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**Financial Statements and Program Specific Audit Reports
As of and for the Years Ended October 31, 2017 and 2016**

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 not-for-profit organization, which comprise the statements of financial position as of October 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017, 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 19, 2018, 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 19, 2018



UTAH HUMANITIES
Statements of Financial Position

As of October 31,

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 964,931	\$ 847,223
Investments	435,189	405,113
Grants receivable	872,752	806,165
Prepaid expenses and other assets	2,347	1,388
Furniture and equipment, net of accumulated depreciation of \$29,466 and \$26,115, respectively	10,201	13,552
Investments restricted for endowments	<u>207,009</u>	<u>207,009</u>
Total assets	<u>\$ 2,492,429</u>	<u>\$ 2,280,450</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 97,044	\$ 90,231
Regrants payable	<u>18,126</u>	<u>33,870</u>
Total liabilities	<u>115,170</u>	<u>124,101</u>
Commitments		
Net assets:		
Unrestricted:		
Designated	719,062	558,123
Undesignated	728,705	817,519
Temporarily restricted	722,483	573,698
Permanently restricted	<u>207,009</u>	<u>207,009</u>
Total net assets	<u>2,377,259</u>	<u>2,156,349</u>
Total liabilities and net assets	<u>\$ 2,492,429</u>	<u>\$ 2,280,450</u>



UTAH HUMANITIES
Statements of Activities

Years Ended October 31,

	<u>2017</u>	<u>2016</u>
Change in unrestricted net assets:		
Support and revenue:		
Government and other grants	\$ 741,246	\$ 787,713
Contributions	135,452	56,925
Other, including investment income	31,198	11,801
Total unrestricted support and revenue	<u>907,896</u>	<u>856,439</u>
Net assets released from restrictions	<u>354,457</u>	<u>309,147</u>
Total unrestricted support and revenue and reclassifications	<u>1,262,353</u>	<u>1,165,586</u>
Expenses:		
Program services:		
Program expenses	772,423	710,938
Regrants	51,332	41,825
Fellowships	-	3,067
Supporting services:		
Management and general	164,918	136,568
Public relations	70,508	74,478
Fundraising	131,047	125,805
Total expenses	<u>1,190,228</u>	<u>1,092,681</u>
Increase in unrestricted net assets	<u>72,125</u>	<u>72,905</u>
Change in temporarily restricted net assets:		
Government and other grants	266,600	206,887
Contributions and restricted earnings	236,642	104,357
Net assets released from restrictions	<u>(354,457)</u>	<u>(309,147)</u>
Increase in temporarily restricted net assets	<u>148,785</u>	<u>2,097</u>
Increase in net assets	220,910	75,002
Net assets, beginning of the year	<u>2,156,349</u>	<u>2,081,347</u>
Net assets, end of the year	<u>\$ 2,377,259</u>	<u>\$ 2,156,349</u>



UTAH HUMANITIES
Statements of Cash Flows

Years Ended October 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 220,910	\$ 75,002
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,351	2,065
Net unrealized and realized gains on investments	(30,362)	(8,667)
Decrease (increase) in:		
Grants receivable	(66,587)	(131,461)
Prepaid expenses and other assets	(959)	130
Increase (decrease) in:		
Accounts payable and accrued liabilities	6,813	17,230
Regrants payable	(15,744)	-
Deferred revenue	-	(4,721)
	<u>117,422</u>	<u>(50,422)</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>286</u>	<u>11,188</u>
Net cash provided by (used in) investing activities	<u>286</u>	<u>(2,205)</u>
Cash flows from financing activities:	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	117,708	(52,627)
Cash and cash equivalents at beginning of the year	<u>847,223</u>	<u>899,850</u>
Cash and cash equivalents at end of the year	<u>\$ 964,931</u>	<u>\$ 847,223</u>



October 31, 2017 and 2016

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 \$685,920 and \$618,250 from NEH, a receivable of \$127,500 and \$142,500 from the State of Utah, and a receivable of \$43,332 and \$45,415 from ZAP as of October 31, 2017 and 2016, respectively.

UH maintains cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits. As of October 31, 2017, UH had approximately \$430,000 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 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.

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.



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

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, 2017 and 2016.

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 2017. No allowance for doubtful grants receivable was considered necessary as of October 31, 2017 and 2016.

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.

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.



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

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 \$53,000 and \$43,000 for the years ended October 31, 2017 and 2016, 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, 2017 and 2016, 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 19, 2018, the date the accompanying financial statements were available to be issued.

Reclassification

Certain reclassifications have been made to the 2016 financial statement presentation to conform to the 2017 presentation.



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	As of October 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market funds/account	\$241,954	\$ -	\$ -	\$241,954
Mutual funds:				
Large-cap blend	91,309	-	-	91,309
Small-cap value	41,929	-	-	41,929
Mid-cap blend	40,933	-	-	40,933
Diversified emerging markets	19,064	-	-	19,064
	435,189	-	-	435,189
Investments restricted for endowments:				
Money market funds	207,009	-	-	207,009
Total	\$642,198	\$ -	\$ -	\$642,198

Description	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



UTAH HUMANITIES
Notes to Financial Statements
Continued
October 31, 2017 and 2016

- 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>2017</u>	<u>2016</u>
Operating reserves	\$ 475,846	\$ 300,000
Long-term reserves	140,773	140,773
Severance funds	102,443	117,350
	<u>\$ 719,062</u>	<u>\$ 558,123</u>

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

	<u>2017</u>	<u>2016</u>
Museum on Main Street	\$ 100,811	\$ 150,088
Time restriction on state appropriation	85,000	95,000
Clemente/High School Venture	236,672	129,415
Venture	58,346	77,503
Qualifying expenditures pertaining to Zoos, Arts, and Park program	73,780	62,740
Colton fellowship	1,959	1,940
Oswald fellowship	1,958	1,949
Heritage Workshops	2,820	1,646
Other	161,137	53,417
Total	<u>\$ 722,483</u>	<u>\$ 573,698</u>

Permanently restricted net assets consist of the following as of October 31, 2017 and 2016:

Colton Endowment Fund	\$ 142,009
Oswald Endowment Fund	65,000
	<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.

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.



UTAH HUMANITIES
Notes to Financial Statements
Continued
October 31, 2017 and 2016

5. Endowments Endowment net asset composition by fund as of October 31, 2017 and 2016 is
Continued as follows:

	Temporarily Permanently			Total
	Unrestricted	Restricted	Restricted	
<u>2017</u>				
Colton Endowment Fund	\$ -	\$ 1,959	\$ 142,009	\$ 143,968
Delmont Oswald Memorial Fund	-	1,958	65,000	66,958
Total	<u>\$ -</u>	<u>\$ 3,917</u>	<u>\$ 207,009</u>	<u>\$ 210,926</u>
<u>2016</u>				
Colton Endowment Fund	\$ -	\$ 1,940	\$ 142,009	\$ 143,949
Delmont Oswald Memorial Fund	-	1,949	65,000	66,949
Total	<u>\$ -</u>	<u>\$ 3,889</u>	<u>\$ 207,009</u>	<u>\$ 210,898</u>

Activity in the endowment funds consisted of the following during the years ended October 31, 2017 and 2016:

	Temporarily Permanently			Total
	Unrestricted	Restricted	Restricted	
<u>2017</u>				
Endowment net assets, November 1, 2016	\$ -	\$ 3,889	\$ 207,009	\$ 210,898
Investment income, net	-	28	-	28
Endowment net assets, October 31, 2017	<u>\$ -</u>	<u>\$ 3,917</u>	<u>\$ 207,009</u>	<u>\$ 210,926</u>
<u>2016</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	<u>\$ -</u>	<u>\$ 3,889</u>	<u>\$ 207,009</u>	<u>\$ 210,898</u>



UTAH HUMANITIES
Notes to Financial Statements
Continued
October 31, 2017 and 2016

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

	<u>2017</u>	<u>2016</u>
National Endowment for the Humanities grants – State Partnership	\$ 685,920	\$ 661,898
State of Utah	206,470	222,500
Zoo Arts and Parks funding (ZAP)	105,456	110,202
Other Federal Funding	10,000	-
	<u>1,007,846</u>	<u>994,660</u>
Less temporarily restricted portion	<u>(266,600)</u>	<u>(206,887)</u>
Unrestricted portion	<u>\$ 741,246</u>	<u>\$ 787,713</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-253154-17 is available for expenditures through October 31, 2021.

- 8. Significant Funding Sources** During the years ended October 31, 2017 and 2016, approximately 49% and 57%, respectively, of UH's annual revenues were from one funding source (NEH). A second source (state of Utah) provided approximately 15% and 19%, while a third source (ZAP) provided 7% and 9% of UH's revenues for the years ended October 31, 2017 and 2016, 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, 2017 and 2016 was approximately \$57,000 and \$55,000, 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>2017</u>	<u>2016</u>
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -



UTAH HUMANITIES
Schedule of Expenditures of Federal Awards
Years Ended October 31, 2017

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
National Foundation for the Arts and the Humanities (NEH)				
Promotion of the Humanities Federal – State Partnership	45.129	SO-50626-14	\$ 51,332	<u>\$ 671,390</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, 2017. 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 NEH OIG Program-Specific Audit Guide.

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 NEH OIG Program-Specific Audit Guide, wherein certain types of expenditures are not allowable or are limited as to reimbursements.



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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, 2017, 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 19, 2018.

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 19, 2018



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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 *NEH OIG Program-Specific Audit Guide* (the Guide) that could have a direct and material effect on UH's federal program for the year ended October 31, 2017. 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 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, 2017.



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 19, 2018



UTAH HUMANITIES
Schedule of Findings, Questioned Costs, and Recommendations
Year Ended October 31, 2017

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:

CFDA Number

45.129

Name of Federal Program or Cluster

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, 2017

There were no findings, questioned costs, or recommendations reported as a result of the October 31, 2016 audit.