

NEBRASKA FOUNDATION FOR THE HUMANITIES  
FINANCIAL STATEMENTS  
OCTOBER 31, 2009 AND 2008

NEBRASKA FOUNDATION FOR THE HUMANITIES  
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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, 2009 and 2008, 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, 2009 and 2008, 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  
January 12, 2010

NEBRASKA FOUNDATION FOR THE HUMANITIES  
 STATEMENTS OF FINANCIAL POSITION  
 YEARS ENDED OCTOBER 31, 2009 AND 2008

ASSETS

	2009	2008
ASSETS		
Cash	440,232	380,731
Investments	621,725	534,978
Accounts receivable	5,250	1,398
Cash value life insurance	11,683	10,663
Endowment Fund - Lincoln Community Foundation	<u>          </u>	<u>27,962</u>
 TOTAL ASSETS	 <u>1,078,890</u>	 <u>955,732</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	<u>37,939</u>	<u>- 0 -</u>
 NET ASSETS		
Unrestricted	<u>1,040,951</u>	<u>955,732</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>1,078,890</u>	 <u>955,732</u>

See accompanying notes to financial statements.

NEBRASKA FOUNDATION FOR THE HUMANITIES  
STATEMENTS OF ACTIVITIES  
YEARS ENDED OCTOBER 31, 2009 AND 2008

	2009	2008
<b>REVENUES</b>		
Donations	135,070	122,152
Miscellaneous	1,141	1,031
Investment income and unrealized and realized gains (losses) on investments	<u>81,336</u>	<u>(207,981)</u>
Total revenues	<u>217,547</u>	<u>(84,798)</u>
 <b>EXPENDITURES</b>		
Office supplies	371	209
Insurance	623	623
Investment fees	744	523
Grant - Cultural Trust to Nebraska Humanities Council	12,590	
Grant - Nebraska Humanities Council	<u>118,000</u>	<u>60,000</u>
Total expenditures	<u>132,328</u>	<u>61,355</u>
 <b>CHANGE IN NET ASSETS</b>	 85,219	 (146,153)
 <b>NET ASSETS, beginning of year</b>	 <u>955,732</u>	 <u>1,101,885</u>
 <b>NET ASSETS, end of year</b>	 <u>1,040,951</u>	 <u>955,732</u>

See accompanying notes to financial statements.

NEBRASKA FOUNDATION FOR THE HUMANITIES  
STATEMENTS OF CASH FLOWS  
YEARS ENDED OCTOBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>85,219</u>	<u>(146,153)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Realized (gains) losses on investments	23,657	14,577
Unrealized (gains) losses on investments	(79,272)	248,546
Decrease (increase) in accounts receivable	(3,852)	1,395
Decrease (increase) in cash value life insurance	(1,020)	(924)
Decrease (increase) in Endowment Fund - Lincoln Community Foundation	27,962	6,352
Increase (decrease) in accounts payable	<u>37,939</u>	<u>          </u>
Total adjustments	<u>5,414</u>	<u>269,946</u>
Net cash provided by operating activities	<u>90,633</u>	<u>123,793</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Sales of investments	43,005	39,450
Purchases of investments	<u>(74,137)</u>	<u>(92,083)</u>
Net cash used in investing activities	<u>(31,132)</u>	<u>(52,633)</u>
NET INCREASE IN CASH	59,501	71,160
CASH, beginning of year	<u>380,731</u>	<u>309,571</u>
CASH, end of year	<u>440,232</u>	<u>380,731</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

The Organization has adopted Statement of Financial Accounting Standards (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. A description of the three net asset categories utilized by the Organization follows:

Unrestricted Net Assets

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, trust activity, deferred gifts and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted or determined.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor.

The Foundation has no temporarily or permanently restricted net assets as of October 31, 2009 or 2008.

NEBRASKA FOUNDATION FOR THE HUMANITIES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization utilizes Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Made," 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. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investments

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, 2009 and 2008.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year end.

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.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

NEBRASKA FOUNDATION FOR THE HUMANITIES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Foundation has elected to defer the provisions of FIN 48, "Accounting for Income Taxes," under the provisions of FSP FIN 48-3. The Foundation uses a FAS 5, "Loss Contingencies," approach for evaluating uncertain tax positions. We continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Reclassification

In certain instances, figures for the prior year have been reclassified to place them on a basis comparable with the current year.

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.

All funds were transferred out of the Lincoln Community Foundation during the year ended October 31, 2009. The principal was transferred to the Nebraska Humanities Council and placed with the Nebraska Cultural Endowment.

NOTE 3. INVESTMENTS

During the year ended October 31, 2009, the Foundation adopted Statement No. 157, "Fair Value Measurements", which provides a framework for measuring fair value under generally accepted accounting principles. Statement No. 157 applies to all financial instruments that are being measured and reported on a fair value basis.

NEBRASKA FOUNDATION FOR THE HUMANITIES  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

As defined in Statement No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended October 31, 2009, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

NEBRASKA FOUNDATION FOR THE HUMANITIES  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at October 31, 2009 at fair value on a recurring basis.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	537	537		
Mutual funds	<u>621,188</u>	<u>621,188</u>		
Total	<u>621,725</u>	<u>621,725</u>		

The carrying amounts, market value, unrealized gains and unrealized losses of the investments at October 31, 2009 and 2008 are as follows:

	<u>2009</u>		
	<u>Total Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Estimated Fair Value</u>
Cash and cash equivalents	537		537
Mutual funds	<u>665,306</u>	<u>(44,118)</u>	<u>621,188</u>
Total	<u>665,843</u>	<u>(44,118)</u>	<u>621,725</u>
	<u>2008</u>		
	<u>Total Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Estimated Fair Value</u>
Cash and cash equivalents	259		259
Mutual funds	<u>667,157</u>	<u>(132,438)</u>	<u>534,719</u>
Total	<u>667,416</u>	<u>(132,438)</u>	<u>534,978</u>

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Foundation to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

NEBRASKA FOUNDATION FOR THE HUMANITIES  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Components of investment income are as follows:

	2009	2008
Interest and dividend income	25,721	55,142
Unrealized and realized gains (losses) on investments	<u>55,615</u>	<u>(263,123)</u>
Net investment income	<u>81,336</u>	<u>(207,981)</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 \$118,000 and \$60,000 for the years ended October 31, 2009 and 2008.

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