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**Financial Statements and Program Specific Audit Reports  
As of and for the Years Ended October 31, 2019 and 2018**

**Together with Independent Auditors' Reports**

**UTAH HUMANITIES**  
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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, 2019 and 2018, 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, 2019 and 2018, 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, 2019, 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 February 18, 2020, 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.

**Adoption of New Accounting Standard**

As further described in Note 1 to the financial statements, during the year ended October 31, 2019, UH adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

*Tanner LLC*

February 18, 2020



**UTAH HUMANITIES**  
**Statements of Financial Position**

As of October 31,

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	<u>2019</u>	<u>2018</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,172,678	\$ 1,132,402
Investments	217,134	196,459
Grants receivable	1,211,063	1,038,019
Other assets	1,938	1,229
Furniture and equipment, net of accumulated depreciation of \$34,567 and \$32,146, respectively	5,100	7,521
Investments restricted for endowments	207,009	207,009
	<hr/>	<hr/>
Total assets	\$ 2,814,922	\$ 2,582,639
<b><u>Liabilities and Net Assets</u></b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 117,790	\$ 64,929
Regrants payable	33,050	26,306
Prepaid program funds	-	32,500
	<hr/>	<hr/>
Total liabilities	150,840	123,735
Commitments		
Net assets:		
Without donor restrictions:		
Designated	727,488	719,062
Undesignated	964,038	787,109
With donor restrictions	972,556	952,733
	<hr/>	<hr/>
Total net assets	2,664,082	2,458,904
	<hr/>	<hr/>
Total liabilities and net assets	\$ 2,814,922	\$ 2,582,639



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

Years Ended October 31,

	<u>2019</u>	<u>2018</u>
<b>Change in net assets without donor restrictions:</b>		
Support and revenue:		
Government grants	\$ 901,648	\$ 832,242
Contributions	135,114	54,802
Gain on investments, net	16,150	1,510
Total support and revenue	1,052,912	888,554
Net assets released from restrictions	402,520	410,576
Total support, revenue and reclassifications	1,455,432	1,299,130
Expenses:		
Program services:		
Program expenses	798,280	765,731
Regrants	49,310	66,945
Fellowships	5,000	3,500
Supporting services:		
Management and general	189,802	187,882
Public relations	78,200	75,875
Fundraising	149,485	140,793
Total expenses	1,270,077	1,240,726
Increase in net assets without donor restrictions	185,355	58,404
<b>Change in net assets with donor restrictions:</b>		
Government grants	300,825	180,910
Contributions and restricted earnings	117,254	252,576
Interest and dividends	4,264	331
Net assets released from restrictions	(402,520)	(410,576)
Increase in net assets with donor restrictions	19,823	23,241
Increase in net assets	205,178	81,645
Net assets, beginning of the year	2,458,904	2,377,259
Net assets, end of the year	\$ 2,664,082	\$ 2,458,904



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

Years Ended October 31,

---

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 205,178	\$ 81,645
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,421	2,680
Gain on investments, net	(20,414)	(1,841)
Decrease (increase) in:		
Grants receivable	(173,044)	(165,267)
Prepaid expenses and other assets	(709)	1,118
Increase (decrease) in:		
Accounts payable and accrued liabilities	52,861	(32,115)
Regrants payable	6,744	8,180
Prepaid program funds	(32,500)	32,500
	<u>40,537</u>	<u>(73,100)</u>
Net cash provided by (used in) operating activities		
	<u>40,537</u>	<u>(73,100)</u>
<b>Cash flows from investing activities:</b>		
Net purchases of investments	<u>(261)</u>	<u>(1,383)</u>
<b>Cash flows from financing activities-</b>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	40,276	(74,483)
Cash and cash equivalents at beginning of the year	<u>1,132,402</u>	<u>1,206,885</u>
Cash and cash equivalents at end of the year	<u>\$ 1,172,678</u>	<u>\$ 1,132,402</u>



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

***Organization***

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

***Adoption of New Accounting Standard***

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The adoption of this ASU primarily resulted in presenting net assets according to the new classifications described in the "Classification of Net Assets" section below, adding disclosures about the liquidity and availability of UH's financial assets, providing additional information about expenses by both nature and functional classification, and reporting investment income (loss) net of external and direct internal investment expenses.

***Classification of Net Assets***

The net assets of UH are reported as follows:

**Net assets without donor restrictions:** represent the portion of expendable funds that are available for support of UH's operations.

**Net assets with donor restrictions:** represent amounts that are specifically restricted by donors for various programs or future periods. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that the resources be maintained in perpetuity.

***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.





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

***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 \$1,064,577 and \$852,960 from NEH, a receivable of \$85,000 and \$127,500 from the state of Utah, and a receivable of \$49,486 and \$47,059 from ZAP as of October 31, 2019 and 2018, respectively.

UH maintains cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits. As of October 31, 2019, UH had approximately \$549,000 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, net of investment management fees, are included in the change in net assets.

***Investments Restricted for Endowments***

Investments restricted for endowments, which are restricted in perpetuity by donors, were invested in money market funds as of October 31, 2019 and 2018.

***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 the year ending October 31, 2020. No allowance for doubtful grants receivable was considered necessary as of October 31, 2019 and 2018.

***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.



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

***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 support with donor restrictions and support without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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. When UH receives prepaid program funds, they are recorded as a liability on the statement of financial position until the conditions to record the revenue or support have been satisfied.

***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 \$61,000 and \$73,000 for the years ended October 31, 2019 and 2018, 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 employee count.

***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.



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

***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, 2019 and 2018, 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 February 18, 2020, the date the accompanying financial statements were available to be issued.

**2. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following as of October 31, 2019:

Cash and cash equivalents	\$ 1,172,678
Investments	217,134
Grants receivable	<u>1,211,063</u>
Total financial assets	<u>2,600,875</u>
Less amounts not available to be used within one year:	
Board designated funds	727,488
Cash subject to donor-imposed purpose restrictions	410,972
Grants receivable subject to donor-imposed purpose restrictions	<u>49,486</u>
	<u>1,187,946</u>
Financial assets available to be used for general expenditure within one year	<u>\$ 1,412,929</u>

UH regularly monitors liquidity in order to meet its operating needs and other contractual commitments using budgets and cash flow projections, while also striving to maximize the investment of its available funds.

Operations are funded primarily from government agencies and private donors. UH's receivables are primarily due from government agencies. Credit risk associated with receivables are considered to be limited because the amounts are due from known donors.

The statement of cash flows identifies the sources and uses of UH's cash that generated positive cash flows from operating activities during the year ended October 31, 2019 of approximately \$41,000.



**UTAH HUMANITIES**  
**Notes to Financial Statements**  
*Continued*  
**October 31, 2019 and 2018**

**3. Investments** 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, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>Investments:</b>				
Mutual funds:				
Large-cap blend	\$ 104,454	\$ -	\$ -	\$ 104,454
Mid-cap blend	45,955	-	-	45,955
Small-cap value	44,440	-	-	44,440
Diversified emerging markets	22,285	-	-	22,285
	217,134	-	-	217,134
<b>Investments restricted for endowments:</b>				
Money market funds	207,009	-	-	207,009
<b>Total</b>	<b>\$ 424,143</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 424,143</b>

Description	As of October 31, 2018			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>Investments:</b>				
Mutual funds:				
Large-cap blend	\$ 92,659	\$ -	\$ -	\$ 92,659
Small-cap value	42,154	-	-	42,154
Mid-cap blend	42,069	-	-	42,069
Diversified emerging markets	19,577	-	-	19,577
	196,459	-	-	196,459
<b>Investments restricted for endowments:</b>				
Money market funds	207,009	-	-	207,009
<b>Total</b>	<b>\$ 403,468</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 403,468</b>



**UTAH HUMANITIES**  
**Notes to Financial Statements**  
*Continued*  
**October 31, 2019 and 2018**

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**3. Investments**      Investment returns are summarized as follows:  
*Continued*

	<u>For the year ended October 31, 2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ -	\$ 4,264	\$ 4,264
Net realized and unrealized gains	18,397	-	18,397
Management fees	(2,247)	-	(2,247)
<b>Investment returns, net</b>	<u>\$ 16,150</u>	<u>\$ 4,264</u>	<u>\$ 20,414</u>

	<u>For the year ended October 31, 2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 585	\$ 331	\$ 916
Net realized and unrealized gains	3,786	-	3,786
Management fees	(2,861)	-	(2,861)
<b>Investment returns, net</b>	<u>\$ 1,510</u>	<u>\$ 331</u>	<u>\$ 1,841</u>

**4. Designation of Net Assets Without Donor Restrictions**      The Board of Directors has designated a portion of UH's net assets without restrictions for the purpose of funding specific programs and future operations in the event of a reduction in future revenues. Designated net assets are made up of the following as of October 31:

	<u>2019</u>	<u>2018</u>
Operating reserves	\$ 524,260	\$ 524,260
Long-term reserves	140,773	140,773
Severance funds	62,455	54,029
	<u>\$ 727,488</u>	<u>\$ 719,062</u>



**5. Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes as of October 31:

	<u>2019</u>	<u>2018</u>
Clemente/High School Venture	\$ 232,450	\$ 218,942
Qualifying expenditures pertaining to Zoos, Arts, and Park program	118,772	96,241
Time restriction on NEH funds	101,317	-
Museum on Main Street	90,822	78,394
Time restriction on state appropriation	85,000	85,000
Other	55,434	165,131
Venture	47,498	46,032
Heritage Workshops	17,685	21,471
Book Festival	16,557	33,765
Colton & Oswald fellowships	12	748
Total time and purpose restricted amounts	<u>765,547</u>	<u>745,724</u>
Colton Endowment Fund	142,009	142,009
Delmont Oswald Memorial Fund	65,000	65,000
Total amounts restricted in perpetuity	<u>207,009</u>	<u>207,009</u>
Total net assets with donor restrictions	<u>\$ 972,556</u>	<u>\$ 952,733</u>

**6. Endowments**

UH's endowments consist 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***

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 net assets with donor restrictions (a) the original value of gifts donated to permanent endowments, (b) the original value of subsequent gifts to permanent endowments, and (c) accumulations to the endowments made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund. Earnings on endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by UH in a manner consistent with donor stipulation or the standard of prudence prescribed by UPMIFA.



**6. Endowments**  
*Continued*

***Interpretation of Relevant Law – Continued***

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.

Endowment net asset composition as of October 31, 2019 and 2018 is as follows:

	<b>With Donor Restrictions</b>		
<b><u>2019</u></b>	<b>Purpose Restricted</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Colton and Oswald Funds	\$ 12	\$ 207,009	\$ 207,021
<b><u>2018</u></b>			
Colton and Oswald Funds	\$ 748	\$ 207,009	\$ 207,757



**6. Endowments**  
*Continued*

***Return Objective and Risk Parameters – Continued***

Activity in the endowment funds consisted of the following during the years ended October 31, 2019 and 2018:

<u>2019</u>	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Purpose</u> <u>Restricted</u>	<u>Restricted in</u> <u>Perpetuity</u>	
Endowment net assets, November 1, 2018	\$ 748	\$ 207,009	\$ 207,757
Investment income, net	4,264		4,264
Amounts appropriated for expenditure	(5,000)	-	(5,000)
Endowment net assets, October 31, 2019	<u>\$ 12</u>	<u>\$ 207,009</u>	<u>\$ 207,021</u>
<u>2018</u>	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Purpose</u> <u>Restricted</u>	<u>Restricted in</u> <u>Perpetuity</u>	
Endowment net assets, November 1, 2017	\$ 3,917	\$ 207,009	\$ 210,926
Investment income, net	331		331
Amounts appropriated for expenditure	(3,500)	-	(3,500)
Endowment net assets, October 31, 2018	<u>\$ 748</u>	<u>\$ 207,009</u>	<u>\$ 207,757</u>

**7. Government Grants**

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

	<u>2019</u>	<u>2018</u>
National Endowment for the Humanities grants – State Partnership (NEH)	\$ 825,617	\$ 707,040
State of Utah	240,000	176,000
Salt Lake County Zoo, Arts and Parks (ZAP)	126,856	120,112
Other Federal Funding	10,000	10,000
	<u>1,202,473</u>	<u>1,013,152</u>
Less portion with donor restrictions	(305,089)	(181,241)
Portion without donor restrictions	<u>\$ 897,384</u>	<u>\$ 831,911</u>





**8. 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. Contract Number SO-268669-20 is available for expenditure beginning November 1, 2019 through October 31, 2024.

**9. Significant Funding Sources**

During the years ended October 31, 2019 and 2018, approximately 56% and 53%, respectively, of UH's annual revenues were from one funding source (NEH); a second source (state of Utah) provided approximately 16% and 13%, respectively; while a third source (ZAP) provided 9% of UH's revenues for each of the years ended October 31, 2019 and 2018. Future funds available from these funding sources are subject to potential reductions due to changes in governmental budget allocations and other factors.

**10. 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, 2019 and 2018 was approximately \$58,000 and \$61,000, respectively.

**11. Expense by Nature and Function**

Expenses by nature and function for the year ended October 31, 2019, with comparative totals for year ended October 31, 2018, are as follows:

	2019				2018	
	Program Services	Supporting Services			Total	Total
		Management and General	Public Relations	Fundraising		
Salaries and benefits	\$ 419,364	\$ 103,620	\$ 71,202	\$ 137,883	\$ 732,069	\$ 669,226
Direct program expenses	320,238	-	-	-	320,238	343,746
Operations	40,864	63,023	6,602	7,186	117,675	168,620
Travel	55,471	13,758	396	4,416	74,041	33,134
Consultants	15,443	8,190	-	-	23,633	23,320
Depreciation	1,210	1,211	-	-	2,421	2,680
<b>Total</b>	<b>\$ 852,590</b>	<b>\$ 189,802</b>	<b>\$ 78,200</b>	<b>\$ 149,485</b>	<b>\$ 1,270,077</b>	<b>\$ 1,240,726</b>



**UTAH HUMANITIES**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended October 31, 2019**

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<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>
<b>National Endowment for the Humanities (NEH)</b>				
Promotion of the Humanities Federal – State Partnership	45.129	SO-253154-17	\$ -	<u>\$ 686,269</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, 2019. 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 minimis 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, 2019, 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 18, 2020.

#### **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  
February 18, 2020



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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, 2019. 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, 2019.

### **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  
February 18, 2020



**UTAH HUMANITIES**  
**Schedule of Findings, Questioned Costs, and Recommendations**  
**Year Ended October 31, 2019**

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**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 reported

Noncompliance material to financial statements noted?  yes  no

Federal Award

Internal control over federal program:

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

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  no

Identification of federal program:

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

Auditee qualified as low-risk auditee?  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, 2019**

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There were no findings, questioned costs, or recommendations reported as a result of the October 31, 2018 audit.