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**Financial Statements and Single Audit Reports  
As of and for the Years Ended October 31, 2011 and 2010**

**Together with Independent Auditors' Reports**



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**TANNER**  
BUSINESS ADVISORS AND CERTIFIED  
PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors Utah Humanities Council

We have audited the accompanying statements of financial position of Utah Humanities Council (the Council), a nonprofit organization, as of October 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Humanities Council as of October 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 1, 2012, on our consideration of Utah Humanities Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Utah Humanities Council as a whole. The accompanying schedule of expenditures of federal awards for the year ended October 31, 2011 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

*Tanner LLC*

March 1, 2012



**UTAH HUMANITIES COUNCIL**  
Statements of Financial Position

**October 31,**

<b><u>Assets</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash and cash equivalents	\$ 505,187	\$ 454,917
Investments	549,948	547,517
Grants receivable	426,672	371,243
Prepaid expenses and other assets	2,194	2,102
Furniture and equipment, net of accumulated depreciation of \$17,229 and \$15,748, respectively	3,868	5,349
Investments restricted for endowments	207,009	207,009
<b>Total assets</b>	<b>\$ 1,694,878</b>	<b>\$ 1,588,137</b>
 <b><u>Liabilities and Net Assets</u></b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 61,284	\$ 79,816
Regrants payable	25,950	61,950
Deferred revenue	43,675	4,970
<b>Total liabilities</b>	<b>130,909</b>	<b>146,736</b>
Commitments		
Net assets:		
Unrestricted:		
Designated	506,266	440,834
Undesignated	372,260	313,965
Temporarily restricted	478,434	479,593
Permanently restricted	207,009	207,009
<b>Total net assets</b>	<b>1,563,969</b>	<b>1,441,401</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,694,878</b>	<b>\$ 1,588,137</b>



**UTAH HUMANITIES COUNCIL**  
**Statements of Activities**

**Years Ended October 31,**

	<u>2011</u>	<u>2010</u>
<b>Change in unrestricted net assets:</b>		
Support and revenue:		
Government and other grants	\$ 714,961	\$ 733,142
Contributions	125,966	110,666
Other, including investment income	4,537	33,556
	<u>845,464</u>	<u>877,364</u>
Total unrestricted support and revenue		
Net assets released from restrictions	<u>313,615</u>	<u>356,641</u>
Total unrestricted support and revenue and reclassification	<u>1,159,079</u>	<u>1,234,005</u>
Expenses:		
Program services:		
Program expenses	640,030	725,642
Regrants	40,470	83,023
Fellowships	20,000	450
Supporting services:		
Management and general	150,761	146,846
Public relations	40,574	68,895
Fund-raising	143,517	142,063
	<u>1,035,352</u>	<u>1,166,919</u>
Total expenses		
Increase in unrestricted net assets	<u>123,727</u>	<u>67,086</u>
<b>Change in temporarily restricted net assets:</b>		
Government and other grants	150,681	239,036
Contributions and restricted earnings	161,775	86,914
Net assets released from restrictions	<u>(313,615)</u>	<u>(356,641)</u>
Decrease in temporarily restricted net assets	(1,159)	(30,691)
Increase in net assets	122,568	36,395
Net assets, beginning of year	<u>1,441,401</u>	<u>1,405,006</u>
Net assets, end of year	<u>\$ 1,563,969</u>	<u>\$ 1,441,401</u>



**UTAH HUMANITIES COUNCIL**  
**Statements of Cash Flows**

**Years Ended October 31,**

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 122,568	\$ 36,395
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,481	1,990
Net unrealized and realized losses (gains) on investments	169	(20,528)
Decrease (increase) in:		
Grants receivable	(55,429)	35,495
Prepaid expenses and other assets	(92)	1,567
Increase (decrease) in:		
Accounts payable and accrued liabilities	(18,532)	9,748
Regrants payable	(36,000)	(2,956)
Deferred revenue	38,705	(12,940)
Net cash provided by operating activities	<u>52,870</u>	<u>48,771</u>
<b>Cash flows from investing activities:</b>		
Purchases of furniture and equipment	-	(5,554)
Net (increase) decrease in investments	<u>(2,600)</u>	<u>91,866</u>
Net cash provided by (used in) investing activities	<u>(2,600)</u>	<u>86,312</u>
<b>Cash flows from financing activities-</b>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	50,270	135,083
Cash and cash equivalents at beginning of year	<u>454,917</u>	<u>319,834</u>
Cash and cash equivalents at end of year	<u>\$ 505,187</u>	<u>\$ 454,917</u>



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

**Organization**

Utah Humanities Council (the Council) is a not-for-profit corporation supported through corporate, foundation and private gifts, and grants from the National Endowment for the Humanities (NEH), the State of Utah, the Institute of Museum and Library Services, the Salt Lake County Zoo, Arts and Parks (ZAP) Program, and other government programs.

**Financial Statement Presentation**

The Council 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 the Council's revenues and receivables are from a single agency of the federal government (NEH). The Council had a receivable of \$327,040 and \$283,140 from this agency at October 31, 2011 and 2010, respectively.

The Council maintains cash in bank deposit accounts which, at times, exceed federally insured limits. As of October 31, 2011, the Council had \$35,578 of cash and cash equivalents that exceeded federally insured limits. To date, the Council 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 the Council's invested 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, the Council 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 the Council.

**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 at the request of the donor represent permanently restricted investments held in endowment funds. Investments restricted for endowments were invested in money market funds, certificates of deposit, and in cash and cash equivalents as of October 31, 2011 and 2010, respectively, and are stated at fair value.

***Grants Receivable***

Grants receivable are carried at the original grant amount less the amount of cash received from the grantor. No allowance for doubtful grants receivables was considered necessary as of October 31, 2011 and 2010.

***Furniture and Equipment***

Furniture and equipment purchased by the Council 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***

The Council receives federal money from NEH, a portion of which is granted to other organizations for use in furthering the Council'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 represents 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. The Council pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Council with specific programs and assignments. The Council estimates the value of services provided by the Board of Directors at approximately \$115,000 and \$64,000 for the years ended October 31, 2011 and 2010, respectively.

***Allocation of Expenses***

The Council's policy is to allocate various indirect expenses of administrative overhead to program services based on direct costs and other estimates.

***Income Taxes***

The Council 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. The Council is subject to taxation on unrelated business income, if any.

The Council accounts for any uncertain tax provision, if any, using the provisions of Financial Accounting Standards Board ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of October 31, 2011, the Council had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Council is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Council believes it is no longer subject to examinations for years prior to 2008.

***Subsequent Events***

The Council has evaluated subsequent events through March 1, 2012, which is the date the 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, 2011			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>Investments:</b>				
Money market fund	\$ 353,563	\$ -	\$ -	\$ 353,563
Mutual funds:				
Large-cap blend	46,215	-	-	46,215
Mid-cap blend	18,201	-	-	18,201
Small-cap value	18,084	-	-	18,084
Diversified emerging markets	17,631	-	-	17,631
Corporate bonds	96,254	-	-	96,254
	549,948	-	-	549,948
<b>Investments restricted for endowments:</b>				
Money market fund	207,009	-	-	207,009
<b>Total</b>	<b>\$ 756,957</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 756,957</b>



**UTAH HUMANITIES COUNCIL**  
**Notes to Financial Statements**  
*Continued*

**2. Fair Value Measurements**  
*Continued*

Description	Fair Value Measurements as of October 31, 2010			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>Investments:</b>				
Money market fund	\$ 302,691	\$ -	\$ -	\$ 302,691
Certificates of deposit	-	120,877	-	120,877
Mutual funds				
Large-cap blend	31,476	-	-	31,476
Corporate bonds	92,473	-	-	92,473
	<u>426,640</u>	<u>120,877</u>	<u>-</u>	<u>547,517</u>
<b>Investments restricted for endowments:</b>				
Money market fund	106,021	-	-	106,021
Certificates of deposit		100,988	-	100,988
	<u>106,021</u>	<u>100,988</u>	<u>-</u>	<u>207,009</u>
<b>Total</b>	<u>\$ 532,661</u>	<u>\$ 221,865</u>	<u>\$ -</u>	<u>\$ 754,526</u>

**3. Designation of Unrestricted Net Assets**

The Board of Directors has designated a portion of the Council's unrestricted net assets for the purpose of funding specific programs and future operations in the event of a reduction in future revenues. The balance includes \$300,000 in operating reserves, \$73,913 in severance funds, and \$132,353 in long-term reserves.

**4. Restrictions on Net Assets**

Temporarily restricted net assets are available for the following programs as of October 31:

	2011	2010
Venture	\$ 147,363	\$ 88,737
Qualifying expenditures pertaining to Zoos, Arts, and Park program	128,762	126,026
We the People	80,517	144,788
Museum and Library Services	37,568	30,735
Early Childhood Education	33,071	38,471
Other	29,981	29,981
Book Festival	14,064	-
Colton fellowship	4,792	11,096
Northern Utah	2,164	5,685
Oswald fellowship	152	4,074
	<u>\$ 478,434</u>	<u>\$ 479,593</u>



**4. Restrictions  
on Net Assets**  
*Continued*

Permanently restricted net assets consist of the following as of October 31, 2011 and 2010:

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

**5. Endowments**

The Council'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.

***Interpretation of Relevant Law***

The Council 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, the Council 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 the Council in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Council 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 the Council; and
- (7) The investment policies of the Council



**5. Endowments**  
*Continued*

**Spending Policy**

Interest earned on the market value of the endowments is appropriated for fellowship expenses.

**Return Objective and Risk Parameters**

The Council'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. Investment managers are allowed to adjust allocations within a range approved by the Audit and Investment Committee of the Board of Directors in response to market conditions and requirements of the Council.

Endowment net asset composition by type of fund as of October 31, 2011 and 2010 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b><u>2011</u></b>				
Colton Endowment Fund	\$ -	\$ 4,792	\$ 142,009	\$ 146,801
Delmont Oswald Memorial Fund	-	152	65,000	65,152
Total	<u>\$ -</u>	<u>\$ 4,944</u>	<u>\$ 207,009</u>	<u>\$ 211,953</u>
<b><u>2010</u></b>				
Colton Endowment Fund	\$ -	\$ 11,096	\$ 142,009	\$ 153,105
Delmont Oswald Memorial Fund	-	4,074	65,000	69,074
Total	<u>\$ -</u>	<u>\$ 15,170</u>	<u>\$ 207,009</u>	<u>\$ 222,179</u>



UTAH HUMANITIES COUNCIL  
Notes to Financial Statements  
*Continued*

5. Endowments  
*Continued*

Activity in the endowment funds consisted of the following during the years ended October 31, 2011 and 2010.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>2011</u></b>				
Endowment net assets, November 1, 2010	\$ -	\$ 15,170	\$ 207,009	\$ 222,179
Investment return:				
Investment income, net	-	943	-	943
Net (depreciation) appreciation (realized and unrealized)	-	(673)	-	(673)
Total investment return	-	15,440	-	222,449
Appropriation of endowment assets for expenditures	-	(10,496)	-	(10,496)
Endowment net assets, October 31, 2011	\$ -	\$ 4,944	\$ 207,009	\$ 211,953
<b><u>2010</u></b>				
Endowment net assets, November 1, 2009	\$ -	\$ 10,512	\$ 207,009	\$ 217,521
Investment return:				
Investment income, net	-	350	-	350
Net appreciation (realized and unrealized)	-	5,894	-	5,894
Total investment return	-	6,244	-	6,244
Appropriation of endowment assets for expenditures	-	(1,586)	-	(1,586)
Endowment net assets, October 31, 2010	\$ -	\$ 15,170	\$ 207,009	\$ 222,179



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

	<u>2011</u>	<u>2010</u>
National Endowment for the Humanities grants – State Partnership	\$ 625,035	\$ 632,410
National Endowment for the Humanities grants – We the People	-	94,200
Institute of Museum and Library Services - 21 <sup>st</sup> Century Museum Professionals	78,000	78,000
Zoo Arts and Parks funding (ZAP)	90,357	92,968
State of Utah – Appropriations	47,900	47,900
State of Utah – other	13,850	16,700
National Endowment for the Arts	10,000	10,000
Other	500	-
	<u>865,642</u>	<u>972,178</u>
Less temporarily restricted portion	<u>(150,681)</u>	<u>(239,036)</u>
Unrestricted portion	<u>\$ 714,961</u>	<u>\$ 733,142</u>

7. **Grants from the National Endowment for the Humanities**

The Council receives significant funding in the form of grants from NEH. Such grants are authorized by NEH to be used by the Council for support of eligible projects in the humanities, for program development and for administrative costs of the Council. Such grants are for a five-year period with annual awards in the first three years. Contract Numbers SO-50279-08 and SO-50448-11 are available for expenditures through October 31, 2012 and 2015, respectively.

During the year ended October 31, 2010, the Council received additional grants from NEH for “We the People in Utah.” Contract No. BC-50452-09 is available for expenditures through February 28, 2012. Contract No. BC-50492-10 is available for expenditures through February 28, 2013. These grants are authorized by NEH to be used by the Council for support of eligible projects in the humanities related to American history.



**8. Significant Funding Sources**

During the years ended October 31, 2011 and 2010, approximately 54% and 59%, respectively, of the Council's annual revenues were from one funding source (NEH). A second source (ZAP) provided approximately 8% and 7% of the Council's revenues for the years ended October 31, 2011 and 2010, 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**

The Council maintains a defined contribution retirement plan which covers employees meeting eligibility requirements. The Council contributes an annually determined percentage of eligible employees' salaries to the employees' individual accounts. Council contributions are 100% vested to the employee immediately upon participation in the plan. Retirement expense for the years ended October 31, 2011 and 2010 was approximately \$46,000 and \$43,000, 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>2011</u>	<u>2010</u>
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -



**UTAH HUMANITIES COUNCIL**  
Schedule of Expenditures of Federal Awards

Year Ended October 31, 2011

<u>Federal Grantor/ Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<b>National Foundation for the Arts and the Humanities</b>			
Promotion of the Humanities Federal – State Partnership	*45.129	SO-50279-08 and SO-50448-11	\$ 512,860
We the People in Utah	45.168	BC-50452-09 and BC-50492-10	83,674
<b>Institute of Museum and Library Services</b>			
21 <sup>st</sup> Century Museum Professionals	45.307	MP-00-09- 0053-09	71,224
<b>National Endowment for the Arts</b>			
Promotion of the Arts – Grants to Organizations and Individuals	45.024	11-5200- 7155	<u>10,000</u>
			<u>\$ 677,758</u>

\*Denotes a major program

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Utah Humanities Council (the Council) and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.



**UTAH HUMANITIES COUNCIL**  
**Schedule of Expenditures of Federal Awards**  
*Continued*  
**Year Ended October 31, 2011**

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**Note 2 – Subrecipients**

Of the federal expenditures presented in the above schedule, the Council provided federal awards to subrecipients as follows:

<b>Federal CFDA Number</b>	<b>Program Title</b>	<b>Amount Provided to Subrecipients</b>
45.129	Promotion of the Humanities Federal – State Partnership	\$ 16,155
45.168	We the People in Utah	<u>8,315</u>
		<u>\$ 24,470</u>



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PUBLIC ACCOUNTANTS

**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 Council**

We have audited the financial statements of Utah Humanities Council (the Council) as of and for the year ended October 31, 2011, and have issued our report thereon dated March 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Utah Humanities Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

*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 Council's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Utah Humanities Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements, and other matters, 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*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, pass-through entities, and others within the Council, and is not intended to be and should not be used by anyone other than these specified parties.

*Tanner LLC*

March 1, 2012



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**TANNER**  
BUSINESS ADVISORS AND CERTIFIED  
PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Directors  
Utah Humanities Council**

### **Compliance**

We have audited Utah Humanities Council's (the Council) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Council's major federal program for the year ended October 31, 2011. The Council's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

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 the Council'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. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, Utah Humanities Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended October 31, 2011.

### **Internal Control Over Compliance**

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the Council'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Directors, management, federal awarding agencies, pass-through entities, and others within the Council, and is not intended to be and should not be used by anyone other than these specified parties.

*Tanner LLC*

March 1, 2012



**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unqualified.

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: Unqualified.

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 our audit of the basic financial statements.

**Section III - Federal Award Findings and Questioned Costs**

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



**UTAH HUMANITIES COUNCIL**  
**Summary Schedule of Prior Audit Findings**

**Year Ended October 31, 2011**

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There were no findings or questioned costs reported as a result of the October 31, 2010 audit.