

FLORIDA HUMANITIES COUNCIL, INC.

**Financial Statements, Supplementary Financial Information
and Reports as Required by the Comptroller General
of the United States and Office of
Management and Budget Circular A-133**

**October 31, 2015 and 2014
(With Independent Auditor's Report Thereon)**

FLORIDA HUMANITIES COUNCIL, INC.

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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, 2015 and 2014 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, 2015, 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, 2015 and 2014, 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, 2015 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 2014 financial statements, and our report dated January 20, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2014, 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 and State Financial Assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the State of Florida Auditor General*, 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 February 12, 2016 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.

February 12, 2016
Tampa, Florida

FLORIDA HUMANITIES COUNCIL, INC.

Statements of Financial Position

October 31, 2015 and 2014

Assets	2015	2014
	<hr/>	<hr/>
Current assets:		
Cash, including restricted cash of \$160,782 and \$72,791 in 2015 and 2014, respectively (Note 9)	\$ 304,659	197,813
Accounts receivable:		
Grants receivable (Note 9)	146,602	265,836
Other receivables	-	4,275
Current portion of gifted facilities (Note 4)	26,626	24,831
Prepaid expenses and other current assets	<hr/> 42,635	<hr/> 21,590
Total current assets	520,522	514,345
Investments (Note 2)	839,112	906,913
Gifted facilities, less current portion (Note 4)	115,186	141,812
Software and equipment, net (Note 3)	<hr/> 81,897	<hr/> 30,354
	\$ <hr/> <u>1,556,717</u>	\$ <hr/> <u>1,593,424</u>
Liabilities and Net Assets		
Current liabilities:		
Grants payable	\$ 160,782	196,186
Current portion of capital lease obligation (Note 8)	1,069	3,559
Accounts payable and accrued expenses	176,141	122,852
Deferred revenue	<hr/> 44,890	<hr/> 23,210
Total current liabilities	382,882	345,807
Capital lease obligation, less current portion (Note 8)	<hr/> -	<hr/> 1,069
Total liabilities	382,882	346,876
Net assets:		
Unrestricted	1,017,938	1,065,820
Temporarily restricted (Note 5)	141,812	166,643
Permanently restricted (Note 6)	<hr/> 14,085	<hr/> 14,085
Total net assets	1,173,835	1,246,548
Commitments and contingencies (Notes 7 and 10)	<hr/>	<hr/>
	\$ <hr/> <u>1,556,717</u>	\$ <hr/> <u>1,593,424</u>

FLORIDA HUMANITIES COUNCIL, INC.

Statement of Activities

**Year Ended October 31, 2015
(With Comparative Totals for 2014)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
Operating support and revenue (Note 9):					
Public support:					
Contributions	\$ 256,952	10,878	-	267,830	209,183
Government grants	2,103,425	-	-	2,103,425	1,861,823
In-kind contributions (Note 12)	<u>314,026</u>	<u>-</u>	<u>-</u>	<u>314,026</u>	<u>208,565</u>
	2,674,403	10,878	-	2,685,281	2,279,571
Revenue:					
Program service fees	118,016	-	-	118,016	120,698
Investment return designated for current operations (Note 2)	3,071	-	-	3,071	5,511
Other revenue	<u>1,325</u>	<u>-</u>	<u>-</u>	<u>1,325</u>	<u>1,669</u>
	122,412	-	-	122,412	127,878
Net assets released from restrictions:					
Satisfaction of donor restrictions - building lease	<u>35,709</u>	<u>(35,709)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	35,709	(35,709)	-	-	-
Total operating support and revenue	2,832,524	(24,831)	-	2,807,693	2,407,449
Operating expenses:					
Program services	2,123,489	-	-	2,123,489	1,796,951
Supporting services:					
Management and general	473,105	-	-	473,105	438,347
Fundraising	<u>188,434</u>	<u>-</u>	<u>-</u>	<u>188,434</u>	<u>123,125</u>
Total operating expenses	<u>2,785,028</u>	<u>-</u>	<u>-</u>	<u>2,785,028</u>	<u>2,358,423</u>
Increase (decrease) in net assets before other changes	47,496	(24,831)	-	22,665	49,026
Other changes:					
Investment return in excess of (deficient to cover) amounts designated for current operations (Note 2)	<u>(95,378)</u>	<u>-</u>	<u>-</u>	<u>(95,378)</u>	<u>47,367</u>
Increase (decrease) in net assets	(47,882)	(24,831)	-	(72,713)	96,393
Net assets, beginning of year	<u>1,065,820</u>	<u>166,643</u>	<u>14,085</u>	<u>1,246,548</u>	<u>1,150,155</u>
Net assets, end 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>

See accompanying independent auditor's report and notes to financial statements.

FLORIDA HUMANITIES COUNCIL, INC.

Statement of Activities

Year Ended October 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating support and revenue (Note 9):				
Public support:				
Contributions	\$ 196,631	12,552	-	209,183
Government grants	1,861,823	-	-	1,861,823
In-kind contributions (Note 12)	<u>208,565</u>	<u>-</u>	<u>-</u>	<u>208,565</u>
	2,267,019	12,552	-	2,279,571
Revenue:				
Program service fees	120,698	-	-	120,698
Investment return designated for current operations (Note 2)	5,511	-	-	5,511
Other revenue	<u>1,669</u>	<u>-</u>	<u>-</u>	<u>1,669</u>
	127,878	-	-	127,878
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	2,430,606	(23,157)	-	2,407,449
Operating expenses:				
Program services	1,796,951	-	-	1,796,951
Supporting services:				
Management and general	438,347	-	-	438,347
Fundraising	<u>123,125</u>	<u>-</u>	<u>-</u>	<u>123,125</u>
Total operating expenses	<u>2,358,423</u>	<u>-</u>	<u>-</u>	<u>2,358,423</u>
Increase (decrease) in net assets before other changes	72,183	(23,157)	-	49,026
Other changes:				
Investment return in excess of amounts designated for current operations (Note 2)	<u>47,367</u>	<u>-</u>	<u>-</u>	<u>47,367</u>
Increase (decrease) in net assets	119,550	(23,157)	-	96,393
Net assets, beginning of year	<u>946,270</u>	<u>189,800</u>	<u>14,085</u>	<u>1,150,155</u>
Net assets, end of year	\$ <u>1,065,820</u>	<u>166,643</u>	<u>14,085</u>	<u>1,246,548</u>

See accompanying independent auditor's report and notes to financial statements.

FLORIDA HUMANITIES COUNCIL, INC.

Statement of Functional Expenses

**Year Ended October 31, 2015
(With Comparative Totals for 2014)**

	Program Services				Supporting Services			Total Expenses		
	Communi- cations	Re-grants	Public Program	Teacher Center	Total	Management and General	Fund Raising	Total	2015	2014
Salaries	\$ 163,349	87,122	132,643	139,158	522,272	200,557	79,141	279,698	801,970	721,322
Payroll taxes	12,117	6,316	9,624	10,358	38,415	15,772	5,825	21,597	60,012	53,734
Employee benefits	31,425	9,593	27,086	29,851	97,955	29,981	21,869	51,850	149,805	128,763
Total salaries and related expenses	206,891	103,031	169,353	179,367	658,642	246,310	106,835	353,145	1,011,787	903,819
Direct program expenses	8,400	309,483	294,140	39,099	651,122	-	-	-	651,122	468,439
Travel and meetings	49,391	4,636	47,385	153,246	254,658	46,030	4,158	50,188	304,846	290,723
Professional fees	54,464	5,050	68,147	6,528	134,189	56,805	58,759	115,564	249,753	236,217
Occupancy	8,705	3,131	15,734	10,557	38,127	44,387	4,904	49,291	87,418	78,306
Supplies, dues and subscriptions	5,146	616	4,979	12,407	23,148	31,507	3,697	35,204	58,352	55,331
Printing and publications	25,915	264	7,075	1,073	34,327	1,031	1,793	2,824	37,151	51,938
Postage	19,017	561	4,363	1,116	25,057	1,802	1,965	3,767	28,824	37,208
In-kind (Note 12)	-	-	274,986	3,372	278,358	35,630	38	35,668	314,026	208,565
Other	11,779	-	165	451	12,395	4,432	4,243	8,675	21,070	19,494
Total expenses before depreciation and amortization	389,708	426,772	886,327	407,216	2,110,023	467,934	186,392	654,326	2,764,349	2,350,040
Depreciation and amortization	4,212	2,246	3,420	3,588	13,466	5,171	2,042	7,213	20,679	8,383
Total expenses - 2015	\$ 393,920	429,018	889,747	410,804	2,123,489	473,105	188,434	661,539	2,785,028	2,358,423
Total expenses - 2014	\$ 407,564	373,680	483,184	532,523	1,796,951	438,347	123,125	561,472	2,358,423	2,358,423

See accompanying independent auditor's report and notes to financial statements.

FLORIDA HUMANITIES COUNCIL, INC.

Statements of Cash Flows

Years Ended October 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (72,713)	96,393
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,679	8,383
Realized and unrealized (gains) losses on investments	95,378	(47,367)
Decrease (increase) in accounts receivable	123,509	(217,085)
Decrease in gifted facilities	24,831	23,157
Increase in prepaid expenses and other assets	(21,045)	(2,964)
Increase (decrease) in grants payable	(35,404)	71,168
Increase (decrease) in accounts payable and accrued expenses	53,289	(2,451)
Increase in deferred revenue	21,680	23,210
Net cash provided by (used in) operating activities	210,204	(47,556)
Cash flows from investing activities:		
Reinvested interest	-	(136)
Proceeds received on redemption of certificate of deposit	-	127,631
Purchases of investments	(476,105)	(229,760)
Proceeds received on sale of investments	448,528	124,676
Purchases of equipment	(72,222)	(25,452)
Net cash used in investing activities	(99,799)	(3,041)
Cash flows from financing activities:		
Principal payments on capital lease obligation	(3,559)	(3,352)
Net cash used in financing activities	(3,559)	(3,352)
Net change in cash	106,846	(53,949)
Cash, beginning of year	197,813	251,762
Cash, end of year	\$ 304,659	197,813
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 198	525

See accompanying independent auditor's report and notes to financial statements.

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements

October 31, 2015 and 2014

(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, 2014, 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 2011 are open for examination. FHC does not believe it has any unrecognized exposure relating to uncertain tax positions at October 31, 2015.

(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, 2015 and 2014, the cost and market value of investments were as follows:

	2015		2014	
	Cost	Market	Cost	Market
Money market funds	\$ 296,227	296,227	82,563	82,563
Bond funds	264,163	264,012	261,302	261,672
Equity mutual funds	271,842	278,873	413,064	562,678
	\$ 832,232	839,112	756,929	906,913

The following schedule summarizes investment return for the years ended October 31, 2015 and 2014:

	2015	2014
Interest and dividends	\$ 12,006	14,479
Net realized and unrealized gains	(95,378)	47,367
Investment management fees	(8,935)	(8,968)
	(92,307)	52,878
Net investment return		
Investment return designated for current operations	3,071	5,511
Investment return in excess of (deficient to cover) amounts designated for current operations	\$ (95,378)	47,367

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, 2015 and 2014:

	2015	2014
Software	\$ 108,998	50,508
Copier held under capital lease	16,683	16,683
Computers and equipment	34,608	20,876
Website	34,750	34,750
	195,039	122,817
Less accumulated depreciation	(113,142)	(92,463)
	\$ 81,897	30,354

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(3) Software and Equipment - Continued

Depreciation and amortization charged to operations amounted to \$20,679 and \$8,383 for the years ended October 31, 2015 and 2014, respectively.

(4) Gifted Facilities

Gifted facilities as of October 31, 2015 and 2014 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, 2013	\$	189,800
Recognition of annual fair value of gifted facilities		12,552
Recognition of rent expense for the year ended October 31, 2014		<u>(35,709)</u>
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
Current portion of gifted facilities		<u>26,626</u>
Gifted facilities, less current portion	\$	<u><u>115,186</u></u>

(5) Temporarily Restricted Net Assets

Temporary restrictions on net assets at October 31, 2015 and 2014 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.

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(6) Permanently Restricted Net Assets - Continued

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.

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, 2015 and 2014. 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, 2015 and 2014.

(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 three year lease. Rental expense for each of the years ended October 31, 2015 and 2014 was approximately \$65,000 and \$63,000, respectively, 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:

Year Ending October 31:

2016	\$	26,600
2017		24,700
2018		24,700
2019		24,700
2020		16,500
		<u>117,200</u>
	\$	<u>117,200</u>

(8) Capital Lease Obligation

FHC leases certain office equipment under a capital lease. At October 31, 2015, the gross amount of equipment recorded under the capital lease was \$16,683 and the amount of related accumulated amortization was \$16,683. At October 31, 2014, the gross amount of equipment recorded under the capital lease was \$16,683 and the amount of related accumulated amortization was \$13,624. Amortization of assets held under the capital lease is included with depreciation expense.

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(8) Capital Lease Obligation - Continued

Future minimum lease payments under the capital lease are as follows:

<u>Year Ending October 31:</u>	
2016	\$
Total minimum lease payments	1,074
Less amount representing interest	<u>(5)</u>
Present value of minimum capital lease obligation	1,069
Current portion of capital lease obligation	<u>1,069</u>
Capital lease obligation, less current portion	<u>\$ -</u>

(9) 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 \$159,711 and \$2,019 as of October 31, 2015 and 2014, 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 50% and 58% of total unrestricted operating support and revenue for the years ended October 31, 2015 and 2014, respectively. Support from the State of Florida represented approximately 25% and 19% of total unrestricted operating support and revenue for the years ended October 31, 2015 and 2014, respectively. At October 31, 2015 and 2014, grants receivable from federal and state governmental agencies were \$146,602 and \$265,836, respectively.

(10) 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.

(11) 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, 2015 and 2014, FHC met all of the match requirements specified by NEH.

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(12) In-Kind Contributions

For the years ended October 31, 2015 and 2014, in-kind contributions and the corresponding in-kind expenses recorded in the accompanying financial statements consisted of the following:

	<u>2015</u>	<u>2014</u>
Professional fees	\$ 34,267	7,333
Facilities	277,818	197,735
Other	<u>1,941</u>	<u>3,497</u>
	<u>\$ 314,026</u>	<u>208,565</u>

(13) 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 \$35,909 and \$32,956 for the years ended October 31, 2015 and 2014, respectively.

(14) 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. FHC’s certificates of deposit are included in this category.
- Level 3: Valuation is based on unobservable inputs. At October 31, 2015 and 2014, 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.

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Financial Statements - Continued

(14) Fair Value Measurements - Continued

The fair value of assets measured on a recurring basis at October 31, 2015 and October 31, 2014 is as follows:

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

Description	Assets Measured at Fair Value	Fair Value Measurements at October 31, 2014 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 82,563	82,563	-	-
Short-term bond funds	261,672	261,672	-	-
Equity mutual funds:				
Large blend	128,916	128,916	-	-
Mid-cap blend	76,476	76,476	-	-
Small blend	76,126	76,126	-	-
Emerging markets	41,733	41,733	-	-
Mid-cap value	72,042	72,042	-	-
Real estate	48,921	48,921	-	-
Large growth	74,439	74,439	-	-
Natural resources	44,025	44,025	-	-
	<u>\$ 906,913</u>	<u>906,913</u>	<u>-</u>	<u>-</u>

(15) Subsequent Events

FHC has evaluated subsequent events through February 12, 2016, the date the financial statements were available for issuance.

SUPPLEMENTARY FINANCIAL INFORMATION

FLORIDA HUMANITIES COUNCIL, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended October 31, 2015

Federal/State Agency Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Agency or Pass-Through Number	Current Year Expenditures	Payments to Subrecipients
<i>National Endowment for the Humanities</i>				
Promotion of the Humanities - Federal/State Partnership	45.129*	SO-50588-14	\$ <u>1,412,423</u>	<u>309,483</u>
Total federal expenditures			\$ <u><u>1,412,423</u></u>	<u><u>309,483</u></u>
<i>State of Florida, Department of State, Division of Cultural Affairs</i>				
Florida Endowment for the Humanities	45.011	15-9901	\$ 340,421	-
Florida Endowment for the Humanities	45.011	15-9902	191,039	-
Florida Endowment for the Humanities	45.011	16-9901	<u>159,542</u>	<u>-</u>
Total state financial assistance			\$ <u><u>691,002</u></u>	<u><u>-</u></u>

* Major federal award program

FLORIDA HUMANITIES COUNCIL, INC.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended October 31, 2015

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal and state grant activity of Florida Humanities Council, Inc. under programs of the federal government and State of Florida for the year ended October 31, 2015. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the State of Florida Auditor General*. 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 2015, 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 February 12, 2016.

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.

February 12, 2016
Tampa, Florida



**Independent Auditor’s Report on Compliance for Each Major Federal Program
and State Project and on Internal Control Over Compliance Required by
OMB Circular A-133 and Chapter 10.650, Rules of the State of Florida Auditor General**

The Board of Directors
Florida Humanities Council, Inc.:

Report on Compliance for Each Major Federal Program and State Project

We have audited Florida Humanities Council, Inc.’s compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* and the requirements described in the *Department of Financial Services’ State Projects Compliance Supplement*, that could have a direct and material effect on Florida Humanities Council, Inc.’s major federal program and state project for the year ended October 31, 2015. Florida Humanities Council, Inc.’s major federal program and state project 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program and state project.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for Florida Humanities Council, Inc.’s major federal program and state project 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the State of Florida Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the State of Florida Auditor General* 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 or state project 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 and state project. However, our audit does not provide a legal determination of Florida Humanities Council, Inc.’s compliance.

Opinion on Major Federal Program and State Project

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 and state project for the year ended October 31, 2015.

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 and state project 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 state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, 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 or state project 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 or state project 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 or state project 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 OMB Circular A-133 and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

February 12, 2016
Tampa, Florida

FLORIDA HUMANITIES COUNCIL, INC.

Schedule of Findings and Questioned Costs

Year Ended October 31, 2015

(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 or state project are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.650, *Rules of the State of Florida Auditor General*.
5. The auditor's report on compliance for the major federal award program and state project for Florida Humanities Council, Inc. expresses an unmodified opinion.
6. Audit findings relative to the major federal award program and state project for Florida Humanities Council, Inc. are reported in Part C and Part D of this schedule.
7. The programs tested as a major federal program and state project were:

Federal Program:
Promotion of the Humanities - Federal/State Partnership (CFDA No. 45.129)

State Project:
Florida Endowment for the Humanities (CSFA No. 45.011)
8. The threshold for distinguishing Types A and B programs was \$300,000 for major federal programs and for major state projects.
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.

FLORIDA HUMANITIES COUNCIL, INC.

Schedule of Findings and Questioned Costs - Continued

(D) Findings and Questioned Costs - Major State Financial Assistance Project

None.

(E) 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 or to a major state project.



Management Letter

The Board of Directors
Florida Humanities Council, Inc.

We have audited the financial statements of Florida Humanities Council, Inc. as of and for the fiscal year ended October 31, 2015, and have issued our report thereon dated February 12, 2016.

We conducted our audit 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the State of Florida Auditor General*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, our Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by OMB A-133 and Chapter 10.650, *Rules of the State of Florida Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 12, 2016, should be considered in conjunction with this management letter.

As noted above, our audit was conducted in accordance with Chapter 10.650, *Rules of the State of Florida Auditor General*, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements or state project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or state project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, and (2) deficiencies in internal control that are not significant deficiencies. Our audit did not identify any matters that are required to be disclosed.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

February 12, 2016
Tampa, Florida