

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED OCTOBER 31, 2022  
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.

**Report on the Audit of the Financial Statements**

***Opinion***

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of South Carolina Humanities Council, Inc. as of October 31, 2022, 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.

***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Carolina Humanities Council, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about South Carolina Humanities Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 South Carolina Humanities Council, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Carolina Humanities Council, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Supplementary 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 schedule of expenditures of federal awards 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 January 5, 2023, 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 solely 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*

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BURKETT BURKETT & BURKETT  
Certified Public Accountants, P.A.  
West Columbia, South Carolina  
January 16, 2023

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**OCTOBER 31, 2022**

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ASSETS:

Cash	\$	340,979
Certificates of deposit		194,823
Prepaid expenses		2,876
Marketable securities		534,742
Grants receivable		50,148
Pledges receivable		1,000
Furniture and equipment (net of accumulated depreciation of \$33,363)		10,441
Total assets	\$	1,135,009

LIABILITIES:

Accounts payable	\$	8,862
Regrants payable		30,794
Accrued expenses		11,947
Accrued retirement		13,316
Accrued leave		39,304
Capital lease obligation		5,326
Total liabilities		109,549

NET ASSETS:

Without donor restrictions		890,110
With donor restrictions		135,350
Total net assets		1,025,460
Total liabilities and net assets	\$	1,135,009

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED OCTOBER 31, 2022**

	Without Donor	With Donor Restrictions	Total
<b>REVENUES AND PUBLIC SUPPORT:</b>			
Grants:			
National Endowment for the Humanities	\$ -	\$ 915,509	\$ 915,509
Other	-	27,000	27,000
Contributions	104,853	650	105,503
Investment return, net	(72,906)	-	(72,906)
Total revenues and public support	31,947	943,159	975,106
Net assets released from program restrictions	982,757	(982,757)	-
	<u>1,014,704</u>	<u>(39,598)</u>	<u>975,106</u>
<b>EXPENSES:</b>			
Humanities support	807,538	-	807,538
Management and general	148,996	-	148,996
Fundraising	54,299	-	54,299
Total expenses	<u>1,010,833</u>	<u>-</u>	<u>1,010,833</u>
<b>CHANGE IN NET ASSETS</b>	3,871	(39,598)	(35,727)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>886,239</u>	<u>174,948</u>	<u>1,061,187</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 890,110</u>	<u>\$ 135,350</u>	<u>\$ 1,025,460</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, 2022**

	Humanities Support	Management and General	Fund- Raising	Total
Salaries and benefits	\$ 270,965	\$ 48,467	\$ 7,246	\$ 326,678
Regrants	239,031	-	-	239,031
Council conducted program	163,007	-	-	163,007
Professional fees	65,453	45,918	42,687	154,058
Rent and utilities	30,965	5,539	828	37,332
Dues and subscriptions	12,193	7,677	-	19,870
Committee expenses	-	19,321	-	19,321
Travel	799	8,946	-	9,745
Telephone and internet	7,303	1,306	557	9,166
Printing and publications	7,555	444	889	8,888
Bank charges / miscellaneous	-	4,765	492	5,257
Office supplies	3,235	808	1,203	5,246
Depreciation and amortization	3,623	906	-	4,529
Insurance	-	4,097	-	4,097
Postage	2,375	140	279	2,794
Equipment maintenance	1,004	59	118	1,181
Interest expense	-	289	-	289
Advertising	30	149	-	179
Auction pay	-	165	-	165
<b>Total</b>	<b>\$ 807,538</b>	<b>\$ 148,996</b>	<b>\$ 54,299</b>	<b>\$ 1,010,833</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS



**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED OCTOBER 31, 2022**

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CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (35,727)
Adjustment to reconcile change in net assets to net cash provided by/(used in) operating activities:	
Depreciation and amortization	4,529
Unrealized losses	78,112
Change in operating assets and liabilities:	
Prepaid expenses	(137)
Pledges receivable	(1,000)
Grant receivable	(14,398)
Accounts payable	(10,119)
Regrants payable	(2,887)
ARP grants payable	(256,872)
Accrued expenses	10,882
Accrued retirement	1,687
Accrued leave	(3,542)
Net cash provided by/(used in) operating activities	(229,472)

CASH FLOWS FROM INVESTING ACTIVITIES:

Net reinvestment in certificates of deposit	(1,375)
Net reinvestment in marketable securities	(49,395)
Net cash used in investing activities	(50,770)

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on capital lease	(1,720)
Net cash used in financing activities	(1,720)

NET CHANGE IN CASH (281,962)

CASH AT BEGINNING OF YEAR 622,941

CASH AT END OF YEAR \$ 340,979

INTEREST PAID ON CAPITAL LEASE \$ 289

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, 2022**

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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 January 5, 2023, 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, 2022**

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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, 2022.

*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, 2022**

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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:*

The Organization's policy is to capitalize furniture and equipment over \$1,000. 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.

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED OCTOBER 31, 2022**

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

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, 2022, 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 2019.

*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.

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED OCTOBER 31, 2022**

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

- Fundraising expenses include direct and indirect activities undertaken to solicit contributions from donors.

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 and fundraising; 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 and fundraising; remaining to management and general
Advertising	Direct costs to programs; remaining to management and general
Bank charges/ miscellaneous	Direct cost to programs and fundraising; 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, 2022**

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

*Recently issued accounting pronouncements:*

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.

NOTE 2 – CONCENTRATION OF CREDIT RISK:

At October 31, 2022, 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, 2022, such support totaled \$915,509 or 94% of total revenues and support.

NOTE 3 – AVAILABILITY AND LIQUIDITY:

The following represents the Organization’s financial assets and liabilities at October 31, 2022:

Financial Assets at Year-End:	<b>2022</b>
Cash	\$ 340,979
Certificates of deposit	194,823
Marketable securities	534,742
Grants receivable	50,148
Pledges receivable	1,000
Total Financial Assets	<u>1,121,692</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	135,350
Less: net assets with purpose restrictions to be met in less than a year	-
	<u>(135,350)</u>
Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 986,342</u>

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED OCTOBER 31, 2022**

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NOTE 3 – AVAILABILITY AND LIQUIDITY (CONTINUED):

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, 2022, this amount is equal to approximately \$493,000. 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. 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

Grants receivable is made up of the following as of October 31, 2022:

NEH American Rescue Plan funding	\$ 4,171
NEH State Humanities Program funding	<u>45,977</u>
Investment return, net	<u><u>\$ 50,148</u></u>



**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED OCTOBER 31, 2022**

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NOTE 5 – INVESTMENTS:

Investment return, net is made up of the following as of October 31, 2022:

Interest and dividend income	\$ 11,843
Realized and unrealized gains/(losses)	<u>(84,749)</u>
Investment return, net	<u>\$ (72,906)</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.

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.

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED OCTOBER 31, 2022**

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NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED):

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, 2022.

*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.

The following table sets forth by level, within the fair value hierarchy, the Organization’s financial assets as of October 31, 2022 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	\$ 194,823	\$ -	\$ 194,823	\$ -
Mutual funds	527,640	527,640	-	-
Money market reserves	7,102	7,102	-	-
Total	\$ 729,565	\$ 534,742	\$ 194,823	\$ -

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. During the year ended October 31, 2022, the Organization’s contribution rate was 7% of the participants salary to the plan. Retirement expense for the year ended October 31, 2022 amounted to \$13,942.

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED OCTOBER 31, 2022**

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NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS:

Changes in net assets with donor restrictions were as follows:

	Balance <u>10/31/21</u>	<u>Revenues</u>	Net Assets Released from <u>Restrictions</u>	Balance <u>10/31/22</u>
NEH Programs	\$ -	\$ 915,509	\$ (915,509)	\$ -
Book Festival	54,040	-	-	54,040
South Carolina Encyclopedia Democracy & the Informed Citizen	81,310	-	-	81,310
Donnelley Foundation	26,598	-	(26,598)	-
Dominion – Voices and Votes	7,500	-	(7,500)	-
NATE	-	25,000	(25,000)	-
SCAC – Fast Track Literacy Grant	-	650	(650)	-
	5,500	2,000	(7,500)	-
	<u>\$ 174,948</u>	<u>\$ 943,159</u>	<u>\$ (982,757)</u>	<u>\$ 135,350</u>

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 2024. Under this lease, the Organization paid monthly rent of \$3,054 from November 2021 through March 2022 and \$3,099 from April 2022 to October 2022. The Organization is required to pay all insurance and other occupancy costs. Rent expense for the year ended October 31, 2022 totaled \$37,332.

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED OCTOBER 31, 2022**

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NOTE 10 – LEASE COMMITMENTS (CONTINUED):

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>	
2023	\$ 37,511
2024	<u>15,725</u>
Total	<u>\$ 53,236</u>

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, 2022 were \$1,720, and interest expense on the capital lease was \$289.

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

<u>Year ending October 31,</u>	
2023	\$ 1,801
2024	1,886
2025	<u>1,639</u>
Total	<u>\$ 5,326</u>

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED OCTOBER 31, 2022**

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NOTE 11 – EXPENDED AND AUTHORIZED NEH GRANT FUNDS:

The organization receives various grant awards under the NEH State Humanities Program. Every three years, a new operations grant is awarded. Currently, there are two General Operations grants that have been awarded with periods of performance that fall within the fiscal year ending October 31, 2022. In addition, supplemental grants (CARES, American Rescue Plan, and A More Perfect Union) are awarded periodically as needed. The periods of performance vary and are noted in the summary below which summarizes the activity related to the various funding awards. The amounts show include activity from the inception date of the performance period for each funding source through the fiscal year ended October 31, 2022.

	<b>General Operations SO-282962- 22 (11/1/21 – 10/31/26)</b>	<b>General Operations SO-263418- 19 (11/1/18 – 10/31/23)</b>	<b>CARES Act Supplemental Funding under SO- 263418-19 (5/1/20 – 10/31/21)</b>	<b>A More Perfect Union Supplemental Funding under SO-263418-19 (10/1/21 – 9/30/22)</b>	<b>American Rescue Plan Act Supplemental Funding ZSO- 283154-21 (6/15/21 – 4/30/23)</b>	<b>Total</b>
NEH Grant Award Notices	\$ 924,922	\$ 2,524,400	\$ 505,767	\$ 50,000	\$ 904,495	\$ 4,909,584
Drawdowns from NEH Grant	-	2,295,580	505,767	50,000	860,737	3,712,084
Unspent Grant Awards as of October 31, 2022	\$ 924,922	\$ 228,820	\$ -	\$ -	\$ 43,758	\$ 1,197,500
Grant Funds Expended During the fiscal year ended October 31, 2022	\$ -	\$ 861,338	\$ -	\$ 50,000	\$ 4,171	\$ 915,509

**SUPPLEMENTARY INFORMATION**

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED OCTOBER 31, 2022**

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<u>Federal Grantor/ Pass-Through Grantor Program of Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES:			
Promotion of the Humanities: Federal/State Partnership	45.129	\$ 222,225	\$ 911,338
COVID-19 - Promotion of the Humanities: Federal/State Partnership	45.129	-	4,171
Total		\$ 222,225	\$ 915,509

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, 2022**

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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, 2022. 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 \$222,225 in federal awards to subrecipients from its State Humanities Program award (Federal Assistance Listing #45.129).



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, 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") (a nonprofit organization), which comprise the statement of financial position as of October 31, 2022, 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 January 5, 2023.

**Report on 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) as a basis for designing 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 entity'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.

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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 financial statements. 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.

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BURKETT BURKETT & BURKETT  
Certified Public Accountants, P.A.  
West Columbia, South Carolina  
January 16, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR A FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

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

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

***Opinion on 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 identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on *Promotion of the Humanities: Federal/State Partnership* for the year ended October 31, 2022. The Organization's major federal program is also identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, 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* for the year ended October 31, 2022.

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

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for *Promotion of the Humanities: Federal/State Partnership*. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

(Continued next page)

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirement referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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Certified Public Accountants, P.A.

West Columbia, South Carolina

January 16, 2023

**SOUTH CAROLINA HUMANITIES COUNCIL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED OCTOBER 31, 2022**

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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?	None reported
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?	None reported
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:

Federal Assistance Listing:

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, 2022**

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