

Hawaii Council for the Humanities

Financial Statements

October 31, 2022 and 2021

Together with Independent Auditor's Report

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A Hawaii Limited Liability Partnership

Independent Auditor's Report

To the Board of Directors
Hawaii Council for the Humanities

Report on the Financial Statements

We have audited the financial statements of Hawaii Council for the Humanities (the Council), which comprise the statements of financial position as of October 31, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as of October 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



KMH LLP

Honolulu, Hawaii
June 30, 2023

Hawaii Council for the Humanities

Statements of Financial Position
October 31, 2022 and 2021

Assets

	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 88,986	\$ 130,313
NEH receivable	274,170	166,254
Other receivables	1,500	11,700
Investments	127,084	152,267
Total current assets	491,740	460,534
Other Asset -- Security Deposit	4,290	4,290
	<u>\$ 496,030</u>	<u>\$ 464,824</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable	\$ 33,909	\$ 35,340
Accrued payroll	23,272	25,086
Regrants payable	142,133	140,223
Total current liabilities	199,314	200,649
Commitments and Contingencies		
Net Assets:		
Without donor restrictions	230,601	242,175
With donor restrictions	66,115	22,000
	296,716	264,175
	<u>\$ 496,030</u>	<u>\$ 464,824</u>

See accompanying notes to financial statements.

Hawaii Council for the Humanities

Statements of Activities

Fiscal Year Ended October 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and Other Support:			
Grants from NEH	\$ 1,428,140	\$ -	\$ 1,428,140
Contributions	78,665	66,115	144,780
Net realized and unrealized loss on investments	(25,183)	-	(25,183)
Interest and dividend income, net of investment fee of \$1,785	2,544	-	2,544
Other income	10,995	-	10,995
Net assets released from restrictions	22,000	(22,000)	-
Total revenue and other support	1,517,161	44,115	1,561,276
Expenses:			
Program services:			
Council projects	397,809	-	397,809
Subawards	752,746	-	752,746
Program development	110,922	-	110,922
Total program services	1,261,477	-	1,261,477
Support services:			
Management and general	197,044	-	197,044
Fundraising	70,214	-	70,214
Total support services	267,258	-	267,258
Total expenses	1,528,735	-	1,528,735
Change in net assets	(11,574)	44,115	32,541
Net Assets at Beginning of Fiscal Year	242,175	22,000	264,175
Net Assets at End of Fiscal Year	\$ 230,601	\$ 66,115	\$ 296,716

See accompanying notes to financial statements.

Hawaii Council for the Humanities

Statements of Activities

Fiscal Year Ended October 31, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and Other Support:			
Grants from NEH	\$ 960,112	\$ -	\$ 960,112
Contributions	139,190	22,000	161,190
Net realized and unrealized gain on investments	30,295	-	30,295
Interest and dividend income, net of investment fee of \$1,264	816	-	816
Net assets released from restrictions	7,200	(7,200)	-
Total revenue and other support	1,137,613	14,800	1,152,413
Expenses:			
Program services:			
Council projects	500,283	-	500,283
Subawards	279,126	-	279,126
Program development	82,383	-	82,383
Total program services	861,792	-	861,792
Support services:			
Management and general	187,084	-	187,084
Fundraising	71,209	-	71,209
Total support services	258,293	-	258,293
Total expenses	1,120,085	-	1,120,085
Change in net assets	17,528	14,800	32,328
Net Assets at Beginning of Fiscal Year	224,647	7,200	231,847
Net Assets at End of Fiscal Year	\$ 242,175	\$ 22,000	\$ 264,175

See accompanying notes to financial statements.

Hawaii Council for the Humanities

Statement of Functional Expenses
For the Fiscal Year Ended October 31, 2022

	Program Services				Support Services			
	Council Projects	Subawards	Program Development	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Salaries and Wages	\$ 211,406	\$ 44,538	\$ 71,261	\$ 327,205	\$ 56,415	\$ 47,507	\$ 103,922	\$ 431,127
Payroll Taxes and Fringe Benefits	52,127	10,982	17,571	80,680	13,419	11,714	25,133	105,813
Total Payroll & Related Expenses	263,533	55,520	88,832	407,885	69,834	59,221	129,055	536,940
Grants	-	684,139	-	684,139	-	-	-	684,139
Council Projects:								
History Day	39,280	-	-	39,280	-	-	-	39,280
Partnership and Special Projects	27,100	-	-	27,100	-	-	-	27,100
Motheread and Try Think	3,950	-	-	3,950	-	-	-	3,950
Professional Dues and Fees	2,296	4,105	439	6,840	89,615	1,595	91,210	98,050
Occupancy	26,835	5,653	9,046	41,534	7,161	6,030	13,191	54,725
Other Expenses	3,322	36	291	3,649	23,353	369	23,722	27,371
Travel and Conferences	12,442	2,921	7,884	23,247	2,513	261	2,774	26,021
Printing, Publication and Postage	6,881	16	3,911	10,808	1,448	2,457	3,905	14,713
Office Expenses	9,056	356	519	9,931	1,642	281	1,923	11,854
Rental and Maintenance of Equipment	3,114	-	-	3,114	1,478	-	1,478	4,592
Total Expenses	<u>\$ 397,809</u>	<u>\$ 752,746</u>	<u>\$ 110,922</u>	<u>\$ 1,261,477</u>	<u>\$ 197,044</u>	<u>\$ 70,214</u>	<u>\$ 267,258</u>	<u>\$ 1,528,735</u>

See accompanying notes to financial statements

Hawaii Council for the Humanities

Statement of Functional Expenses
For the Fiscal Year Ended October 31, 2021

	Program Services				Support Services			
	Council Projects	Subawards	Program Development	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Salaries and Wages	\$ 227,123	\$ 57,302	\$ 46,883	\$ 331,308	\$ 65,115	\$ 46,883	\$ 111,998	\$ 443,306
Payroll and Fringe Benefits	58,750	14,822	12,127	85,699	16,843	12,127	28,970	114,669
Accrued Vacation	3,935	993	812	5,740	1,128	812	1,940	7,680
Total payroll costs	289,808	73,117	59,822	422,747	83,086	59,822	142,908	565,655
Grants	-	194,142	-	194,142	-	-	-	194,142
Council Projects:								
History Day	66,912	-	-	66,912	-	-	-	66,912
Partnership and Special Projects	88,915	-	-	88,915	-	-	-	88,915
Motheread and Try Think	7,925	-	-	7,925	-	-	-	7,925
Professional Dues and Fees	4,381	1,105	904	6,390	88,258	2,562	90,820	97,210
Occupancy	28,304	7,141	5,843	41,288	8,118	5,843	13,961	55,249
Other Expenses	6,260	1,659	6,105	14,024	5,370	1,376	6,746	20,770
Printing, Publication and Postage	1,803	455	7,375	9,633	517	372	889	10,522
Office Expenses	4,111	1,037	849	5,997	1,179	849	2,028	8,025
Travel and Conferences	-	-	1,100	1,100	21	-	21	1,121
Rental and Maintenance of Equipment	1,864	470	385	2,719	535	385	920	3,639
Total expenses	<u>\$ 500,283</u>	<u>\$ 279,126</u>	<u>\$ 82,383</u>	<u>\$ 861,792</u>	<u>\$ 187,084</u>	<u>\$ 71,209</u>	<u>\$ 258,293</u>	<u>\$ 1,120,085</u>

See accompanying notes to financial statements.

Hawaii Council for the Humanities

Statements of Cash Flows

For the Fiscal Years Ended October 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 32,541	\$ 32,328
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized loss (gain) on investments	25,183	(30,295)
(Increase) decrease in:		
NEH receivable	(107,916)	(119,532)
Other receivables	10,200	(11,700)
Prepays and other	-	2,829
Increase (decrease) in:		
Accounts payable	(1,431)	23,811
Accrued payroll	(1,814)	7,765
Regrants payable	1,910	114,223
Net cash (used in) provided by operating activities and net (decrease) increase in cash and cash equivalents	(41,327)	19,429
Cash and cash equivalents, beginning of year	130,313	110,884
Cash and cash equivalents, end of year	\$ 88,986	\$ 130,313

See accompanying notes to financial statements.

Hawaii Council for the Humanities

Notes to Financial Statements

Fiscal Years Ended October 31, 2022 and 2021

1. Nature of Activities

The Hawaii Council for the Humanities (the Council) is a non-profit organization that was incorporated as a non-profit organization under the laws of the State of Hawaii in 1976. The Council administers grants from the National Endowment for the Humanities (NEH), a federal agency, and gifts from private individuals and organizations to support various non-profit projects, programs, exhibits, conferences, and other activities in promoting the dissemination and awareness of the humanities.

2. Significant Accounting Policies

a. Basis of Accounting and Financial Statement Presentation

The financial statements of the Council have been prepared on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP). GAAP requires the Council to report information regarding its financial position and activities according to the following net asset classifications:

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 Council. These net assets may be used at the discretion of the Council's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Council or by the passage of time.

Contributions, revenues and support are recorded in the period earned as without donor restriction or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Hawaii Council for the Humanities

Notes to Financial Statements

Fiscal Years Ended October 31, 2022 and 2021

2. Significant Accounting Policies (continued)

b. Use of Estimates

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Cash and Cash Equivalents

The Council considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalent balances are maintained in bank deposit and money market fund accounts. From time to time, the cash deposits and money market funds may exceed federally insured limits. Deposit accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account holder. Management believes that the Council is not exposed to any significant credit risk related to its cash balances.

d. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

e. Property and Equipment

Property and equipment acquisitions are recorded at cost. Donated assets are recorded at their estimated fair value at the date of the gift. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed on the straight-line method.

Hawaii Council for the Humanities

Notes to Financial Statements

Fiscal Years Ended October 31, 2022 and 2021

2. Significant Accounting Policies (continued)

e. Property and Equipment (continued)

Expenditures for maintenance, repairs, and minor renewals are charged to expense. Expenditures for betterments are capitalized. Property retired or otherwise disposed of is removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on the disposal of assets are reflected in current operations.

Long-lived assets held and used by the Council are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

At October 31, 2022 and 2021, the Council has \$11,031 of fully depreciated property and equipment.

f. Re grants Payable

Re grants payable are approved grants payable to subrecipients for funding as of October 31, 2022 and 2021, but not disbursed as of that date.

g. Contributions

Unconditional donor promises to give cash and other assets are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Council. The promises are reported as contributions with donor restrictions if received with donor stipulations that sufficiently limit the use of the donated assets.

Government grants and contracts are primarily considered to be contribution transactions, the majority of which are cost reimbursable grants. The Council has elected the “simultaneous release” accounting policy option such that restricted grants received and used within the same period are reported in net assets without donor restriction. Revenue is recognized when allowable costs have been incurred. Funding received in advance of the applicable revenue recognition criteria is recorded as refundable advances in the statements of financial position.

Hawaii Council for the Humanities

Notes to Financial Statements

Fiscal Years Ended October 31, 2022 and 2021

2. Significant Accounting Policies (continued)

h. Donated Services and Materials

Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Council. Donated items are recorded at its fair value at the time of donation as in-kind contributions. During 2022 and 2021, the Council did not record any donations as in-kind contributions.

Significant and essential donated services are performed by various volunteers to support the Council's program and activities. These services have not been reflected in the financial statements as the criteria for recognition were not met.

i. Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities. Accordingly, costs are allocated to the benefited programs and supporting services based on direct costs incurred and management's estimates of resources consumed by these functions.

j. Income Taxes

The Council is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and is subject to income taxes for unrelated business income.

k. Newly Adopted Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Council adopted this guidance for the year ended October 31, 2022. The adoption of this ASU did not have a material impact on the financial statements.

Hawaii Council for the Humanities

Notes to Financial Statements

Fiscal Years Ended October 31, 2022 and 2021

2. Significant Accounting Policies (continued)

l. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840 Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date by one year for organizations that are not public business entities and that have not yet issued financial statements reflecting the adoption of this ASU. As such, this ASU is effective for the Council beginning November 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In July 2018, FASB issued ASU 2015-11, which provides an option to initially apply the requirements of ASU 2016-02 by recognizing a cumulative effect adjustment to the opening balance of net assets in the year of adoption. The Council is currently evaluating the effect of adopting the new standard on its financial statements.

m. Subsequent Events

Management has evaluated subsequent events through June 30, 2023, the date on which the financial statements were available to be issued. There were no subsequent events that required adjustment of or disclosure in the financial statements.

Hawaii Council for the Humanities

Notes to Financial Statements

Fiscal Years Ended October 31, 2022 and 2021

3. Fair Value Measurements

The FASB Accounting Standards Codification (ASC) Section 820 (ASC 820) establishes a framework for measuring fair value. The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

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

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- 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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at October 31, 2022 and 2021.

Exchange-traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Hawaii Council for the Humanities

Notes to Financial Statements

Fiscal Years Ended October 31, 2022 and 2021

3. Fair Value Measurements (continued)

The Council's assets measured at fair value on a recurring basis at October 31, 2022 and 2021 are summarized below:

	Level 1	Level 2	Level 3	Total
<u>At October 31, 2022</u>				
Exchange-traded funds:				
Large blend	\$ 50,980	\$ -	\$ -	\$ 50,980
Intermediate-term bond	38,719	-	-	38,719
Small blend	14,590	-	-	14,590
Mid-Cap blend	14,309	-	-	14,309
Foreign large blend	8,486	-	-	8,486
Total	<u>\$ 127,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,084</u>
<u>At October 31, 2021</u>				
Exchange-traded funds:				
Large blend	\$ 60,621	\$ -	\$ -	\$ 60,621
Intermediate-term bond	46,773	-	-	46,773
Small blend	16,846	-	-	16,846
Mid-Cap blend	16,440	-	-	16,440
Foreign large blend	11,587	-	-	11,587
Total	<u>\$ 152,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,267</u>

4. Net Assets

Net assets with donor restrictions are comprised of funds received for restricted purposes by the donor. Net assets are released from donor restrictions primarily by incurring expenses that satisfy the restricted purpose. Net assets with donor restrictions of \$66,115 and \$22,000 at October 31, 2022 and 2021, respectively, are for humanities programs.

Hawaii Council for the Humanities

Notes to Financial Statements

Fiscal Years Ended October 31, 2022 and 2021

5. Leases

The Council leases its office space under a month to month agreement. Total rent expense related to the office space for each of the years ended October 31, 2022 and 2021 was approximately \$55,000.

In 2020, the Council entered in to a non-cancelable operating lease for office equipment that expires in July 2025. Lease expense related to this agreement was approximately \$2,870 during the fiscal year ended October 31, 2022. As of October 31, 2022, the future minimum lease payments under the non-cancelable operating lease were as follows:

Years ending October 31,	
2023	\$ 2,872
2024	2,872
2025	2,154
	<hr/>
	\$ 7,898
	<hr/>

6. Liquidity Disclosure

The table below represents the Council's financial assets available for general expenditures within one year at October 31, 2022:

Financial assets:	
Cash and cash equivalents	\$ 88,986
NEH receivable	274,170
Other receivables	1,500
Investments	127,084
	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<hr/>
	\$ 491,740
	<hr/>

The Council structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

SUPPLEMENTARY INFORMATION

Hawaii Council for the Humanities

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended October 31, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Total Federal Expenditures	Amount Provided to Subrecipients
National Endowment for the Humanities:			
COVID-19 Promotion of the Humanities-Federal/State Partnership	45.129	\$ 652,433	\$ 614,140
Promotion of the Humanities-Federal/State Partnership	45.129	771,549	69,999
Total expenditures of federal awards		<u>\$ 1,423,982</u>	<u>\$ 684,139</u>

Hawaii Council for the Humanities

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended October 31, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Hawaii Council for the Humanities (the Council) under programs of the federal government for the fiscal year ended October 31, 2022. 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 of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Council has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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**



A Hawaii Limited Liability Partnership

**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***

Independent Auditor's Report

To the Board of Directors
Hawaii Council for the Humanities

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 (*Government Auditing Standards*), the financial statements of the Hawaii Council for the Humanities (the Council), which comprise the statement of financial position as of October 31, 2022, and related statements of activities and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 30, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Audit Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink, appearing to read "KMH LLP".

KMH LLP

Honolulu, Hawaii
June 30, 2023

**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**



A Hawaii Limited Liability Partnership

**Report on Compliance for the Major Federal Program; Report on Internal Control
Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the
Uniform Guidance**

Independent Auditor's Report

To the Board of Directors
Hawaii Council for the Humanities

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Hawaii Council for the Humanities (the Council) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the fiscal year ended October 31, 2022. The Council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended October 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit for Compliance section of our report.

We are required to be independent of the Council and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Council's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion the Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Council's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidencing regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Council as of and for the year ended October 31, 2022, and have issued our report thereon dated June 30, 2023, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "KMH LLP". The letters are stylized and connected, with a cursive-like flow.

KMH LLP

Honolulu, Hawaii

June 30, 2023

PART III

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Hawaii Council for the Humanities

Schedule of Findings and Questioned Costs
Fiscal Year Ended October 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over the major program:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for above federal program. Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ Yes ☒ No

Identification of major program:

Federal Assistance

Listing Number
45.129

Name of Federal Program or Cluster

Promotion of the Humanities – Federal/State Partnership Program

Dollar threshold used to distinguish between type A and type B Programs \$750,000

Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

Hawaii Council for the Humanities

Schedule of Findings and Questioned Costs
Fiscal Year Ended October 31, 2022

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

Section IV – Summary Schedule of Prior Audit Findings

This section contains the current status of the prior audit recommendations. The recommendations are referenced to the prior audit report for the fiscal year ended October 31, 2021, dated July 23, 2022.

Recommendations

Status

Section III – Federal Award Findings

2021-001 Suspension and Debarment

Finding resolved.

The Council should diligently follow its existing policy. The Council may also want to consider receiving a certification from its contractors indicating that they are not suspended, debarred, or currently under investigation in lieu of performing the verification themselves.