

SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED OCTOBER 31, 2018

SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR

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INDEPENDENT AUDITOR'S REPORT

South Carolina National Heritage Corridor
Belton, South Carolina

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of South Carolina National Heritage Corridor (a nonprofit organization), which comprise the statement of financial position as of October 31, 2018, 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 from 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.

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 National Heritage Corridor as of October 31, 2018, 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.

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Other Matters

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 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 January 26, 2021, on our consideration of South Carolina National Heritage Corridor'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 National Heritage Corridor'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 National Heritage Corridor's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "McGregor & Company, LLP".

Columbia, South Carolina

January 26, 2021

**SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
STATEMENT OF FINANCIAL POSITION
OCTOBER 31 2018**

Assets

Current Assets

Cash and Cash Equivalents	\$ 57,770
Non Grants Receivable	1,050
Grants Receivable	38,530
Prepaid Expenses	<u>2,214</u>

Total Current Assets	\$ 99,564
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Capital Assets

Office Equipment, Net of Accumulated Depreciation	<u>5,402</u>
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Total Assets	<u>\$ 104,966</u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 620
Sales Taxes Payable	121
Federal Withholding Taxes	3,989
State Withholding Taxes	2,350
Insurance and Retirement Withholdings	125
Accrued Payroll	11,022
Accrued Payroll Taxes	1,774
Deferred Advertising Revenue	<u>396</u>

Total Current Liabilities	<u>\$ 20,397</u>
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Net Assets

Unrestricted	<u>\$ 84,569</u>
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Total Net Assets	<u>\$ 84,569</u>
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Total Liabilities and Net Assets	<u>\$ 104,966</u>
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The accompanying notes are an integral part of these financial statements.

**SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2018**

	Unrestricted	Temporarily Restricted	Totals
Revenues and Other Support			
Contributions	\$ 11,399	\$ -	\$ 11,399
Federal Grants	-	1,178,717	1,178,717
State and Local Grants	-	11,840	11,840
Local Government Revenues	37,650	-	37,650
Program Service Fees	3,098	-	3,098
Advertising Revenue	171,602	-	171,602
Miscellaneous Income	14	-	14
Total Revenues and Other Support	\$ 223,763	\$ 1,190,557	\$ 1,414,320
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	1,190,557	(1,190,557)	-
Total Support, Revenues and Reclassifications	\$ 1,414,320	\$ -	\$ 1,414,320
Expenses			
Program Services			
Tourism Community Development	\$ 952,797	\$ -	\$ 952,797
Tourism Marketing	369,181	-	369,181
Supporting Services			
Management and General	82,731	-	82,731
Total Expenses	\$ 1,404,709	\$ -	\$ 1,404,709
Net Increase in Net Assets	\$ 9,611	\$ -	\$ 9,611
Net Assets, Beginning of Year	74,958	-	74,958
Net Assets, End of Year	\$ 84,569	\$ -	\$ 84,569

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

**SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2018**

	Program Services		Total Program Expenses	Supporting Services	Totals
	Tourism Community Development	Tourism Marketing		Management and General	
Grants	\$ 878,568	\$ -	\$ 878,568	\$ -	\$ 878,568
Salaries & Related Benefits	52,654	126,250	178,904	62,940	241,844
Payroll Taxes	3,698	9,657	13,355	4,503	17,858
Professional Services	738	25,360	26,098	175	26,273
Supplies	4,017	12,380	16,397	3,083	19,480
Telephone & Telecommunication	2,497	3,011	5,508	3,585	9,093
Postage, Shipping & Mailing Services	-	25,280	25,280	487	25,767
Printing & Copying	245	89,710	89,955	-	89,955
Advertising	171	22,939	23,110	-	23,110
Information Technology	40	-	40	712	752
Occupancy	444	1,769	2,213	3,000	5,213
Depreciation Expense	474	383	857	316	1,173
Liability Insurance	-	99	99	2,694	2,793
Travel	8,138	4,379	12,517	607	13,124
Conferences, Conventions, & Meetings	-	-	-	402	402
Membership & Dues	86	214	300	-	300
Staff Development	665	665	1,330	-	1,330
Bank Fees	105	758	863	152	1,015
Other Operating Expenses	-	262	262	75	337
Cooperative Marketing	-	20,361	20,361	-	20,361
Partnership Program Matching	-	16,320	16,320	-	16,320
Commissions	-	9,024	9,024	-	9,024
Other Program Expenses	257	360	617	-	617
Totals	\$ 952,797	\$ 369,181	\$ 1,321,978	\$ 82,731	\$ 1,404,709

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

**SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2018**

Cash Flows from Operating Activities

Net Increase in Net Assets	\$ 9,611
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:	
Depreciation Expense	1,173
Decrease in Grants and Other Receivables	82,340
Decrease in Prepaid Expenses	34,534
Decrease in Accounts and Sales Taxes Payable	(38,456)
Decrease in Accrued Payroll and Related Liabilities	(3,730)
Decrease in Deferred Advertising Revenues	<u>(79,173)</u>

Net Cash Provided by Operating Activities

\$ 6,299

Cash Flows from Investing Activities

Purchase of Office Equipment, at Cost	<u>\$ (2,802)</u>
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Net Cash Used in Investing Activities

\$ (2,802)

Net Increase in Cash and Cash Equivalents

\$ 3,497

Cash and Cash Equivalents, Beginning of Year

54,273

Cash and Cash Equivalents, End of Year

\$ 57,770

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

SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NATURE OF OPERATIONS

The South Carolina National Heritage Corridor (the "SCNHC") is a congressionally designated National Heritage Area of the National Park Service. Since 1996, SCNHC has been committed to preserving and promoting the natural, historic and cultural assets of a 17-county area of South Carolina. In response to the growing need for municipalities in South Carolina to have innovative and knowledgeable tourism development allies, SCNHC has expanded its services statewide. SCNHC's mission is accomplished through specialized technical assistance programs and grant programs to local communities. SCNHC's major programs include Environmental Education, Barbados-Carolina Connection, Paddle, SC, Community Branding/Marketing and the Southern Edge Magazine.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of South Carolina National Heritage Corridor have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables and other assets and liabilities.

Financial Statement Presentation

Accounting standards generally accepted in the United States require the presentation of information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions. These net assets, including Board designated, are legally unrestricted.

Temporarily Restricted Net Assets - Net assets subject to grant/donor-imposed restrictions that may or will be met either by actions of SCNHC and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that the principal or corpus be maintained permanently. South Carolina National Heritage Corridor does not have any permanently restricted net assets to report.

Cash and Cash Equivalents

For purposes of the statement of cash flows, SCNHC considers all cash in demand deposit accounts without restrictions and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants Receivable and Allowance for Credit Losses

Revenue reported during the year is affected by any unpaid grant awards under terms established for SCNHC's cost reimbursable grants. Grant receivables are recorded net of any allowance for credit losses. The allowance for credit losses, if recorded, is based on past experience, third-party contracts and other circumstances, which may adversely affect SCNHC's ability to collect the entire amount of the recorded grant receivable within a reasonable amount of time subsequent to year end. No allowance for credit losses is recorded in the accompanying financial statements as management considers all grant receivables fully collectible.

SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Office equipment is maintained on the basis of original cost if purchased and estimated fair value at the date of acquisition if acquired by donation, less an allowance for depreciation. Depreciation is computed using straight-line method over the estimated useful life of the office equipment established at five years. The cost of any assets that are retired or otherwise disposed of and the related allowance for depreciation are removed from the respective accounts. Gains or losses resulting from such dispositions are reflected in the statement of activities. SCNHC does not have a capitalization policy. Management has traditionally capitalized office equipment with an individual cost of \$1,000 or more and with an estimated service utility life of more than one year.

Donated Services

Donated services are recognized as other support if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be required to be purchased. SCNHC generally pays for services requiring specific expertise. Consequently, no amounts have been recognized in the financial statements for donated services since the recognition criteria have not been met.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could vary from estimates and assumptions used.

Fair Values of Financial Instruments

Fair value approximates the carrying values of each of the Corridor's financial instruments including cash and cash equivalents, grants and other receivables, accounts payable and other short term liabilities due to the short maturities and nature of these financial instruments.

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and are reported by their natural classification in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions received are measured at their fair values and are reported as increases in net assets. SCNHC reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated asset, 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Grants

Grant revenue increases temporarily restricted net assets when conditions for revenue recognition have been met. SCNHC recognizes grant revenues under a cost reimbursable method. Satisfaction of purpose restrictions imposed by terms and conditions of the grant awards are reported as net assets released from restrictions in temporarily restricted net assets.

SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

SCNHC is exempt from federal and state income tax under Section 501(c) (3) of the Internal Revenue Code. Management has evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of this guidance.

SCNHC is not currently undergoing examination of any previously filed tax returns; however, the returns filed for the most recent 3 years remain available for examination by taxing authorities. Management is not aware of any tax positions in the returns which have less than a 50% chance of being affirmed under examination.

NOTE 3 CAPITAL ASSETS

Capital assets consist of the following for the year ended October 31, 2018:

Office Equipment	\$ 17,469
Less: Accumulated Depreciation	<u>(12,067)</u>
Capital Assets, Net	<u>\$ 5,402</u>

Depreciation expense for the year ended October 31, 2018 was \$1,173.

NOTE 4 OFFICE SPACE RENTAL

The South Carolina National Health Corridor rents office space from the City of Belton in its City Hall Complex. The verbal agreement between SCNHC and the City requires monthly rental payments of \$250 to be remitted to the City. Total rental payments made to the City of Belton were \$3,000 for the year ended October 31, 2018. The terms and conditions of the agreement have not significantly changed from prior periods and the agreement is month to month.

NOTE 5 RETIREMENT PLAN

The South Carolina National Health Corridor sponsors a retirement plan named "SCNHC 403(B) Retirement Plan". Employees participating in the Plan can elect to self-direct retirement contributions deducted from gross compensation and SCNHC can match employee's contribution up to 3% as an employer match. For the year ended, SCNHC elected not to match any employee contribution to the Plan.

NOTE 6 CONTINGENCIES

The South Carolina National Health Corridor receives a significant amount of federal and state funding under continuing grant awards which account for over 84% of total revenues and support. The financial statements do not include any provision or liability for federal or state funds repayable which may be assessed for certain costs claimed for reimbursement and later determined as unallowable costs upon examination of the books and records of the Corridor by federal and or state government officials.

NOTE 7 SUBSEQUENT EVENTS

Management of the South Carolina National Heritage Corridor evaluated the effects subsequent events would have on the financial statements through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2018

Federal Grantor/Program Title	Federal CFDA Number	Award Number	Total Expenditures
DIRECT FUNDING			
U. S. DEPARTMENT OF THE INTERIOR			
National Park Service			
National Heritage Area Federal Financial Assistance	15.939	P14AC01773	<u>\$ 1,169,830</u>
Total CFDA No. 15.939			<u>\$ 1,169,830</u>
National Park Service Conservation, Protection, Outreach and Education	15.954	P16AC01838	<u>\$ 8,887</u>
Total CFDA No. 15.954			<u>\$ 8,887</u>
TOTAL U. S. DEPARTMENT OF THE INTERIOR			<u>\$ 1,178,717</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,178,717</u></u>

See Notes to Schedule of Expenditures of Federal Awards

SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Reporting Entity

The schedule of expenditures of federal awards (SEFA) includes the activity of all federal award programs administered by South Carolina National Heritage Corridor for the year ended October 31, 2018.

(B) Basis of Presentation

The SEFA presents total federal awards expended for each individual federal program in accordance with the 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*"). Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Some amounts presented in the SEFA may differ from amounts presented in, or used in, the preparation of the financial statements. Because the SEFA presents only a selected portion of the operations of the Corridor, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Corridor.

(C) Basis of Accounting

Some of the expenditures for each of the federal financial assistance programs presented in the SEFA are on a different basis of accounting from that used in the preparation of the South Carolina National Heritage Corridor's financial statements. The financial statements of South Carolina National Heritage Corridor are prepared using the full 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. The Corridor has elected not to use the 10-percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

NOTE 2 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying financial statements which are prepared using the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

South Carolina National Heritage Corridor
Belton, South Carolina

To the Board of Directors:

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 National Heritage Corridor (a nonprofit organization), which comprise the statement of financial position as of October 31, 2018, 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 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Carolina National Heritage Corridor'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 South Carolina National Heritage Corridor's internal control. Accordingly, we do not express an opinion on the effectiveness of South Carolina National Heritage Corridor'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Carolina National Heritage Corridor'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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003.

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South Carolina National Heritage Corridor's Responses to Findings

South Carolina National Heritage Corridor's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. South Carolina National Heritage Corridor's responses to the findings were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Corridor'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 Corridor's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "J. M. Gregor & Company, LLC".

Columbia, South Carolina
January 26, 2021

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

South Carolina National Heritage Corridor
Belton, South Carolina

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited South Carolina National Heritage Corridor's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Carolina National Heritage Corridor's major federal programs for the year ended October 31, 2018. South Carolina National Heritage Corridor's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Carolina National Heritage Corridor's major federal programs 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about South Carolina National Heritage Corridor'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 each major federal program. However, our audit does not provide a legal determination of South Carolina National Heritage Corridor's compliance.

Opinion on Each Major Federal Program

In our opinion, South Carolina National Heritage Corridor complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2018.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Uniform Guidance* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

South Carolina National Heritage Corridor's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. South Carolina National Heritage Corridor's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of South Carolina National Heritage Corridor 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 South Carolina National Heritage Corridor's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 South Carolina National Heritage Corridor's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003 that we consider to be significant deficiencies.

South Carolina National Heritage Corridor's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. South Carolina National Heritage Corridor's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.



Columbia, South Carolina
January 26, 2021

SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Independent Auditor's Report Issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Type of Independent Auditor's Report Issued on compliance for major programs:	Unmodified	
Audit findings that are required to be reported in accordance with Uniform Guidance Criteria?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of Major Federal Programs

CFDA Number	Name of Federal Program
15.939	National Heritage Area Federal Financial Assistance
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

Finding: 2018-001 – Preparation of Financial Statements in Accordance with GAAP

Condition: The Corridor's financial statements being audited were not prepared in accordance with accounting principles generally accepted in the United States of America. Various asset, liability, net asset, revenue and expense account balances contained misstatements in amounts reported during the year and at year end which were not prevented or detected and corrected on a timely basis. The uncorrected misstatements in several expense accounts also adversely affected the Corridor's ability to properly allocate costs by program or supporting services in appropriate amounts in the preparation of the statements of activities and functional expenses.

Criteria: The Corridor's management with the Board of Director's oversight, is responsible for the design and implementation of proper internal controls over financial reporting. This includes controls over the preparation and fair presentation of the Corridor's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in accordance with GAAP requires effective internal controls over (1) recording, processing, reconciling, and summarizing accounting data (i.e. maintaining reliable books and records throughout the year), (2) reporting accurate and complete financial information, including related disclosures at year end and (3) oversight, monitoring and review by management and those charged with governance during the year and during the year end closing process.

Cause: The following conditions were considered: (1) ineffective oversight and monitoring of the Corridor's financial reporting and internal control system by management and those charged with governance; (2) ineffective risk assessments and monitoring which are essential components of an effective internal control system; (3) limited personnel resources charged with duties and responsibilities at a level necessary to enable the timely processing, recording, reconciling and reporting of financial information consistent with the appropriate financial reporting framework; (4) lack of appropriate segregation of duties in the processing, recording and reporting of financial information; and (5) ineffective controls over the preparation of accurate reconciliations of liability, revenue and expense accounts, such as payroll expense and related payroll accrual and withholding account schedules or reports to the general ledger control accounts.

Effect: Significant adjustments were necessary to correct misstatements in various asset, liability, net asset, revenue and expense account balances and for errors made in the allocation of costs by appropriate expense functions after the year end close and before preparation of the Corridor's financial statements. The misstatements identified in various asset, liability, net asset, revenue and expense accounts and the improper allocations of costs by appropriate expense functions were not prevented, or detected and corrected, on a timely basis by management or those charged with governance.

Auditor's Recommendation: The Corridor's management and those charged with governance should design appropriate internal controls over the preparation of financial statements in accordance with U.S. GAAP. This includes properly designed and effective controls over significant accounts or processes, safeguarding of assets, risk assessments, monitoring and appropriate segregation of duties and responsibilities. All aspects of a transaction should not be performed by a single individual. The Corridor should develop policies and procedures specifically designed to eliminate or significantly reduce the severity of control deficiencies in areas identified which have been affected by inadequate, ineffective or the absence of proper internal controls necessary to prevent, or detect and correct misstatements, on a timely basis.

Auditee's Response: The Corridor's management agrees with the finding. The Corridor followed the same financial reporting methodology of the South Carolina Department of Parks, Recreation and Tourism which managed the Program prior to the Corridor's Board assuming management. The Corridor's management has included a corrective action plan addressing this finding which is described on page 20.

SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2018

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Significant Deficiency

Finding: 2018-002 – Unallowable Costs

U.S. Department of the Interior – National Park Service – National Heritage Area Federal Financial Assistance Program – CFDA #15.939

Condition: During the year ended October 31, 2018, the Corridor did not properly allocate the portion of unallowable payroll taxes including Social Security and Medicare taxes and other payroll related benefits to a non-federal cost center in the accounting system. The request for reimbursements during the year included unallowable payroll costs which were not allocated in the same percentages used for recovery of allowable salaries for purposes of federal drawdowns. The Corridor did not comply at all times with the cost principles under the 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”).

Criteria: The *Uniform Guidance* cost principles must be followed at all times in determining allowable costs of work performed by the non-federal entity under cost reimbursable federal awards. Costs submitted for reimbursement should be properly allocated based on percentages of costs allowable under the terms and conditions of the grant award.

Cause: Internal controls over the allocation of payroll related costs requested for reimbursement were not followed at all times during the year in preventing unallowable costs from being charged to the federal program. Controls in place were not effectively designed to detect and correct errors in account balances prior to federal drawdowns.

Effect: During the year 2018, the Corridor was reimbursed by the federal government for a portion of employer payroll taxes and related benefits which were not allocated properly between allowable and unallowable costs.

Questioned Costs: \$5,000

Auditor’s Recommendation: The Corridor should design and implement effective internal controls to prevent unallowable costs from being charged to a federal program. Internal controls should be strengthened to over costs subject to allocation between allowable and unallowable should be designed and followed at all times to ensure the proper recording and reporting of allowable costs and prevent unallowable costs to be charged to the federal program.

Auditee’s Response: The Corridor’s management agrees with the finding. The Corridor followed the same financial reporting methodology of the South Carolina Department of Parks, Recreation and Tourism which managed the Program prior to the Corridor’s Board assuming management. The Corridor’s management has included a corrective action plan addressing this finding which is described on page 21.

SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2018

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Significant Deficiency

Finding: 2018-003 – Reporting

U.S. Department of the Interior – National Park Service – National Heritage Area Federal Financial Assistance Program – CFDA #15.939

Condition: Management did not submit the audited financial statements and single audit reports, data collection form, and reporting package as of and for the year ended October 31, 2018, to the Federal Audit Clearinghouse within the required deadline.

Criteria: Federal single audit compliance requirements state that the audited financial statements and the data collection form must be submitted to the Federal Audit Clearinghouse the earlier of 30 days after receipt of the auditor's report or 9 months after the end of the fiscal year.

Cause: The Corridor's single audit was not completed until after the reporting deadline due to several delays which resulted in the late submittal of the entire reporting package to the Federal Audit Clearinghouse.

Effect: The Corridor is not in compliance with *Uniform Guidance* reporting requirements.

Auditor's Recommendation: The Corridor should implement proper procedures to ensure that the Corridor's financial statements and all federal grant information is accurate and complete within a reasonable time after the end of the year to allow for audit completion in a timely manner in order to submit all required reports to the Federal Audit Clearinghouse in accordance with the *Uniform Guidance* compliance requirements.

Auditee's Response: The Corridor's management agrees with the finding. The audit was delayed pending a reauthorization. The Corridor's management has included a corrective action plan addressing this finding which is described on page 22.



SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED OCTOBER 31, 2018

The South Carolina National Heritage Corridor respectfully submits the following corrective action plan for the year ended October 31, 2018 and the audit period November 1, 2017 through October 31, 2018. The findings from the schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule. Our response to these findings, including steps taken to correct the findings, are detailed below.

**Finding: 2018-001 – Preparation of Financial Statements in Accordance with GAAP
(Significant Deficiency)**

Name(s) of Contact Person(s) Responsible for Corrective Action: Michelle McCollum, President & CEO;
Yuka Greer, Director of Business Operations

Planned Corrective Actions: The Corridor will develop effective internal controls over financial reporting to assure that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. To ensure financial statements meet the internal control financial reporting objectives, additional training of personnel responsible for processing, recording and reporting financial information is planned. In addition, the Corridor plans to secure a qualified accounting service organization by June 30, 2021, for purposes of outsourcing the generation of internal financial information, with effective oversight, to ensure financial information is more accurately reported in accordance with U.S. GAAP throughout the year and at year end.



SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED OCTOBER 31, 2018

The South Carolina National Heritage Corridor respectfully submits the following corrective action plan for the year ended October 31, 2018 and the audit period November 1, 2017 through October 31, 2018. The findings from the schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule. Our response to these findings, including steps taken to correct the findings, are detailed below.

**Finding: 2018-002 – Unallowable Costs
(Significant Deficiency)**

Name(s) of Contact Person(s) Responsible for Corrective Action: Michelle McCollum, President & CEO;
Yuka Greer, Director of Business Operations

Planned Corrective Actions: The Corridor will design appropriate preventative and detection controls to ensure all costs charged to the federal program are allowable and generated from the accounting system used to report accurate and complete financial information in its financial statements in accordance with accounting principles generally accepted in the United States of America. The Corridor successfully designed and implemented effective internal controls over the processing, recording and reporting costs charged to the federal program during the year ended October 31, 2020.



SOUTH CAROLINA NATIONAL HERITAGE CORRIDOR

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED OCTOBER 31, 2018

The South Carolina National Heritage Corridor respectfully submits the following corrective action plan for the year ended October 31, 2018 and the audit period November 1, 2017 through October 31, 2018. The findings from the schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule. Our response to these findings, including steps taken to correct the findings, are detailed below.

**Finding: 2018-003 – Reporting
(Significant Deficiency)**

Name(s) of Contact Person(s) Responsible for Corrective Action: Michelle McCollum, President & CEO;
Yuka Greer, Director of Business Operations

Planned Corrective Actions: After the year ended October 31, 2018, the Corridor became aware of the requirement to have a single audit conducted since the expenditures of federal awards exceeded \$750,000 for the first time in recent years. Subsequent single audits, if required, will be completed in a timely manner to ensure future submission of the data collection form with the audited financial statements is in compliance with the Uniform Guidance reporting requirements.