

NEBRASKA FOUNDATION FOR THE HUMANITIES

FINANCIAL STATEMENTS

OCTOBER 31, 2010 AND 2009

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, 2010 and 2009, 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, 2010 and 2009, 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
March 7, 2011

NEBRASKA FOUNDATION FOR THE HUMANITIES
 STATEMENTS OF FINANCIAL POSITION
 YEARS ENDED OCTOBER 31, 2010 AND 2009

	ASSETS		2010	2009
ASSETS				
Cash			368,553	440,232
Investments			816,339	621,725
Accounts receivable			9,267	5,250
Cash value life insurance			<u>12,731</u>	<u>11,683</u>
 TOTAL ASSETS			 <u>1,206,890</u>	 <u>1,078,890</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable			<u>1,989</u>	<u>37,939</u>
 NET ASSETS				
Unrestricted			<u>1,204,901</u>	<u>1,040,951</u>
 TOTAL LIABILITIES AND NET ASSETS			 <u>1,206,890</u>	 <u>1,078,890</u>

See accompanying notes to financial statements.

NEBRASKA FOUNDATION FOR THE HUMANITIES
STATEMENTS OF ACTIVITIES
YEARS ENDED OCTOBER 31, 2010 AND 2009

	2010	2009
REVENUES		
Donations	97,425	135,070
Miscellaneous	1,918	1,141
Investment income and unrealized and realized gains (losses) on investments	<u>77,480</u>	<u>81,336</u>
Total revenues	<u>176,823</u>	<u>217,547</u>
EXPENDITURES		
Dues	337	371
Insurance	623	623
Investment fees	876	744
Grant - Cultural Trust to Nebraska Humanities Council		12,590
Grant - Nebraska Humanities Council	<u>11,037</u>	<u>118,000</u>
Total expenditures	<u>12,873</u>	<u>132,328</u>
CHANGE IN NET ASSETS	163,950	85,219
NET ASSETS, beginning of year	<u>1,040,951</u>	<u>955,732</u>
NET ASSETS, end of year	<u>1,204,901</u>	<u>1,040,951</u>

See accompanying notes to financial statements.

NEBRASKA FOUNDATION FOR THE HUMANITIES
 STATEMENTS OF CASH FLOWS
 YEARS ENDED OCTOBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>163,950</u>	<u>85,219</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	16,644	23,657
Unrealized (gains) losses on investments	(74,568)	(79,272)
Decrease (increase) in accounts receivable	(4,017)	(3,852)
Decrease (increase) in cash value life insurance	(1,048)	(1,020)
Decrease (increase) in Endowment Fund - Lincoln Community Foundation		27,962
Increase (decrease) in accounts payable	<u>(35,950)</u>	<u>37,939</u>
Total adjustments	<u>(98,939)</u>	<u>5,414</u>
Net cash provided by operating activities	<u>65,011</u>	<u>90,633</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Sales of investments	37,012	43,005
Purchases of investments	<u>(173,702)</u>	<u>(74,137)</u>
Net cash used in investing activities	<u>(136,690)</u>	<u>(31,132)</u>
NET INCREASE (DECREASE) IN CASH	(71,679)	59,501
CASH, beginning of year	<u>440,232</u>	<u>380,731</u>
CASH, end of year	<u>368,553</u>	<u>440,232</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

Financial statement presentation follows the recommendations of the FASB ASC 958-205 "Financial Statements of Not-for-Profit Organizations". Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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, 2010 and 2009.

NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Foundation utilizes FASB ASC 958-605, "Not-for-Profit Entities Revenue Recognition. This standard 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

The Foundation has adopted FASB ASC 958-320, "Not-for-Profit Entities, Investments - Debt and Equity Securities." FASB ASC 958-320 establishes standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

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, 2010 and 2009.

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).

The Foundation has adopted the provisions of FASB ASC 740-10, Accounting for Uncertain Tax Positions". The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. INVESTMENTS

The Foundation has adopted FASB ASC 820-10, "Fair Value Measurements", which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, 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.

NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 2. INVESTMENTS (Continued)

For the year ended October 31, 2010, 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.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at October 31, 2010 at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	1,222	1,222		
Mutual Funds	<u>815,117</u>	<u>815,117</u>	_____	_____
Total	<u>816,339</u>	<u>816,339</u>	_____	_____

The carrying amounts, market value, unrealized gains and unrealized losses of the investments at October 31, 2010 and 2009 are as follows:

	2010		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash and cash equivalents	1,222		1,222
Mutual Funds	<u>784,451</u>	<u>30,666</u>	<u>815,117</u>
Total	<u>785,673</u>	<u>30,666</u>	<u>816,339</u>
	2009		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
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>

NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 2. INVESTMENTS (Continued)

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.

	2010	2009
Interest and dividend income	19,556	25,721
Unrealized gains (losses) on investments	74,568	79,272
Realized gains (losses) on investments	<u>(16,644)</u>	<u>(23,657)</u>
	<u>77,480</u>	<u>81,336</u>

NOTE 3. 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 \$11,037 and \$118,000 for the years ended October 31, 2010 and 2009.

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

NOTE 4. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 7, 2011, the date the financial statements were available to be issued.