

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED OCTOBER 31, 2010
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, 2010, 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, 2010, 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 July 27, 2011, 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 financial statements 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 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.

J. W. Hunt and Company, LLP

July 27, 2011

(Concluded) - 2.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2010

ASSETS:	
Cash	\$ 317,216
Short-term investments	116,719
Prepaid expenses	12,248
Furniture and equipment (net of accumulated depreciation of \$36,559)	<u>14,241</u>
Total assets	<u><u>\$ 460,424</u></u>
LIABILITIES:	
Regrants payable	<u>\$ 36,169</u>
Total liabilities	<u>36,169</u>
NET ASSETS:	
Unrestricted	226,836
Temporarily restricted	<u>197,419</u>
Total net assets	<u>424,255</u>
Total liabilities and net assets	<u><u>\$ 460,424</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, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND PUBLIC SUPPORT:			
Grants:			
National Endowment for the Humanities	\$ -	\$ 763,590	\$ 763,590
Institute of Museum and Library Services	-	58,927	58,927
Other	-	47,664	47,664
Contributions	62,007	16,742	78,749
Interest	3,771	-	3,771
Royalties	1,248	-	1,248
Net assets released from program restrictions	845,762	(845,762)	-
Total revenues and public support	<u>912,788</u>	<u>41,161</u>	<u>953,949</u>
EXPENSES:			
Humanities support	649,048	-	649,048
Management and general	175,698	-	175,698
Fund raising	23,169	-	23,169
Total expenses	<u>847,915</u>	<u>-</u>	<u>847,915</u>
CHANGE IN NET ASSETS	64,873	41,161	106,034
NET ASSETS, BEGINNING OF YEAR	<u>161,963</u>	<u>156,258</u>	<u>318,221</u>
NET ASSETS, END OF YEAR	<u>\$ 226,836</u>	<u>\$ 197,419</u>	<u>\$ 424,255</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, 2010

	<u>Humanities</u> <u>Support</u>	<u>Management</u> <u>and General</u>	<u>Fund-Raising</u>	<u>Total</u>
Salaries and benefits	\$ 168,560	\$ 133,576	\$ 15,902	\$ 318,038
Council conducted programs	234,789	-	-	234,789
Regrants	146,569	-	-	146,569
Rent and utilities	16,192	10,608	1,117	27,917
Travel	16,472	5,813	1,938	24,223
Professional fees	7,169	10,754	-	17,923
Printing and publications	11,239	661	1,322	13,222
Dues and subscriptions	8,774	4,321	-	13,095
Postage	10,152	597	1,194	11,943
Equipment maintenance	4,765	3,122	329	8,216
Committee expense	4,056	1,432	477	5,965
Advertising	5,671	-	-	5,671
Telephone and internet	3,115	2,041	215	5,371
Depreciation	3,986	959	101	5,046
Insurance	2,048	1,623	193	3,864
Office supplies	3,239	191	381	3,811
Bank charges	2,252	-	-	2,252
	<hr/>			
Total	\$ 649,048	\$ 175,698	\$ 23,169	\$ 847,915

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 106,034
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,046
Change in operating assets and liabilities:	
Prepaid expenses	(4,538)
Regrants payable	8,440
Accrued expenses	(664)
Net cash provided by operating activities	<u>114,318</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(3,759)
Net increase in short-term investments	<u>(2,197)</u>
Net cash used by investing activities	<u>(5,956)</u>
NET INCREASE IN CASH	108,362
CASH AT BEGINNING OF YEAR	<u>208,854</u>
CASH AT END OF YEAR	<u><u>\$ 317,216</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, 2010, such support totaled \$763,590, or 77.6% of total revenues.

Date of Management’s Review:

Subsequent events were evaluated through July 27, 2011, which is the date the financial statements were available to be issued.

Basis of Accounting:

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

Financial Statement Presentation:

The Organization’s activities and net assets are classified in the financial statements as unrestricted, temporarily restricted, and permanently restricted based on the existence or absence of donor-imposed restrictions. These classifications are described below:

- Unrestricted net assets – resource not subject to donor-imposed restrictions.
- Temporarily restricted net assets – resources that can be expended subject to donor-imposed restrictions as to use and timing.
- Permanently restricted net assets – resources that a donor has required the Organization to retain in perpetuity. Generally, the donor of these assets permits the Organization to use all or a part of the income and gains earned on the gifted assets. 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):

Assets are sequenced on the statement of financial position in general accordance with their nearness of conversion to cash. Liabilities are sequenced in general accordance with the nearness of their maturity and resulting use of cash. The statement of activities presents expenses by functional classification in accordance with the overall mission of the Organization. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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:

The Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents as of October 31, 2010.

Short-Term Investments:

Short-term investments consist of certificates of deposit and are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

Risks and Uncertainties:

Cash, cash equivalents, and investments are exposed to various risks, such as interest rate, market, and credit risks. The Organization regularly evaluates its investments including the performance thereof. However, due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

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

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.

Income Taxes:

The Organization has received a determination letter from the Internal Revenue Service (IRS) indicating it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income. Management has determined that the Organization has no current obligations for unrelated business income tax. Accordingly, no provisions for federal and state income taxes are required. The Organization is not classified as a private foundation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of October 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2007.

Use of Estimates:

The preparation of financial statements in accordance 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.

Advertising:

The Organization expenses advertising costs as they are incurred.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at October 31, 2010.

Certificates of Deposit: Valued at cost plus accrued interest.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED):

The following table sets forth by level, within the fair value hierarchy, the Organization's financial assets as of October 31, 2010 that are measured at fair value on a recurring basis:

	Fair Value	Fair Value Measurements Using Input Type		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 116,719	\$ -	\$ 116,719	\$ -

NOTE 3 - 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, 2010 amounted to \$10,888.

NOTE 4 - 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 \$27,917.

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

<u>Year ending October 31,</u>	
2011	\$ 33,917
2012	34,931
2013	35,983
2014	37,068
2015	<u>15,635</u>
Total	<u>\$ 157,534</u>

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
 NOTES TO FINANCIAL STATEMENTS

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS:

Changes in temporarily restricted assets were as follows:

	Balance <u>10/31/09</u>	<u>Revenues</u>	<u>Expenses</u>	Balance <u>10/31/10</u>
NEH Programs	\$ -	\$ 763,590	\$ (724,971)	\$ 38,619
IMLS grant	-	58,927	(58,927)	-
South Carolina Encyclopedia	93,637	1,575	(1,293)	93,919
Book Festival	34,449	39,558	(41,062)	32,945
Literary Arts Partnership	19,096	11,526	(6,563)	24,059
Key Ingredients	7,694	-	-	7,694
Humanities Festival	1,035	1,100	(2,135)	-
Poetry Out Loud	347	9,647	(9,811)	183
Literature and Medicine	-	1,000	(1,000)	-
	<hr/>			
Total	\$ 156,258	\$ 886,923	\$ (845,762)	\$ 197,419

NOTE 6 - CONTINGENCIES AND ECONOMIC DEPENDENCY:

The various federal programs administered by the Organization are subject to examination by federal grantor agencies. Expenditures of federal funds by the Organization may be disallowed by federal grantor agencies. The funds would then have to be returned to the sponsoring federal agency. Payments to subrecipients, if any, which may be disallowed, would be recoverable from the subrecipient. At the present time, the Organization has not been notified of the need to return federal funds and has not determined amounts which may be due to federal grantors if so notified.

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 7 - CONCENTRATION OF CREDIT RISK:

At October 31, 2010, the Organization had cash on deposit in excess of federally insured limits of approximately \$110,000. The risk associated with the excess is limited due to the soundness of the financial institution with which the funds are deposited.

SUPPLEMENTARY INFORMATION

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2010

<u>Federal Grantor/ Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES:		
State Humanities Program	45.129	\$ 613,741
Promotion of the Humanities: We The People	45.168	111,230
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:		
Passed through the South Carolina State Library:		
Library Services and Technology Act	45.310	58,927
NATIONAL ENDOWMENT FOR THE ARTS:		
Passed through the South Carolina Arts Commission:		
Promotion of the Arts - Partnership Agreements	45.025	<u>23,433</u>
Total		<u>\$ 807,331</u>

SEE ACCOMPANYING NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of South Carolina Humanities Council, Inc., under programs of the federal government for the year ended October 31, 2010. 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*. Because the Schedule presents only a selected portion of the operations of South Carolina Humanities Council, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of South Carolina Humanities Council, Inc.

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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - SUBRECIPIENTS:

Of the federal expenditures presented in the Schedule, South Carolina Humanities Council, Inc., provided a total of \$145,618 and \$951 in federal awards to subrecipients from its State Humanities Program award (CFDA #45.129) and We the People award (CFDA #45.168), respectively.

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INDEPENDENT AUDITOR'S 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, 2010, and have issued our report thereon dated July 27, 2011. 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, 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

July 27, 2011

(Concluded) - 2.

J. W. HUNT AND COMPANY, LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 South Carolina Humanities Council, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A -133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended October 31, 2010. 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended October 31, 2010.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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, 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

July 27, 2011

(Concluded) - 2.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS,
YEAR ENDED OCTOBER 31, 2010

No matters were reported for the year ended October 31, 2009.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2010

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 weaknesses? 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 weaknesses? 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