

NEBRASKA HUMANITIES COUNCIL

FINANCIAL STATEMENTS

OCTOBER 31, 2009

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

NEBRASKA HUMANITIES COUNCIL
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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 Humanities Council
Lincoln, Nebraska

We have audited the accompanying statement of financial position of Nebraska Humanities Council (a nonprofit organization) as of October 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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 Humanities Council as of October 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, the October 31, 2009 financial statements have been restated to correct a material misstatement.

In accordance with Government Auditing Standards, we have also issued a report dated January 12, 2010, on our consideration of Nebraska 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 the 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 audit was performed for the purpose of forming an opinion on the basic financial statements of Nebraska Humanities Council taken as a whole. The accompanying information on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dana F Cole + Company, LLP

Lincoln, Nebraska
January 12, 2010
(except for Note 9, as to which
the date is December 16, 2010)

NEBRASKA HUMANITIES COUNCIL
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2009

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Total
	17th Grant Period	18th Grant Period	KS-NE Chautauqua	Gift Fund	Total
ASSETS					
ASSETS					
Cash	2,247	1,852	9,810	305,114	319,023
Accounts receivable		38,763			38,763
Prepaid expense		56,176	2,860		59,036
Equipment - less accumulated depreciation of \$46,217		32,084			32,084
TOTAL ASSETS	<u>2,247</u>	<u>128,875</u>	<u>12,670</u>	<u>305,114</u>	<u>448,906</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable		8,691	333	5,000	14,024
Accrued vacation		12,988			12,988
Accrued expenses		7,546			7,546
Regrants committed					
Gift and match	2,070	120,752			122,822
Total current liabilities	<u>2,070</u>	<u>149,977</u>	<u>333</u>	<u>5,000</u>	<u>157,380</u>
Deferred revenue - grants			5,000	211,596	216,596
TOTAL LIABILITIES	<u>2,070</u>	<u>149,977</u>	<u>5,333</u>	<u>216,596</u>	<u>373,976</u>
NET ASSETS	<u>177</u>	<u>(21,102)</u>	<u>7,337</u>	<u>88,518</u>	<u>74,930</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,247</u>	<u>128,875</u>	<u>12,670</u>	<u>305,114</u>	<u>448,906</u>

See accompanying notes to financial statements.

NEBRASKA HUMANITIES COUNCIL
STATEMENT OF ACTIVITIES
YEAR ENDED OCTOBER 31, 2009

REVENUES AND OTHER SUPPORT

Grant - National Endowment for the Humanities					
Grants - matched					
Grants - unmatched					
Grant - Nebraska Foundation for the Humanities					
Processing fees					
Miscellaneous income					
Investment income					
Total revenues					

EXPENDITURES

Salaries					
Fringe benefits					
Travel					
Office expenses					
Printing and publicity					
Dues					
Other					

Unrestricted Net Assets		Temporarily Restricted Net Assets		Total
17th Grant Period	18th Grant Period	KS-NE Chautauqua	Gift Fund	
	534,720	93,977	88,150	716,847
		8,900	239,925	248,825
		31,100	215,263	246,363
	118,000			118,000
	27,855			27,855
	411			411
	<u>680,986</u>	<u>11</u>	<u>1,764</u>	<u>1,775</u>
		<u>133,988</u>	<u>545,102</u>	<u>1,360,076</u>
		10,348		391,168
				103,166
		3,870		24,860
		836		103,833
		6,031		43,525
		300		16,765
	656	<u>109,594</u>		<u>320,660</u>
	<u>656</u>	<u>130,979</u>		<u>1,003,977</u>

NEBRASKA HUMANITIES COUNCIL
STATEMENT OF ACTIVITIES
YEAR ENDED OCTOBER 31, 2009

EXPENDITURES (Continued)	Unrestricted Net Assets			Temporarily Restricted Net Assets		Total
	17th	18th	KS-NE	Gift	Fund	
	Grant Period	Grant Period	Chautauqua	Fund		
Regrants						
Outright - state		170,974				170,974
Outright - federal		61,127				61,127
Outright - nonfederal		178,703				178,703
Total regrants committed		<u>410,804</u>				<u>410,804</u>
Total expenditures	656	<u>1,283,146</u>	<u>130,979</u>			<u>1,414,781</u>
NET INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS AND OTHER CHARGES	(656)	(602,160)	3,009	545,102		(54,705)
TRANSFERS AND OTHER CHANGES	<u>4,000</u>	<u>588,239</u>		<u>(592,239)</u>		
CHANGE IN NET ASSETS	3,344	(13,921)	3,009	(47,137)		(54,705)
NET ASSETS, beginning of year	<u>(3,167)</u>	<u>(7,181)</u>	<u>4,328</u>	<u>135,655</u>		<u>129,635</u>
NET ASSETS, end of year	<u>177</u>	<u>(21,102)</u>	<u>7,337</u>	<u>88,518</u>		<u>74,930</u>

See accompanying notes to financial statements.

NEBRASKA HUMANITIES COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2009

	Unrestricted Net Assets			Temporarily Restricted Net Assets		Total
	17th Grant Period	18th Grant Period	KS-NE Chautauqua	Gift Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in net assets	3,344	(13,921)	3,009	(47,137)		(54,705)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation	656	18,773				19,429
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable		(35,061)				(35,061)
(Increase) decrease in prepaid expenses		(34,485)	(2,860)			(37,345)
Increase (decrease) accounts payable		2,475	123	1,298		3,896
Increase (decrease) accrued vacation		(1,656)				(1,656)
Increase (decrease) accrued expenses		4,216				4,216
Increase (decrease) grants committed	(4,522)	56,283				51,761
Increase (decrease) deferred revenue - grants			5,000	42,449		47,449
Net cash provided by (used in) operating activities	(522)	(3,376)	5,272	(3,390)		(2,016)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to equipment						
Net cash used in investing activities						
NET INCREASE (DECREASE) IN CASH	(522)	(3,376)	5,272	(3,390)		(2,016)
CASH, beginning of year	2,769	5,228	4,538	308,504		321,039
CASH, end of year	2,247	1,852	9,810	305,114		319,023
Cash paid for interest						-0-
Cash paid for taxes						-0-

See accompanying notes to financial statements.

NEBRASKA HUMANITIES COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Nebraska Humanities Council, a not-for-profit Nebraska corporation was organized as an incorporated funding agency. Its purpose is to support public programs that bring the resources and perspectives of the humanities to focus on significant public issues and to study the humanities for their own sake. Nebraska Humanities Council receives its primary funding from the National Endowment for the Humanities.

Method of Accounting

The financial statements of the Nebraska Humanities Council have been prepared on the accrual basis with the exception that the Council does not provide for depreciation on its assets, which have been purchased with federal grant revenues.

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

Operations: Operations include the revenues and expenses associated with the operations of the Nebraska Humanities Council.

Equipment: Equipment is recorded at cost or fair market value for items donated to Nebraska Humanities Council. Major expenditures for fixed assets and expenditures which substantially increase useful lives are capitalized. Expenditures for maintenance, repairs and minor renewals are expensed as incurred.

Temporarily Restricted Net Assets

Gift Fund: includes amounts received that are designated for future periods or are restricted by the donor for specific purposes. When a donor restriction expires through the expiration of time or satisfaction of the donors' restrictions, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

NEBRASKA HUMANITIES COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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 Organization had no permanently restricted net assets as of October 31, 2009 or 2008.

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.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. No amounts have been reflected in the financial statements for donated materials and services. Nebraska Humanities Council serves primarily as an agent for its donors; accordingly, in-kind donations are passed through the Council to grant subrecipients. Substantial amounts of services and materials are donated by Nebraska Humanities Council members and grantees in support of their programs.

Equipment

Property and equipment are stated at cost, if purchased or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives which range from 3 to 5 years.

NEBRASKA HUMANITIES COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Funds

The Grant Period Fund balances represent funds restricted for use in accordance with the budget approved by the National Endowment for the Humanities. For each grant period, all funds awarded are required to be obligated and expended by dates specified by the grantor as follows:

Grant Period	Obligation Deadline	Expenditure Deadline
Seventeenth - awarded 11/03	October 31, 2008	October 31, 2008
Eighteenth - awarded 11/06	October 31, 2011	October 31, 2011

Gift Fund

The Gift Fund is for the use of the Council, including gifts matched by the National Endowment for the Humanities, which are designated for program development, administration and regrants.

Investments

Nebraska Humanities Council 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, the Organization is required to value certain investments at fair value.

Accounts Receivable

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

Compensated Absences

Employees' vacation benefits are recognized in the period earned.

Cash and Cash Equivalents

The Council considers all highly liquid investments with a maturity of three months or less as cash equivalents. There were no cash equivalents as of October 31, 2009.

Advertising

Advertising costs are expensed as incurred.

NEBRASKA HUMANITIES COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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 Council 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 Council's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization 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 Council has elected to defer the provisions of FIN 48, "Accounting for Income Taxes," under the provisions of FSP FIN 48-3. The company 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.

NOTE 2. REVENUE FROM THE NATIONAL ENDOWMENT FOR THE HUMANITIES

Revenue from the National Endowment for the Humanities during the respective grant periods consisted of the following:

	Outright Funds	Gift and Match Funds	Total Award
Eighteenth Grant Period	521,620	13,100	534,720
We the People - Nebraska	70,650	17,500	88,150
We the People - KS-NE Chautauqua	<u>58,977</u>	<u>35,000</u>	<u>93,977</u>
	<u>651,247</u>	<u>65,600</u>	<u>716,847</u>

NOTE 3. CHANGES IN DEFERRED RESTRICTED SUPPORT

	Gift Fund
Balance at beginning of year	169,147
Additions	
Grants and contributions	216,596
Deductions - funds expended during the year	<u>169,147</u>
Balance at end of year - deferred revenue - grants	<u>216,596</u>

NEBRASKA HUMANITIES COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 4. OPERATING LEASE

The Organization conducts its operations with office and storage space leased under a 10-year noncancellable lease expiring in July 2016.

Future minimum payments under the agreements as of October 31, 2009 are:

2010	32,042
2011	32,042
2012	32,042
2013	32,042
2014	<u>32,042</u>
	<u>160,210</u>

NOTE 5. RELATED PARTIES

Nebraska Humanities Council is affiliated with the Nebraska Foundation for the Humanities. The Foundation provides financial support for Nebraska Humanities Council. Financial support provided to Nebraska Humanities Council, by the Foundation, totaled \$118,000 for the year ended October 31, 2009.

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

NOTE 6. EMPLOYEE BENEFIT PLAN

Nebraska Humanities Council has implemented a 403(b) defined contribution pension plan, which covers all full-time employees who have completed three months of service. Through January 2008, the Organization made monthly contributions up to 6% of each eligible employee's gross salary. After that date the Organization's contribution increased to 8% of each employee's gross salary. The Organization made contributions to the plans totaling \$30,561 during the year ended October 31, 2009.

NOTE 7. CREDIT RISK

Financial instruments which potentially subject the Council to concentrations of credit risk consist primarily of trade receivables with a variety of customers. The Council generally does not require collateral from its customers. Such credit risk is considered by management to be limited due to the Council's broad customer base and its customers' financial resources.

NEBRASKA HUMANITIES COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 8. NEBRASKA CULTURAL ENDOWMENT FUND

The Nebraska Cultural Endowment Fund was created to raise a matching private endowment and distribute the annual income, public and private, exclusively to the Nebraska Arts Council and Nebraska Humanities Council. These funds are not included in the financial statements of the Nebraska Humanities Council. Income from the fund is available to the Nebraska Arts Council and the Humanities Council when matched by private contributions. The income from the state fund is distributed to the Councils on a 70% arts/30% humanities ratio. Income from privately raised endowment funds is divided between the Councils on a 50/50 basis. Income from private funds raised to match the National Endowment for the Humanities Challenge Grant is allocated 100% to the Nebraska Humanities Council.

The balance in the fund at December 31, 2008 was as follows:

Nebraska Cultural Endowment Fund	<u>3,438,024</u>
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NOTE 9. REISSUANCE OF FINANCIAL STATEMENTS

Based on the desk review conducted by the Office of Inspector General of the National Endowment for the Humanities, these financial statements have been revised to correct the capitalization and depreciation of fixed assets and to report subrecipients of federal grant funds received.

ACCOMPANYING INFORMATION

NEBRASKA HUMANITIES COUNCIL
EIGHTEENTH GRANT PERIOD AND
KS-NE CHAUTAUQUA SCHEDULE OF
BUDGETED AND ACTUAL EXPENDITURES
YEAR ENDED OCTOBER 31, 2009

	Approved Budget	18th Grant Period Actual	KS-NE Chautauqua Actual	Total Actual Expenditures	Remaining Budget
SALARIES					
Wages	388,370	380,820	10,348	391,168	(2,798)
FRINGE BENEFITS					
Employers FICA	29,710	28,621		28,621	1,089
Retirement	31,070	30,561		30,561	509
Medical benefits	48,330	30,988		30,988	17,342
Worker's compensation	1,500	1,807		1,807	(307)
Professional development	8,725	6,986		6,986	1,739
Other benefits	4,995	4,203		4,203	792
TRAVEL					
Travel - staff	15,520	10,508	3,870	14,378	1,142
Travel - Board	3,575	3,881		3,881	(306)
Teleconference and meetings	9,300	6,601		6,601	2,699
OFFICE EXPENSES					
Office rent	30,245	30,242		30,242	3
Office supplies	6,700	4,210	692	4,902	1,798
Telephone equipment rental	4,880	3,936		3,936	944
Telephone - long distance	1,400	838	10	848	552
Postage and shipping	10,000	9,798	134	9,932	68
Bulk mail service	18,450	17,157		17,157	1,293
Insurance	1,650	1,604		1,604	46
Bonding insurance	210	206		206	4
OFFICE EQUIPMENT					
Equipment lease	3,780	3,852		3,852	(72)
Service contracts - equipment	9,910	4,927		4,927	4,983
Equipment supplies		7,454		7,454	(7,454)
Depreciation	20,500	18,773		18,773	1,727
PRINTING AND PUBLICITY					
Publicity	1,000	3,059		3,059	(2,059)
Printing brochures/other	44,220	34,435	6,031	40,466	3,754

NEBRASKA HUMANITIES COUNCIL
 KS-NE CHAUTAUQUA SCHEDULE OF
 BUDGETED AND ACTUAL EXPENDITURES
 BUDGETED AND ACTUAL EXPENDITURES
 YEAR ENDED OCTOBER 31, 2009

	Approved Budget	18th Grant Period Actual	KS-NE Chautauqua Actual	Total Actual Expenditures	Remaining Budget
DUES					
Dues - state federation	13,000	12,572		12,572	428
Other dues	5,680	3,893	300	4,193	1,487
OTHER					
Audit fees	5,575	5,575		5,575	
Media grant evaluations	800	1,450		1,450	(650)
Contracted program services	471,455	203,385	109,594	312,979	158,476
COUNCIL REGRANTS	<u>365,000</u>	<u>410,804</u>	<u> </u>	<u>410,804</u>	<u>(45,804)</u>
TOTAL	<u>1,555,550</u>	<u>1,283,146</u>	<u>130,979</u>	<u>1,414,125</u>	<u>141,425</u>

NEBRASKA HUMANITIES COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED OCTOBER 31, 2009

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Number	Award Expendi- tures
National Endowment for the Humanities: Eighteenth Grant Period	45.129	SO-50204-07	534,720
We the People - Nebraska	45.168	BC-50443-08	88,150
We the People - KS-NE Chautauqua	45.164	QI-50046-07	<u>93,977</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>716,847</u></u>

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards include the federal grant activity of Nebraska Humanities Council and is presented on the accrual 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". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2. SUBRECIPIENTS

The Council provided federal awards to subrecipients as follows:

National Endowment for the Humanities CFDA #45.129	<u>61,127</u>
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DANA F. COLE & COMPANY, LLP
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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

Board of Directors
Nebraska Humanities Council
Lincoln, Nebraska

We have audited the financial statements of Nebraska Humanities Council (a nonprofit organization) as of and for the year ended October 31, 2009, and have issued our report thereon dated January 12, 2010. 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 Nebraska Humanities Council's 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 Organization'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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization'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 Organization'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nebraska Humanities 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.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities agencies and is not intended to be and should not be used by anyone other than these specified parties.

Dana J Cole + Company, LLP

Lincoln, Nebraska
January 12, 2010

DANA F. COLE & COMPANY, LLP
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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Nebraska Humanities Council
Lincoln, Nebraska

Compliance

We have audited the compliance of Nebraska Humanities Council (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended October 31, 2009, Nebraska Humanities Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Nebraska Humanities Council's management. Our responsibility is to express an opinion on Nebraska Humanities Council's compliance based on our audit.

We conducted our audit 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 Nebraska 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 on Nebraska Humanities Council's compliance with those requirements.

In our opinion, Nebraska Humanities Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended October 31, 2009.

Internal Control Over Compliance

The management of Nebraska Humanities Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Nebraska Humanities Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control in accordance

with OMB Circular A-133, 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 within a timely period, in the normal course of performing their assigned functions, to prevent or detect noncompliance with applicable requirements of laws, regulations, contracts and grants that would have a direct and material effect on a major federal program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants such that there is more than a remote likelihood that the Organization's noncompliance that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with applicable requirements of laws, regulations, contracts and grants in relation to a major federal program will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the fourth 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.

This report is intended solely for the information and use of the governing body, management, and federal awarding agencies and pass-through entities agencies and is not intended to be and should not be used by anyone other than these specified parties.

Dana J Cole + Company, LLP

Lincoln, Nebraska
January 12, 2010

NEBRASKA HUMANITIES COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2009

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified: Yes No

Significant deficiencies identified that are not considered to be material weaknesses: Yes None reported

Noncompliance matter to the financial statements disclosed: Yes No

Federal Awards

Internal control over major programs:

Material weakness identified: Yes No

Significant deficiencies identified that are not considered to be material weakness: Yes None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: Yes No

Identification of major programs:

Eighteenth Grant Period 45.129

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee: Yes No

NEBRASKA HUMANITIES COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2009

SECTION II. FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

NEBRASKA HUMANITIES COUNCIL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no audit findings or recommendations for the year ended October 31, 2008, which required resolution during the year ended October 31, 2009.