has not adopted an investment or spending policy concerning the endowment fund and no distributions were made from the fund during the fiscal years ended October 31, 2016 and 2015. FHC's objective is to preserve the endowment corpus and maintain the purchasing power by investing in conservative investment assets. There was no change in the fair value of the endowment assets for the years ended October 31, 2016 and 2015.

(7) Operating Leases

FHC leases its office space and certain office equipment from the University of South Florida under a twenty-year lease. The lease may be canceled by FHC with six months' notice. In addition, FHC leases other office equipment under a five year lease. Rental expense for each of the years ended October 31, 2016 and 2015 was approximately \$65,000, including in-kind rent expense of approximately \$36,000 each year.

Future minimum lease payments under these operating leases (assuming the USF lease is not canceled by FHC) are as follows:

<u>Year Ending October 31,</u>	
2017	\$ 29,000
2018	29,000
2019	29,000
2020	20,700
2021	2,700
Thereafter	<u>200</u>
	<u>\$ 110,600</u>

(8) Funding and Credit Concentrations

FHC maintains several depository accounts with what management believes to be high credit quality financial institutions. Total deposits exceeded federal deposit insurance limits by \$72,203 and \$159,711 as of October 31, 2016 and 2015, respectively.

FHC relies to a significant extent on federal and state governmental agencies as a source of funding. Support from the National Endowment for the Humanities, a federal governmental agency, represented approximately 46% and 50% of total unrestricted operating support and revenue for the years ended October 31, 2016 and 2015, respectively. Support from the State of Florida represented approximately 20% and 25% of total unrestricted operating support and revenue for the years ended October 31, 2016 and 2015, respectively. At October 31, 2016 and 2015, grants receivable from federal and state governmental agencies were \$210,661 and \$146,602, respectively.

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(9) Contingencies

FHC routinely enters into grant agreements with governmental agencies that include use restrictions. The grants are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible expenditures. The effect of such adjustments, if any, on FHC's financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying financial statements.

(10) Matching

The grant funds FHC received from NEH require a dollar for dollar match from local sources. The majority of this match requirement may be satisfied with in-kind donations. FHC has established a policy requiring nonprofit organizations receiving NEH grants from FHC to provide minimum matching funds equal to 100% of the amount granted. For the years ended October 31, 2016 and 2015, FHC met all of the match requirements specified by NEH.

(11) In-Kind Contributions

For the years ended October 31, 2016 and 2015, in-kind contributions and the corresponding in-kind expenses recorded in the accompanying financial statements consisted of the following:

	<u>2016</u>	<u>2015</u>
Professional fees	\$ -	34,267
WEDU documentary	237,388	-
Museum on Main Street (MOMS) development fees	280,112	90,548
Facilities	180,183	187,270
Other	5,723	1,941
	<u>\$ 703,406</u>	<u>314,026</u>

(12) Pension Plan

FHC has adopted a 403(b) Thrift Plan (the "Plan") for its employees whereby employees may make salary deferral contributions to the Plan and after one year of service and attaining the age of twenty-one will receive employer base contributions equal to 5% of employee compensation. Participants' are immediately vested in employer contributions to the Plan. FHC's contributions to the Plan were approximately \$38,800 and \$35,900 for the years ended October 31, 2016 and 2015, respectively.

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(13) Fair Value Measurements

Financial instruments measured at fair value are classified and disclosed in the following categories:

- Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. FHC's investments in bond, equity and money market funds are included in this category.
- Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3: Valuation is based on unobservable inputs. At October 31, 2016 and 2015, FHC did not have any financial instruments measured at fair value using unobservable inputs.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The fair value of assets measured on a recurring basis at October 31, 2016 is as follows:

<u>Description</u>	<u>Fair Value Measurements at October 31, 2016 Using</u>			
	<u>Assets Measured at Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market funds	\$ 17,906	17,906	-	-
Short-term bond funds	268,492	268,492	-	-
Equity mutual funds:				
Large blend	130,767	130,767	-	-
Foreign large blend	88,754	88,754	-	-
Mid-cap blend	57,941	57,941	-	-
Small blend	57,304	57,304	-	-
Real estate	54,112	54,112	-	-
Large value	80,676	80,676	-	-
Large growth	77,738	77,738	-	-
Natural Resources	16,315	16,315	-	-
	<u>\$ 850,005</u>	<u>850,005</u>	<u>-</u>	<u>-</u>

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(13) Fair Value Measurements - Continued

The fair value of assets measured on a recurring basis at October 31, 2015 is as follows:

<u>Description</u>	<u>Assets Measured at Fair Value</u>	<u>Fair Value Measurements at October 31, 2015 Using</u>		
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market funds	\$ 296,227	296,227	-	-
Short-term bond funds	264,012	264,012	-	-
Equity mutual funds:				
Large blend	106,399	106,399	-	-
Mid-cap blend	74,554	74,554	-	-
Small blend	22,637	22,637	-	-
Emerging markets	22,227	22,227	-	-
Mid-cap value	51,022	51,022	-	-
Real estate	1,644	1,644	-	-
Large growth	390	390	-	-
	<u>\$ 839,112</u>	<u>839,112</u>	<u>-</u>	<u>-</u>

(14) Subsequent Events

FHC has evaluated subsequent events through January 30, 2017, the date the financial statements were available for issuance.

SUPPLEMENTARY FINANCIAL INFORMATION

FLORIDA HUMANITIES COUNCIL, INC.

Schedule of Expenditures of Federal Awards

Year Ended October 31, 2016

<u>Federal Agency/ Pass-through Entity/ Federal Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Current Year Expenditures</u>	<u>Payments to Subrecipients</u>
<i>National Endowment for the Humanities</i>				
Promotion of the Humanities - Federal/State Partnership	45.129*	SO-50588-14	\$ 1,393,902	332,903
Promotion of the Humanities - Professional Development	45.163	BH-250799-16	<u>2,349</u>	<u>-</u>
Total federal expenditures			\$ <u><u>1,396,251</u></u>	<u><u>332,903</u></u>

* Major federal award program

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended October 31, 2016

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Florida Humanities Council, Inc. under programs of the federal government for the year ended October 31, 2016. The information in the 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*. Because the Schedule presents only a selected portion of the operations of Florida Humanities Council, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Florida Humanities Council, Inc.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Florida Humanities Council, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

COMPLIANCE AND INTERNAL CONTROL



**Independent Auditor’s 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***

The Board of Directors
Florida Humanities Council, Inc.:

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 Florida Humanities Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 31, 2016, 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 January 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florida Humanities Council, Inc.’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 Florida Humanities Council, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization’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 organization’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 Florida Humanities Council, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Mayer Hoffman McCann P.C.

January 30, 2017
Tampa, Florida



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

The Board of Directors
Florida Humanities Council, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Florida Humanities Council, Inc.’s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on Florida Humanities Council, Inc.’s major federal program for the year ended October 31, 2016. Florida Humanities Council, Inc.’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 laws, regulations, contracts, and grants applicable to its federal program.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for Florida Humanities Council, Inc.’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 Florida Humanities Council, Inc.’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 each major federal program. However, our audit does not provide a legal determination of Florida Humanities Council, Inc.’s compliance.

Opinion on Major Federal Program

In our opinion, Florida Humanities Council, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended October 31, 2016.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Mayer Hoffman McCann P.C.

January 30, 2017
Tampa, Florida

FLORIDA HUMANITIES COUNCIL, INC.

Schedule of Findings and Questioned Costs

Year Ended October 31, 2016

(A) Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Florida Humanities Council, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's 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 Florida Humanities Council, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program for Florida Humanities Council, Inc. expresses an unmodified opinion.
6. Audit findings relative to the major federal award program for Florida Humanities Council, Inc. are reported in Part C of this schedule.
7. The program tested as a major federal program was:

Promotion of the Humanities - Federal/State Partnership (CFDA No. 45.129)
8. The threshold for distinguishing Types A and B programs was \$750,000 for major federal programs.
9. Florida Humanities Council, Inc. was determined to be a low-risk auditee.

(B) Findings - Audit of Financial Statements

None.

(C) Findings and Questioned Costs - Major Federal Award Program

None.

(D) Other Issues

A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to a major federal program.