
THE WEST VIRGINIA HUMANITIES
COUNCIL, INC.

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

YEARS ENDED OCTOBER 31, 2019 AND 2018

with

INDEPENDENT AUDITOR'S REPORTS



**Suttle &
Stalnaker** | Certified
Public
Accountants

A Professional Limited Liability Company



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The West Virginia Humanities Council, Inc.
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of The West Virginia Humanities Council, Inc. (the Council) (a nonprofit organization), which comprise the statements of financial position as of October 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of October 31, 2019 and 2018, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, in the year ended October 31, 2019, the Council adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and of direct state awards are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Council's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Suttle & Stalaker, PLLC".

Charleston, West Virginia
March 26, 2020

STATEMENTS OF FINANCIAL POSITION

OCTOBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash	\$ 325,306	\$ 73,556
Investments	505,734	511,278
Grants receivable	109,350	166,500
Other current assets	<u>19,876</u>	<u>21,280</u>
Total current assets	<u>960,266</u>	<u>772,614</u>
Property and equipment		
Land and land improvements	297,244	297,244
Construction in progress	-	5,719
Building and renovations	1,135,857	1,123,136
Furniture, fixtures, and office equipment	<u>486,496</u>	<u>483,521</u>
Total property and equipment	1,919,597	1,909,620
Accumulated depreciation	<u>(972,891)</u>	<u>(928,022)</u>
Net property and equipment	<u>946,706</u>	<u>981,598</u>
Total assets	<u>\$ 1,906,972</u>	<u>\$ 1,754,212</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 30,730	\$ 21,662
Regrants payable	168,501	180,843
Accrued expenses	40,968	38,515
Refundable advances	250,000	250,000
Line of credit	<u>140,000</u>	<u>-</u>
Total current liabilities	<u>630,199</u>	<u>491,020</u>
Net assets		
Without donor restrictions	<u>1,276,773</u>	<u>1,263,192</u>
Total liabilities and net assets	<u>\$ 1,906,972</u>	<u>\$ 1,754,212</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

STATEMENTS OF ACTIVITIES
YEARS ENDED OCTOBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Revenue and support		
Federal awards - National Endowment for the Humanities	\$ 722,500	\$ 704,680
Federal awards - other	54,350	28,000
Other grant revenue	251,500	283,000
Donations and pledges	150,263	195,056
Investment income	44,463	13,932
WV Encyclopedia / e-WV	<u>5,965</u>	<u>4,894</u>
Total revenue and support	<u>1,229,041</u>	<u>1,229,562</u>
Expenses		
Program services		
Regrants	346,877	364,957
WV Encyclopedia / e-WV	67,747	78,025
Other direct programs	<u>356,640</u>	<u>457,687</u>
Total program services	771,264	900,669
Administrative	351,970	378,569
Development	<u>92,226</u>	<u>104,200</u>
Total expenses	<u>1,215,460</u>	<u>1,383,438</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>13,581</u>	<u>(153,876)</u>
CHANGE IN NET ASSETS	13,581	(153,876)
Net assets without donor restrictions - beginning of year	<u>1,263,192</u>	<u>1,417,068</u>
Net assets without donor restrictions - end of year	<u>\$ 1,276,773</u>	<u>\$ 1,263,192</u>

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED OCTOBER 31, 2019

	Program Expenses			Total Program Expense	Administrative	Development	Total
	Regrants	WV Encyclopedia/ e-WV	Other Direct Programs				
Direct expenses							
Salaries	\$ 50,143	\$ 38,769	\$ 126,996	\$ 215,908	\$ 178,487	\$ 52,947	\$ 447,342
Taxes & benefits	14,541	10,646	52,781	77,968	71,749	18,281	167,998
Contracted svcs./honoraria	750	2,738	110,684	114,172	536	2,674	117,382
Major grants	114,844	-	-	114,844	-	-	114,844
Mini grants	32,000	-	-	32,000	-	-	32,000
Fellowship grants	27,000	-	-	27,000	-	-	27,000
Media/publication grants	48,750	-	-	48,750	-	-	48,750
Teacher Institute grants	43,406	-	-	43,406	-	-	43,406
TAP grants	5,495	-	-	5,495	-	-	5,495
Regrant withdrawals	(10,178)	-	-	(10,178)	-	-	(10,178)
Board meetings & travel	4,629	74	430	5,133	7,554	64	12,751
Staff travel & meetings	520	13	6,942	7,475	2,432	805	10,712
Supplies/miscellaneous	1,139	444	3,808	5,391	4,418	1,249	11,058
Dues/training/develop.	2,153	685	7,175	10,013	8,311	2,360	20,684
Printing/production/postage	1,429	1,500	18,321	21,250	704	3,612	25,566
Public relations	-	-	-	-	4,395	2,276	6,671
Maintenance/repairs/exterior	6,629	11,723	17,953	36,305	14,018	3,980	54,303
Depreciation	-	-	-	-	45,370	-	45,370
Other expenses	3,627	1,155	11,550	16,332	13,996	3,978	34,306
Total expenses	\$ 346,877	\$ 67,747	\$ 356,640	\$ 771,264	\$ 351,970	\$ 92,226	\$ 1,215,460

The Accompanying Notes Are An Integral
Part Of These Financial Statements

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED OCTOBER 31, 2018

	Program Expenses			Total Program Expense	Administrative	Development	Total
	Regrants	WV Encyclopedia/ e-WV	Other Direct Programs				
Direct expenses							
Salaries	\$ 68,201	\$ 57,582	\$ 231,666	\$ 357,449	\$ 241,579	\$ 65,267	\$ 664,295
Taxes & benefits	8,350	7,737	25,238	41,325	29,616	7,487	78,428
Contracted svcs./honoraria	750	2,247	127,898	130,895	202	1,857	132,954
Major grants	150,138	-	-	150,138	-	-	150,138
Mini grants	30,061	-	-	30,061	-	-	30,061
Fellowship grants	27,500	-	-	27,500	-	-	27,500
Media/publication grants	26,700	-	-	26,700	-	-	26,700
Teacher Institute grants	34,800	-	-	34,800	-	-	34,800
TAP grants	2,713	-	-	2,713	-	-	2,713
Regrant withdrawals	(3,923)	-	-	(3,923)	-	-	(3,923)
Board meetings & travel	5,234	-	-	5,234	16,377	192	21,803
Staff travel & meetings	401	311	7,621	8,333	715	849	9,897
Supplies/miscellaneous	5,589	990	9,904	16,483	9,169	2,461	28,113
Dues/training/develop.	1,842	645	6,939	9,426	6,524	3,104	19,054
Printing/production/postage	1,403	949	16,585	18,937	838	3,028	22,803
Public relations	-	-	-	-	-	15,014	15,014
Maintenance/repairs/exterior	1,974	3,491	13,024	18,489	6,992	1,877	27,358
Depreciation	-	-	-	-	54,412	-	54,412
Other expenses	3,224	4,073	18,812	26,109	12,145	3,064	41,318
Total expenses	\$ 364,957	\$ 78,025	\$ 457,687	\$ 900,669	\$ 378,569	\$ 104,200	\$ 1,383,438

The Accompanying Notes Are An Integral
Part Of These Financial Statements

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2019 AND 2018

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	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 13,581	\$ (153,876)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	45,370	54,412
Investment income credited directly to investment accounts	(44,463)	(13,932)
Changes in operating assets and liabilities:		
Grants receivable	57,150	(32,800)
Other current assets	1,404	6,564
Accounts payable	9,068	2,122
Regrants payable	(12,342)	2,239
Refundable advances	-	125,000
Accrued expenses	2,453	(3,803)
Net cash provided (used) by operating activities	72,221	(14,074)
Cash flows from investing activities:		
Cash paid for purchases of fixed assets	(10,478)	(10,285)
Cash withdrawals from investments	50,007	50,007
Net cash provided by investing activities	39,529	39,722
Cash flows from financing activities:		
Borrowings from line of credit	140,000	-
Net cash provided by financing activities	140,000	-
NET INCREASE IN CASH	251,750	25,648
Cash, beginning of year	73,556	47,908
Cash, end of year	\$ 325,306	\$ 73,556

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations - The West Virginia Humanities Council, Inc. (the Council) is a corporation organized under the laws of the State of West Virginia for the purpose of promoting the humanities. The Council is principally funded by the National Endowment for the Humanities (NEH). It also receives funding from the State of West Virginia, other organizations, and individuals. The Council is classified by the Internal Revenue Service as a tax-exempt organization under the provisions of Code Section 501(c)(3).

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

Pledges receivable - Unconditional pledges are recorded as receivables in the period made. Pledges for support of current operations are recorded as net assets without donor restrictions. When applicable, pledges for support of future operations and property and equipment acquisitions are recorded as net assets with donor restrictions. There were no pledges receivable outstanding at October 31, 2019 or 2018.

Investments - Investments consist of money market funds, mutual funds, and U.S. Agency Bonds and are reported at fair value determined by quoted market prices. The net appreciation (depreciation) in investments is reported as investment income (loss) in the statements of activities and is reported net of related expenses, such as custodial fees.

Property and equipment - Purchases of property and equipment greater than \$500 are capitalized at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, five to forty years.

Net assets without donor restrictions - Net assets without donor restrictions are comprised of funds whose use is limited only to the extent that the organization's by-laws limit the activities of the organization. Contributions with donor-imposed restrictions that are met in the same year in which the contribution is recognized are reported as changes in net assets without donor restrictions.

Net assets with donor restrictions - Net assets with donor restrictions are comprised of funds which have been limited by donors to a specific time period and/or purpose.

Revenue recognition - The Council records unconditional grant awards in the period granted. The Council recognizes revenue from conditional grant awards when expenses in compliance with the specific restrictions are incurred. Such amounts received or granted but not yet expended are recorded as refundable advances. Use of such cash is restricted to the purposes of the grant or contribution. Unrestricted grants and contributions are recorded as revenue in the period received. Restricted grants and contributions which are received and whose restrictions are met within the same reporting period are reported as changes in net assets without donor restrictions.

Amounts recorded as grants receivable at year end represent current valid claims due from the federal grantor at year end for which qualifying expenditures have been incurred. Management believes that these amounts are collectible; therefore, an allowance for doubtful accounts has not been recorded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regrants - Regrants are recorded as expense in the period in which they are approved by the Board of Directors and the grant agreement is signed by the regrantee. Regrants payable at year end consists of grants approved and awarded, but not disbursed.

Income taxes - The Council is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Council has been classified as an organization that is not a private foundation.

For the year ended October 31, 2019, the Council has no material uncertain tax positions to be accounted for in the financial statements under the professional standards. The Council recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. As of October 31, 2019, tax years ending on or after October 31, 2016 remain subject to examination.

Fair value of financial instruments - Professional accounting standards establish a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach). The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The Council accounts for its investments at fair value and are recorded on the statement of financial position based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 - Financial assets are valued using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates affecting the financial statements include depreciation, investment market values, valuation of receivables, and allocation of functional expenses. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events - In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through March 26, 2020, the date the financial statements were available to be issued.

NOTE 2 - ADOPTION OF ACCOUNTING STANDARD

During the year ended October 31, 2019, the Council adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU is intended to improve the net asset classification requirements and the information presented in the financial statements and related notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Changes to the presentation of the financial statements and disclosures as a result of the adoption of ASU 2016-14 include:

- Net assets are now presented in two classes: net assets without donor restrictions and net assets with donor restrictions. Therefore, \$1,263,192 previously reported as unrestricted net assets as of October 31, 2018 are now being reported as net assets without donor restrictions.
- Additional disclosures regarding liquidity and availability of financial assets are included (See Note 3).
- Investment expenses are not reported separately, but are netted against investment income.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Council's financial assets available for general expenditure within one year after year end are as follows:

	2019
Cash and cash equivalents	\$ 325,306
Investments	505,734
Grants receivable	109,350
Less those unavailable for general expenditure within one year:	
Investments, at fair value	(455,734)
	\$ 484,656

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Council considers a portion of investments to be available for general expenditure within one year after year end based on historical drawdowns.

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED OCTOBER 31, 2019 AND 2018

NOTE 4 - CASH

For purposes of the statements of cash flows, cash consists of the carrying value of cash in operating bank accounts. Cash consists of cash on hand and deposits with federally-insured banking institutions.

At October 31, 2019 and 2018, information concerning the amount of deposits with financial institutions, is as follows:

	2019	2018
Book balances at October 31	\$ 325,306	\$ 73,556
Bank balances at October 31	\$ 327,584	\$ 106,773
Amount insured by FDIC	280,013	106,773
Balance in excess of FDIC insurance	\$ 47,571	\$ -

Throughout the year, the balances in the bank accounts may exceed federally insured limits. However, management believes the financial institutions are financially sound and there is little credit risk associated with the deposits.

NOTE 5 - INVESTMENTS

Investments at October 31, 2019 and 2018 were held by NTV Asset Management and Charles Schwab Institutional. Both are members of the New York Stock Exchange and Securities Investor Protection Corporation.

The net appreciation (depreciation) in investments is reported as investment income (loss) without donor restrictions in the statements of activities. Investment revenues were reported net of such related expenses.

Market values, determined by quoted market prices at October 31, 2019 and 2018, are summarized as follows:

	2019	2018
Cash, including money market funds	\$ 22,865	\$ 16,357
Stocks, including stock index funds	387,405	455,020
Fixed income, including bond index funds	95,464	39,901
Total investments	\$ 505,734	\$ 511,278

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED OCTOBER 31, 2019 AND 2018

NOTE 5 - INVESTMENTS (Continued)

Investment income and net gains on investments were as follows for the years ended October 31, 2019 and 2018:

	2019	2018
Interest and dividends, net of investment fees	\$ 7,727	\$ 8,645
Net gains on investments	36,736	5,287
 Total income from investments	 \$ 44,463	 \$ 13,932

NOTE 6 - FAIR VALUE MEASUREMENTS

The Council uses fair value measurements of certain assets and liabilities to record fair value adjustments and to determine fair value disclosures. For additional information, refer to Note 1 - Summary of Significant Accounting Policies.

Fair values of assets measured on a recurring basis at October 31, 2019 and 2018 are as follows:

Fair Value Measurements at Reporting Date

	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>October 31, 2019</u>				
Cash	\$ 22,865	\$ 22,865	\$ -	\$ -
Stocks	387,405	387,405	-	-
Fixed income	95,464	95,464	-	-
 Total investments at fair value	 \$ 505,734	 \$ 505,734	 \$ -	 \$ -
 <u>October 31, 2018</u>				
Cash	\$ 16,357	\$ 16,357	\$ -	\$ -
Stocks	455,020	455,020	-	-
Fixed income	39,901	39,901	-	-
 Total investments at fair value	 \$ 511,278	 \$ 511,278	 \$ -	 \$ -

NOTE 7 - FEDERAL AND STATE FUNDING

The Council receives a substantial amount of its support from the National Endowment for the Humanities (NEH) and the State of West Virginia. A significant reduction in the level of this support, if this were to occur, may have a significant adverse effect on the Council's programs. The grants require the fulfillment of certain conditions as set forth in the instrument of the grant. The Council is required to match every dollar in federal funds provided from NEH with an equal amount of cash or in-kind cost sharing, including cash match provided by regrantees. Failure to fulfill the conditions could result in the return of funds to the NEH.

The Council was awarded \$722,500 and \$704,680 in Federal funding from the NEH for the years ended October 31, 2019 and 2018, respectively. The Council was awarded \$54,350 and \$28,000 in Federal funding from the National Endowment for the Arts for the years ended October 31, 2019 and 2018, respectively. The Council was awarded \$250,000 from the West Virginia Department of Arts, Culture and History for each of the years ended October 31, 2019 and 2018. A significant reduction in the level of this support would have a significant adverse effect on the Council's programs.

NOTE 8 - REFUNDABLE ADVANCES

As described in Note 1, the Council reports conditional grants received but not yet expended as refundable advances. Cash received is restricted to expenditures that satisfy the grant conditions. If the funds advanced are not expended for the specified purpose and within the specified time period, they will be returned to the grantor. Refundable advances at October 31, 2019 and 2018, respectively, consist of the following:

	<u>2019</u>	<u>2018</u>
State of West Virginia	<u>\$ 250,000</u>	<u>\$ 250,000</u>
Total refundable advances	<u>\$ 250,000</u>	<u>\$ 250,000</u>

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED OCTOBER 31, 2019 AND 2018

NOTE 9 - LEASE AGREEMENTS

The Council leases certain equipment on operating leases. Minimum annual rental commitments under noncancelable operating leases for the year ending October 31, 2020 total \$176.

Total related rent expense for the years ended October 31, 2019 and 2018 was \$2,159 and \$2,218, respectively.

NOTE 10 - PROGRAM SERVICES

Expenses for program services conducted by or under the supervision of the Council's staff with funds provided by NEH, the State of West Virginia, and private donations for the years ended October 31, 2019 and 2018 were as follows:

	2019	2018
Regrants	\$ 346,877	\$ 364,957
WV Encyclopedia / e-WV	67,747	78,025
Other direct programs:		
History Alive	60,717	55,058
Windows of Opportunity	18,028	59,961
Folklorist	90,834	98,217
McCreight Lecture	33,769	27,680
People and Mountains	35,497	56,688
Little Lectures	20,989	19,885
Center for the Book	4,519	4,228
Hubbard House	57,041	71,847
Book Festival	31,247	28,259
NEH Veterans	3,999	35,864
Total direct program expense	356,640	457,687
Total program services	\$ 771,264	\$ 900,669

NOTE 11 - RETIREMENT PLANS

The Council has a mandatory defined contribution retirement plan that covers all eligible employees and a voluntary tax-deferred annuity plan that covers all eligible employees who choose to utilize the plan. Employees are eligible for the plans during the first month of employment. The Council contributes 5% of each covered employee's salary to the mandatory plan. Under the voluntary plan, the Council may be required to contribute up to 8% of an eligible employee's salary. Employees are 100% vested in all contributions. For the years ended October 31, 2019 and 2018, total contributions made to the plans by the Council were \$45,570 and \$89,931, respectively.

NOTE 12 - LINE OF CREDIT

The Council has been extended a \$400,000 secured line of credit with a local bank. The is secured by certain assets of the Council. The interest is based on the Wall Street Journal U.S. prime rate plus 0.250 percentage points, or 4.250%, whichever is higher, and is payable monthly. Principal is due and payable in November 2019. At October 31, 2019, the Council had outstanding borrowings of \$140,000 on the line of credit. The investment rate at October 31, 2019 was 5%. There were no outstanding borrowings at October 31, 2018 on the Council's line of credit.

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED OCTOBER 31, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
National Endowment for the Humanities				
Promotion of the Humanities - Federal/State Partnership	45.129	N/A	\$ 722,500	\$ 271,912
National Endowment for the Arts				
Promotion of the Arts - Grants to Organizations and Individuals	45.024	N/A	<u>54,350</u>	<u>-</u>
Total federal expenditures			<u>\$ 776,850</u>	<u>\$ 271,912</u>

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2019

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NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Council and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 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.

NOTE 3 - INDIRECT COST RATE

The Council has not elected to use the 10% de minimis indirect cost rate allowed under Section 200.414 of the Uniform Guidance.

NOTE 4 - REGRANTS

Of the federal expenditures presented in this schedule, the Council provided approximately \$272,000 in regrant awards to grantees from the Federal Promotion of the Humanities Federal/State Partnership program.

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
 SCHEDULE OF DIRECT STATE AWARDS
 YEAR ENDED OCTOBER 31, 2019

<u>Grantor Name/Program Title</u>	<u>Grant/ Fund Account Number</u>	<u>Award Amount</u>	<u>Receivable (Refundable) 10/31/2018</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable (Refundable) 10/31/2019</u>
West Virginia Division of Arts, Culture and History	2019-ARTS-01	\$ 250,000	\$ (250,000)	\$ -	\$ 250,000	\$ -
West Virginia Division of Arts, Culture and History	20*2717	250,000	-	250,000	-	(250,000)

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED OCTOBER 31, 2018

There were no prior audit findings.



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

Board of Directors
The West Virginia Humanities Council, Inc.
Charleston, West Virginia

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 The West Virginia Humanities Council, Inc. (the Council) (a nonprofit organization), which comprise the statement of financial position as of October 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of 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 Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Suttle & Stalaker, PLLC".

Charleston, West Virginia
March 26, 2020



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

Board of Directors
The West Virginia Humanities Council, Inc.
Charleston, West Virginia

Report on Compliance for Each Major Federal Program

We have audited The West Virginia Humanities Council, Inc.'s (the Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended October 31, 2019. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

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Opinion on Each Major Federal Program

In our opinion, The Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2019.

Report on Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on 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 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 the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance 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 considered 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.



Charleston, West Virginia
March 26, 2020

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED OCTOBER 31, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: _____ Unmodified _____

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: _____ Unmodified _____

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? _____ yes X no

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? _____ yes X no

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

None

THE WEST VIRGINIA HUMANITIES COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2019

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SECTION III - FEDERAL AWARD FINDINGS
AND QUESTIONED COSTS

None