

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2007
AND
INDEPENDENT AUDITORS' REPORT

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
South Carolina Humanities Council, Inc.
Columbia, South Carolina

We have audited the accompanying statement of financial position of South Carolina Humanities Council, Inc. as of October 31, 2007 and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Humanities Council, Inc. as of October 31, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2008 on our consideration of South Carolina Humanities Council, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

(Continued) - 1.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of South Carolina Humanities Council, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

J. W. Hunt and Company, LLP

Columbia, South Carolina
January 28, 2008

(Concluded) - 2.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

OCTOBER 31, 2007

ASSETS:

Current assets:

Cash and cash equivalents	\$ 333,149
Prepaid expenses	5,639

Total current assets	338,788
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Property and equipment:

Furniture and equipment	58,512
Less: accumulated depreciation	(40,423)

Total property and equipment	18,089
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Total assets	356,877
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LIABILITIES AND NET ASSETS:

Current liabilities:

Accounts payable and accrued expenses	\$ 4
Regrants payable	22,970
Deferred Income	30,071

Total current liabilities	53,045
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Total liabilities	53,045
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Net assets:

Unrestricted	\$ 138,648
Temporarily restricted	165,184

Total net assets	303,832
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Total liabilities and net assets	356,877
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2007

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUES AND PUBLIC SUPPORT:			
National Endowment for the Humanities	\$ 346,413	\$ -	\$ 346,413
Other grant income	-	128,968	128,968
Contributions	20,906	86,434	107,340
Program service revenue	94,939	49,925	144,864
Interest income	6,958	-	6,958
Net assets released from program restrictions	204,784	(204,784)	-
Total revenues and public support	<u>674,000</u>	<u>60,543</u>	<u>734,543</u>
EXPENSES			
Federal expenses:			
Salaries	158,635	-	158,635
Retirement	10,388	-	10,388
Payroll taxes	12,585	-	12,585
Office supplies	3,681	-	3,681
Printing and publications	12,020	-	12,020
Postage	7,605	-	7,605
Health insurance	13,401	-	13,401
Insurance	3,757	-	3,757
Travel - staff	13,804	-	13,804
Travel - board	10,994	-	10,994
Committee expense	5,459	-	5,459
Dues and subscriptions	1,665	-	1,665
Federation dues	7,723	-	7,723
Rent and utilities	22,265	-	22,265
Telephone and internet	5,023	-	5,023
Equipment maintenance	2,990	-	2,990
Professional fees	5,730	-	5,730
Council programs	29,356	-	29,356
Advertising	8,329	-	8,329
Consultants	16,615	-	16,615
Depreciation	7,662	-	7,662
Regrants	123,943	-	123,943
Regrants - match	25,100	-	25,100
Total federal expenses	<u>508,730</u>	<u>-</u>	<u>508,730</u>
Expenses - Non-NEH Funds	<u>231,813</u>	<u>-</u>	<u>231,813</u>
Total expenses	<u>740,543</u>	<u>-</u>	<u>740,543</u>
CHANGE IN NET ASSETS	(66,543)	60,543	(6,000)
NET ASSETS, BEGINNING OF YEAR	<u>205,191</u>	<u>104,641</u>	<u>309,832</u>
NET ASSETS, END OF YEAR	<u>138,648</u>	<u>165,184</u>	<u>303,832</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SOUTH CAROLINA HUMANITIES COUNCIL, INC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2007

	<u>Humanities</u> <u>Support</u>	<u>Management &</u> <u>General</u>	<u>Fund-Raising</u>	<u>Total</u>
Salaries	\$ 84,077	\$ 66,627	\$ 7,932	\$ 158,635
Retirement	5,505	4,363	520	10,388
Payroll taxes	6,670	5,285	630	12,585
Office supplies	3,129	185	368	3,681
Printing and publications	10,217	601	1,202	12,020
Postage	6,464	380	761	7,605
Health insurance	7,103	5,628	670	13,401
Insurance	1,991	1,578	188	3,757
Travel - staff	9,387	3,313	1,104	13,804
Travel - board	7,476	2,638	880	10,994
Committee expense	3,712	1,310	437	5,459
Dues and subscriptions	1,116	549	-	1,665
Federation dues	5,175	2,548	-	7,723
Rent and utilities	12,914	8,461	890	22,265
Telephone and internet	2,913	1,909	201	5,023
Equipment maintenance	1,734	1,136	120	2,990
Professional fees	2,292	3,438	-	5,730
Council programs	29,356	-	-	29,356
Advertising	8,329	-	-	8,329
Consultants	6,646	9,969	-	16,615
Depreciation	6,053	1,455	153	7,662
Regrants	123,943	-	-	123,943
Regrants - match	25,100	-	-	25,100
Non-NEH programs	231,813	-	-	231,813
	<hr/>			
Total	603,114	121,374	16,054	740,543
	<hr/>			

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (6,000)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	7,662
Decrease in due from NEH	75,000
Decrease in prepaid expenses	(2,809)
Decrease in grants receivable	-
Decrease in accounts payable	4
Increase in regrants payable	(1,128)
Increase in other payables	30,021
Net cash used by operating activities	<u>102,750</u>
 INCREASE IN CASH	 102,750
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>230,399</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>333,149</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES:

The South Carolina Humanities Council, Inc. (SCHC) is an affiliate of the National Endowment for the Humanities (NEH), a federal agency created by Congress. SCHC, a non-profit organization, receives funds from the National Endowment for the Humanities to fund humanities programs in the State of South Carolina.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING:

The SCHC maintains its accounting records on the accrual method of accounting. Under the accrual method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

PROPERTY AND EQUIPMENT:

Furniture and fixtures are stated at cost. Depreciation is provided on the straight-line method based on estimated useful lives of 5 to 7 years.

FINANCIAL REPORTING:

Net assets are required to be classified into three categories: unrestricted, temporarily restricted and permanently restricted. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class.

UNRESTRICTED:

The SCHC reports all assets as unrestricted unless there are specific donor stipulations attached.

INCOME TAXES:

The SCHC has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

GRANTS:

The NEH primary grants remain open for a period of five years. NEH makes annual allocations under the grant in the first three years of the five year period. For the year ended October 31, 2007, the statement of activities includes support from the allocation under NEH grant #SO-50219-07 for approximately \$345,000, #SO-50048-04 for approximately \$255,600, and #BC - 5038-06 for approximately \$86,140. The primary purpose of the NEH grant is to foster an understanding of the humanities in South Carolina.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - FURNITURE AND EQUIPMENT:

A summary of changes in furniture and equipment is as follows:

	<u>Balance</u> <u>10/31/2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>10/31/2007</u>
Furniture and equipment	\$ 58,512	\$ -	\$ -	\$ 58,512
Accumulated depreciation	(32,761)	(7,662)	-	(40,423)
	<hr/>			
Total	25,751	(7,662)	-	18,089
	<hr/> <hr/>			

NOTE 4 - ECONOMIC DEPENDENCY:

SCHC depends heavily on its support from the NEH which represents approximately 69% of its total support and revenue for the year ended October 31, 2007. The continuation of support from the NEH is dependent on future appropriations from the federal budget to the NEH. SCHC's ability to continue its programs is significantly contingent upon continuation of this support.

NOTE 5 - PENSION PLAN

SCHC has a defined contribution pension plan (SEP) which covers all full-time employees who have completed one year of service. SCHC contributes an amount equal to 5% of the participants' salaries to the plan. Retirement expense for the year ended October 31, 2007 was \$10,388.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASE:

SCHC has entered into an operating lease agreement for administrative office space. Rental expense for the year ended October 31, 2007 was \$22,232. Future obligations under this plan are \$22,895 for 2008.

NOTE 7 - TEMPORARILY RESTRICTED:

The Center reports gifts of cash, grants and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At October 31, 2007, the balance of temporarily restricted assets was \$154,315. This amount consisted of unspent grant funds as follows:

	Balance <u>October 31, 2006</u>	<u>Revenues</u>	<u>Expenses</u>	Balance <u>October 31, 2007</u>
Book Festival 2007	\$ -	\$ 156,070	\$ 145,201	\$ 10,869
South Carolina Encyclopedia	97,004	48,815	7,313	138,506
Humanities Festival	-	4,505	3,620	885
Greatest Generation Project	-	956	956	-
Literary Arts Program	5,389	47,181	37,646	14,924
State Department of Education	2,248	-	2,248	-
We the People	-	7,800	7,800	-
	<hr/>			
Total	104,641	265,327	204,784	165,184
	<hr/> <hr/>			

NOTE 8 - CONCENTRATION OF CREDIT RISK:

The organization maintains a bank account in excess of the federally insured (FDIC) limit. The amount in excess of the FDIC limit was approximately \$81,506 as of October 31, 2007.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED OCTOBER 31, 2007

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Department of Interior: National Endowment for the Humanities: State Humanities Program	45.129	\$ 346,413
		<hr/>
Total		<u>346,413</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
South Carolina Humanities Council, Inc.
Columbia, South Carolina

We have audited the financial statements of South Carolina Humanities Council, Inc. for the year ended October 31, 2007, and have issued our report thereon dated January 28, 2008. 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.

Compliance

As part of obtaining reasonable assurance about whether South Carolina Humanities Council, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

(Continued) - 1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Carolina Humanities Council Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

J. W. Hunt and Company, LLP

Columbia, South Carolina
January 28, 2008

(Concluded) - 2.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL OVER COMPLIANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
South Carolina Humanities Council, Inc.
Columbia, South Carolina

Compliance

We have audited the compliance of South Carolina Humanities Council, Inc. with the types of compliance requirements described in the “U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement” that are applicable to its major federal program for the year ended October 31, 2007. South Carolina Humanities Council, Inc.’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of South Carolina Humanities Council, Inc.’s management. Our responsibility is to express an opinion on South Carolina Humanities Council, Inc.’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Carolina Humanities Council, Inc.’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of South Carolina Humanities Council, Inc.’s compliance with those requirements.

In our opinion, South Carolina Humanities Council, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended October 31, 2007.

(Continued) - 1.

Internal Control Over Compliance

The management of South Carolina Humanities Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered South Carolina Humanities Council, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable laws, regulations, contracts, and grants that would be material in relation to major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

J. W. Hunt and Company, LLP

Columbia, South Carolina
January 28, 2008

(Concluded) - 2.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified? no

Significant deficiencies identified that are not considered to be material weakness(es)? none noted

Noncompliance material to financial statements noted? no

Federal Awards

Internal control over major programs:

Material weaknesses identified? no

Significant deficiencies identified that are not considered to be material weakness(es)? no

Type of auditor's report issued on compliance for major programs: unqualified

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

Major programs:

CFDA Numbers

45.129

Name of Federal Cluster

National endowment for the
Humanities - State
Humanities Program

Dollar threshold used to distinguish between type A and type B programs: \$500,000

Auditee qualified as low-risk auditee? yes

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

