

South Carolina Humanities Council, Inc.
Report on the Audit of Financial Statements
For the year ended
October 31, 2005

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2005, 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, 2005, 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 21, 2005, on our consideration of South Carolina Humanities Council, Inc.'s internal control over financial reporting and my 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.

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.

Barb, Snyder & Company

December 21, 2005

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
October 31, 2005

Assets

Current Assets:	
Cash and cash equivalents	\$ 325,719
Grants receivable	18,886
Prepaid expenses	<u>3,438</u>
Total Current Assets	348,043
Property and Equipment:	
Furniture and equipment	43,986
Less: accumulated depreciation	<u>(27,869)</u>
Total Property and Equipment	<u>16,117</u>
Total Assets	<u><u>\$ 364,160</u></u>

Liabilities and Net Assets

Current Liabilities:	
Accounts payable and accrued expenses	\$ 1,448
Regrants payable	<u>15,435</u>
Total Current Liabilities	<u>16,883</u>
Total Liabilities	16,883
Net Assets:	
Unrestricted	232,501
Temporarily restricted	<u>114,776</u>
Total Net Assets	<u>347,277</u>
Total Liabilities and Net Assets	<u><u>\$ 364,160</u></u>

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, 2005

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues and Public Support:			
National Endowment for the Humanities	\$ 611,214	\$ -	\$ 611,214
Other grant income	131,510	108,593	240,103
Contributions	16,757	-	16,757
Program service revenue	125,000	-	125,000
Interest income	3,266	-	3,266
Net assets released from program restrictions	<u>115,936</u>	<u>(115,936)</u>	<u>-</u>
 Total Revenues and Public Support	 1,003,683	 (7,343)	 996,340
Federal Expenses:			
Salaries	152,714	-	152,714
Retirement	7,136	-	7,136
Payroll taxes	12,404	-	12,404
Office supplies	3,202	-	3,202
Printing and publications	12,162	-	12,162
Postage	10,120	-	10,120
Health insurance	18,018	-	18,018
Insurance	2,997	-	2,997
Travel - staff	11,660	-	11,660
Travel - board	11,217	-	11,217
Committee expense	4,538	-	4,538
Dues and subscriptions	1,822	-	1,822
Federation dues	7,439	-	7,439
Rent and utilities	21,005	-	21,005
Telephone and internet	4,348	-	4,348
Equipment maintenance	2,285	-	2,285
Professional fees	5,980	-	5,980
Council programs	137,780	-	137,780
Advertising	11,047	-	11,047
Miscellaneous	135	-	135
Consultants	6,562	-	6,562
Depreciation	4,583	-	4,583
Regrants	88,780	-	88,780
Regrants - match	<u>20,400</u>	<u>-</u>	<u>20,400</u>
 Total Federal Expenses	 558,334	 -	 558,334
 Expenses - Non-NEH Funds	 343,669	 -	 343,669
 Total Expenses	 <u>902,003</u>	 <u>-</u>	 <u>902,003</u>
 Change in Net Assets	 101,680	 (7,343)	 94,337
 Net Assets, Beginning of Year	 <u>130,821</u>	 <u>122,119</u>	 <u>252,940</u>
 Net Assets, End of Year	 <u><u>232,501</u></u>	 <u><u>114,776</u></u>	 <u><u>347,277</u></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, 2005

	Humanities <u>Support</u>	Management & <u>General</u>	<u>Fund-Raising</u>	<u>Total</u>
Salaries	\$ 80,938	\$ 64,140	\$ 7,636	\$ 152,714
Retirement	3,782	2,997	357	7,136
Payroll taxes	6,574	5,210	620	12,404
Office supplies	2,722	160	320	3,202
Printing and publications	10,338	608	1,216	12,162
Postage	8,602	506	1,012	10,120
Health insurance	9,550	7,568	901	18,018
Insurance	1,588	1,259	150	2,997
Travel - staff	7,929	2,798	933	11,660
Travel - board	7,628	2,692	897	11,217
Committee expense	3,086	1,089	363	4,538
Dues and subscriptions	1,221	601	-	1,822
Federation dues	4,984	2,455	-	7,439
Rent and utilities	12,183	7,982	840	21,005
Telephone and internet	2,522	1,652	174	4,348
Equipment maintenance	1,325	868	91	2,285
Professional fees	2,392	3,588	-	5,980
Council programs	137,780	-	-	137,780
Advertising	11,047	-	-	11,047
Miscellaneous	-	135	-	135
Consultants	2,625	3,937	-	6,562
Depreciation	3,621	871	92	4,583
Regrants	88,780	-	-	88,780
Regrants - match	20,400	-	-	20,400
Non-NEH programs	343,669	-	-	343,669
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Total	<u>\$ 775,284</u>	<u>\$ 111,116</u>	<u>\$ 15,602</u>	<u>\$ 902,003</u>

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, 2005

Cash Flows From Operating Activities:

Change in net assets	\$ 89,002
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	4,583
Decrease in due from NEH	10,294
Increase in prepaid expenses	(564)
Increase in grants receivable	(12,275)
Increase in accounts payable	1,363
Decrease in regrants payable	<u>(15,213)</u>
 Net Cash Provided by Operating Activities	 77,190
 Cash Flows From Investing Activities:	
 Purchase of furniture and equipment	 <u>(2,083)</u>
 Net Cash Used by Investing Activities	 <u>(2,083)</u>
 Increase in Cash	 75,107
 Cash, Beginning of Year	 <u>250,612</u>
 Cash, End of Year	 <u><u>\$ 325,719</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. 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.

b. 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.

c. 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.

d. Unrestricted

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

e. Income Taxes

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

f. 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, 2005, the statement of activities includes support from the allocation under NEH grant #SO-21740-01 for approximately \$457,071 and #SO-50048-04 for approximately \$41,927. The primary purpose of the NEH grant is to foster an understanding of the humanities in South Carolina.

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

g. 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.

3. FURNITURE AND EQUIPMENT:

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

	<u>Balance</u> <u>10/31/2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>10/31/2005</u>
Furniture and Equipment	\$ 41,903	\$ 2,083	\$ 0	\$ 43,986
Accum. Depreciation	(23,286)	(4,583)	<u>0</u>	(27,869)
Total	\$ <u>21,078</u>	\$ <u>(2,500)</u>	<u>\$ 0</u>	\$ <u>16,117</u>

4. ECONOMIC DEPENDENCY

SCHC depends heavily on its support from the NEH which represents approximately 62% of its total support and revenue for the year ended October 31, 2005. 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.

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, 2005 was \$7,136.

6. LEASE:

SCHC has entered into an operating lease agreement for administrative office space. Rental expense for the year ended October 31, 2005 was \$21,005. Future obligations under this agreement are \$21,585 for 2006, and \$22,232 for 2007.

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS**

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, 2005, the balance of temporarily restricted assets was \$114,776. This amount consisted of unspent grant funds as follows:

	Balance October 31, 2004	Revenues	Expenses	Balance October 31, 2005
South Carolina Encyclopedia	\$ 67,317	\$ 83,204	\$ 56,477	\$ 94,044
Humanities Festival	1,456	3,053	3,053	1,456
Greatest Generation Project	42,141	12,069	39,456	14,754
We the People	11,205	10,267	16,950	4,522
Total	<u>\$ 122,119</u>	<u>\$ 108,593</u>	<u>\$ 115,936</u>	<u>\$ 114,776</u>

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 \$135,300 as of October 31, 2005.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended October 31, 2005

<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	\$ 457,071
Passed through South Carolina State Library:		
Library Services and Technology Act	45.310	<u>41,927</u>
Total		<u><u>\$ 498,998</u></u>

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
South Carolina Humanities Council, Inc.

We have audited the financial statements of South Carolina Humanities Council, Inc. for the year ended October 31, 2005, and have issued our report thereon dated December 21, 2005. 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.

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.

Barb, Snyder & Company

December 21, 2005

Report on Compliance with Requirements Applicable to each Major Program and on Internal
Control over Compliance with OMB Circular A-133

Board of Directors
South Carolina Humanities Council, Inc.

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 program for the year ended October 31, 2005. 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, 2005.

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 a 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.

Barb, Dryden + Company

December 21, 2005

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
October 31, 2005

Summary of Auditor's Results

- 1) Type of report on financial statements: unqualified
- 2) The audit did not disclose any reportable conditions in internal control
- 3) The audit did not disclose any material noncompliance
- 4) The audit did not disclose any reportable conditions in internal control over major programs
- 5) Type of report on compliance for major programs: unqualified
- 6) The audit did not disclose any audit findings
- 7) Major program: National Endowment for the Humanities – State Humanities Program – 45.129
- 8) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- 9) Auditee qualified as a low-risk auditee

Findings Related to Financial Statements

None

Findings and Questioned Costs for Federal Awards

None