

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

FINANCIAL STATEMENTS
WITH SINGLE AUDIT SECTION
YEAR ENDED OCTOBER 31, 2009
AND INDEPENDENT AUDITOR'S REPORT

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

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INDEPENDENT AUDITOR'S 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. (the Organization) as of October 31, 2009, and the related statements of activities, 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 the 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, 2009, 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.

(Continued) - 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2010, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Organization 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

May 5, 2010

(Concluded) - 2.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

OCTOBER 31, 2009

ASSETS:

Cash and cash equivalents	\$ 323,377
Prepaid expenses	7,709
Furniture and equipment (net of accumulated depreciation of \$45,864)	<u>15,528</u>
Total assets	<u><u>346,614</u></u>

LIABILITIES:

Regrants payable	\$ 27,729
Accrued expenses	<u>664</u>
Total liabilities	<u>28,393</u>

NET ASSETS:

Unrestricted	161,963
Temporarily restricted	<u>156,258</u>
Total net assets	<u>318,221</u>
Total liabilities and net assets	<u><u>346,614</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED OCTOBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND PUBLIC SUPPORT:			
Grants:			
National Endowment for the Humanities	\$ -	\$ 664,517	\$ 664,517
Other	-	134,333	134,333
Contributions	21,145	47,772	68,917
Interest	4,750	-	4,750
Royalties	1,870	-	1,870
Reclassification of existing funds	33,348	(33,348)	-
Net assets released from program restrictions	798,908	(798,908)	-
Total revenues and public support	<u>860,021</u>	<u>14,366</u>	<u>874,387</u>
EXPENSES:			
Humanities support	674,235	-	674,235
Management and general	144,128	-	144,128
Fund raising	19,572	-	19,572
Total expenses	<u>837,935</u>	<u>-</u>	<u>837,935</u>
CHANGE IN NET ASSETS	22,086	14,366	36,452
NET ASSETS, BEGINNING OF YEAR	<u>139,877</u>	<u>141,892</u>	<u>281,769</u>
NET ASSETS, END OF YEAR	<u>161,963</u>	<u>156,258</u>	<u>318,221</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOUTH CAROLINA HUMANITIES COUNCIL, INC

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED OCTOBER 31, 2009

	<u>Humanities</u> <u>Support</u>	<u>Management</u> <u>and General</u>	<u>Fund-Raising</u>	<u>Total</u>
Salaries	\$ 106,776	\$ 84,614	\$ 10,073	\$ 201,463
Retirement	6,355	5,038	600	11,993
Payroll taxes	8,546	6,772	807	16,125
Office supplies	3,138	185	369	3,692
Printing and publications	10,953	644	1,288	12,885
Postage	9,252	544	1,089	10,885
Health insurance	11,986	9,497	1,131	22,614
Insurance	2,198	1,743	208	4,149
Travel - staff	7,202	2,542	847	10,591
Travel - board	9,180	3,239	1,081	13,500
Committee expense	5,590	1,973	658	8,221
Dues and subscriptions	2,272	1,118	-	3,390
Federation dues	6,499	3,200	-	9,699
Rent and utilities	14,728	9,650	1,015	25,393
Telephone and internet	3,065	2,009	212	5,286
Equipment maintenance	1,284	841	89	2,214
Professional fees	2,848	4,272	-	7,120
Council programs	19,151	-	-	19,151
Advertising	6,078	-	-	6,078
Consultants	3,496	5,245	-	8,741
Depreciation	4,167	1,002	105	5,274
Regrants	181,796	-	-	181,796
Miscellaneous	483	-	-	483
Non-NEH programs	247,192	-	-	247,192
	<hr/>			
Total	674,235	144,128	19,572	837,935

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

STATEMENT OF CASH FLOWS,
YEAR ENDED OCTOBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 36,452
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,274
Change in operating assets and liabilities:	
Prepaid expenses	(838)
Regrants payable	6,934
Accrued expenses	664
Deferred revenue	(8,979)
Net cash provided by operating activities	<u>39,507</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of equipment	<u>(9,706)</u>
Net cash used by investing activities	<u>(9,706)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	29,801
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>293,576</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>323,377</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization and Operations

South Carolina Humanities Council, Inc (the “Organization”) is an affiliate of the National Endowment for the Humanities (NEH), a federal agency created by Congress. The Organization is a South Carolina not-for-profit corporation that was organized to fund humanities programs in the State of South Carolina.

The Organization receives a substantial amount of its support from the NEH. For the year ended October 31, 2009, such support totaled \$664,517, or 76.0% of total revenues.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

The costs of providing the Organization’s various programs and activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- Unrestricted Net Assets – not subject to donor-imposed stipulations. Board-designated or appropriated amounts are legally unrestricted and are reported as part of the unrestricted class.
- Temporarily Restricted Net Assets – subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations.
- Permanently Restricted Net Assets – subject to donor-imposed stipulations that they be retained and invested in perpetuity by the Organization to use all or part of the investment return on these net assets for specified or unspecified purposes. The Organization currently has no permanently restricted net assets.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Restricted and Unrestricted Revenues and Support

Contributions and other support are considered to be available for unrestricted use unless specifically restricted by the donor. Support received that is designated for future periods or is restricted for specific purposes is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Income Taxes

The Organization is classified as exempt from federal income tax under the Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3) and is not classified as a private foundation. Therefore, no provision for income taxes is included in the financial statements.

The Financial Accounting Standards Board (FASB) has issued an interpretation regarding accounting for uncertainty in income taxes. The interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB ASC 740-10, *Accounting for Income Taxes*. The Organization has determined that there are no significant uncertain tax positions taken requiring recognition as liabilities under the interpretation.

Furniture and Equipment

Furniture and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation related to assets disposed of are removed from the accounts and the resulting gain or loss is included in the results of operation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect 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.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Advertising

The Organization expenses advertising costs as they are incurred.

NOTE 2 - PENSION PLAN:

The Organization has a simplified employee pension plan (SEP) which covers all full-time employees who have completed one year of service. The Organization contributes an amount equal to 5% of the participants' salary to the plan. Retirement expense for the year ended October 31, 2009 amounted to \$11,993.

NOTE 3 - LEASE COMMITMENT:

The Organization leases its office space under an operating lease expiring in March 2015. The Organization currently pays monthly rent of \$2,778 and is required to pay all insurance and other occupancy costs. Rent expense for the current year totaled \$25,039.

Approximate payments under this operating lease for the next five years, and in the aggregate, are as follows:

<u>Year ending October 31,</u>	
2010	\$ 27,915
2011	33,917
2012	34,931
2013	35,983
2014	37,068
2015	<u>15,635</u>
Total	<u><u>185,449</u></u>

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS:

Changes in temporarily restricted assets were as follows:

	Balance <u>10/31/08</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Reclass</u>	Balance <u>10/31/09</u>
NEH Programs	\$ -	\$ 664,517	\$ (664,517)	\$ -	\$ -
South Carolina Encyclopedia	142,805	435	(548)	(49,055)	93,637
Literary Arts Program	11,393	54,906	(47,203)	-	19,096
Key Ingredients	2,077	2,960	2,657	-	7,694
Humanities Festival	985	3,050	(3,000)	-	1,035
Poetry Out Loud	339	9,882	(9,874)	-	347
Book Festival	(15,707)	110,872	(76,423)	15,707	34,449
	<hr/>				
Total	141,892	846,622	(798,908)	(33,348)	156,258
	<hr/> <hr/>				

NOTE 5 - ECONOMIC DEPENDENCY:

The Organization depends heavily on the support it receives from the NEH. The continuation of support from the NEH is dependent on future appropriations from the federal budget. The Organization's ability to continue its programs is significantly contingent upon continuation of this support.

NOTE 6 - CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consists primarily of cash and temporary cash investments. The Organization places its cash and temporary cash investments in high credit quality institutions. At times, however, such cash may be in excess of the \$250,000 federally insured limit. At October 31, 2009, the Organization did not have cash in excess of such limits.

NOTE 7 - SUBSEQUENT EVENTS:

The Organization has evaluated all subsequent events through May 5, 2010, the date the financial statements were available to be issued.

SINGLE AUDIT SECTION

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
FOR THE YEAR ENDED OCTOBER 31, 2009

Federal Grantor/ Pass-Through Grantor <u>Program or Cluster Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
U.S. DEPARTMENT OF THE INTERIOR:		
National Endowment for the Humanities:		
State Humanities Program	45.129	\$ 553,287
We The People	45.168	111,230
Passed through the South Carolina State Library:		
Library Services and Technology Act	45.310	<u>47,203</u>
Total		<u><u>711,720</u></u>

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the South Carolina Humanities Council, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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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 of
South Carolina Humanities Council, Inc.

We have audited the financial statements of South Carolina Humanities Council, Inc. (the "Organization") as of and for the year ended October 31, 2009, and have issued our report thereon dated May 5, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

(Continued) - 1.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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*.

This report is intended solely for the information and use of the board of directors, management, others within the Organization, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

J. W. Hunt and Company, LLP

May 5, 2010

(Concluded) - 2.

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

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

Compliance

We have audited the compliance of South Carolina Humanities Council, Inc. (the "Organization") 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, 2009. The Organization'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 its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization'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 the Organization'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 the Organization's compliance with those requirements.

(Continued) - 1.

In our opinion, the Organization 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, 2009.

Internal Control Over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, others within the Organization, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

J. W. Hunt and Company, LLP

May 5, 2010

(Concluded) - 2.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS,
YEAR ENDED OCTOBER 31, 2009

No matters were reported for the year ended October 31, 2008.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2009

Part 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)? No

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:

C DFA

45.129 National Endowment for the Humanities -
State Humanities Program

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

Auditee qualified as low-risk auditee? Yes

Part II FINDINGS - FINANCIAL STATEMENT AUDIT

None

Part III FINDINGS AND QUESTIONED COSTS - MAJOR AWARDS
PROGRAMS AUDIT

None