

NEBRASKA FOUNDATION FOR THE HUMANITIES
FINANCIAL STATEMENTS
OCTOBER 31, 2007 AND 2006

NEBRASKA FOUNDATION FOR THE HUMANITIES
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DANA F. COLE & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1248 O STREET, SUITE 500

LINCOLN, NEBRASKA 68508

INDEPENDENT AUDITORS' REPORT

Board of Directors
Nebraska Foundation for the Humanities
Lincoln, Nebraska

We have audited the accompanying statements of financial position of Nebraska Foundation for the Humanities as of October 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Nebraska Foundation for the Humanities 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. 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 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 Nebraska Foundation for the Humanities as of October 31, 2007 and 2006, and the results of its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dana F. Cole + Company, LLP

Lincoln, Nebraska
December 20, 2007

NEBRASKA FOUNDATION FOR THE HUMANITIES
 STATEMENTS OF FINANCIAL POSITION
 YEARS ENDED OCTOBER 31, 2007 AND 2006

ASSETS

	2007	2006
ASSETS		
Cash	25,502	54,086
Investments	1,029,537	813,996
Accounts receivable	2,793	
Cash value life insurance	9,739	8,869
Endowment Fund - Lincoln Community Foundation	<u>34,314</u>	<u>36,550</u>
 TOTAL ASSETS	 <u>1,101,885</u>	 <u>913,501</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable		6,766
 NET ASSETS		
Unrestricted	<u>1,101,885</u>	<u>906,735</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>1,101,885</u>	 <u>913,501</u>

See accompanying notes to financial statements.

NEBRASKA FOUNDATION FOR THE HUMANITIES
 STATEMENTS OF ACTIVITIES
 YEARS ENDED OCTOBER 31, 2007 AND 2006

	2007	2006
REVENUES		
Donations	119,975	93,633
Miscellaneous	973	876
Investment income and unrealized and realized gains (losses) on investments	<u>122,757</u>	<u>90,017</u>
Total revenues	<u>243,705</u>	<u>184,526</u>
 EXPENDITURES		
Miscellaneous		42
Insurance	623	623
Investment fees	677	535
Grant - Nebraska Humanities Council	<u>47,255</u>	<u>41,827</u>
Total expenditures	<u>48,555</u>	<u>43,027</u>
 CHANGE IN NET ASSETS	 195,150	 141,499
 NET ASSETS, beginning of year	 <u>906,735</u>	 <u>765,236</u>
 NET ASSETS, end of year	 <u>1,101,885</u>	 <u>906,735</u>

See accompanying notes to financial statements.

NEBRASKA FOUNDATION FOR THE HUMANITIES
 STATEMENTS OF CASH FLOWS
 YEARS ENDED OCTOBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	195,150	141,499
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in assets and liabilities:		
Unrealized (gains) losses on investments	(55,098)	(55,402)
Decrease (increase) in accounts receivable	(2,793)	
Decrease (increase) in cash value life insurance	(870)	(791)
Decrease (increase) in Endowment Fund - Lincoln Community Foundation	2,236	(2,976)
Increase (decrease) in accounts payable	<u>(6,766)</u>	<u>6,766</u>
Net cash provided by operating activities	<u>131,859</u>	<u>89,096</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions to investments	<u>(160,443)</u>	<u>(66,047)</u>
Net cash used in investing activities	<u>(160,443)</u>	<u>(66,047)</u>
NET INCREASE (DECREASE) IN CASH	(28,584)	23,049
CASH, beginning of year	<u>54,086</u>	<u>31,037</u>
CASH, end of year	<u>25,502</u>	<u>54,086</u>

See accompanying notes to financial statements.

NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Nebraska Foundation for the Humanities was established to facilitate the provision of quality progress in programs in the humanities for the citizens of the State of Nebraska. Nebraska Foundation for the Humanities is organized as a Nebraska not-for-profit corporation and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Method of Accounting

The financial statements of Nebraska Foundation for the Humanities have been prepared utilizing the accrual basis of accounting.

Financial Statement Presentation

Nebraska Foundation for the Humanities has adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made," and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. A description of the Unrestricted Net Asset Category which is utilized by the Organization follows:

Unrestricted Net Assets include the following:

Operations, which includes the revenues and expenses associated with the operations of Nebraska Foundation for the Humanities.

Nebraska Foundation for the Humanities has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, Nebraska Foundation for the Humanities is required to value certain investments at market value.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at October 31, 2007 and 2006.

NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

NOTE 2. LINCOLN COMMUNITY FOUNDATION FUNDS

During 1997, the Nebraska Foundation for the Humanities entered into an agreement with the Lincoln Community Foundation, Inc. to form an Endowment Fund. Under the terms of the agreement, the Lincoln Community Foundation agreed to maintain the funds and administer contributions received on behalf of the Nebraska Foundation for the Humanities in the nature of unrestricted funds and invest the funds intact in a manner consistent with generation of capital appreciation and realization of income.

The investment income of the funds is to be expended for purposes consistent with the tax-exempt status and by-laws of the Nebraska Foundation for the Humanities and, is to be distributed by the Lincoln Community Foundation to the Nebraska Foundation for the Humanities after approval by the Foundation's Board of Directors of written requests submitted by the Nebraska Foundation for the Humanities.

The balance in the fund at October 31, 2007 is as follows:

Endowment Fund - Lincoln Community Foundation	<u>34,314</u>
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NOTE 3. INVESTMENTS

Investments consist of investments in money market funds, mutual funds and U.S. Government securities, which are carried at market value. The primary purpose for the investment in the mutual funds is to assure a six-months operating reserve for the Nebraska Humanities Council. The following summarizes the investments of the Foundation:

	2007		2006	
	Cost	Market	Cost	Market
Money Market	284,980	284,980	258,219	258,219
Mutual Funds	<u>628,450</u>	<u>744,557</u>	<u>494,767</u>	<u>555,777</u>
	<u>913,430</u>	<u>1,029,537</u>	<u>752,986</u>	<u>813,996</u>

NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Components of investment income are as follows:

	2007	2006
Interest and dividend income	62,273	9,601
Unrealized and realized gains (losses) on investments	<u>60,484</u>	<u>80,416</u>
Net investment income	<u>122,757</u>	<u>90,017</u>

NOTE 4. RELATED PARTIES

Nebraska Foundation for the Humanities is affiliated with the Nebraska Humanities Council. The Foundation provides financial support for Nebraska Humanities Council. Financial support provided to Nebraska Humanities Council, by the Foundation, totaled \$47,255 and \$41,827 for the years ended October 31, 2007 and 2006.

Nebraska Humanities Council provides management services, staffing and office space for the Foundation at no charge to the Foundation.

DANA F. COLE & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1248 O STREET, SUITE 500

LINCOLN, NEBRASKA 68508

December 20, 2007

To the Board of Directors
Nebraska Foundation for the Humanities
215 Centennial Mall South, Suite 330
Lincoln, NE 68508

Dear Members of the Board:

In planning and performing our audit of the financial statements of Nebraska Foundation for the Humanities as of and for the year ended October 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Nebraska Foundation for the Humanities' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Nebraska

Kansas

Michigan

Minnesota

Missouri

Wyoming

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Nebraska Foundation for the Humanities
December 20, 2007
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This communication is intended solely for the information and use of management, the Board of Directors, others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

A handwritten signature in black ink, appearing to read "David A. Ellingson". The signature is fluid and cursive, with a large initial "D" and "E".

DAVID A. ELLINGSON
For the Firm

e-mail: ellingson@danacole.com
direct line: 402-479-9319

DAE:laf

DANA F. COLE & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1248 O STREET, SUITE 500

LINCOLN, NEBRASKA 68508

December 20, 2007

To the Board of Directors
Nebraska Foundation for the Humanities
215 Centennial Mall South, Suite 330
Lincoln, NE 68508

Dear Members of the Board:

We have audited the financial statements of Nebraska Foundation for the Humanities for the year ended October 31, 2007, and have issued our report thereon dated December 20, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 23, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Nebraska Foundation for the Humanities. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Nebraska Foundation for the Humanities are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended October 31, 2007. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Nebraska

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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation is based on estimated useful lives of assets. We evaluated the key factors and assumptions used to develop depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For the purpose of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Organization, either individually or in the aggregate, indicate matters that could have a significant effect on the Organization's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Nebraska Foundation for the Humanities
December 20, 2007
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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Audit Committee, the Board of Directors, and management of Nebraska Foundation for the Humanities and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

A handwritten signature in black ink, appearing to read "David A. Ellingson", written over a circular stamp.

DAVID A. ELLINGSON
For the Firm

e-mail: ellingson@danacole.com
direct line: 402-479-9319

DAE:laf