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TANNER

BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS

CRITICAL KNOWLEDGE



PROACTIVE INSIGHT



**Financial Statements and Single Audit Reports
As of and for the Years Ended October 31, 2015 and 2014**

Together with Independent Auditors' Reports



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors Utah Humanities

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Humanities Council (Utah Humanities or UH), a nonprofit organization, which comprise the statements of financial position as of October 31, 2015 and 2014, the related statements of activities and cash flows for the years then ended, and the related notes to 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Humanities as of October 31, 2015 and 2014, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of Utah Humanities as a whole. The accompanying schedule of expenditures of federal awards for the year ended October 31, 2015 as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 a report dated March 3, 2016, on our consideration of Utah Humanities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Humanities' internal control over financial reporting and compliance.

Tanner LLC

March 3, 2016



UTAH HUMANITIES
Statements of Financial Position

As of October 31,

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 899,850	\$ 750,796
Investments	407,634	419,048
Grants receivable	674,704	625,395
Prepaid expenses and other assets	1,518	2,390
Furniture and equipment, net of accumulated depreciation of \$24,050 and \$22,551, respectively	2,224	3,723
Investments restricted for endowments	207,009	207,009
Total assets	\$ 2,192,939	\$ 2,008,361
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 73,001	\$ 84,382
Regrants payable	33,870	21,000
Deferred revenue	4,721	-
Total liabilities	111,592	105,382
Commitments		
Net assets:		
Unrestricted:		
Designated	546,669	538,882
Undesignated	833,572	753,248
Temporarily restricted	494,097	403,840
Permanently restricted	207,009	207,009
Total net assets	2,081,347	1,902,979
Total liabilities and net assets	\$ 2,192,939	\$ 2,008,361



UTAH HUMANITIES
Statements of Activities

Years Ended October 31,

	<u>2015</u>	<u>2014</u>
Change in unrestricted net assets:		
Support and revenue:		
Government and other grants	\$ 780,588	\$ 767,149
Contributions	75,275	76,105
Other, including investment income (loss)	<u>(545)</u>	<u>15,487</u>
Total unrestricted support and revenue	855,318	858,741
Net assets released from restrictions	<u>201,522</u>	<u>285,444</u>
Total unrestricted support and revenue and reclassifications	<u>1,056,840</u>	<u>1,144,185</u>
Expenses:		
Program services:		
Program expenses	627,152	646,814
Regrants	43,032	30,250
Fellowships	2,500	-
Supporting services:		
Management and general	138,360	151,742
Public relations	62,517	64,950
Fund-raising	<u>95,168</u>	<u>134,287</u>
Total expenses	<u>968,729</u>	<u>1,028,043</u>
Increase in unrestricted net assets	<u>88,111</u>	<u>116,142</u>
Change in temporarily restricted net assets:		
Government and other grants	109,495	1,853
Contributions and restricted earnings	182,284	105,885
Net assets released from restrictions	<u>(201,522)</u>	<u>(285,444)</u>
Increase (decrease) in temporarily restricted net assets	<u>90,257</u>	<u>(177,706)</u>
Increase (decrease) in net assets	178,368	(61,564)
Net assets, beginning of the year	<u>1,902,979</u>	<u>1,964,543</u>
Net assets, end of the year	<u>\$ 2,081,347</u>	<u>\$ 1,902,979</u>



UTAH HUMANITIES
Statements of Cash Flows

Years Ended October 31,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities-		
Increase (decrease) in net assets	\$ 178,368	\$ (61,564)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,499	2,146
Net unrealized and realized (gains) losses on investments	1,441	(14,676)
Decrease (increase) in:		
Grants receivable	(49,309)	(9,755)
Prepaid expenses and other assets	872	(2,208)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(11,381)	(10,967)
Regrants payable	12,870	(12,356)
Deferred revenue	4,721	-
	<u>139,081</u>	<u>(109,380)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities-		
Change in investments	<u>9,973</u>	<u>239,983</u>
Net cash provided by investing activities	<u>9,973</u>	<u>239,983</u>
Cash flows from financing activities-	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	149,054	130,603
Cash and cash equivalents at beginning of the year	<u>750,796</u>	<u>620,193</u>
Cash and cash equivalents at end of the year	<u>\$ 899,850</u>	<u>\$ 750,796</u>



1. Organization and Summary of Significant Accounting Policies

Organization

Utah Humanities Council (Utah Humanities or UH) is a not-for-profit corporation supported through corporate, foundation and private gifts, as well as grants from the National Endowment for the Humanities (NEH), the State of Utah, the Salt Lake County Zoo, Arts and Parks (ZAP) Program, and other government programs for the purpose of empowering individuals and groups to improve their communities through active engagement in the humanities.

Financial Statement Presentation

UH reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

A substantial portion of UH's revenues and receivables are from federal and local government sources (NEH, State, and ZAP). UH had a receivable of \$536,070 and \$490,770 from NEH, a receivable of \$77,500 and \$63,750 from the State of Utah, and a receivable of \$41,134 and \$42,175 from ZAP as of October 31, 2015 and 2014, respectively.

UH maintains cash in bank deposit accounts which, at times, exceed federally insured limits. As of October 31, 2015, UH had approximately \$382,000 of cash and cash equivalents that exceeded federally insured limits. To date, UH has not experienced a loss of or lack of access to its invested cash or cash equivalents; however, no assurance can be provided that access to UH's cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, UH considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. However, investments of all types held in brokerage accounts have been classified as investments by UH.



1. Organization and Summary of Significant Accounting Policies
Continued

Investments

Investments are reported at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Investments Restricted for Endowments

Investments restricted for endowments at the request of the donor represent permanently restricted investments held in endowment funds. Investments restricted for endowments were invested in money market funds as of October 31, 2015 and 2014.

Grants Receivable

Grants receivable are carried at the original grant amount less the amount of cash received from the grantor. All grants are due during 2016. No allowance for doubtful grants receivable was considered necessary as of October 31, 2015 and 2014.

Furniture and Equipment

Furniture and equipment purchased by UH are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation expense is computed on the straight-line basis over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activities for the period. Expenditures for maintenance and repairs are charged to expense as incurred.

Regrants Payable

UH receives federal money from NEH, a portion of which is granted to other organizations for use in furthering UH's mission. Regrants payable are recorded when approved by the Board of Directors.

Revenue Recognition and Deferred Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.



1. **Organization and Summary of Significant Accounting Policies**
Continued

Revenue Recognition and Deferred Revenue – Continued

Revenue from certain contracts and grants is recognized based on services provided or reimbursable expenses incurred, depending on the terms of the contract. Deferred revenue is recorded when there are amounts included in receivables or received in cash, but unearned, and is recognized in the statement of activities when earned.

Donated Services

No amounts have been reflected in the financial statements for donated services. UH pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist UH with specific programs and assignments. UH estimates the value of services provided by the Board of Directors at approximately \$87,000 and \$74,000 for the years ended October 31, 2015 and 2014, respectively.

Allocation of Expenses

UH's policy is to allocate various indirect expenses of administrative overhead to program services, fundraising, and public relations based on direct costs and other estimates.

Income Taxes

UH is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah regulations, and as such, is not subject to federal or state income taxes on exempt purpose income. UH is subject to taxation on unrelated business income, if any.

Uncertain Tax Positions

A liability for uncertain tax positions initially needs to be recognized in the financial statements when it is more-likely-than-not the position will not be sustained upon examination by tax authorities. As of October 31, 2015 and 2014, UH had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. UH is no longer subject to selection for U.S. federal and state income tax examinations by tax authorities for fiscal years before 2012.

Subsequent Events

UH has evaluated events and transactions for potential recognition or disclosure through March 3, 2016, the date the accompanying financial statements were available to be issued.



2. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs according to valuation methodologies used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2: Prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs that are used when little or no market data is available.

Assets and liabilities measured at fair value on a recurring basis are summarized as follows:

Description	Fair Value Measurements as of October 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market funds/account	\$ 255,602	\$ -	\$ -	\$ 255,602
Mutual funds:				
Large-cap blend	71,374	-	-	71,374
Small-cap value	32,320	-	-	32,320
Mid-cap blend	31,569	-	-	31,569
Diversified emerging markets	16,769	-	-	16,769
	407,634	-	-	407,634
Investments restricted for endowments:				
Money market funds	207,009	-	-	207,009
Total	\$ 614,643	\$ -	\$ -	\$ 614,643



2. Fair Value Measurements
Continued

Description	Fair Value Measurements as of October 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market funds/account	\$ 265,545	\$ -	\$ -	\$ 265,545
Mutual funds:				
Large-cap blend	70,659	-	-	70,659
Small-cap value	31,791	-	-	31,791
Mid-cap blend	31,185	-	-	31,185
Diversified emerging markets	19,868	-	-	19,868
	419,048	-	-	419,048
Investments restricted for endowments:				
Money market funds	207,009	-	-	207,009
Total	\$ 626,057	\$ -	\$ -	\$ 626,057

3. Designation of Unrestricted Net Assets

The Board of Directors has designated a portion of UH's unrestricted net assets for the purpose of funding specific programs and future operations in the event of a reduction in future revenues. Designated net assets is made up of the following as of October 31:

	2015	2014
Operating reserves	\$ 300,000	\$ 300,000
Long-term reserves	140,759	140,591
Severance funds	105,910	98,291
	<u>\$ 546,669</u>	<u>\$ 538,882</u>



- 4. Restrictions on Net Assets** Temporarily restricted net assets are available for the following programs as of October 31:

	<u>2015</u>	<u>2014</u>
Clemente/High School Venture	\$ 134,225	\$ 77,960
Venture	102,940	116,384
Museum on Main Street	100,183	29,730
Qualifying expenditures pertaining to Zoos, Arts, and Park program	59,495	73,392
Museum Initiative – Phase 2	10,489	23,638
National Endowment for the Humanities	-	7,750
Colton fellowship	1,926	1,919
Oswald fellowship	1,010	7
Other	<u>83,829</u>	<u>73,060</u>
Total	<u>\$ 494,097</u>	<u>\$ 403,840</u>

Permanently restricted net assets consist of the following as of October 31, 2015 and 2014:

Colton Endowment Fund	\$ 142,009
Oswald Endowment Fund	<u>65,000</u>
	<u>\$ 207,009</u>

- 5. Endowments** UH's endowment consists of two individual funds established for specific purposes as instructed by the donors. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.



5. Endowments
Continued

Interpretation of Relevant Law

UH has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UH classifies as permanently restricted net assets (a) the original value of gifts donated to permanent endowments, (b) the original value of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UH in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, UH considers the following factors in determining the timing and amount of distributions of earnings from endowment fund investments:

- (1) The duration and preservation of the fund;
- (2) The purposes of UH and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of UH; and
- (7) The investment policies of UH

Spending Policy

Interest earned on investments restricted for endowments is appropriated for fellowship expenses.

Return Objective and Risk Parameters

UH's primary investment objectives are (1) the long-term preservation of the original gift, and (2) to earn a total rate of return that exceeds the spending rate, and at the same time to perform well when compared with selected weighted market indices.



5. Endowments
Continued

Return Objective and Risk Parameters – Continued

Because the Board of Directors has decided that preservation of the principal is a primary objective, endowment assets are invested in relatively secure and low-risk instruments.

Endowment net asset composition by fund as of October 31, 2015 and 2014 is as follows:

<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Colton Endowment Fund	\$ -	\$ 1,926	\$ 142,009	\$ 143,935
Delmont Oswald Memorial Fund	-	1,010	65,000	66,010
Total	\$ -	\$ 2,936	\$ 207,009	\$ 209,945
<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Colton Endowment Fund	\$ -	\$ 1,919	\$ 142,009	\$ 143,928
Delmont Oswald Memorial Fund	-	7	65,000	65,007
Total	\$ -	\$ 1,926	\$ 207,009	\$ 208,935

Activity in the endowment funds consisted of the following during the years ended October 31, 2015 and 2014.

<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, November 1, 2014	\$ -	\$ 1,926	\$ 207,009	\$ 208,935
Investment income, net	-	10	-	10
Cancellation of fellowship	-	1,000	-	1,000
Endowment net assets, October 31, 2015	\$ -	\$ 2,936	\$ 207,009	\$ 209,945
<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, November 1, 2013	\$ -	\$ 1,904	\$ 207,009	\$ 208,913
Investment income, net	-	22	-	22
Endowment net assets, October 31, 2014	\$ -	\$ 1,926	\$ 207,009	\$ 208,935



- 6. Government Grants** Government grant revenue consists of the following for the years ended October 31:

	<u>2015</u>	<u>2014</u>
National Endowment for the Humanities grants – State Partnership	\$ 631,352	\$ 645,770
State of Utah – Appropriations	155,000	85,000
Zoo Arts and Parks funding (ZAP)	103,731	-
State of Utah – other	-	27,073
Other	-	11,159
	<u>890,083</u>	<u>769,002</u>
Less temporarily restricted portion	<u>(109,495)</u>	<u>(1,853)</u>
Unrestricted portion	<u>\$ 780,588</u>	<u>\$ 767,149</u>

- 7. Grants from the National Endowment for the Humanities** UH receives significant funding in the form of grants from NEH. Such grants are authorized by NEH to be used by UH for support of eligible projects in the humanities, for program development and for administrative costs of UH. Such grants are for a five-year period with annual awards in the first three years. Contract Number SO-50448-11 was available for expenditures through October 31, 2015, and Contract Number SO-50626-14 is available for expenditures through October 31, 2018.

- 8. Significant Funding Sources** During the years ended October 31, 2015 and 2014, approximately 55% and 67%, respectively, of UH's annual revenues were from one funding source (NEH). A second source (state of Utah) provided approximately 14% and 12%, while a third source (ZAP) provided 9% and 0% of UH's revenues for the years ended October 31, 2015 and 2014, respectively. Future funds available from these funding sources are subject to potential reductions due to changes in governmental budget allocations and other factors.

- 9. Retirement Plan** UH maintains a defined contribution retirement plan which covers employees meeting eligibility requirements. UH contributes an annually determined percentage of eligible employees' salaries to the employees' individual accounts. UH contributions are 100% vested to the employee immediately upon participation in the plan. Retirement expense for the years ended October 31, 2015 and 2014 was approximately \$48,000 and \$54,000, respectively.



**10. Supplemental
Disclosure of
Cash Flow
Information**

Actual amounts paid for interest and income taxes for the years ended October 31 are as follows:

	<u>2015</u>	<u>2014</u>
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -



UTAH HUMANITIES
Schedule of Expenditures of Federal Awards

Year Ended October 31, 2015

Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Contract Number	Federal Expenditures
National Foundation for the Arts and the Humanities			
Promotion of the Humanities Federal – State Partnership	*45.129	SO-50448-11 And SO50626-14	\$ 568,989
			<u>\$ 568,989</u>

*Denotes a major program

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Utah Humanities Council (Utah Humanities or UH) under programs of the federal government for the year ended October 31, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of UH, it is not intended to and does not present the financial position, changes in net assets, or cash flows of UH.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in OMB Circular A-122, *Cost Principals for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3 – Subrecipients

Of the federal expenditures presented in the preceding schedule, UH provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided to Subrecipients
45.129	Promotion of the Humanities Federal – State Partnership	\$ 43,032



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

**To the Board of Directors
Utah 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, the financial statements of Utah Humanities Council (Utah Humanities or UH), (a nonprofit organization), which comprise the statement of financial position as of October 31, 2015, the 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 March 3, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Utah Humanities' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UH'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 UH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tanner LLC

Salt Lake City, Utah
March 3, 2016



**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Directors
Utah Humanities**

Report on Compliance for Each Major Federal Program

We have audited Utah Humanities Council's (Utah Humanities or UH) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on UH's major federal program for the year ended October 31, 2015. UH's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for UH's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 UH's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Utah Humanities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended October 31, 2015.

Report on Internal Control Over Compliance

Management of UH 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 UH's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal over compliance in accordance with OMB Circular A-133, 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 UH'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Tanner LLC

Salt Lake City, Utah
March 3, 2016



UTAH HUMANITIES
Schedule of Findings and Questioned Costs

Year Ended October 31, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none noted
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none noted

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

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

Identification of major program:

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

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no



Section II - Financial Statement Findings

No findings were noted related to the audit of the basic financial statements.

Section III - Federal Award Findings and Questioned Costs

No findings or questioned costs were noted related to the audit of the major federal award program.



UTAH HUMANITIES
Summary Schedule of Prior Audit Findings

Year Ended October 31, 2015

There were no findings or questioned costs reported as a result of the October 31, 2014 audit.