

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED OCTOBER 31, 2020
AND INDEPENDENT AUDITORS' REPORT**

SOUTH CAROLINA HUMANITIES COUNCIL, INC.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of South Carolina Humanities Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued next page)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2021, on our consideration of South Carolina Humanities Council, Inc.'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 the effectiveness of South Carolina Humanities Council, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Carolina Humanities Council, Inc.'s internal control over financial reporting and compliance.



BURKETT BURKETT & BURKETT
Certified Public Accountants, P.A.
West Columbia, South Carolina
February 1, 2021

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2020

ASSETS:

Cash	\$ 368,881
Certificates of deposit	200,910
Prepaid expenses	8,497
Marketable securities	370,762
Grants receivable	268,903
Furniture and equipment (net of accumulated depreciation of \$59,213)	<u>20,933</u>
Total assets	<u><u>\$ 1,238,886</u></u>

LIABILITIES:

Accounts payable	\$ 27,477
Regrants payable	32,934
Bridge grants payable	19,299
Other grants payable	8,550
Accrued expenses	3,089
Accrued retirement	11,943
Accrued leave	44,032
Capital lease obligation	<u>8,554</u>
Total liabilities	<u>155,878</u>

NET ASSETS:

Without donor restrictions	747,130
With donor restrictions	<u>335,878</u>
Total net assets	<u>1,083,008</u>
Total liabilities and net assets	<u><u>\$ 1,238,886</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, 2020

	Without Donor	With Donor Restrictions	Total
REVENUES AND PUBLIC SUPPORT:			
Grants:			
National Endowment for the Humanities - CARES Act	\$ -	\$ 505,767	\$ 505,767
Other	-	75,968	75,968
Contributions	53,207	-	53,207
Programs and event revenue	400	-	400
Investment return, net	21,965	-	21,965
Royalties	64	-	64
Total revenues and public support	<u>75,636</u>	<u>581,735</u>	<u>657,371</u>
Net assets released from program restrictions	1,287,106	(1,287,106)	-
	<u>1,362,742</u>	<u>(705,371)</u>	<u>657,371</u>
EXPENSES:			
Humanities support	1,137,780	-	1,137,780
Management and general	126,512	-	126,512
Fundraising	36,622	-	36,622
Total expenses	<u>1,300,914</u>	<u>-</u>	<u>1,300,914</u>
CHANGE IN NET ASSETS	61,828	(705,371)	(643,543)
NET ASSETS, BEGINNING OF YEAR	<u>685,302</u>	<u>1,041,249</u>	<u>1,726,551</u>
NET ASSETS, END OF YEAR	<u>\$ 747,130</u>	<u>\$ 335,878</u>	<u>\$ 1,083,008</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, 2020

	Humanities Support	Management and General	Fund- Raising	Total
Regrants	\$ 683,910	\$ -	\$ -	\$ 683,910
Salaries and benefits	254,916	47,761	7,062	309,739
Professional fees	28,363	44,480	25,572	98,415
Council conducted programs	96,572	-	-	96,572
Rent and utilities	32,701	6,127	906	39,734
Dues and subscriptions	10,717	6,705	-	17,422
Travel	5,213	11,326	-	16,539
Telephone and internet	6,216	1,032	505	7,753
Printing and publications	5,558	327	654	6,539
Depreciation and amortization	4,671	1,168	-	5,839
Postage	3,576	210	421	4,207
Insurance	-	3,354	-	3,354
Office supplies	1,729	432	1,089	3,250
Advertising	2,934	226	6	3,166
Bank charges / miscellaneous	147	1,645	341	2,133
Committee expense	-	1,334	-	1,334
Equipment maintenance	557	33	66	656
Interest expense	-	352	-	352
Total	\$ 1,137,780	\$ 126,512	\$ 36,622	\$ 1,300,914

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (643,543)
Adjustment to reconcile change in net assets to net cash provided by/(used in) operating activities:	
Depreciation and amortization	5,839
Change in operating assets and liabilities:	
Prepaid expenses	(5,354)
Grant receivable	574,983
Accounts payable	21,260
Regrants payable	9,832
Bridge grants payable	19,299
Other grants payable	6,050
Accrued expenses	2,529
Accrued retirement	1,845
Accrued leave	4,292
Net cash provided by/(used in) operating activities	(2,968)

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(9,245)
Net reinvestment in certificates of deposit	(4,848)
Net reinvestment in marketable securities	(66,119)
Net cash used in investing activities	(80,212)

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on capital lease	(1,824)
Net cash used in financing activities	(1,824)

NET CHANGE IN CASH (85,004)

CASH AT BEGINNING OF YEAR 453,885

CASH AT END OF YEAR \$ 368,881

NONCASH INVESTING AND FINANCING ACTIVITIES:

Equipment purchased with capital lease financing	\$ 8,871
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

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.

Date of Management’s Review:

Subsequent events were evaluated through February 1, 2021, 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 net assets without donor restrictions and net assets with donor restrictions based on the existence or absence of donor-imposed restrictions. These classifications are described below:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

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

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 net assets with donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2020.

Certificates of Deposit:

Certificates of deposit 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 6 for discussion of fair value measurements.

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

Marketable Securities:

Marketable securities consist of mutual funds 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 6 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis.

Risk 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 THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

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

Revenue Recognition:

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Certain grants received may be conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings, and equipment are presented as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the long-lived assets are placed in service.

Advertising:

The Organization expenses advertising costs as they are incurred.

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.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

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

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, 2020, 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 fiscal years prior to 2017.

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.

Statement of Functional Expenses:

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses of the Organization include:

- Program service expenses include Organization conducted programs and events, grants and direct assistance to support the humanities, and Organization initiatives to increase public understanding and support of the humanities.
- Management and general expenses include the general, administrative and operation costs of the Organization.
- Fundraising expenses include direct and indirect activities undertaken to solicit contributions from donors.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

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

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

<u>Expense Type</u>	<u>Method of Allocation</u>
Salaries, Benefits, Payroll Taxes	Time and effort
Professional fees	Direct costs to programs; remaining based on time and effort
Rent and utilities	Time and effort
Dues and subscriptions	Direct costs to programs; remaining to management and general
Travel	Direct costs to programs; remaining to management and general
Telephone and internet	Direct costs to programs; remaining to management and general
Printing and publications	Direct costs to programs and fundraising; remaining to management and general
Depreciation and amortization	Direct costs to programs; remaining to management and general
Postage	Direct costs to programs and fundraising; remaining to management and general
Office supplies	Direct costs to programs; remaining to management and general
Advertising	Direct costs to programs; remaining to management and general
Bank charges/ miscellaneous	Direct cost to fundraising; remaining to management and general
Committee expense	Direct costs to programs; remaining to management and general
Equipment maintenance	Direct costs to programs and fundraising; remaining to management and general

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

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

Recently issued accounting pronouncements:

In May 2014, the FASB added Topic 606, “Revenue from Contracts with Customers” to establish principles to report useful information about the nature, amount, timing and uncertainty of revenue from contracts with customers. This standard supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly with no effect on net assets.

In February 2016, the FASB amended the Leases Topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the effect that implementation of the new standard will have on the Organization’s financial statements.

In June 2018, the FASB amended the Not-for-Profit Entities Topic of the Accounting Standards Codification to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provision of ASU 2018-08 under a modified prospective basis with no effect on net assets. The effect on current year operating results has been disclosed in Note 4.

NOTE 2 – CONCENTRATION OF CREDIT RISK:

At October 31, 2020, the Organization had no cash deposits in excess of federally insured limits.

The Organization receives a substantial amount of its support from the NEH. For the year ended October 31, 2020, such support totaled \$505,767 or 77% of total revenues and support.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

NOTE 3 – AVAILABILITY AND LIQUIDITY:

The following represents the Organization’s financial assets and liabilities at October 31, 2020:

Financial Assets at Year-End:	2020
Cash	\$ 368,881
Certificates of deposit	200,910
Marketable securities	370,762
Grants receivable	268,903
Total Financial Assets	<u>1,209,456</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(335,878)
Less: net assets with purpose restrictions to be met in less than a year	<u>199,067</u>
	<u>(136,811)</u>
Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 1,072,645</u>

The Organization’s liquidity plan is structured so that its financial assets are available for its general expenditures, liabilities and other obligations as they become due. The Organization invests excess cash in short-term and long-term investments and has the ability to access these funds and redeem certain investments as necessary to meet its obligations.

In addition, the Organization has a Reserve Policy designed to provide financial stability and cash flow to support the mission and essential function of the Organization. The principle reserve need of the Organization is to maintain sufficient liquid reserves to assure fulfillment of its obligations and maintain essential operational functions in the event of a decline in operating income. The Organization’s Reserve Policy sets the minimum threshold of reserves, at any point in time, to equal six months of operating costs plus the funding needed to payoff of all regrant obligations. As of October 31, 2020, this amount is equal to approximately \$483,000. Currently, the reserves of the Organization consist of net assets without donor or Board restrictions that are readily convertible to cash and include money market accounts, certificate of deposit account, and short term and long-term investments.

Periodically, the Finance Committee of the Board of Directors reviews the reserve balance to determine compliance with the policy. The Finance Committee reports its findings to the Board of Directors.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

NOTE 3 – AVAILABILITY AND LIQUIDITY (CONTINUED):

If adjustments are needed to transfer funds in order to maintain the minimum reserve balance, the Finance Committee presents its recommendations to the Board of Directors for review and approval. A majority vote of the Board of Directors is required to authorize any transfer of funds.

Reserve funds are to be used only in the event that the Organization is unable to meet its operational financial obligations using income from operations. In the event that reserve funds are needed to meet financial obligations, the Finance Committee reports the circumstances and its recommendations to the Board of Directors for their review and approval. Reserve funds should not be used for expenses that are nonessential to operations.

NOTE 4 – GRANTS RECEIVABLE

As of October 31, 2020, the Organization has grants receivable from NEH in the amount of \$233,903. Of this amount, \$178,886 represents grants receivable for NEH Operations, originally recorded in the fiscal year ended October 31, 2019, and \$55,017 represents grants receivable for NEH Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) awards, recorded in the fiscal year ended October 31, 2020.

As disclosed in Note 1, the Organization adopted and implemented FASB ASU 2018-08 during the fiscal year. Prior period results were not restated, and there has been no cumulative-effect adjustment to the opening balance of net assets at the beginning of the year, in accordance with the requirements of FASB ASU 2018-08. Under the previous guidance, the Organization would have recorded both current year NEH Operations Grant revenues and grants receivable as of October 31, 2020 of \$894,996. However, under ASU 2018-08, no such revenues or receivables were recorded for NEH Operations awards during the fiscal year ended October 31, 2020.

NOTE 5 – INVESTMENTS:

Investment return, net is made up of the following as of October 31, 2020:

Interest and dividend income	\$ 10,397
Realized and unrealized gains/(losses)	<u>11,568</u>
Investment return, net	<u><u>\$ 21,965</u></u>

NOTE 6 – FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC)* 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.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED):

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 the FASB ASC 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, 2020.

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 THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

NOTE 6 – 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, 2020 that are measured at fair value on a recurring basis:

	Fair Value Measurements Using Input Type			
	Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	\$ 200,910	\$ -	\$ 200,910	\$ -
Mutual funds	226,572	226,572	-	-
Money market reserves	144,190	144,190	-	-
Total	\$ 571,672	\$ 370,762	\$ 200,910	\$ -

NOTE 7 – PENSION PLAN:

The Organization has a simplified employee pension plan (SEP) which covers all applicable 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, 2020 amounted to \$13,721.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS:

Changes in net assets with donor restrictions were as follows:

	Balance <u>10/31/19</u>	<u>Revenues</u>	Net Assets Released from <u>Restrictions</u>	Balance <u>10/31/20</u>
NEH Programs	\$ 878,239	\$ 505,767	\$ (1,249,706)	\$ 134,300
Book Festival	55,500	-	-	55,500
South Carolina Encyclopedia	81,310	-	-	81,310
LTAI	1,200	-	(1,200)	-
Fast Track Literary	-	6,174	(6,174)	-
Democracy & the Informed Citizen	-	34,794	-	34,794
Dominion Energy Waterways	25,000	-	(12,021)	12,979
Why It Matters	-	35,000	(18,005)	16,995
Total	\$ 1,041,249	\$ 581,735	\$ (1,287,106)	\$ 335,878

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

NOTE 9 – 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 10 – LEASE COMMITMENTS:

The Organization leases its office space under an operating lease expiring in March 2021. Under this lease, the Organization paid monthly rent of \$3,099 from November 2019 through March 2020 and \$3,145 from April 2020 to October 2020. The Organization is required to pay all insurance and other occupancy costs. Rent expense for the year ended October 31, 2020 totaled \$39,734, which includes \$1,800 of in-kind rent expense.

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

<u>Year ending October 31,</u>	
2021	\$ 15,725

The Organization leased a copier under a capital lease that expired in June 2020. Principal payments on the capital lease obligation during the year ended October 31, 2020 were \$1,487, and interest expense on the capital lease was \$20.

The Organization leases a copier under a capital lease expiring in July 2025. Under this lease, the Organization will pay \$167 per month beginning August 2020. Principal payments on the capital lease obligation during the year ended October 31, 2020 were \$318, and interest expense on the capital lease was \$185.

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2020

NOTE 10 – LEASE COMMITMENTS (CONTINUED):

Future minimum lease payments due under this capital lease for the next five fiscal years are as follows:

<u>Year ending October 31,</u>	
2021	\$ 1,649
2022	1,726
2023	1,808
2024	1,893
2025	1,478
Total	<u>\$ 8,554</u>

NOTE 11 – EXPENDED AND AUTHORIZED NEH GRANT FUNDS:

Between November 1, 2018 and October 31, 2020, the Organization received grant award notices under the NEH State Humanities Program totaling \$2,325,229, including \$505,767 of supplemental funding under the CARES Act awards. During this time, the Organization received \$1,196,330 in drawdowns, including \$450,750 of CARES Act award drawdowns. As of October 31, 2020, the Organization has \$1,128,899 of grant awards not yet drawn down, including \$55,017 of CARES Act awards. During FY 2020, the Organization expended \$1,249,706 under this program, including \$505,767 of CARES Act award expenditures.

NOTE 12 – IN-KIND DONATIONS:

These financial statements reflect donated rent during the year ended October 31, 2020 which totaled \$1,800.

SUPPLEMENTARY INFORMATION

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2020

Federal Grantor/ Pass-Through Grantor <u>Program of Cluster Title</u>	Federal CFDA <u>Number</u>	Passed Through to <u>Subrecipients</u>	Federal <u>Expenditures</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES: Promotion of the Humanities: Federal/State Partnership	45.129	\$ 677,410	\$ 1,249,706
Total		<u>\$ 677,410</u>	<u>\$ 1,249,706</u>

SEE ACCOMPANYING NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SOUTH CAROLINA HUMANITIES COUNCIL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2020

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, 2020. The information in this Schedule is presented in accordance with the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the Uniform Guidance, 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 \$677,410 in federal awards to subrecipients from its State Humanities Program award (CFDA #45.129).

INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of South Carolina Humanities Council, Inc. (the "Organization") which comprise the statement of financial position as of October 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

(Continued next page)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BURKETT BURKETT & BURKETT
Certified Public Accountants, P.A.
West Columbia, South Carolina
February 1, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR A FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for *Promotion of the Humanities: Federal/State Partnership*

We have audited South Carolina Humanities Council, Inc. (the "Organization")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its *Promotion of the Humanities: Federal/State Partnership* for the year ended October 31, 2020.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to *Promotion of the Humanities: Federal/State Partnership*.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's *Promotion of the Humanities: Federal/State Partnership* based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 *Promotion of the Humanities: Federal/State Partnership* 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 on compliance for the Organization's *Promotion of the Humanities: Federal/State Partnership*. However, our audit does not provide a legal determination of the Organization's compliance.

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Opinion on Compliance for *Promotion of the Humanities: Federal/State Partnership*

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 *Promotion of the Humanities: Federal/State Partnership* for the year ended October 31, 2020.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on *Promotion of the Humanities: Federal/State Partnership* to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for *Promotion of the Humanities: Federal/State Partnership* and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BURKETT BURKETT & BURKETT
Certified Public Accountants, P.A.
West Columbia, South Carolina
February 1, 2021

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2020**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
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 auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Major program:	
<u>CDEA</u>	
45.129 National Endowment for the Humanities - State Humanities Program	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Part II **FINDINGS - FINANCIAL STATEMENT AUDIT**

None

Part III **FINDINGS AND QUESTIONED COSTS - MAJOR AWARDS PROGRAMS AUDIT**

None

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED OCTOBER 31, 2020**

There were no findings or questioned costs reported in the prior year.