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TANNER

BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS

CRITICAL KNOWLEDGE



PROACTIVE INSIGHT



**Financial Statements and Single Audit Reports
As of and for the Years Ended October 31, 2014 and 2013**

Together with Independent Auditors' Reports



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors Utah Humanities Council

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Humanities Council (the Council), a nonprofit organization, which comprise the statements of financial position as of October 31, 2014 and 2013, the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Humanities Council as of October 31, 2014 and 2013, 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 Council as a whole. The accompanying schedule of expenditures of federal awards for the year ended October 31, 2014 as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 17, 2015, 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, 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 Council's internal control over financial reporting and compliance.

Tanner LLC

February 17, 2015



UTAH HUMANITIES COUNCIL
Statements of Financial Position

October 31,

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 750,796	\$ 620,193
Investments	419,048	644,355
Grants receivable	625,395	615,640
Prepaid expenses and other assets	2,390	182
Furniture and equipment, net of accumulated depreciation of \$22,551 and \$20,405, respectively	3,723	5,869
Investments restricted for endowments	<u>207,009</u>	<u>207,009</u>
 Total assets	 <u>\$ 2,008,361</u>	 <u>\$ 2,093,248</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 84,382	\$ 95,349
Regrants payable	<u>21,000</u>	<u>33,356</u>
 Total liabilities	 <u>105,382</u>	 <u>128,705</u>
 Commitments		
Net assets:		
Unrestricted:		
Designated	538,882	529,297
Undesignated	753,248	646,691
Temporarily restricted	403,840	581,546
Permanently restricted	<u>207,009</u>	<u>207,009</u>
 Total net assets	 <u>1,902,979</u>	 <u>1,964,543</u>
 Total liabilities and net assets	 <u>\$ 2,008,361</u>	 <u>\$ 2,093,248</u>



UTAH HUMANITIES COUNCIL
Statements of Activities

Years Ended October 31,

	<u>2014</u>	<u>2013</u>
Change in unrestricted net assets:		
Support and revenue:		
Government and other grants	\$ 767,149	\$ 764,698
Contributions	76,105	73,752
Other, including investment income	15,487	31,590
	<u>858,741</u>	<u>870,040</u>
Total unrestricted support and revenue		
Net assets released from restrictions	<u>285,444</u>	<u>232,211</u>
Total unrestricted support and revenue and reclassifications	<u>1,144,185</u>	<u>1,102,251</u>
Expenses:		
Program services:		
Program expenses	646,814	584,443
Regrants	30,250	56,805
Fellowships	-	7,200
Supporting services:		
Management and general	151,742	152,862
Public relations	64,950	48,233
Fund-raising	134,287	141,811
	<u>1,028,043</u>	<u>991,354</u>
Total expenses		
Increase in unrestricted net assets	<u>116,142</u>	<u>110,897</u>
Change in temporarily restricted net assets:		
Government and other grants	1,853	170,572
Contributions and restricted earnings	105,885	233,166
Net assets released from restrictions	<u>(285,444)</u>	<u>(232,211)</u>
(Decrease) increase in temporarily restricted net assets	<u>(177,706)</u>	<u>171,527</u>
(Decrease) increase in net assets	(61,564)	282,424
Net assets, beginning of the year	<u>1,964,543</u>	<u>1,682,119</u>
Net assets, end of the year	<u>\$ 1,902,979</u>	<u>\$ 1,964,543</u>



UTAH HUMANITIES COUNCIL
Statements of Cash Flows

Years Ended October 31,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (61,564)	\$ 282,424
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,146	1,887
Net unrealized and realized gains on investments	(14,676)	(29,176)
Decrease (increase) in:		
Grants receivable	(9,755)	(213,813)
Prepaid expenses and other assets	(2,208)	868
Increase (decrease) in:		
Accounts payable and accrued liabilities	(10,967)	40,858
Regrants payable	(12,356)	22,585
Deferred revenue	-	(22,020)
	<u>-</u>	<u>(22,020)</u>
Net cash (used in) provided by operating activities	<u>(109,380)</u>	<u>83,613</u>
Cash flows from investing activities:		
Purchases of furniture and equipment	-	(3,078)
Change in investments	239,983	1,754
	<u>239,983</u>	<u>(1,324)</u>
Net cash provided by (used in) investing activities	<u>239,983</u>	<u>(1,324)</u>
Cash flows from financing activities:	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	130,603	82,289
Cash and cash equivalents at beginning of the year	<u>620,193</u>	<u>537,904</u>
Cash and cash equivalents at end of the year	<u>\$ 750,796</u>	<u>\$ 620,193</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 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

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 federal and local government sources (NEH, State, and ZAP). The Council had a receivable of \$490,770 and \$422,950 from NEH, a receivable of \$63,750 and \$21,450 from the State of Utah, and a receivable of \$42,175 and \$147,982 from ZAP as of October 31, 2014 and 2013, respectively.

The Council maintains cash in bank deposit accounts which, at times, exceed federally insured limits. As of October 31, 2014, the Council had approximately \$275,000 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 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.



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

Investments

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

Investments Restricted for Endowments

Investments restricted for endowments at the request of the donor represent permanently restricted investments held in endowment funds. Investments restricted for endowments were invested in money market funds as of October 31, 2014 and 2013.

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 receivable was considered necessary as of October 31, 2014 and 2013.

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 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. 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 \$74,000 and \$110,000 for the years ended October 31, 2014 and 2013, 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.

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, 2014 and 2013, the Council had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Council is no longer subject to selection for U.S. federal and state income tax examinations by tax authorities for fiscal years before 2011.

Subsequent Events

The Council has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which is the date the accompanying financial statements were available to be issued.



2. Fair Value Measurements

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

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

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

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

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

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



2. Fair Value Measurements
Continued

Description	Fair Value Measurements as of October 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market funds/account	\$ 456,993	\$ -	\$ -	\$ 456,993
Mutual funds:				
Large-cap blend	64,163	-	-	64,163
Mid-cap blend	28,086	-	-	28,086
Small-cap value	27,939	-	-	27,939
Diversified emerging markets	19,148	-	-	19,148
Corporate bonds	48,026	-	-	48,026
	644,355	-	-	644,355
Investments restricted for endowments:				
Money market funds	207,009	-	-	207,009
Total	\$ 851,364	\$ -	\$ -	\$ 851,364

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. Designated net assets is made up of the following as of October 31:

	2014	2013
Operating reserves	\$ 300,000	\$ 300,000
Severance funds	98,291	88,706
Long-term reserves	140,591	140,591
	\$ 538,882	\$ 529,297



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

	<u>2014</u>	<u>2013</u>
Venture	\$ 116,384	\$ 136,592
Clemente/High School Venture	77,960	105,841
Qualifying expenditures pertaining to Zoos, Arts, and Park program	73,392	172,860
Museum on Main Street	29,730	64,230
Museum Initiative – Phase 2	23,638	20,424
National Endowment for the Humanities	7,750	-
Colton fellowship	1,919	1,904
Oswald fellowship	7	-
Early Childhood Education	-	29,071
Other	73,060	50,624
	<u>\$ 403,840</u>	<u>\$ 581,546</u>

Permanently restricted net assets consist of the following as of October 31, 2014 and 2013:

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.



5. Endowments
Continued

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 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 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

Spending Policy

Interest earned on investments restricted for 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.



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, 2014 and 2013 is as follows:

<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Colton Endowment Fund	\$ -	\$ 1,919	\$ 142,009	\$ 143,928
Delmont Oswald Memorial Fund	-	7	65,000	65,007
Total	\$ -	\$ 1,926	\$ 207,009	\$ 208,935
<u>2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Colton Endowment Fund	\$ -	\$ 1,904	\$ 142,009	\$ 143,913
Delmont Oswald Memorial Fund	-	-	65,000	65,000
Total	\$ -	\$ 1,904	\$ 207,009	\$ 208,913

Activity in the endowment funds consisted of the following during the years ended October 31, 2014 and 2013.

<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, November 1, 2013	\$ -	\$ 1,904	\$ 207,009	\$ 208,913
Investment income, net	-	22	-	22
Endowment net assets, October 31, 2014	\$ -	\$ 1,926	\$ 207,009	\$ 208,935



5. Endowments *Continued* **Return Objective and Risk Parameters – Continued**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2013				
Endowment net assets, November 1, 2012	\$ -	\$ 5,158	\$ 207,009	\$ 212,167
Investment income, net	-	16	-	16
Appropriation of endowment earnings	-	(3,270)	-	(3,270)
Endowment net assets, October 31, 2013	\$ -	\$ 1,904	\$ 207,009	\$ 208,913

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

	2014	2013
National Endowment for the Humanities grants – State Partnership	\$ 645,770	\$ 600,400
State of Utah – Appropriations	85,000	82,900
State of Utah – other	27,073	28,500
Other	11,159	900
Zoo Arts and Parks funding (ZAP)	-	222,570
	769,002	935,270
Less temporarily restricted portion	(1,853)	(170,572)
Unrestricted portion	\$ 767,149	\$ 764,698

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 Number SO-50448-11 is available for expenditures through October 31, 2015, and Contract Number SO-50626-14 is available for expenditures through October 31, 2018.



7. Grants from the National Endowment for the Humanities
Continued

The Council held additional grants from NEH for “We the People in Utah.” Contract No. BC-50492-10 was available for expenditures through February 28, 2013. This grant was 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, 2014 and 2013, approximately 67% and 47%, respectively, of the Council’s annual revenues were from one funding source (NEH). A second source (state of Utah) provided approximately 12% and 9%, while a third source (ZAP) provided 0% and 17% of the Council’s revenues for the years ended October 31, 2014 and 2013, 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, 2014 and 2013 was approximately \$54,000 and \$50,000, 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:

	2014	2013
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -



UTAH HUMANITIES COUNCIL
Schedule of Expenditures of Federal Awards

Year Ended October 31, 2014

Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Contract Number	Federal Expenditures
National Foundation for the Arts and the Humanities			
Promotion of the Humanities Federal – State Partnership	*45.129	SO-50448-11 And SO50626-14	\$ 577,646
National Endowment for the Arts			
Promotion of the Arts – Grants to Organizations and Individuals	45.024	11-5200- 7155	<u>15,000</u>
			<u>\$ 592,646</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.

Note 2 – Subrecipients

Of the federal expenditures presented in the preceding schedule, the Council 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	\$ 30,250



**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, 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 (the Council), (a nonprofit organization), which comprise the statement of financial position as of October 31, 2014, 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 February 17, 2015.

Internal Control over Financial Reporting

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

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

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

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, and grants, 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 the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tanner LLC

February 17, 2015



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

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

Report on Compliance for Each Major Federal Program

We have audited Utah Humanities Council's (the Council) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Council's major federal program for the year ended October 31, 2014. The Council's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Council's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for the major federal program. However, our audit does not provide a legal determination on the Council's compliance.

Opinion on the Major Federal Program

In our opinion, Utah Humanities Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended October 31, 2014.

Report on Internal Control Over Compliance

Management of the Council 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 the Council's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Tanner LLC

February 17, 2015

UTAH HUMANITIES COUNCIL
Schedule of Findings and Questioned Costs

Year Ended October 31, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program:

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

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

Auditee qualified as low-risk auditee? yes no

UTAH HUMANITIES COUNCIL
Schedule of Findings and Questioned Costs
Continued

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

UTAH HUMANITIES COUNCIL
Summary Schedule of Prior Audit Findings

Year Ended October 31, 2014

There were no findings or questioned costs reported as a result of the October 31, 2013 audit.