

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2008
AND
INDEPENDENT AUDITORS' REPORT

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

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J. W. HUNT AND COMPANY, LLP

JOHN C. CREECH, JR., CPA
ANNE H. ROSS, CPA
WILLIAM F. QUATTLEBAUM, CPA, CVA
WILLIAM T. POUNCEY, CPA
DAVID J. FRYER, CPA

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION AND
CENTER FOR PUBLIC COMPANY AUDIT FIRMS

CPA ASSOCIATES INTERNATIONAL, INC.,
A WORLDWIDE NETWORK OF ACCOUNTING FIRMS

MIDDLEBURG OFFICE PARK
1607 ST. JULIAN PLACE
POST OFFICE BOX 265
COLUMBIA, SC 29202-0265
803-254-8196
866-299-8196
FAX 803-256-1524
jwhunt.com

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, 2008 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, 2008 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 December 8, 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
December 8, 2008

(Concluded) - 2.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

OCTOBER 31, 2008

ASSETS:

Current assets:

Cash and cash equivalents	\$ 293,576
Prepaid expenses	6,871

Total current assets	300,447
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Property and equipment:

Furniture and equipment	51,687
Less: accumulated depreciation	(40,591)

Total property and equipment	11,096
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Total assets	311,543
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LIABILITIES AND NET ASSETS:

Current liabilities:

Regrants payable	20,795
Deferred income	8,979

Total current liabilities	29,774
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Total liabilities	29,774
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Net assets:

Unrestricted	139,877
Temporarily restricted	141,892

Total net assets	281,769
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Total liabilities and net assets	311,543
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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, 2008

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUES AND PUBLIC SUPPORT:			
National Endowment for the Humanities	\$ 462,382	\$ -	\$ 462,382
Other grant income	53,239	151,765	205,004
Contributions	23,361	39,648	63,009
Program service revenue	88,997	75,000	163,997
Interest income	7,190	-	7,190
Net assets released from program restrictions	289,705	(289,705)	-
Total revenues and public support	<u>924,874</u>	<u>(23,292)</u>	<u>901,582</u>
EXPENSES			
Federal expenses:			
Salaries	233,273	-	233,273
Retirement	9,009	-	9,009
Payroll taxes	18,301	-	18,301
Office supplies	2,586	-	2,586
Printing and publications	12,130	-	12,130
Postage	9,404	-	9,404
Health insurance	23,799	-	23,799
Insurance	4,172	-	4,172
Travel - staff	12,798	-	12,798
Travel - board	12,252	-	12,252
Committee expense	4,812	-	4,812
Dues and subscriptions	1,819	-	1,819
Federation dues	9,152	-	9,152
Rent and utilities	23,929	-	23,929
Telephone and internet	5,522	-	5,522
Equipment maintenance	2,437	-	2,437
Professional fees	7,005	-	7,005
Council programs	42,845	-	42,845
Advertising	9,591	-	9,591
Consultants	8,171	-	8,171
Depreciation	6,993	-	6,993
Regrants	129,971	-	129,971
Regrants - match	20,700	-	20,700
Miscellaneous	228	-	228
Total federal expenses	<u>610,899</u>	<u>-</u>	<u>610,899</u>
Expenses - Non-NEH Funds	<u>312,746</u>	<u>-</u>	<u>312,746</u>
Total expenses	<u>923,645</u>	<u>-</u>	<u>923,645</u>
CHANGE IN NET ASSETS	1,229	(23,292)	(22,063)
NET ASSETS, BEGINNING OF YEAR	<u>138,648</u>	<u>165,184</u>	<u>303,832</u>
NET ASSETS, END OF YEAR	<u>139,877</u>	<u>141,892</u>	<u>281,769</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, 2008

	<u>Humanities</u> <u>Support</u>	<u>Management &</u> <u>General</u>	<u>Fund-Raising</u>	<u>Total</u>
Salaries	\$ 123,635	\$ 97,974	\$ 11,664	\$ 233,273
Retirement	4,774	3,784	451	9,009
Payroll taxes	9,699	7,685	916	18,300
Office supplies	2,198	130	258	2,586
Printing and publications	10,311	607	1,213	12,131
Postage	7,992	470	941	9,403
Health insurance	12,614	9,995	1,190	23,799
Insurance	2,211	1,752	209	4,172
Travel - staff	8,703	3,072	1,024	12,799
Travel - board	8,331	2,940	981	12,252
Committee expense	3,272	1,155	385	4,812
Dues and subscriptions	1,219	600	-	1,819
Federation dues	6,133	3,019	-	9,152
Rent and utilities	13,879	9,093	957	23,929
Telephone and internet	3,202	2,099	221	5,522
Equipment maintenance	1,413	926	98	2,437
Professional fees	2,802	4,203	-	7,005
Council programs	42,845	-	-	42,845
Advertising	9,591	-	-	9,591
Consultants	3,268	4,903	-	8,171
Depreciation	5,525	1,328	140	6,993
Regrants	129,971	-	-	129,971
Regrants - match	20,700	-	-	20,700
Miscellaneous	228	-	-	228
Non-NEH programs	312,746	-	-	312,746
	<hr/>			
Total	747,262	155,735	20,648	923,645

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, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (22,063)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	6,993
Decrease in prepaid expenses	(1,232)
Decrease in grants receivable	-
Decrease in accounts payable	(4)
Decrease in regrants payable	(2,175)
Decrease in other payables	(21,092)
Net cash used by operating activities	<u>(39,573)</u>
 INCREASE IN CASH	 (39,573)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>333,149</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>293,576</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, 2008, the statement of activities includes support from the allocation under NEH grant #SO-50219-07 for approximately \$522,642 and #BC 50352-07 for approximately \$96,140. 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:

	Balance <u>10/31/2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>10/31/2008</u>
Furniture and equipment	\$ 58,512	\$ -	\$ (6,825)	\$ 51,687
Total	<u>58,512</u>	<u>-</u>	<u>(6,825)</u>	<u>51,687</u>
				Beginning accumulated depreciation
				\$ 40,423
				Current year provision
				6,993
				Accumulated depreciation disposed of
				<u>(6,825)</u>
				Ending accumulated depreciation
				<u>40,591</u>
				Net book value
				<u>\$ 11,096</u>

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, 2008. 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.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS

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, 2008 was \$9,099.

NOTE 6 - LEASE:

SCHC has entered into an operating lease agreement for administrative office space. Rental expense for the year ended October 31, 2008 was \$23,929. Future obligations under this plan are \$25,101 for 2009.

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, 2008, the balance of temporarily restricted assets was \$141,892. This amount consisted of unspent grant funds as follows:

	<u>Balance</u> <u>October 31, 2007</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Balance</u> <u>October 31, 2008</u>
Book Festival	\$ 10,869	\$ 176,038	\$ 202,614	\$ (15,707)
South Carolina Encyclopedia	138,506	7,936	3,637	142,805
Humanities Festival	885	3,100	3,000	985
Poetry Outloud	-	9,323	8,984	339
Literary Arts Program	14,924	47,784	51,315	11,393
Key Ingredients	-	22,233	20,156	2,077
	<hr/>			
Total	165,184	266,414	289,706	141,892
	<hr/> <hr/>			

NOTE 8 - CONCENTRATION OF CREDIT RISK:

SCHC did not have any funds in excess of the FDIC limit as of October 31, 2008.

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

FOR THE YEAR ENDED OCTOBER 31, 2008

<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	\$ 522,642
National Endowment for the Humanities:		
We The People	45.168	<u> 96,140</u>
 Total		 <u><u> 618,782</u></u>

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COLUMBIA, SC 29202-0265
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866-299-8196
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jwhunt.com

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, 2008, and have issued our report thereon dated December 8, 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
December 8, 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, 2008. 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, 2008.

(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
December 8, 2008

(Concluded) - 2.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2008

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

