



AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

**CALIFORNIA HUMANITIES
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DECEMBER 31, 2020**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
California Humanities
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of California Humanities (the "Organization") which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Humanities as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Organization's financial statements. The schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is a required part of the basic financial statements.

The supplementary information listed in the table of contents 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.

Report on Summarized Comparative Information

We have previously audited California Humanities' December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated July 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2021, on our consideration of the Organization'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 or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal controls over financial reporting and compliance.



San Diego, California
August 3, 2021

CALIFORNIA HUMANITIES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,392,439	\$ 1,517,887
Grants receivable	651,822	1,151,145
Prepaid expenses	3,960	8,330
Total current assets	<u>2,048,221</u>	<u>2,677,362</u>
Non-current assets		
Deposits	7,463	6,938
Property and equipment, net	24,357	31,928
Total non-current assets	<u>31,820</u>	<u>38,866</u>
Total Assets	<u>\$ 2,080,041</u>	<u>\$ 2,716,228</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 1,024,517	\$ 1,024,183
Accounts payable	44,854	49,071
Accrued vacation	89,895	79,255
Total liabilities	<u>1,159,266</u>	<u>1,152,509</u>
Net assets		
Without donor restrictions	632,495	611,289
With donor restrictions	288,280	952,430
Total net assets	<u>920,775</u>	<u>1,563,719</u>
Total Liabilities and Net Assets	<u>\$ 2,080,041</u>	<u>\$ 2,716,228</u>

The notes to the financial statements are an integral part of this statement.

**CALIFORNIA HUMANITIES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUES				
Grants and contributions				
Governmental	\$ 3,882,510	\$ -	\$ 3,882,510	\$ 3,623,623
Foundation contributions	50,505	118,700	169,205	200,544
Individual contributions	44,553	18,795	63,348	71,030
In-kind support	25,383	-	25,383	11,590
Other support and revenues				
Interest	132	-	132	274
Net assets released from restrictions				
Donor restrictions satisfied	801,645	(801,645)	-	-
Total Support and Revenues	4,804,728	(664,150)	4,140,578	3,907,061
EXPENSES				
Program services				
Core programs	1,561,799	-	1,561,799	1,708,946
Periodic initiatives	2,021,001	-	2,021,001	317,162
General programs	146,346	-	146,346	171,451
Total program services	3,729,146	-	3,729,146	2,197,559
Supporting services				
Management and general	832,173	-	832,173	886,420
Fundraising	222,203	-	222,203	228,672
Total supporting services	1,054,376	-	1,054,376	1,115,092
Total Expenses	4,783,522	-	4,783,522	3,312,651
CHANGE IN NET ASSETS	21,206	(664,150)	(642,944)	594,410
Net Assets - Beginning, as Reclassified*	611,289	952,430	1,563,719	969,309
Net Assets - Ending	\$ 632,495	\$ 288,280	\$ 920,775	\$ 1,563,719

*As described in Note 13, the beginning net assets was reclassified for the 2020 year.

The notes to the financial statements are an integral part of this statement.

**CALIFORNIA HUMANITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (642,944)	\$ 594,410
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	7,571	6,583
(Increase) decrease in operating assets		
Grants receivable	499,323	(739,298)
Prepaid expenses	4,370	24,505
Deposits	(525)	500
Increase (decrease) in operating liabilities		
Accounts payable	(4,217)	17,107
Grants payable	334	218,595
Accrued vacation	10,640	22,220
Net cash provided by (used in) operating activities	<u>(125,448)</u>	<u>144,622</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(5,716)
Net cash provided by (used in) investing activities	<u>-</u>	<u>(5,716)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(125,448)	138,906
Cash and cash equivalents - Beginning	<u>1,517,887</u>	<u>1,378,981</u>
Cash and cash equivalents - Ending	<u>\$ 1,392,439</u>	<u>\$ 1,517,887</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**CALIFORNIA HUMANITIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019**

EXPENSES	2020				2019
	Program Services	Management and General	Fundraising	Total	Total
Personnel expenses					
Salaries	\$ 517,552	\$ 319,571	\$ 146,734	\$ 983,857	\$ 947,861
Employee benefits	63,923	38,947	18,123	120,993	123,559
Retirement contributions	36,191	22,347	10,261	68,799	66,392
Payroll taxes	35,321	21,810	10,014	67,145	79,265
Other personnel costs	4,334	2,290	1,229	7,853	8,591
Total Personnel	657,321	404,965	186,361	1,248,647	1,225,668
Non-personnel expenses					
Grants, net	2,867,696	9,682	-	2,877,378	1,264,476
Accounting	-	154,592	-	154,592	154,436
Marketing and communications	8	9,547	93	9,648	9,088
Information technology	14,247	7,527	4,039	25,813	22,998
Other professional services	73,260	71,887	500	145,647	214,024
Supplies and office expenses	16,184	20,884	4,223	41,291	47,482
Occupancy	64,488	39,079	18,283	121,850	142,039
Depreciation	4,178	2,208	1,185	7,571	6,583
Travel and conference	7,599	21,028	1,231	29,858	81,089
Meetings	2,299	143	5,987	8,429	17,710
Other program activities	20,698	87	-	20,785	41,853
Insurance	-	2,535	-	2,535	3,059
Dues, licenses and fees	1,000	59,109	-	60,109	58,843
In-kind services and facility	-	25,383	-	25,383	11,590
Miscellaneous	168	3,517	301	3,986	11,713
Total Non-personnel	3,071,825	427,208	35,842	3,534,875	2,086,983
Total Expenses - 2020	\$ 3,729,146	\$ 832,173	\$ 222,203	\$ 4,783,522	
Total Expenses - 2019	\$ 2,197,559	\$ 886,420	\$ 228,672		\$ 3,312,651

The notes to the financial statements are an integral part of this statement.

**CALIFORNIA HUMANITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

California Humanities (the Organization) is a California nonprofit public benefit corporation that promotes the humanities in California to help create "a state of open mind." The Organization produces, funds, and supports cultural experiences in media, literature, and discussion programs. California Humanities promotes the humanities as relevant, meaningful ways to understand the human condition and connect us to each other in order to become a better California.

As an independent, non-profit state partner of the National Endowment for the Humanities (NEH), California Humanities was originally founded in 1975 as a granting organization, but through the years it has created and implemented its own signature humanities programs and projects. California Humanities now plays a critical role across the state in producing, funding, and supporting cultural experiences and events. The Organization's major activities include:

Core Programs: California Humanities supports four main core programs with research and development, production, and public engagement grant awards. These programs are the California Documentary Project, Humanities for All, Library Innovation Lab, and Literature & Medicine®.

Periodic Initiatives: Statewide themed initiatives include single or multiyear initiatives and may encompass subprograms for grant making, direct programming, and/or partnerships.

General Programs: This major activity supports the initiatives of all programs put on or supported by California Humanities.

B. Basis of Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received, and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net asset with donor restrictions.

Net assets without donor restrictions—These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions—These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends, or the purpose of the restriction is accomplished, the net assets are restricted.

Fund accounting is not used in the Organization's financial statement presentation.

CALIFORNIA HUMANITIES
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP (generally accepted accounting principles). Accordingly, such information should be read in conjunction with California Humanities' financial statements as of and for the year ended December 31, 2019, from which the summarized comparative information was derived.

E. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities. Certain costs and expenditures have been allocated between program and supporting services based on management's estimates.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

G. Contributions

Contributions are recorded as either net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met and unconditional contributions are recognized when pledged. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the Organization if not donated.

H. Cash and Cash Equivalents

The Organization considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

I. Investments

The Organization's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

**CALIFORNIA HUMANITIES
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2020**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At December 31, 2020, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

The Organization has adopted policies to capitalize asset purchases over \$1,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset. Capital assets are depreciated using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	3-10 years
Leasehold improvements	10 years or life of lease

L. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

While California Humanities does not presently hold surplus funds in investment accounts, the Organization would adopt the Level 1 measure to assess the fair value of any investments it may purchase in the coming months or years.

M. Income Taxes

California Humanities is a publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. California Humanities is also exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. California Humanities is registered with the California Attorney General as a charity.

CALIFORNIA HUMANITIES
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Income Taxes (continued)

Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Organization did not have any net unrelated business income for the year ended December 31, 2020.

It is management’s belief that the Organization does not hold any uncertain tax positions that would materially impact the financial statements. The Organization’s information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

N. New Accounting Pronouncement

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease.

The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. The Organization will determine the impact on the financial statements once required to implement in the 2021 year.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2020 and 2019, consist of the following:

	2020	2019
Cash in banks, interest bearing	\$ 850,740	\$ 850,617
Cash in banks, non-interest bearing	533,501	650,163
Cash on hand	198	198
Cash awaiting disbursement	8,000	16,909
Total Cash and Cash Equivalents	\$ 1,392,439	\$ 1,517,887

Cash in Banks – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization deposits may not be returned to it. California Humanities has adopted cash management policies that address investment options as well as actions to be taken when deposits (less immediate obligations to be paid) exceed 6 months of operating expenses. Cash balances are closely monitored weekly throughout the year. The FDIC insures up to \$250,000 per depositor per insured bank. As of December 31, 2020, \$1,134,241 was exposed to custodial credit risk, as deposits exceeded the FDIC limit for funds held with Wells Fargo Bank.

CALIFORNIA HUMANITIES
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2020

NOTE 3 – GRANTS RECEIVABLES

As of December 31, 2020 and 2019, grants receivable consists of the following:

	2020	2019
National Endowment for Humanities	\$ 533,960	\$ 536,450
California State Library	100,000	505,300
Hewlett Foundation	-	60,525
Federation of State Humanities Councils	-	34,794
Other grants and donations	17,862	14,076
Total Grants Receivable	\$ 651,822	\$ 1,151,145

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment activity during the year ended December 31, 2020 consists of the following:

	2019	Purchases/ Additions	Sales/ Disposals	2020
Furniture and equipment	\$ 53,740	\$ -	\$ -	\$ 53,740
Leasehold improvements	15,000	-	-	15,000
Less accumulated depreciation	(36,812)	(7,571)	-	(44,383)
Total Property and Equipment, Net	\$ 31,928	\$ (7,571)	\$ -	\$ 24,357

There were no purchases of property and equipment during the fiscal year ended December 31, 2020. During the fiscal year ended December 31, 2020, total depreciation expense was \$7,571.

NOTE 5 – ENDOWMENT FUNDS

Sharleen Cooper-Cohen Endowment Funds

California Humanities maintains the Sharleen Cooper-Cohen Endowment Fund established in 1998. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Organization has interpreted the State of California 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 endowments funds, absent explicit donor stipulations to the contrary. Consequently, 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.

In accordance with UPMIFA, the Organization considers the following factors in making determination to appropriate or accumulate donor-restricted endowment funds: The duration and preservation of the fund, the purpose of the Organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, the investment policies of the Organization.

CALIFORNIA HUMANITIES
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2020

NOTE 5 – ENDOWMENT FUNDS, continued

Interpretation of Relevant Law, continued

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2020, funds with an original gift value of \$32,136 and a fair value of \$32,136 were reported in net assets with donor restrictions with no deficiencies.

Investment Return Objectives, Risk Parameters, and Strategies

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. The Organization has adopted investment and spending policies approved by the Board of Directors for endowment and all other assets that attempts to achieve maximum returns while preserving capital and long-term growth. The endowment is invested in a federally insured funds and is expected to produce a rate of return of approximately 1% annually.

Spending Policy

The Organization' spending policy for this endowment has been to abide by the wishes of the original donor. In accordance with this, earnings from the principal during the first two years of the endowment's existence were applied to the expense of promotion and public relations, to increase the visibility of the organization. Following that period, earnings have been applied towards various programmatic and operational expenses of the organization, at the discretion of the Organization's management.

As of December 31, 2020, the endowment fund is comprised of cash and cash equivalents. The composition and changes in the endowment net assets as of December 31, 2020 are as follows:

	With Donor Restrictions	Total
Endowment, beginning of year	\$ 32,136	\$ 32,136
Contributions to endowment	-	-
Current year investment income	-	-
Appropriations of earnings for use	-	-
Endowment, end of year	\$ 32,136	\$ 32,136

CALIFORNIA HUMANITIES
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2020

NOTE 6 – NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions activity during the year ended December 31, 2020 consists of the following:

Purpose or Donor	2019	Restricted Sources	Released from Restrictions	2020
California State Library	\$ 785,000	\$ -	\$ 670,000	\$ 115,000
Panta Rhea Foundation	25,000	-	25,000	-
Hewlett Foundation	15,000	-	-	15,000
California Arts Council	28,000	31,500	48,000	11,500
CA 2020: Youth Documentaries	1,800	-	1,800	-
Library Innovation Lab	-	8,200	6,425	1,775
Literature & Medicine	30,000	-	10,000	20,000
Nancy Hatamiya Arts & Humanities Fund	-	10,595	3,220	7,375
Mellon Foundation	-	50,000	-	50,000
Informed Citizen	34,794	-	-	34,794
Walter & Elise Haas Fund - CDEP Next Gen Bay Area Grants	-	37,200	37,200	-
Other restrictions	700	-	-	700
Endowment funds	32,136	-	-	32,136
Total Net Assets with Donor Restrictions, as Reclassified*	\$ 952,430	\$ 137,495	\$ 801,645	\$ 288,280

*As described in Note 13, the total net assets with donor restrictions was reclassified for the 2019 year only.

The total net assets with donor restrictions as of December 31, 2020 is derived from taking the beginning balance (or balance as of December 31, 2019) plus restricted sources less amounts released from restrictions. During the year ended December 31, 2020, the Organization's received \$137,495 in grants and contributions with donor-imposed restrictions and released \$801,645 from donor restrictions due to fulfillment of donor stipulations.

Net Assets without Donor Restrictions

Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management, or by nature of the financial assets held by the Organization. At December 31, 2020 and 2019, the Organization's net assets without donor restrictions consist of the following:

	2020	2019
Net investment in capital assets	\$ 24,357	\$ 31,928
Designated for operating reserves	704,674	694,260
Undesignated	(96,536)	(114,899)
Total Net Assets without Donor Restrictions, as Reclassified*	\$ 632,495	\$ 611,289

*As described in Note 13, the total net assets without donor restrictions was reclassified for the 20

California Humanities' goal is generally to maintain financial assets to meet 120 days of operating expenses (approximately \$704,674 moving into 2021). As part of its liquidity plan, California Humanities maintains cash reserves in a designated savings account to satisfy this operational cash requirement.

CALIFORNIA HUMANITIES
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2020

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The table on the following page reflects the Organization’s financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, state-required annuity reserves, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 1,392,439	\$ 1,517,887
Grants receivable, collected in less than one year	651,822	1,151,145
Total financial assets, excluding noncurrent	<u>2,044,261</u>	<u>2,669,032</u>
Contractural or donor-imposed restrictions		
Cash restricted by others to specific uses	(256,144)	(920,294)
Endowment funds	(32,136)	(32,136)
Board designations		
Operating reserves and others	<u>(704,674)</u>	<u>(694,260)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 1,051,307</u>	<u>\$ 1,022,342</u>

NOTE 8 – GRANTS, NET

Grants consisted of the following for the year ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Grant awards	\$ 2,930,588	\$ 1,269,871
Less: grants returned	<u>(53,210)</u>	<u>(5,395)</u>
Total Grants, net	<u>\$ 2,877,378</u>	<u>\$ 1,264,476</u>

NOTE 9 – IN-KIND SUPPORT

The Organization received the benefit of the following in-kind support during the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Donated facility usage	\$ -	\$ 2,784
Donated professional services and travel costs	25,383	8,806
Total In-Kind Support	<u>\$ 25,383</u>	<u>\$ 11,590</u>

NOTE 10 – RETIREMENT PLAN

The Organization has a defined contribution retirement plan (the Plan) under section 403(b) of the Internal Revenue Code. The Organization contributes 7% of eligible employee's gross salary towards the Plan. The Organization made contributions of \$68,799 and \$66,392 to the Plan for the years ended December 31, 2020 and 2019, respectively.

CALIFORNIA HUMANITIES
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2020

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Specific Concentrations

During the year ended December 31, 2020, the Organization received approximately 94% of its support and revenue from two governmental funding sources: the National Endowment for the Humanities and the California State Library. A significant reduction in the level of support from these sources, if this were to occur, may have an effect on the Organization's program and activities. Additionally, as of December 31, 2020, 97% of the Organization's grants receivable are from the same two sources.

Governmental and Other Restricted Funding

The Organization has received federal funds for specific purposes that are subject to review and audit by the grantor agency. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements would not be material.

With regards to other restricted funding, funders require the fulfillment of certain conditions as set forth in the instrument of grant or donation, and failure to fulfill the conditions of funding may result in the return of the funds to the funder. In the opinion of management, allowances for returned funds, if any, will not materially affect the Organization's financial position.

Operating Leases

The Organization entered into a lease agreement for office space in Oakland, California. The lease term expires August 2025. The lease agreement includes the option to extend the lease for an additional 5 years, under certain circumstances. The Organization also entered into a lease agreement for a copier. The lease is for 39 months and expires December 2021. In addition, the Organization also entered into a lease agreement for a postage meter. The lease is for 51 months and expires May 2022.

Future minimum lease payments for the aforementioned operating lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Lease Payments</u>
2021	\$ 118,577
2022	118,505
2023	121,898
2024	125,555
2025	85,786
Total	<u>\$ 570,321</u>

NOTE 12 – SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events for the period from December 31, 2020 through August 3, 2021, the date the financial statements were available to be issued. As a result of the coronavirus (COVID-19) outbreak, economic uncertainties have arisen which could impact how the Organization operates its programs and activities for the future reporting periods. Although the Organization does not feel that its financial situation will be negatively impacted by COVID-19, there is a chance that governmental funding could be modified or delayed.

At this time, management cannot predict the overall impact of the COVID-19 pandemic, but management continues to monitor the situation, to assess further possible implications to operations, and to take actions in an effort to mitigate adverse consequences. Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

CALIFORNIA HUMANITIES
NOTES TO FINANCIAL STATEMENTS, continued
DECEMBER 31, 2020

NOTE 13 – RECLASSIFICATION OF BEGINNING NET ASSETS

The beginning net assets has been reclassified in order to properly classify the prior year pledge of \$34,794 from the Federation of SHC – Mellon restricted for the Informed Citizen program.

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning, as Previously Stated	\$ 917,636	\$ 646,083	\$ 1,563,719
Reclassification	34,794	(34,794)	-
Net Assets - Beginning, as Reclassified	<u>\$ 952,430</u>	<u>\$ 611,289</u>	<u>\$ 1,563,719</u>

SUPPLEMENTARY INFORMATION

**CALIFORNIA HUMANITIES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Award Numbers</u>	<u>Federal Expenditures</u>	<u>Federal Awards Passed Through to Subrecipients</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Promotion for the Humanities - Federal/State Partnership [1]	45.129	SO-268663-20	\$ 3,909,110	\$ 2,877,378
Total National Endowment for the Humanities			<u>\$ 3,909,110</u>	<u>\$ 2,877,378</u>

[1] - Tested as a major program

The schedule of expenditures of federal awards includes the Federal Grant activity of the Organization 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* 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. The Organization has not elected to use the 10 percent de minimis indirect cost rate.

OTHER INDEPENDENT AUDITORS' REPORTS

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

To the Governance Board of
California Humanities
Oakland, California

We have audited, 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, the financial statements of California Humanities (the "Organization") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated August 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing auditing 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 Organization'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
August 3, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

To the Governance Board of
California Humanities
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited California Humanities' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of California Humanities' major federal programs for the year ended December 31, 2020. California Humanities' 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 California Humanities' 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about California Humanities' 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 California Humanities' compliance.

Opinion on Each Major Federal Program

In our opinion, California Humanities 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 December 31, 2020.

Report on Internal Control Over Compliance

Management of California Humanities 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 California Humanities' 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 California Humanities' 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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
August 3, 2021

FINDINGS AND QUESTIONED COSTS SECTION

**CALIFORNIA HUMANITIES
SUMMARY OF AUDITORS' RESULTS AND SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

PART I: SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
45.129	Promotion for 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?		<u>Yes</u>

PART II: FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements during 2020.

PART III: FEDERAL AWARDS FINDINGS

There were no findings related to the federal awards during 2020.

PART IV: PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

There were no findings reported for 2019.