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**Financial Statements and Program Specific Audit Reports
As of and for the Years Ended October 31, 2016 and 2015**

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, 2016 and 2015, 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 auditors consider 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, 2016 and 2015, 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, 2016, 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, 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 8, 2017, 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 8, 2017



UTAH HUMANITIES
Statements of Financial Position

As of October 31,

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 847,223	\$ 899,850
Investments	405,113	407,634
Grants receivable	806,165	674,704
Prepaid expenses and other assets	1,388	1,518
Furniture and equipment, net of accumulated depreciation of \$26,115 and \$24,050, respectively	13,552	2,224
Investments restricted for endowments	207,009	207,009
Total assets	\$ 2,280,450	\$ 2,192,939
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 90,231	\$ 73,001
Regrants payable	33,870	33,870
Deferred revenue	-	4,721
Total liabilities	124,101	111,592
Commitments		
Net assets:		
Unrestricted:		
Designated	558,123	546,669
Undesignated	912,519	833,572
Temporarily restricted	478,698	494,097
Permanently restricted	207,009	207,009
Total net assets	2,156,349	2,081,347
Total liabilities and net assets	\$ 2,280,450	\$ 2,192,939



UTAH HUMANITIES
Statements of Activities

Years Ended October 31,

	<u>2016</u>	<u>2015</u>
Change in unrestricted net assets:		
Support and revenue:		
Government and other grants	\$ 882,713	\$ 780,588
Contributions	56,925	75,275
Other, including investment income (loss)	11,801	(545)
	<u>951,439</u>	<u>855,318</u>
Total unrestricted support and revenue		
Net assets released from restrictions	<u>231,643</u>	<u>201,522</u>
Total unrestricted support and revenue and reclassifications	<u>1,183,082</u>	<u>1,056,840</u>
Expenses:		
Program services:		
Program expenses	710,938	627,152
Regrants	41,825	43,032
Fellowships	3,067	2,500
Supporting services:		
Management and general	136,568	138,360
Public relations	74,478	62,517
Fund-raising	125,805	95,168
	<u>1,092,681</u>	<u>968,729</u>
Total expenses		
Increase in unrestricted net assets	<u>90,401</u>	<u>88,111</u>
Change in temporarily restricted net assets:		
Government and other grants	111,887	109,495
Contributions and restricted earnings	104,357	182,284
Net assets released from restrictions	<u>(231,643)</u>	<u>(201,522)</u>
Increase (decrease) in temporarily restricted net assets	<u>(15,399)</u>	<u>90,257</u>
Increase in net assets	75,002	178,368
Net assets, beginning of the year	<u>2,081,347</u>	<u>1,902,979</u>
Net assets, end of the year	<u>\$ 2,156,349</u>	<u>\$ 2,081,347</u>



UTAH HUMANITIES
Statements of Cash Flows

Years Ended October 31,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities-		
Increase in net assets	\$ 75,002	\$ 178,368
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,065	1,499
Net unrealized and realized (gains) losses on investments	(8,667)	1,441
Decrease (increase) in:		
Grants receivable	(131,461)	(49,309)
Prepaid expenses and other assets	130	872
Increase (decrease) in:		
Accounts payable and accrued liabilities	17,230	(11,381)
Regrants payable	-	12,870
Deferred revenue	(4,721)	4,721
	<u>(50,422)</u>	<u>139,081</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities-		
Purchases of furniture and equipment	(13,393)	-
Net change in investments	<u>11,188</u>	<u>9,973</u>
Net cash provided by (used in) investing activities	<u>(2,205)</u>	<u>9,973</u>
Cash flows from financing activities-	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(52,627)	149,054
Cash and cash equivalents at beginning of the year	<u>899,850</u>	<u>750,796</u>
Cash and cash equivalents at end of the year	<u>\$ 847,223</u>	<u>\$ 899,850</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 \$618,250 and \$536,070 from NEH, a receivable of \$142,500 and \$77,500 from the State of Utah, and a receivable of \$45,415 and \$41,134 from ZAP as of October 31, 2016 and 2015, respectively.

UH maintains cash in bank deposit accounts which, at times, exceed federally insured limits. As of October 31, 2016, UH had approximately \$293,000 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 represent permanently restricted net assets held in endowment funds. Investments restricted for endowments were invested in money market funds as of October 31, 2016 and 2015.

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, 2016 and 2015.

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 statement 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 \$43,000 and \$87,000 for the years ended October 31, 2016 and 2015, 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, 2016 and 2015, UH had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Subsequent Events

UH has evaluated events and transactions for potential recognition or disclosure through March 8, 2017, 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 measured at fair value on a recurring basis are summarized as follows:

Description	Fair Value Measurements as of October 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market funds/account	\$ 242,195	\$ -	\$ -	\$ 242,195
Mutual funds:				
Large-cap blend	77,505	-	-	77,505
Small-cap value	34,283	-	-	34,283
Mid-cap blend	32,609	-	-	32,609
Diversified emerging markets	18,521	-	-	18,521
	405,113	-	-	405,113
Investments restricted for endowments:				
Money market funds	207,009	-	-	207,009
Total	\$ 612,122	\$ -	\$ -	\$ 612,122



2. Fair Value Measurements
Continued

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

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:

	<u>2016</u>	<u>2015</u>
Operating reserves	\$ 300,000	\$ 300,000
Long-term reserves	140,773	140,759
Severance funds	117,350	105,910
	<u>\$ 558,123</u>	<u>\$ 546,669</u>



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

	<u>2016</u>	<u>2015</u>
Museum on Main Street	\$ 150,088	\$ 100,183
Clemente/High School Venture	129,415	134,225
Venture	77,503	102,940
Qualifying expenditures pertaining to Zoos, Arts, and Park program	62,740	59,495
Colton fellowship	1,940	1,926
Oswald fellowship	1,949	1,010
Museum Initiative – Phase 2	1,646	10,489
Other	53,417	83,829
	<u>\$ 478,698</u>	<u>\$ 494,097</u>
Total		

Permanently restricted net assets consist of the following as of October 31, 2016 and 2015:

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, 2016 and 2015 is as follows:

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Colton Endowment Fund	\$ -	\$ 1,940	\$ 142,009	\$ 143,949
Delmont Oswald Memorial Fund	-	1,949	65,000	66,949
Total	\$ -	\$ 3,889	\$ 207,009	\$ 210,898
<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

Activity in the endowment funds consisted of the following during the years ended October 31, 2016 and 2015.

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, November 1, 2015	\$ -	\$ 2,936	\$ 207,009	\$ 209,945
Investment income, net	-	4,020	-	4,020
Appropriation of endowment earnings	-	(3,067)	-	(3,067)
Endowment net assets, October 31, 2016	\$ -	\$ 3,889	\$ 207,009	\$ 210,898
<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



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

	<u>2016</u>	<u>2015</u>
National Endowment for the Humanities grants – State Partnership	\$ 661,898	\$ 631,352
State of Utah	222,500	155,000
Zoo Arts and Parks funding (ZAP)	<u>110,202</u>	<u>103,731</u>
	994,600	890,083
Less temporarily restricted portion	<u>(111,887)</u>	<u>(109,495)</u>
Unrestricted portion	<u>\$ 882,713</u>	<u>\$ 780,588</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-50626-14 is available for expenditures through October 31, 2018.

- 8. Significant Funding Sources** During the years ended October 31, 2016 and 2015, approximately 57% and 55%, respectively, of UH's annual revenues were from one funding source (NEH). A second source (state of Utah) provided approximately 19% and 14%, while a third source (ZAP) provided 9% and 9% of UH's revenues for the years ended October 31, 2016 and 2015, 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, 2016 and 2015 was approximately \$55,000 and \$48,000, 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>2016</u>	<u>2015</u>
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -



UTAH HUMANITIES
Schedule of Expenditures of Federal Awards

Year Ended October 31, 2016

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	SO50626-14	\$ <u>617,825</u>

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 funded by the National Endowment for the Humanities for the year ended October 31, 2016. 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. UH has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

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 the Uniform Guidance, 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	\$ 41,825



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**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, 2016, 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 8, 2017.

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 UH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tanner LLC

Salt Lake City, Utah
March 8, 2017



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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT
ON THE NEH FEDERAL/STATE PARTNERSHIP
PROGRAM (CFDA No. 45.129) AND ON INTERNAL
CONTROL OVER COMPLIANCE BASED ON AN
AUDIT IN ACCORDANCE WITH THE NEH OIG
PROGRAM-SPECIFIC AUDIT GUIDE**

**To the Board of Directors
Utah Humanities**

Report on Compliance for Federal Program

We have audited Utah Humanities Council's (Utah Humanities or UH) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on UH's federal program for the year ended October 31, 2016. UH's federal program is identified in the summary of auditors' results section of the accompanying schedule of findings, questioned costs, and recommendations.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for UH's 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 the NEH OIG Program-Specific Audit Guide (the Guide). Those standards and the Guide 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 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 federal program. However, our audit does not provide a legal determination on UH's compliance.

Opinion on the 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 federal program for the year ended October 31, 2016.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the federal program and to test and report on internal over compliance in accordance with the Guide, 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 the Guide. Accordingly, this report is not suitable for any other purpose.

Tanner LLC

Salt Lake City, Utah
March 8, 2017



UTAH HUMANITIES
Schedule of Findings, Questioned Costs, and Recommendations

Year Ended October 31, 2016

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Award

Internal control over federal program:

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

Type of auditors' report issued on compliance for
federal program: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the NEH OIG Program-
Specific Audit Guide? ___ yes X no

Identification of federal program:

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

Auditee qualified as low-risk auditee? X yes ___ no



Financial Statement Findings

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

Federal Award Findings and Questioned Costs

Our program-specific audit disclosed no findings that are required to be reported herein under the NEH Office of Inspector General Program-Specific Audit Guide.



UTAH HUMANITIES
Schedule of Prior Audit Findings, Questioned Costs, and Recommendations

Year Ended October 31, 2016

There were no findings, questioned costs, or recommendations reported as a result of the October 31, 2015 audit.