HUMANITIES TENNESSEE

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Humanities Tennessee
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Humanities Tennessee (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year the 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 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 Humanities Tennessee as of June 30, 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.

Emphasis of Matter

As more fully described in Note 14 to the financial statements, Humanities Tennessee has been impacted by the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated June 22, 2021, on our consideration of Humanities Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humanities Tennessee's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
June 22, 2021

HUMANITIES TENNESSEE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS		
Cash and cash equivalents	$	442,222
Investments		93,782
Federal grants receivable		36,836
Other grants receivable		33,000
Merchandise inventory		7,306
Other assets		10,954
Property and equipment, net of accumulated depreciation of $92,034		106,234
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee		19,534
Total Assets	$	749,868
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$	10,430
Regrants payable		390,012
Accrued leave		102,209
Deferred lease incentive		74,750
Deferred government grant revenue		106,670
Total Liabilities		684,071
Net Assets:		
Without donor restrictions		50,797
With donor restrictions		15,000
Total Net Assets		65,797
Total Liabilities and Net Assets	$	749,868

HUMANITIES TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Public Support:			
Grants - NEH and other governmental	$ 1,564,793	$ -	$ 1,564,793
Contributions and private grants	201,706	-	201,706
Programs	6,421	-	6,421
Sales of books, t-shirts, and miscellaneous	34,934	-	34,934
Less costs of direct benefits to donors	(14,509)	-	(14,509)
Donated services	32,105	-	32,105
Donated goods and facilities	107,550	-	107,550
Investment income	7,219	-	7,219
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	1,583	-	1,583
Total Public Support and Revenue	1,941,802	-	1,941,802
Expenses:			
Program services	1,759,193	-	1,759,193
Supporting services	375,979	-	375,979
Total Expenses	2,135,172	-	2,135,172
Change in net assets	(193,370)	-	(193,370)
Net assets, beginning of year	244,167	15,000	259,167
Net assets, end of year	$ 50,797	$ 15,000	$ 65,797

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

HUMANITIES TENNESSEE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services			
	Grants	History and Culture	Language and Literature	Total	Administrative	Fundraising	Total	Total Expenses
Regrants and other awards	$ 734,996	$ 6,199	$ 7,225	$ 748,420	$ -	$ -	$ -	$ 748,420
Salaries	45,048	105,675	178,630	329,353	49,613	112,864	162,477	491,830
Fees/honoraria writers/others	-	13,050	135,180	148,230	-	-	-	148,230
Consultants	234	483	79,938	80,655	19,598	15,360	34,958	115,613
Travel	775	3,732	83,585	88,092	22,942	456	23,398	111,490
Employee benefits	9,169	21,510	36,360	67,039	10,099	22,973	33,072	100,111
Rent	4,177	9,049	36,681	49,907	5,009	8,743	13,752	63,659
Accounting and bookkeeping services	3,040	5,920	9,420	18,380	17,480	2,740	20,220	38,600
Employer taxes	3,409	7,989	13,473	24,871	3,691	8,609	12,300	37,171
Supplies	324	753	31,020	32,097	2,624	1,168	3,792	35,889
Exhibits and displays	33	3,577	23,894	27,504	43	98	141	27,645
Costs of books sold	-	-	25,792	25,792	-	-	-	25,792
Food and beverage	150	301	21,894	22,345	708	450	1,158	23,503
Other expenses	4,366	900	6,129	11,395	7,953	1,139	9,092	20,487
Security	-	-	19,276	19,276	-	-	-	19,276
Depreciation	-	-	-	-	18,815	-	18,815	18,815
National Fed. of State Humanities Councils	-	-	-	-	18,154	-	18,154	18,154
Tents	-	-	15,740	15,740	-	-	-	15,740
Costs of t-shirts and sweatshirts sold	-	-	14,471	14,471	-	-	-	14,471
Utilities	407	914	10,511	11,832	507	1,024	1,531	13,363
Insurance	123	236	3,560	3,919	8,698	94	8,792	12,711
Computer and equipment costs	858	1,947	3,666	6,471	2,134	3,986	6,120	12,591
Printing	307	701	3,454	4,462	872	1,087	1,959	6,421
Telephone	572	1,307	1,945	3,824	735	1,561	2,296	6,120
Postage	39	805	150	994	2,701	1,251	3,952	4,946
Contracted services	-	-	4,124	4,124	-	-	-	4,124
	$ 808,027	$ 185,048	$ 766,118	$ 1,759,193	$ 192,376	$ 183,603	$ 375,979	$ 2,135,172

HUMANITIES TENNESSEE
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:		
Change in net assets	$	(193,370)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation		18,815
Realized and unrealized loss on investments		1,800
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee		(1,457)
Changes in operating assets and liabilities:		
Federal grants receivable		124,027
Other grants receivable		(33,000)
Merchandise inventory		(3,932)
Accounts payable and accrued expenses		(35,236)
Regrants payable		293,520
Deferred lease incentive		(13,000)
Deferred government grant revenue		106,670
Net cash flows from operating activities		264,837
Cash flows from investing activities:		
Purchases of investments		(7,032)
Sales of investments		20,823
Net cash flows from investing activities		13,791
Net change in cash and cash equivalents		278,628
Cash and cash equivalents, beginning of year		163,594
Cash and cash equivalents, end of year	$	442,222

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

Note 1—Organization and purpose

Humanities Tennessee (the "Organization") is a not-for-profit corporation that is the independent state affiliate of the National Endowment for the Humanities ("NEH"). Approximately 76% of the Organization's public support (excluding donated goods and services) came from the federal government through NEH in the year ended June 30, 2020. Support also comes from state and local government, corporate and foundation grants, private contributions, and earned income. The Organization was incorporated in 1973 to promote public understanding of the humanities in Tennessee. Its principal activities consist of conducting humanities programs and offering services and grants in support of the humanities programs of other organizations.

Note 2—Summary of significant accounting policies

Basis of Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Cash and Cash Equivalents – The Organization considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. At June 30, 2020, cash and cash equivalents consisted primarily of cash held in checking and money market accounts.

Investments – Investments consist of an account held with a financial manager investing in cash and equivalents; government securities, publicly-held equities, corporate bonds, and certificates of deposit; and are carried at fair value.

All gains and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Dividends, interest, and other investment income are reported in the period earned as increases in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions.

Merchandise Inventory – Merchandise inventory is reported at the lower of cost (first-in, first-out method) or net realizable value and consists of fundraising items sold by the Organization at the Southern Festival of Books.

Property and Equipment – Property and equipment are reported at cost, less accumulated depreciation. The Organization has no formalized capitalization policy. Items are capitalized based on their cost and estimated useful life. Insignificant amounts are expensed. Property and equipment are being depreciated over estimated useful lives of five to ten years using the straight-line method. Property and equipment purchased with NEH grant funds are owned by the Organization with the understanding that the equipment will be used for the project for which it was obtained. Fully depreciated assets had original costs totaling $28,965 as of June 30, 2020.

Deferred Lease Incentive – Deferred lease incentive relates to leasehold improvements provided by the landlord for the office space. The deferred lease incentive is amortized on the straight-line method over the term of the office space lease.

Agency Endowment Fund – The Organization's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value of the fund are recognized in the statements of activities, and distributions received from the fund are recorded as decreases in the beneficial interest (see Note 11).

Note 2—Summary of significant accounting policies (continued)

Accrued Leave – Employee benefits expense is accrued and recognized for general leave and sabbatical leave that employees are allowed to accumulate and be paid upon termination of employment. Employees are allowed up to 30 days of paid general leave per year during the first five continuous years of employment, and an additional paid day for every year after five, to a maximum of 15 additional paid days of general leave. Employees are allowed to accumulate up to 60 days of sabbatical leave, although a maximum of 30 days will be paid upon termination of employment.

Net Assets – Net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions, and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.
>
> *Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors or grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions, Support, and Revenue Recognition – Cash contributions are recognized as revenue when received. Unconditional promises to give are recorded at their net realizable value. Conditional promises to give are not included as support until such time as the conditions are substantially met.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support that increases those net asset classes. However, if the restriction is fulfilled in the same reporting period in which the contribution is received, the Organization reports the support as unrestricted.

Grant funds are earned and reported as revenue when the Organization has incurred expenses in compliance with the specific restrictions of the grant agreement. Grant expenses incurred, including regrants authorized for which grant funds have not been received, are reported as grants receivable, while grant funds received but not yet earned are reported as deferred grant revenue.

Donated Services, Goods, and Facilities – A number of volunteers donate their time to the Organization's programs during the period which are not reflected in the financial statements since they do not require specialized skills. During the year ended June 30, 2020, board members spent approximately 326 hours attending meetings, training, and other seminars in support of the Organization. Additionally, volunteers and committee members contributed approximately 803 hours in support of the Organization's 2020 Southern Festival of Books that is held each fall. These amounts are not reflected in donated services, but are significant contributions to the Organization. Donated professional services, use of facilities, materials, and other assets received as donations are reflected in the accompanying financial statements at their estimated fair value in the period received.

Note 2—Summary of significant accounting policies (continued)

Program and Supporting Services – The following program and supporting service classifications are included in the accompanying financial statements:

Program Services:

Grants – The Organization makes funding investments in all three Grand Divisions of the state to support the efforts of cultural, educational, and community-based organizations providing public humanities programs.

History and Culture – Includes programs like the Neighborhood Story Project, traveling exhibits (including the Smithsonian's Museum on Main Street), and other programs to assist history organizations providing public humanities programs.

Language and Literature – Includes programs like the Southern Festival of Books, Chapter16.org, Student Reader Day, Young Writers' Workshops, and other activities relating to the celebration of the written word.

Supporting Services:

Administrative – Represents expenses related to the overall management of the Organization's operations, but not directly related to a specific program.

Fundraising – Includes costs incurred to induce potential donors to contribute money, services, materials, facilities, or time.

Allocation of Functional Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time and effort.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP 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 support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

Note 2—Summary of significant accounting policies (continued)

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance related to unrecognized tax benefits which clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Change in Accounting Principle – In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Organization evaluated the new standard and determined the accounting standard did not require a change to the Organization's practices for recording contributions.

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending June 30, 2021. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard is currently scheduled to be effective for the year ending June 30, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 3—Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing programs and services, as well as conduct of services undertaken to support those activities to be general expenditures.

Note 3—Liquidity and availability (continued)

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2020:

Financial assets at year-end:		
Cash and cash equivalents	$	442,222
Investments		93,782
Federal grants receivable		36,836
Other grants receivable		33,000
Merchandise inventory		7,306
Total financial assets		613,146
Less amounts not available to be used for general expenditures within one year:		
Net assets held in perpetuity		(15,000)
Financial assets available to meet cash needed for general expenditures within one year	$	598,146

Note 4—Investments

All investments are reported at fair value as described in Note 12 and consist of the following as of June 30, 2020:

Cash and cash equivalents	$	3,632
Certificates of deposit		10,000
Marketable securities		682
Mutual funds		79,468
	$	93,782

The following schedule summarizes investment income for the year ended June 30, 2020:

Interest and dividends	$	9,019
Realized and unrealized losses		(1,800)
	$	7,219

Note 5—Property and equipment

Property and equipment consists of the following as of June 30, 2020:

Furniture and equipment	$	17,988
Leasehold improvements		180,280
		198,268
Less accumulated depreciation		(92,034)
	$	106,234

Note 6—Grantor awards available

Grantor awards available from the National Endowment for the Humanities to be drawn in future years consist of the following as of June 30, 2020:

Grant Number	Operations	Special Projects	Total
SO-253193-17	$ 11,700	$ -	$ 11,700
SO-268701-20	344,113	-	344,113
	$ 355,813	$ -	$ 355,813

Note 7—Grants payable

Regrants payable consist of amounts awarded, but not yet paid, to state and public agencies and not-for-profit institutions, organizations, and groups under the Organization's grant program.

A summary of regrants activity is as follows for the year ended June 30, 2020:

Regrants payable, beginning of year	$	96,492
Regrants awarded		747,940
Awards paid to recipients		(454,420)
Regrants payable, end of year	$	390,012

Note 8—Retirement plan

The Organization sponsors a simplified employee pension plan covering all full-time employees. Employer contributions are based on 10% of the participating employee's annual compensation. Contributions to the plan for the year ended June 30, 2020 amounted to $46,768 and are included in employee benefits expense.

Note 9—Commitments and contingencies

Federal Grant – The Organization receives a substantial amount of its support from a single federal grantor. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the Organization's programs and activities.

Operating Lease – The Organization leases office space under a noncancelable operating lease that expires in March 2026. Under terms of the lease agreement, the Organization is required to make minimum monthly payments ranging from $3,404 to $4,124. Total rent expense recognized under this arrangement for the year ended June 30, 2020 was $40,741. In consideration for entering into the lease, the Organization was granted an allowance totaling $130,000 for tenant improvements. This allowance has been recorded in the statement of financial position as deferred lease incentive and is being credited to lease expense over the term of the lease.

Future minimum lease payments required under the Organization's current lease as of June 30, 2020 are as follows:

Years Ending June 30,		
2021	$	44,361
2022		45,441
2023		46,521
2024		47,601
2025		48,681
Thereafter		37,118
	$	269,723

In addition, the Organization paid $20,237 during the year ended June 30, 2020 for the temporary use of certain facilities for its annual book festival and other programs, and incurred other rent expenses for facilities and equipment on an as-needed basis.

Note 10—Concentration of credit risk

The Organization maintains cash accounts at a financial institution whose accounts are insured by the Federal Deposit Insurance Corporation up to statutory limits. The Organization's balances, at times, may exceed federally insured limits. Amounts in excess of federally insured limits at June 30, 2020 were approximately $59,600.

Note 11—Agency endowment fund

The Organization has a beneficial interest in the Humanities Tennessee Endowment Fund (the “Fund”), an agency endowment fund held by the Community Foundation of Middle Tennessee (the “Community Foundation”). Earnings on this fund are used to benefit various programs for the humanities. The Fund is charged a 0.4% administrative fee annually. Upon request by the Organization, income from the Fund representing a 5% annual return may be distributed to the Organization or to another suggested beneficiary.

A schedule of changes in the Organization’s beneficial interest in this Fund follows for the year ended June 30, 2020:

Balance, beginning of year	$	18,077
Change in value of beneficial interest in agency endowment fund:		
Investment income		1,583
Administrative expenses		(126)
		1,457
Balance, end of year	$	19,534

Note 12—Fair value measurements

The Organization has established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the 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).

The three levels of the fair value hierarchy under U.S. GAAP are described below:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in inactive markets, 3) inputs other than quoted prices that are observable for the asset or liability, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 12—Fair value measurements (continued)

The following are descriptions of the valuation methodologies used for asset measurement at fair value at June 30, 2020:

Investments – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly-liquid government securities, certificates of deposit, and certain other products, such as corporate bonds and mutual funds. If quoted market prices are not available, the fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy.

Beneficial Interest in Agency Endowment Fund Held by the Community Foundation of Middle Tennessee – The carrying amount is based on information received from the Community Foundation of Middle Tennessee indicating the financial performance of the endowment fund. The Organization reflects this asset within Level 3 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while The Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes financial assets measured at fair value on a recurring basis as of June 30, 2020, segregated by the level of the valuation inputs within the fair value hierarchy:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments	$ 93,782	$ -	$ -	$ 93,782
Beneficial interest in agency endowment fund	-	-	19,534	19,534
	$ 93,782	$ -	$ 19,534	$ 113,316

Note 13—Net assets with donor restrictions

The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). UPMIFA also requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA. The state of Tennessee enacted UPMIFA effective July 1, 2007, the provisions of which apply to endowment funds existing on or established after that date. The Organization is subject to the provisions of UPMIFA.

Note 13—Net assets with donor restrictions (continued)

Net assets with donor restrictions at June 30, 2020, consist of an endowment fund established in 2006 to support the Tennessee Young Writers workshop. The original contribution to the endowment fund was subject to a donor restriction stipulating that the original principal of the gift is to be held and invested by the Organization indefinitely, and income from the fund is to be used to fund an annual scholarship. The Organization has informally adopted investment and spending policies based on the requirements of the State Prudent Management of Institutional Funds Act ("SPMIFA"). Based on the Organization's interpretation of SPMIFA, and in accordance with donor restrictions, contributions to the endowment fund are classified as permanently restricted net assets. The historic dollar value of those contributions must be maintained in perpetuity. Income from the fund is classified as net assets with donor restrictions until the purpose restriction is satisfied, at which time the net assets are reclassified to net assets without donor restrictions. However, if the restriction is fulfilled in the same reporting period in which the income is earned, the income is reported as without donor restriction.

The Organization's endowment fund is invested with the unrestricted funds in mutual funds. At June 30, 2020, the endowment fund in the amount of $15,000 is classified as net assets with donor restrictions. Changes in endowment net assets for the year ended June 30, 2020 were insignificant.

Note 14—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity. The coronavirus outbreak and government responses are creating disruptions and adversely impacting many industries and economic conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

Note 15—Deferred government grant

The Organization received a loan under the Paycheck Protection Program ("PPP") for an amount of $106,670, which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and administered by the Small Business Administration ("SBA"). The application for the PPP loan requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Organization. This certification further requires the Organization to take into account current business activity and the ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loan and the forgiveness of the PPP loan is dependent on the Organization having initially qualified for the PPP loan and qualifying for the forgiveness of such PPP loan based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loan. There is no assurance the Organization's obligation under the PPP loan will be forgiven. If the PPP loan is not forgiven, the Organization will need to repay the PPP loan over the applicable repayment period, commencing after the applicable deferral period. (See Note 16 regarding forgiveness.)

Note 16—Subsequent events

In accordance with U.S. GAAP related to subsequent events, the Organization has evaluated events subsequent to the statement of financial position date of June 30, 2020 through June 22, 2021, which is the date these financial statements were available to be issued and has determined there are no subsequent events that require disclosure other than as follows:

Subsequent to June 30, 2020, the PPP loan of $106,670, plus accrued interest, was fully forgiven by the SBA.

SUPPLEMENTARY INFORMATION

HUMANITIES TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER AWARDS

YEAR ENDED JUNE 30, 2020

Grantor/Program Title	CFDA Number	Expenditures	Expenditures to Subrecipients
Federal Awards:			
National Endowment for the Humanities:			
Promotion of the Humanities - Federal/State Partnership	45.129	$ 1,368,153	$ 747,940
National Endowment for the Arts:			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	50,000	-
Total Federal Awards		1,418,153	747,940
Other Awards - State and Local Governments:			
State of Tennessee Arts Commission	N/A	28,080	-
Metropolitan Nashville Arts Commission	N/A	118,560	-
Total Other Awards - State and Local Governments		146,640	-
Total Grant Revenue		$ 1,564,793	$ 747,940

See notes to schedule to the schedule of expenditures of federal and other awards.

Note 1—Basis of accounting

This schedule includes the federal and other grant activity of Humanities Tennessee 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"). Because this schedule presents only a selected portion of the operations of Humanities Tennessee, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Humanities Tennessee.

Note 2—Indirect cost allocation

Humanities Tennessee did not elect to use the 10% de minimis indirect cost rate; however, no indirect costs were allocated to the awards during the year ended June 30, 2020.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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 Board of Directors
Humanities Tennessee
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Humanities Tennessee (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 June 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Humanities Tennessee'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 Humanities Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Humanities Tennessee's internal control.

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humanities Tennessee's financial statements are free of 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*.

Humanities Tennessee's Response to Findings

Humanities Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Humanities Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Humanities Tennessee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humanities Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
June 22, 2021

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Humanities Tennessee
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Humanities Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Humanities Tennessee's major federal programs for the year ended June 30, 2020. Humanities Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Humanities Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administration 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 Humanities Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 Humanities Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, Humanities Tennessee 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 June 30, 2020.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

Cherry Bekaert LLP

Nashville, Tennessee
June 22, 2021

Section I—Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Humanities Tennessee were prepared in accordance with accounting principles generally accepted in the United States of America.

2. A significant deficiency relating to the audit of the financial statements is reported in the *Report of Independent Auditor 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*. No material weaknesses relating to the audit of the financial statements are reported in the *Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

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

4. No significant deficiencies relating to the audit of major federal programs disclosed during the audit are reported in the *Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance*. No material weaknesses are reported.

5. The *Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance* of Humanities Tennessee expresses an unmodified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in this schedule.

7. The program tested as a major program was:

CFDA Number	Name of Federal Program or Cluster
45.129	Promotion of the Humanities – Federal/State Partnership

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

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

Section II—Findings Related to the Financial Statement Audit

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Accounting Standards.

Finding 2020-001—Significant deficiency in internal controls over financial reporting

Condition: During the audit for the year ended June 30, 2020, several audit adjustments were required to correctly state certain accounts. Such adjustments included the recording of prior year audit adjustments, the recording of in-kind donations, recording support from state and local governmental entities, and adjusting federal awards for amounts actually earned.

Criteria: The Organization is responsible for establishing and maintaining internal controls to allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct material financial reporting misstatements

Cause: Management's financial accounting did not include consideration of such audit adjustments, or such adjustments are only recorded as part of the audit process at the end of the year.

Effect: Significant adjustments were required during the audit.

Recommendation: Management should ensure that all potential adjusting entries are considered during the course of the year or at year end prior to the audit process.

Corrective Action Plan: *We agree with the finding. See attached management's corrective action plan.*

Section III—Findings and Questioned Costs for Major Federal Award Programs Audit

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major programs, as required to be reported by 2 CFR Section 200.516(a).

There were no findings required to be reported by 2 CFR Section 200.516(a).

Findings and Questioned Costs – Major Federal Awards Programs Audit

Item #2019-001
Promotion of the Humanities – Federal/State Partnership
CFDA No. 45.129

Condition and Context:
The SF-425 reports submitted for grants #SO-253193-17 and #SO-5624-14 were not submitted within the required 90 days after the end of each respective grant year.

Recommendation:
It was recommended that the Organization's management familiarize themselves with the requirements of the Federal Financial Report and modify their internal controls to ensure future reports are prepared in accordance with the Form instructions.

Current Status:
The recommendation was adopted. No similar findings were noted during the 2020 audit.

June 24, 2021

Humanities Tennessee (the “Organization”) respectfully submits the following corrective action plan for the report dated June 22, 2021.

Name and address of independent public accounting firm:
Cherry Bekaert LLP
222 Second Avenue South #1240
Nashville, TN 37201

Audit period: July 1, 2029 – June 30, 2020

The findings from the June 30, 2020 Schedule of Findings and Questioned Costs are discussed below.

Significant Deficiency in Internal Controls over Financial Reporting

Finding 2020-001—Significant deficiency in internal controls over financial reporting

2020-001 Recommendation: The Organization should ensure that all appropriate adjustments are made prior to or during finalization of the year-end financial statements and before the Organization’s annual, external audit.

Action Taken: We concur with the recommendation and have begun establishing procedures to ensure all appropriate adjustments are recorded prior to or during finalization of the year-end financial statements and before the Organization’s annual, external audit.

Date of Completion: June 30, 2021

If parties have questions regarding this plan, please call Tim Henderson, Executive Director, at 615-770-0006.

Sincerely,

Tim Henderson

Tim Henderson, Executive Director