NEW MEXICO
HUMANITIES COUNCIL
FINANCIAL STATEMENTS
OCTOBER 31, 2011 AND 2010

MACKIE, REID & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

NEW MEXICO HUMANITIES COUNCIL
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NEW MEXICO HUMANITIES COUNCIL

OFFICIAL ROSTER

OCTOBER 31, 2011

EXECUTIVE DIRECTOR

Craig L. Newbill

BOARD OF DIRECTORS

Dr. LaNelle Witt	Chair
Dr. Dwight T. Pitcaithley	Vice-Chair
Dr. Cynthia E. Orozco	Secretary
Ms. Nelda L. Smith	Treasurer
Mr. John F. Andrews, OBE	Director
Mr. Elmo Baca	Director
Mr. Ray Battaglini	Director
Ms. Diane Bird	Director
Mr. Terry Bumpass, MFA	Director
Dr. Charmazel Dudt	Director
Mr. Jose L. Guzman	Director
Dr. Tomas Jaehn	Director
Dr. Dennis O'Toole	Director
Mrs. Rita Powdrell	Director

MACKIE, REID &
COMPANY, PA

REPORT OF INDEPENDENT AUDITOR

Certified Public Accountants

To the Board of Directors of
New Mexico Humanities Council

We have audited the accompanying statements of financial position of New Mexico Humanities Council (a nonprofit organization) as of October 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Mexico Humanities Council as of October 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2012, on our consideration of New Mexico Humanities Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements of New Mexico Humanities Council taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mackie, Reid & Company

Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
January 30, 2012

4001 Indian School Road, NE, Suite 110 Albuquerque, New Mexico 87110 Telephone: 505-268-4335 FAX: 268-9332

NEW MEXICO HUMANITIES COUNCIL
STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 78,296	$ 118,859
Investments	113,362	110,635
Other receivable	-	1,800
Promises to give	318,170	301,060
Prepaid expenses	-	18,071
Total current assets	509,828	550,425
Property and equipment, net	8,587	11,558
Board designated endowment:		
Cash and cash equivalents	51,593	33,694
Investments	445,088	451,875
Total Board designated endowment	496,681	485,569
Total assets	$ 1,015,096	$ 1,047,552
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 8,310	$ 17,212
Regrants payable	28,978	44,365
Compensated absences	34,098	36,430
Total current liabilities	71,386	98,007
Net assets:		
Unrestricted:		
Undesignated	142,166	112,815
Board designated	496,681	485,569
Total unrestricted	638,847	598,384
Temporarily restricted	304,863	351,161
Total net assets	943,710	949,545
Total liabilities and net assets	$ 1,015,096	$ 1,047,552

See accompanying notes to financial statements.

NEW MEXICO HUMANITIES COUNCIL
STATEMENTS OF ACTIVITIES
YEARS ENDED OCTOBER 31, 2011 AND 2010

	2011	2010
Changes in unrestricted net assets:		
Support and revenue:		
State contracts	$ 161,878	$ 121,490
In-kind contributions	60,791	138,841
Contributions	9,563	10,231
Program fees	8,475	27,390
Other income	1,143	-
Investment income	16,613	11,004
Net realized and unrealized gains (losses) on investments	1,925	56,721
Total unrestricted revenue and support	260,388	365,677
Net assets released from restrictions		
Satisfaction of program and time restrictions	599,468	718,367
Total unrestricted support and revenue and net assets released from restrictions	859,856	1,084,044
Expenses:		
Program services:		
Council conducted programs	377,827	587,744
Regrants	233,555	172,531
Total program services	611,382	760,275
Support services:		
General and administrative	178,514	221,288
Fund raising	29,497	39,196
Total support services	208,011	260,484
Total expenses	819,393	1,020,759
Increase in unrestricted net assets	40,463	63,285
Changes in temporarily restricted net assets:		
Federal grant revenue	553,170	734,870
Other income	-	60
Contributions	-	3,100
Satisfaction of program and time restrictions	(599,468)	(718,367)
Increase (decrease) in temporarily restricted net assets	(46,298)	19,663
Increase (decrease) in net assets	(5,835)	82,948
Net assets, beginning of year	949,545	866,597
Net assets, end of year	$ 943,710	$ 949,545

See accompanying notes to financial statements.

NEW MEXICO HUMANITIES COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED OCTOBER 31, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED OCTOBER 31, 2010

	Council Conducted Programs	Regrants	Total Program Services	General and Administrative	Fund Raising	Total Support Services	Total 2011	Total 2010
Personnel costs:								
Salaries	$ 127,707	$ 33,904	$ 161,611	$ 107,667	$ 9,074	$ 116,741	$ 278,352	$ 287,394
Payroll taxes and workers compensation insurance	10,900	2,894	13,794	9,189	774	9,963	23,757	25,812
Employee benefits	10,885	2,890	13,775	9,177	773	9,950	23,725	29,055
Total personnel costs	149,492	39,688	189,180	126,033	10,621	136,654	325,834	342,261
Honoraria	45,475	-	45,475	-	-	-	45,475	146,725
Professional services	23,442	15,780	39,222	15,780	-	15,780	55,002	43,273
Travel	50,915	1,337	52,252	8,670	4,783	13,453	65,705	98,333
Regrants	-	164,325	164,325	-	-	-	164,325	107,112
Facility costs	26,558	2,935	29,493	9,322	786	10,108	39,601	61,649
Other program costs	54,966	-	54,966	-	-	-	54,966	132,772
Advertising	5,305	5,305	10,610	-	7,075	7,075	17,685	18,728
Fundraising	-	-	-	-	1,738	1,738	1,738	4,007
Office supplies	5,888	1,290	7,178	4,097	346	4,443	11,621	9,956
Depreciation	1,976	525	2,501	1,666	140	1,806	4,307	4,208
Dues	5,985	-	5,985	5,985	-	5,985	11,970	10,359
Printing	277	-	277	277	370	647	924	8,949
Telephone	2,057	546	2,603	1,734	146	1,880	4,483	5,372
Miscellaneous	2,227	591	2,818	1,877	158	2,035	4,853	3,182
Postage	853	853	1,706	-	1,138	1,138	2,844	3,793
Awards	1,225	-	1,225	-	-	-	1,225	3,535
Insurance	-	-	-	2,148	-	2,148	2,148	2,208
Lobbying	-	-	-	-	2,000	2,000	2,000	2,000
Education	1,097	291	1,388	925	78	1,003	2,391	2,387
Website	89	89	178	-	118	118	296	9,950
Total expenses	$ 377,827	$ 233,555	$ 611,382	$ 178,514	$ 29,497	$ 208,011	$ 819,393	$ 1,020,759

See accompanying notes to financial statements.

MACKIE, REID & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

NEW MEXICO HUMANITIES COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED OCTOBER 31, 2010

	Council Conducted Programs	Regrants	Total Program Services	General and Administrative	Fund Raising	Total Support Services	Total 2010
Personnel costs:							
Salaries	$ 105,675	$ 34,602	$ 140,277	$ 140,651	$ 6,466	$ 147,117	$ 287,394
Payroll taxes and workers compensation insurance	9,491	3,108	12,599	12,632	581	13,213	25,812
Employee benefits	10,684	3,498	14,182	14,219	654	14,873	29,055
Total personnel costs	125,850	41,208	167,058	167,502	7,701	175,203	342,261
Honoraria	146,725	-	146,725	-	-	-	146,725
Professional services	28,463	7,406	35,869	7,404	-	7,404	43,273
Travel	76,727	1,220	77,947	12,558	7,828	20,386	98,333
Regrants	-	107,112	107,112	-	-	-	107,112
Facility costs	46,569	2,872	49,441	11,672	536	12,208	61,649
Other program costs	132,772	-	132,772	-	-	-	132,772
Advertising	5,618	5,618	11,236	-	7,492	7,492	18,728
Fundraising	-	-	-	-	4,007	4,007	4,007
Office supplies	3,927	1,148	5,075	4,667	214	4,881	9,956
Depreciation	1,547	507	2,054	2,059	95	2,154	4,208
Dues	5,179	-	5,179	5,180	-	5,180	10,359
Printing	2,685	-	2,685	2,684	3,580	6,264	8,949
Telephone	1,975	647	2,622	2,629	121	2,750	5,372
Miscellaneous	1,171	383	1,554	1,557	71	1,628	3,182
Postage	1,138	1,138	2,276	-	1,517	1,517	3,793
Awards	3,535	-	3,535	-	-	-	3,535
Insurance	-	-	-	2,208	-	2,208	2,208
Lobbying	-	-	-	-	2,000	2,000	2,000
Education	878	287	1,165	1,168	54	1,222	2,387
Website	2,985	2,985	5,970	-	3,980	3,980	9,950
Total expenses	$ 587,744	$ 172,531	$ 760,275	$ 221,288	$ 39,196	$ 260,484	$ 1,020,759

See accompanying notes to financial statements.

MACKIE, REID & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

NEW MEXICO HUMANITIES COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (5,835)	$ 82,948
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,307	4,208
Net realized and unrealized (gains) losses on investments	(1,925)	(56,721)
(Increase) decrease in assets:		
Other receivable	1,800	(1,800)
Promises to give	(17,110)	119,750
Prepaid expenses	18,071	(16,301)
Increase (decrease) in liabilities:		
Accounts payable	(8,902)	530
Regrants payable	(15,387)	(54,680)
Compensated absences	(2,332)	(1,332)
Net cash (used) provided by operations	(27,313)	76,602
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,336)	(4,419)
Proceeds from maturities of certificates of deposit	-	42,000
Purchase of investments	(172,118)	(217,255)
Proceeds from sale of investments	178,103	99,673
Net cash provided (used) by investing activities	4,649	(80,001)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,664)	(3,399)
CASH AND CASH EQUIVALENTS:		
Beginning of year	152,553	155,952
End of year	$ 129,889	$ 152,553

See accompanying notes to financial statements.

1. ORGANIZATION AND NATURE OF ACTIVITIES

The New Mexico Humanities Council (NMHC), founded in 1972, is the designated humanities council for the State of New Mexico. NMHC's mission is to support and conduct innovative and imaginative programs throughout the state that lead to a greater understanding of, and motivate interest in, the richness of human experience and heritage. NMHC's support comes primarily from federal and state government agency grants.

NMHC seeks out and funds quality humanities programs for presentation to public audiences throughout the state through its regrants program, making grants for worthy projects and organizations. NMHC also conducts programs directly (council conducted programs), primarily Chautauqua programs which include approximately 80 presenters who offer approximately 120 programs on a variety of topics. NMHC also sponsors the annual National History Day statewide competition for mid and high school students and conducts workshops to help teachers prepare students for the competition. The competition is an opportunity for students to display their knowledge of history through a variety of vehicles and go on to national competition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

NMHC reports information regarding financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions: (1) unrestricted - representing resources that are available for use at NMHC management's discretion (2) temporarily restricted - representing resources whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of NMHC (3) permanently restricted - representing resources whose use by NMHC is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. NMHC has no permanently restricted net assets.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, NMHC considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash in excess of daily requirements may be invested with a brokerage firm in sweep funds, representing interest-bearing deposit accounts with a bank related to the brokerage firm and which are eligible for FDIC insurance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

NMHC has established a 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 three levels of fair value hierarchy are as follows. Level 1: unadjusted quoted prices for identical assets in active markets. Level 2: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; valuation methodology using other observable inputs or inputs derived from or corroborated by observable market data by correlation or other means. Level 3: valuation methodology using unobservable inputs.

This fair value measurement framework was used in valuing NMHC's significant financial instruments, including investments. For these financial instruments, carrying value is fair value using level 1 methodology. NMHC has no gains, losses, transfers or other transactions attributable to level 3 fair value measurements.

Promises to Give

Contributions, state contracts, and federal grant revenue are recognized when NMHC receives a promise to give that is, in substance, unconditional. Amounts that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are met in the same fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment

Property and equipment expenditures exceeding $500 are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from five to seven years.

Investments

NMHC does not have a formal investment policy that addresses investment interest rate risk and credit risk. Investments at October 31, 2011 and 2010 consist of exchange traded funds and mutual funds which invest in debt and equity securities. Investments are stated at fair value based on unadjusted quoted prices for identical assets in active markets.

Unrealized and realized gains and losses are included in the change in net assets as gain on investments. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Contributions

NMHC recognizes donated services that meet generally accepted accounting principle criteria for recognition, which are services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Such donations are recorded at their fair values in the period received. Donated non cash assets and donated facility use are recorded at their fair values in the period received.

Regrants

Regrants are recognized when NMHC's Board has approved the award and the recipient is notified.

Functional Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Information Underwriting

NMHC expenses underwriting costs as they are incurred. Underwriting expenses amounted to $17,685 and $18,728 during the years ended October 31, 2011 and 2010, respectively.

Income Taxes

NMHC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. NMHC believes that it has appropriate support for tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. NMHC's federal tax returns (Form 990) for 2008, 2009, and 2010 are subject to examination by the IRS.

3. PROMISES TO GIVE

At October 31, 2011 and 2010, promises to give consists of the unfunded balance of grants awarded to NMHC by the National Endowment for the Humanities. NMHC considers the amounts to be fully collectible and accordingly no allowance for doubtful accounts has been established.

4. INVESTMENTS

Investments are stated at fair value based on quoted prices in active markets (all Level 1 measurements) and are composed of the following as of October 31, 2011 and 2010:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	$ 321,565	$ 340,993	$ 337,501	$ 362,102
Exchange traded funds	190,648	217,457	171,196	200,408
	$ 512,213	$ 558,450	$ 508,697	$ 562,510

4. INVESTMENTS (continued)

During the year ended October 31, 2011 NMHC recognized realized net gains on the sale of investments of $9,501 and net unrealized losses of $7,576. During the year ended October 31, 2010 NMHC recognized realized net gains on the sale of investments of $8,762 and net unrealized gains of $47,959.

5. PROPERTY AND EQUIPMENT

Property and equipment at October 31, is summarized as follows:

	2011	2010
Furniture and equipment	$ 7,688	$ 7,688
Leasehold improvements	2,207	2,207
Computer equipment and software	60,822	59,486
	70,717	69,381
Less accumulated depreciation	(62,130)	(57,823)
Net property and equipment	$ 8,587	$ 11,558

6. COMPENSATED ABSENCES

All eligible employees are entitled to accumulate paid time off which is payable to the employee upon termination of employment, subject to a maximum of 45 days. Full time employees earn paid time off at the rate of 20 days per year during the first year of employment, 25 days per year during the second year of employment and 30 days per year during the third and subsequent years of employment. The maximum paid time off that an employee may carryover to a subsequent year is 30 days. Compensated absences are computed at current pay rates.

7. NET ASSETS

Designation of Unrestricted Net Assets

As of October 31, 2011 and 2010, respectively, the Board of Directors has designated $496,681 and $485,569 of unrestricted net assets as a quasi-endowment fund. Fund balances in excess of $250,000 may be withdrawn to encourage public understanding, appreciation and application of the humanities by providing additional financing for specific projects and activities.

The fund was established to increase the principal of the fund by transferring at least 20% of NMHC's unrestricted contributions each year and reinvesting income earned by the fund. During the years ended October 31, 2011 and 2010, pursuant to Board action, no transfer of monies were made to the fund.

Activity of the fund is summarized as follows:

	2011	2010
Board designated investments, beginning of year	$ 485,569	$ 427,155
Net investment income	9,565	5,758
Realized gain	7,633	8,119
Unrealized gain (loss)	(6,086)	44,537
Total change	11,112	58,414
Board designated investments, end of year	$ 496,681	$ 485,569

7. NET ASSETS (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the unexpended portion of grants provided to NMHC by the National Endowment for the Humanities in an amount of $304,863 as of October 31, 2011 and $351,161 as of October 31, 2010. These funds are restricted to operating purposes and had not yet been expended as of October 31, 2011 and 2010, respectively.

8. BENEFIT PLANS

NMHC has a flexible spending benefit plan whereby employees may designate up to 16.75% of their annual salary toward various benefit options. Benefits available include payment of medical insurance premiums, out-of-pocket medical costs and dependent care costs, and contribution to a 401(k) retirement savings plan.

All employees are eligible to participate in NMHC's 401(k) retirement savings plan by making elective contributions to the plan. Employees are eligible on the first entry date after their hire. There are no age or service requirements. NMHC may elect to match employee contributions to the Plan to a maximum of 7.5% of the employee's annual salary. NMHC may also elect to make an additional discretionary contribution to the Plan. For the years ended October 31, 2011 and 2010, NMHC made matching contributions of $17,761 and $19,279, respectively, to the plan.

9. GOVERNMENT GRANTS AND CONTRACTS

NMHC receives substantially all of its funding from federal and state government agencies consisting of the following:

NMHC has been awarded professional service contracts by the state of New Mexico Department of Cultural Affairs to arrange public presentations on historical topics and individuals for both adult audiences and groups of school age children and to sponsor a National History Day competition for students in grades 6 through 12.

NMHC has been awarded annual general support grants by the National Endowment for the Humanities (NEH) through the State Humanities Program Federal/State Partnership to provide, encourage and support the humanities by seeking out and funding humanities programs to be made available to the general public in the State of New Mexico. Each grant awarded is for a five year period with funds awarded for three years and two additional years to close the grant. Any funds not spent within 90 days after the end of the five years must be returned. The grants allow advance billings by NMHC to NEH.

As of October 31, 2011, NMHC has one open grant which is in its fourth year and one open grant which is in its first year. Amounts unfunded, under the first year grant, amount to $318,170 at October 31, 2011. No amounts are unfunded under the fourth year grant. Unfunded amounts are included in promises to give in the accompanying statements of financial position. The grants require NMHC to match all federal funds expended with either cash or in-kind expenditures, including cash and in-kind matches reported by recipients of regrants awarded by NHMC.

9. GOVERNMENT GRANTS AND CONTRACTS (continued)

A summary of NMHC's matching of federal dollars received under the NEH Federal/State Partnership grant for the years ended October 31, 2011 and 2010 is as follows:

	2011	2010
Matching:		
Cash expenditures of non-federal funds	$ 100,488	$ 121,335
In-kind expenditures	118,883	180,836
Matching expenditures reported by regrantees	417,990	205,881
Total cash and in-kind expenditures	$ 637,361	$ 508,052
Total Federal expenditures requiring match	$ 543,501	$ 745,070

Cumulative match as of October 31, 2011 exceeds cumulative federal expenditures requiring match.

NMHC has obligated portions of these awards to regrantees. As of October 31, 2011 and 2010 those obligations for future cash outlays by NMHC were $26,837 and $43,765, respectively, all of which are payable within one year.

NMHC has been awarded annual grants from the NEH under its "We the People" initiative for funding projects related to Unites States history. Each grant is awarded for an eighteen month period. As of October 31, 2011, there are two open grants with no unfunded amounts.

NMHC has obligated portions of these awards to regrantees. As of October 31, 2011 and 2010 those obligations for future cash outlays by NMHC were $2,141 and $600, respectively, all of which are payable within one year.

10. IN-KIND CONTRIBUTIONS

During the years ended October 31, 2011 and 2010, respectively, NMHC recorded the following in kind contributions:

	2011		
	Program Services	Support Services	Total
Services	$ 26,250	$ -	$ 26,250
Use of Facilities	26,555	7,986	34,541
	$ 52,805	$ 7,986	$ 60,791

	2010		
	Program Services	Support Services	Total
Services	$ 82,000	$ -	$ 82,000
Use of Facilities	47,094	9,747	56,841
	$ 129,094	$ 9,747	$ 138,841

11. COMMITMENTS

In August 2009, NMHC entered into a contract for services in the amount of $20,000 to help offset production costs for the publication of Pete Eidenbach's Atlas of New Mexico. During the years ending October 31, 2011 and 2010, no amounts were expended under the contract. As of October 31, 2011, $20,000 remains due under the contract.

12. SUBSEQUENT EVENTS

On December 20, 2011, NMHC purchased an office building located at 4115 Silver Ave. SE in Albuquerque, NM. NMHC used investments (including board designated amounts) to fund the contract sales price of $290,000. NMHC is in the process of upgrading the purchased building with anticipated costs of $100,000. Subsequent to October 31, 2011, investments have experienced a decline in fair market value. As of December 31, 2011, investments have declined by approximately 3.6% or $20,000.

NMHC has evaluated subsequent events through January 30, 2012, the date which financial statements were available to be issued.

NEW MEXICO HUMANITIES COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
National Endowment for the Humanities		
Direct Programs:		
Promotion of the Humanities – Federal/State Partnership	45.129	$ 543,501
Promotion of the Humanities – We The People	45.168	58,057
Total		$ 601,558

Notes to Schedule of Federal Awards

BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of New Mexico Humanities Council and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

MACKIE, REID &
COMPANY, PA

Certified Public Accountants

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
New Mexico Humanities Council

We have audited the financial statements of New Mexico Humanities Council (a nonprofit organization) as of and for the year ended October 31, 2011, and have issued our report thereon dated January 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be a significant deficiencies.

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. We consider the deficiency 11-1, described in the accompanying schedule of findings and questioned costs, to be a material weakness.

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. We consider deficiencies 11-2 and 11-3, described in the accompany schedule of findings and questioned costs, to be significant deficiencies.

4001 Indian School Road, NE, Suite 110 Albuquerque, New Mexico 87110 Telephone: 505-268-4335 FAX: 268-9332

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Council's management in a separate letter dated January 30, 2012.

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Council's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mackie, Reid & Company

Mackie, Reid & Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
January 30, 2012

MACKIE, REID &
COMPANY, PA

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
New Mexico Humanities Council

Compliance

We have audited New Mexico Humanities Council's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on New Mexico Humanities Council's major federal program for the year ended October 31, 2011. New Mexico Humanities Council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the New Mexico Humanities Council's management. Our responsibility is to express an opinion on New Mexico Humanities Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Mexico Humanities Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, New Mexico Humanities Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended October 31, 2011.

Internal Control Over Compliance

Management of New Mexico Humanities Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered New Mexico Humanities Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Mexico Humanities Council's internal control over compliance.

4001 Indian School Road, NE, Suite 110 Albuquerque, New Mexico 87110 Telephone: 505-268-4335 FAX: 268-9332

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-4 and 11-5. 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.

The Council's responses to the findings identified in our audit are described in accompanying schedule of findings and questioned costs. We did not audit the Council's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mackie, Reid & Company

Mackie, Reid and Company, P.A.
Certified Public Accountants

Albuquerque, New Mexico
January 30, 2012

NEW MEXICO HUMANITIES COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_X_ yes	_____ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_X_ yes	_____ no
Noncompliance material to financial statements noted?	____ yes	_X_ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	____ yes	_X_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_X_ yes	_____ no
Type of auditor's report issued on compliance for major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_X_ yes	____ no

Identification of major programs:

CFDA Number	Name of Federal Program	Funding Source
45.129	Promotion of the Humanities - Federal/State Partnership	National Endowment for the Humanities

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	_X_ yes	_____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

Prior Year Findings

None

Current Year Findings

11-1 Cash Management
11-2 401(k) Payments
11-3 General Ledger Coding

Current Year Findings

11-1/Cash Management

Criteria

Under the requirements of the OMB Compliance Supplement, the recipient of federal funds must minimize the amount of time elapsing between the receipt of federal fund advances and disbursement of said funds.

Condition

The Council's advances under a non-major program within two separate grants exceeded the amount of expenditures recorded under those grants. The money advanced was used to pay for expenditures under a major program.

Effect

The Council has not fully complied with the requirements relating to federal cash management principles.

Cause

The practice of evaluating cash advance requirements against cash disbursements and current obligations for these two grants had been overlooked due to employee turnover in the finance office.

Recommendation

The Council should again maintain appropriate records regarding grant status so as only to draw grant monies needed and which will be disbursed in a timely fashion.

Response

The Council agrees with the finding and recommendation of the auditor. During fiscal year ending October 31, NMHC terminated its Finance Officer, employed a second Financial Officer who resigned after one month and then used a part time contractor and an existing program manager to oversee the accounting function for three months prior to contracting with a local CPA in July to provide these services. In addition, the terminated Finance Officer ended the relationship with a local CPA firm that provided bookkeeping and reconciliation services for the Council at the end of the prior fiscal year. The instability of the Finance position did not allow the Council to have proper control with relationship to Grant advances and disbursements of funds on a program by program basis. Under the direction of the new Finance Officer controls are being established to monitor Grant status on a monthly basis.

Current Year Findings

11-2/401(k) Payments

Criteria

The Department of Labor (DOL) requires an employer to segregate employee contributions from its general assets as soon as practicable, but in no event more than 15 business days following the end of the month in which amounts are contributed by employees or withheld from their wages. Failure of the plan sponsor to remit employee contributions to the plan in accordance with DOL regulations constitutes a prohibited (non-exempt) transaction.

Condition

Six months of employee 401(k) contributions were not remitted within 15 days of being withheld.

Effect

NMHC could be subject to a penalty for late remittance of employee contributions.

Cause

Remittances to the 401(k) plan administrator were not timely prepared and had been overlooked due to employee turnover in the finance office.

Recommendation

Monthly payments to 401(k) plan administrator should be prepared in conjunction with each pay period payroll process.

Response

The Council agrees with the finding and recommendation of the auditor. Currently 401(k) contributions are being made within 7 business days following the end of the payroll period.

Current Year Findings

11-3/General Ledger Coding

Criteria

According to the financial management standards in the general terms and conditions for general support grants to state humanities councils published by the National Endowment for the Humanities, councils must maintain records that adequately identify the source and application of funds provided for financially-assisted activities. Proper coding of revenue and expenses facilitates program tracking and comparisons with expectations and prior results.

Condition

We reviewed revenues and expenses for various programs and funding sources and noted that some items were coded to an incorrect program or funding source.

Effect

Reclassifying entries were made during the audit process to address these coding errors. Some of these reclassifying entries were between programs, some of which were completed in prior years, while others were between expense categories.

Cause

Emphasis has not been placed on monitoring program status and general ledger coding as turnover occurred in the financial officer position.

Recommendation

We recommend that NMHC review program status and general ledger coding on a timely basis for accuracy.

Response

The Council agrees with the finding and recommendation of the auditor. A new general ledger has been implemented and operating since the start of the current fiscal year. The new system has been simplified and will allow for more efficient management of program status and review for possible coding errors.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Prior Year Findings

None

Current Year Findings

11-4 Grant Status Management
11-5 Regrant Ledger

Current Year Findings

CFDA Title/Number: Promotion of the Humanities – Federal/State Partnership, CFDA #45.129 — Questioned Cost N/A
Federal Award Number/Year: SO-50264-08 11/1/07-10/31/12
SO-50433-11 11/1/10-10/31/15
Federal Agency: National Endowment for the Humanities

11-4/Grant Status Management

Criteria

According to the financial management standards in the general terms and conditions for general support grants to state humanities councils published by the National Endowment for the Humanities, councils must maintain records that adequately identify the source and application of funds provided for financially-assisted activities. These records help ensure the recipient of federal funds minimizes the amount of time between the receipt of federal fund advances and the expenditure of said funds.

Condition

During the current year, timely reviews of cumulative grant expenditures were not performed according to funding source.

Effect

The Council may not have fully complied with the requirements relating to cash management principals. Grant advances were available for grant expenditures previously made.

Cause

Finance department turnover created gaps in the review and analysis process of expenditures and advances for federal funds.

Recommendation

The Council should reestablish a system that internally tracks the status of each grant including how much money has been advanced, how much has been expended and how much is needed in order to insure that all federal monies received are expended timely and within the grant period.

Response

The Council agrees with the finding and recommendation of the auditor. A monthly review process is being implemented by the Council to allow for analysis of each program.

Current Year Findings

CFDA Title/Number: Promotion of the Humanities – Federal/State Partnership CFDA #45.129 — Questioned Cost N/A
Federal Award Number/Year: SO-50264-08 11/1/07-10/31/12
SO-50433-11 11/1/10-10/31/15
Federal Agency: National Endowment for the Humanities

11-5/Regrant Ledger

Criteria

According to the financial management standards in the general terms and conditions for general support grants to state humanities councils published by the National Endowment for the Humanities, councils must maintain a subsidiary ledger in which each regrant is listed separately and which contains the date of the award, the amount of gifts received, the amount of outright and matching funds awarded, the beginning and ending dates of the regrant period, the payments made, the net balance to be paid, and the cost sharing reported by the regrantee.

Condition

The practice of maintaining a complete regrant ledger was lost during the current year.

Effect

The Council may not have fully complied with the requirements relating to financial management.

Cause

Regrant ledger tracking was not maintained during a period of personnel turnover.

Recommendation

The Council should reestablish the practice of maintaining a subsidiary regrant ledger including the date of the award, the amount of gifts received, the amount of outright and matching funds awarded, the beginning and ending dates of the regrant period, the payments made, the net balance to be paid, and the cost sharing reported by the regrantee.

Response

The Council agrees with the finding and recommendation of the auditor. The Council is currently maintaining a Regrant subledger that agrees with the General Ledger.

NEW MEXICO HUMANITIES COUNCIL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED OCTOBER 31, 2011

Prior Year Audit Findings

No prior year audit findings.

NEW MEXICO HUMANITIES COUNCIL
CORRECTIVE ACTION PLAN
YEAR ENDED OCTOBER 31, 2011

Current Corrective Action Plan

DA: March 20, 2012

TO: National Endowment for the Humanities

FR: Craig L. Newbill, Executive Director

The New Mexico Humanities Council respectfully submits the following corrective action plans for the year ended October 31, 2011. The auditing firm was:

Mackie, Reid & Company, P.A.
Certified Public Accountants
4001 Indian School Road, NE, Suite 110
Albuquerque, NM 87110
Phone: 505-268-4335

The audit period was November 1, 2010 through October 31, 2011. The findings are from the audit dated January 30, 2012.

11-1/Cash Management

Criteria

Under the requirements of the OMB Compliance Supplement, the recipient of federal funds must minimize the amount of time elapsing between the receipt of federal fund advances and disbursement of said funds.

Condition

The Council's advances under a non-major program within two separate grants exceeded the amount of expenditures recorded under those grants. The money advanced was used to pay for expenditures under a major program.

Effect

The Council has not fully complied with the requirements relating to federal cash management principles.

Cause

The practice of evaluating cash advance requirements against cash disbursements and current obligations for these two grants had been overlooked due to employee turnover in the finance office.

Recommendation

The Council should again maintain appropriate records regarding grant status so as only to draw grant monies needed and which will be disbursed in a timely fashion.

Response

The Council agrees with the finding and recommendation of the auditor. During fiscal year ending October 31, NMHC terminated its Finance Officer, employed a second Financial Officer who resigned after one month and then used a part time contractor and an existing program manager to oversee the accounting function for three months prior to contracting with a local CPA in July to provide these services. In addition, the terminated Finance Officer ended the relationship with a local CPA firm that provided bookkeeping and reconciliation services for the Council at the end of the prior fiscal year. The instability of the Finance position did not allow the Council to have proper control with relationship to Grant advances and disbursements of funds on a program by program basis. Under the direction of the new Finance Officer controls are being established to monitor Grant status on a monthly basis.

Corrective Action Planned

The Council has reinstated the practice of evaluating cash requirements against projected cash disbursements and current obligations. On a monthly basis a cash requirements report by program is prepared by the Finance Officer and reviewed by the Executive Director.

11-2/401(k) Payments

Criteria

The Department of Labor (DOL) requires an employer to segregate employee contributions from its general assets as soon as practicable, but in no event more than 15 business days following the end of the month in which amounts are contributed by employees or withheld from their wages. Failure of the plan sponsor to remit employee contributions to the plan in accordance with DOL regulations constitutes a prohibited (non-exempt) transaction.

Condition

Six months of employee 401(k) contributions were not remitted within 15 days of being withheld.

Effect

NMHC could be subject to a penalty for late remittance of employee contributions.

Cause

Remittances to the 401(k) plan administrator were not timely prepared and had been overlooked due to employee turnover in the finance office.

Recommendation

Monthly payments to 401(k) plan administrator should be prepared in conjunction with each pay period payroll process.

Response

The Council agrees with the finding and recommendation of the auditor. Currently 401(k) contributions are being made within 7 business days following the end of the payroll period.

Corrective Action Planned

The Council is making the 401(k) contributions within seven business days following the end of the payroll period.

11-3/General Ledger Coding

Criteria

According to the financial management standards in the general terms and conditions for general support grants to state humanities councils published by the National Endowment for the Humanities, councils must maintain records that adequately identify the source and application of funds provided for financially-assisted activities. Proper coding of revenue and expenses facilitates program tracking and comparisons with expectations and prior results.

Condition

We reviewed revenues and expenses for various programs and funding sources and noted that some items were coded to an incorrect program or funding source.

Effect

Reclassifying entries were made during the audit process to address these coding errors. Some of these reclassifying entries were between programs, some of which were completed in prior years, while others were between expense categories.

Cause

Emphasis has not been placed on monitoring program status and general ledger coding as turnover occurred in the financial officer position.

Recommendation

We recommend that NMHC review program status and general ledger coding on a timely basis for accuracy.

Response

The Council agrees with the finding and recommendation of the auditor. A new general ledger has been implemented and operating since the start of the current fiscal year. The new system has been simplified and will allow for more efficient management of program status and review for possible coding errors.

Corrective Action Planned

The Council has adopted a new General Ledger System along with a revised and simplified chart of accounts has been implemented effective the first day of the current Fiscal Year. This new chart of accounts will better lend itself to the review and monitoring of the proper coding of revenue and expense items.

CFDA Title/Number: Promotion of the Humanities – Federal/State Partnership, CFDA #45.129 — Questioned Cost N/A
Federal Award Number/Year: SO-50264-08 11/1/07-10/31/12
SO-50433-11 11/1/10-10/31/15
Federal Agency: National Endowment for the Humanities

11-4/Grant Status Management

Criteria

According to the financial management standards in the general terms and conditions for general support grants to state humanities councils published by the National Endowment for the Humanities, councils must maintain records that adequately identify the source and application of funds provided for financially-assisted activities. These records help ensure the recipient of federal funds minimizes the amount of time between the receipt of federal fund advances and the expenditure of said funds.

Condition

During the current year, timely reviews of cumulative grant expenditures were not performed according to funding source.

Effect

The Council may not have fully complied with the requirements relating to cash management principals. Grant advances were available for grant expenditures previously made.

Cause

Finance department turnover created gaps in the review and analysis process of expenditures and advances for federal funds.

Recommendation

The Council should reestablish a system that internally tracks the status of each grant including how much money has been advanced, how much has been expended and how much is needed in order to insure that all federal monies received are expended timely and within the grant period.

Response

The Council agrees with the finding and recommendation of the auditor. A monthly review process is being implemented by the Council to allow for analysis of each program.

Corrective Action Planned
The Council is in the process of establishing a reporting system that tracks the status of each grant. This process is expected to be in place no later than May 1, 2012.

CFDA Title/Number: Promotion of the Humanities – Federal/State Partnership CFDA #45.129 — Questioned Cost N/A
Federal Award Number/Year: SO-50264-08 11/1/07-10/31/12
SO-50433-11 11/1/10-10/31/15
Federal Agency: National Endowment for the Humanities

11-5/Regrant Ledger

Criteria

According to the financial management standards in the general terms and conditions for general support grants to state humanities councils published by the National Endowment for the Humanities, councils must maintain a subsidiary ledger in which each regrant is listed separately and which contains the date of the award, the amount of gifts received, the amount of outright and matching funds awarded, the beginning and ending dates of the regrant period, the payments made, the net balance to be paid, and the cost sharing reported by the regrantee.

Condition

The practice of maintaining a complete regrant ledger was lost during the current year.

Effect

The Council may not have fully complied with the requirements relating to financial management.

Cause

Regrant ledger tracking was not maintained during a period of personnel turnover.

Recommendation

The Council should reestablish the practice of maintaining a subsidiary regrant ledger including the date of the award, the amount of gifts received, the amount of outright and matching funds awarded, the beginning and ending dates of the regrant period, the payments made, the net balance to be paid, and the cost sharing reported by the regrantee.

Response

The Council agrees with the finding and recommendation of the auditor. The Council is currently maintaining a Regrant subledger that agrees with the General Ledger.

Corrective Action Planned

The Council has reestablished the practice of maintaining a subsidiary regrant ledger which agrees to the General Ledger.

Craig L. Newbill, Executive Director

3/21/12
Date