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# TANNER

Accountants & Advisors



**Financial Statements and Single Audit Reports**

**As of and for the Year Ended October 31, 2020**

**Together with Independent Auditors' Reports**

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# TANNER

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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 statement of financial position as of October 31, 2020, the related statements of activities and cash flows for the year 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 audit. 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. Those standards require that we plan and perform the audit 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, 2020, and the change in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended October 31, 2020, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance), 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 26, 2021, on our consideration of Utah Humanities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Humanities' internal control over financial reporting and compliance.

*Tanner LLC*

Salt Lake City, UT  
February 26, 2021

## **Statement of Financial Position**

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As of October 31,

**2020**

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### **Assets**

Cash and cash equivalents	\$ 1,338,865
Investments	226,012
Grants receivable	312,653
Other assets	1,582
Furniture and equipment, net of accumulated depreciation of \$36,987	2,680
Investments restricted for endowments	207,009
	<hr/>
Total assets	\$ 2,088,801
	<hr/>

### **Liabilities and Net Assets**

#### Liabilities:

Accounts payable and accrued liabilities	\$ 122,602
Regrants payable	20,336
	<hr/>

Total liabilities	142,938
	<hr/>

#### Commitments and Contingencies

#### Net assets:

##### Without donor restrictions:

Designated	738,514
Undesignated	332,842
With donor restrictions	874,507
	<hr/>

Total net assets	1,945,863
	<hr/>

Total liabilities and net assets	\$ 2,088,801
	<hr/>

## Statement of Activities

Year Ended October 31,

	<u>2020</u>
Support and revenue:	
Government grants	\$ 1,397,240
Contributions	180,690
Gain on investments, net	10,035
	<hr/>
Total support and revenue	1,587,965
Net assets released from restrictions	408,073
	<hr/>
Total support, revenue and reclassifications	1,996,038
Expenses:	
Program services:	
Program expenses	1,302,099
Regrants	38,137
Supporting services:	
Management and general	218,209
Public relations	75,954
Fundraising	157,926
	<hr/>
Total expenses	1,792,325
	<hr/>
Increase in net assets without donor restrictions	203,713
<b>Change in net assets with donor restrictions:</b>	
Government grants	208,073
Contributions and restricted earnings	101,906
Interest and dividends	45
Net assets released from restrictions	(408,073)
	<hr/>
Decrease in net assets with donor restrictions	(98,049)
	<hr/>
Increase in net assets	105,664
Net assets, beginning of the year	2,664,082
Adoption of new accounting standard (see Note 1)	(823,883)
	<hr/>
Net assets, end of the year	\$ 1,945,863
	<hr/>

## Statement of Cash Flows

Year Ended October 31,

	<u>2020</u>
<b>Cash flows from operating activities:</b>	
Increase in net assets	\$ 105,664
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	2,420
Gain on investments, net	(10,080)
Decrease (increase) in:	
Grants receivable	74,527
Other assets	356
Increase (decrease) in:	
Accounts payable and accrued liabilities	4,812
Regrants payable	(12,714)
	<u>164,985</u>
<b>Cash flows from investing activities:</b>	
Net change in investments	<u>1,202</u>
<b>Cash flows from financing activities-</b>	<u>-</u>
Net change in cash and cash equivalents	166,187
Cash and cash equivalents at beginning of the year	<u>1,172,678</u>
Cash and cash equivalents at end of the year	<u>\$ 1,338,865</u>

### **Non-cash item:**

Utah Humanities adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, as of November 1, 2019, which resulted in a \$823,883 reduction to net assets without donor restrictions and an increase in revenue.

## **Notes to Financial Statements**

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### **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 Standards**

As of November 1, 2019, UH adopted ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU assists not-for-profit entities in determining whether grants should be accounted for as contributions or exchange transactions, and whether a contribution should be considered conditional. The adoption of this ASU generally results in more grants being accounted for as contributions instead of exchange transactions, as well as more contributions being considered conditional, resulting in a deferral of their recognition until they are determined to be unconditional. UH adopted this ASU on a retrospective basis by applying the guidance to any agreements not yet completed as of the date of adoption and agreements entered into after the date of adoption. This resulted in a \$823,883 decrease in net assets as of November 1, 2019.

As of November 1, 2019, UH also adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU did not impact UH's financial position or change in net assets.

#### **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.

#### **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 \$155,307 from NEH, a receivable of \$76,500 from the state of Utah, and a receivable of \$44,846 from ZAP as of October 31, 2020.

UH maintains cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits. As of October 31, 2020, UH had approximately \$28,000 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**

UH considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.



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### ***Investments***

Investments are reported at fair value in the statement 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, 2020.

### ***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, 2021. No allowance for doubtful grants receivable was considered necessary as of October 31, 2020.

### ***Furniture and Equipment***

Furniture and equipment purchased by UH are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation expense is computed on the straight-line basis over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activities for the period. Expenditures for maintenance and repairs are charged to expense as incurred.

### ***Regrants Payable***

UH receives federal money from NEH, a portion of which is granted to other organizations for use in furthering UH's mission. Regrants payable are recorded when approved by the Board of Directors.

### ***Revenue Recognition and Deferred Revenue***

Contributions received are recorded as 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.

Conditional contributions, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Deferred revenue is recorded when there are amounts included in receivables or received in cash, but unearned, and is recognized in the statement of activities when earned

### ***Donated Services***

No amounts have been reflected in the financial statements for donated services. UH pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist UH with specific programs and assignments. UH estimates the value of services provided by the Board of Directors at approximately \$58,000 for the year ended October 31, 2020.

### ***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.

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### **Income Taxes**

UH is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under state of Utah regulations, and as such, is not subject to federal or state income taxes on exempt purpose income. UH is subject to taxation on unrelated business income, if any.

### **Uncertain Tax Positions**

A liability for uncertain tax positions initially needs to be recognized in the financial statements when it is more-likely-than-not the position will not be sustained upon examination by tax authorities. As of October 31, 2020, 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 26, 2021, 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, 2020:

Cash and cash equivalents	\$	1,338,865
Investments		226,012
Grants receivable		312,653
		<hr/>
Total financial assets		1,877,530
		<hr/>
Less amounts not available to be used within one year:		
Board designated funds		738,514
Cash subject to donor-imposed purpose restrictions		537,652
Grants receivable subject to donor-imposed purpose restrictions		44,846
		<hr/>
		1,321,012
		<hr/>

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 is considered to be limited because the amounts are due from known donors.

The statement of cash flows identify the sources and uses of UH's cash that generated positive cash flows from operating activities during the year ended October 31, 2020 of approximately \$165,000.

### 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 as of October 31, 2020:

Description	As of October 31, 2020			Total
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
<b>Investments:</b>				
Mutual funds:				
Large-cap blend	\$ 111,335	\$ -	\$ -	\$ 111,335
Mid-cap blend	51,185	-	-	51,185
Small-cap value	39,486	-	-	39,486
Diversified emerging markets	24,006	-	-	24,006
	226,012	-	-	226,012
<b>Investments restricted for endowments:</b>				
Money market funds	207,009	-	-	207,009

Investment returns are summarized as follows for the year ended October 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 1,082	\$ 45	\$ 1,127
Net realized and unrealized gains	8,953	-	8,953
Management fees	-	-	-
<b>Investment returns, net</b>	<b>\$ 10,035</b>	<b>\$ 45</b>	<b>\$ 10,080</b>

#### 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, 2020:

Operating reserves	\$	524,260
Long-term reserves		140,773
Severance funds		73,481
		<hr/>
	\$	738,514

#### 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of October 31, 2020:

Clemente/High School Venture	\$	232,716
Qualifying expenditures pertaining to Zoo, Arts, and Park Program		144,892
Time restriction on state appropriation		85,000
Museum on Main Street		65,737
Other		64,158
Venture		44,303
Book festival		25,407
Heritage Workshops		5,228
Colton & Oswald Memorial Fund unappropriated earnings		57
		<hr/>
Total time and purpose restricted amounts		667,498
Colton Endowment Fund		142,009
Delmont Oswald Memorial Fund		65,000
		<hr/>
Total amounts restricted in perpetuity		207,009
		<hr/>
Total net assets with donor restrictions	\$	874,507

#### 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.

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, 2020 and is as follows:

	<b>With Donor Restrictions</b>		
	<b>Purpose Restricted</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Colton and Oswald Funds	\$ 57	\$ 207,009	\$ 207,066

Activity in the endowment funds consisted of the following during the year ended October 31, 2020:

	<b>With Donor Restrictions</b>		
	<b>Purpose Restricted</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Endowment net assets, November 1, 2019	\$ 12	\$ 207,009	\$ 207,021
Investment income, net	45	-	45
Amounts appropriated for expenditure	-	-	-
Endowment net assets, October 31, 2020	\$ 57	\$ 207,009	\$ 207,066

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## 7. Government Grants

Government grant revenue consists of the following for the year ended October 31, 2020:

National Endowment for the Humanities grants-		
State Partnership (NEH)	\$	877,873
CARES Act		451,367
State of Utah		153,000
Salt Lake County Zoo, Arts and Parks (ZAP)		113,073
Other Government Funding		10,000
		<hr/>
		1,605,313
Less portion with donor restrictions		<hr/> (208,073)
Portion without donor restrictions	\$	<hr/> 1,397,240

## 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 through October 31, 2024.

## 9. Significant Funding Sources

During the year ended October 31, 2020, approximately 70% of UH's annual revenues were from one funding source (NEH), a second source (state of Utah) provided approximately 8%, while a third source (ZAP) provided approximately 6% of UH's revenues, respectively, for the year ended October 31, 2020. 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 year ended October 31, 2020 was approximately \$67,000.

## 11. Commitments and Contingencies

In May 2020 the UH entered into an operating lease agreement for its office space. Rent expense for the year ended October 31, 2020 was \$32,600. Future minimum lease payments are \$2,717 per month through May 2022.

The COVID-19 pandemic has caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The related financial impact and duration cannot be reasonably estimated at this time.

## 12. Expenses by Nature and Function

Expenses by nature and function for the year ended October 31, 2020, are as follows:

	2020				
	Supporting Services				Total
	Program Services	Management and General	Public Relations	Fundraising	
Direct program expenses	\$ 852,931	\$ -	\$ -	\$ -	\$ 852,931
Salaries and benefits	410,065	122,382	58,800	143,282	734,529
Operations	41,358	79,661	13,968	9,150	144,137
Consultants	16,572	10,008	3,058	-	29,638
Travel	18,100	4,948	128	5,494	28,670
Depreciation	1,210	1,210	-	-	2,420
<b>Total</b>	<b>\$ 1,340,236</b>	<b>\$ 218,209</b>	<b>\$ 75,954</b>	<b>\$ 157,926</b>	<b>\$ 1,792,325</b>

**Schedule of Expenditures of Federal Awards  
For the Year Ended October 31, 2020**

Federal Grantor / Program Title	Federal CFDA Number	Contract Number	Passed Through to Subrecipients	Total Federal Expenditures
National Endowment for the Humanities (NEH)				
Promotion of the Humanities Federal-				
State Partnership	45.129	SO-253154-17	\$ -	\$ 722,566
State Partnership	45.129	SO-268669-20	-	155,307
CARES Act Funding	45.129	SO-268669-20	451,367	451,367
				<b>\$ 1,329,240</b>

**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, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 did not elect to use the 10% de minimis indirect cost rate.

**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 principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. UH’s summary of significant accounting policies is presented in Note 1 in UH’s basic financial statements. Pass-through entity identifying numbers are presented where available.





# TANNER

## Independent Auditors' Report

**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, 2020, 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 26, 2021.

**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 26, 2021



# TANNER

## Independent Auditors' Report

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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

**To the Board of Directors  
Utah Humanities**

#### **Report on Compliance for Federal Program**

We have audited Utah Humanities Council (UH), for compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on UH's major federal program for the year ended October 31, 2020. UH'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.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for UH'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 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 major federal program. However, our audit does not provide a legal determination on UH's compliance.

#### **Opinion on the Major 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 major federal program for the year ended October 31, 2020.

### **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 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 the Uniform Guidance, 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 major 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 major 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 major 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Tanner LLC*

Salt Lake City, Utah  
February 26, 2021

**Schedule of Findings and Questioned Costs**

**Year Ended October 31, 2020**

**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 opinion

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance  yes  no

Identification of major 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

## ***Schedule of Findings and Questioned Costs***

### **Financial Statement Findings:**

No findings were noted for the year ended October 31, 2020.

### **Federal Award Findings and Questioned Costs:**

No findings or questioned costs were noted for the year ended October 31, 2020.

## ***Schedule of Prior Audit Findings***

### **Financial Statement Findings:**

No findings were noted for the year ended October 31, 2019.

### **Federal Award Findings and Questioned Costs:**

No findings or questioned costs were noted for the year ended October 31, 2019.