

NEBRASKA HUMANITIES COUNCIL

FINANCIAL STATEMENTS

OCTOBER 31, 2010

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

NEBRASKA HUMANITIES COUNCIL
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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, 2010, 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, 2010, 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.

In accordance with Government Auditing Standards, we have also issued a report dated March 7, 2011, 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 12 and 13 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
March 7, 2011

NEBRASKA HUMANITIES COUNCIL
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2010

	Unrestricted Net Assets				Temporarily Restricted Net Assets	Total
	17th Grant Period	18th Grant Period	19th Grant Period	KS-NE Chautauqua	Gift Fund	
ASSETS						
ASSETS						
Cash	2,247	42,914	(29,395)	2,548	237,069	255,383
Accounts receivable		1,988	921			2,909
Prepaid expense			8,662			8,662
Equipment - less accumulated depreciation of \$67,123		12,240	5,310			17,550
3 TOTAL ASSETS	<u>2,247</u>	<u>57,142</u>	<u>(14,502)</u>	<u>2,548</u>	<u>237,069</u>	<u>284,504</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable			14,675		5,000	19,675
Accrued vacation			15,265			15,265
Accrued expenses			703			703
Regrants committed						
Gift and match	2,070	10,465	74,096			86,631
Total current liabilities	<u>2,070</u>	<u>10,465</u>	<u>104,739</u>		<u>5,000</u>	<u>122,274</u>
Deferred revenue - grants					16,619	16,619
TOTAL LIABILITIES	<u>2,070</u>	<u>10,465</u>	<u>104,739</u>		<u>21,619</u>	<u>138,893</u>
NET ASSETS	<u>177</u>	<u>46,677</u>	<u>(119,241)</u>	<u>2,548</u>	<u>215,450</u>	<u>145,611</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,247</u>	<u>57,142</u>	<u>(14,502)</u>	<u>2,548</u>	<u>237,069</u>	<u>284,504</u>

See accompanying notes to financial statements.

NEBRASKA HUMANITIES COUNCIL
STATEMENT OF ACTIVITIES
YEAR ENDED OCTOBER 31, 2010

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Total	
	17th Grant Period	18th Grant Period	19th Grant Period	KS-NE Chautauqua Gift Fund		
REVENUES AND OTHER SUPPORT						
Grant - National Endowment for the Humanities		900	613,780	93,977	88,150	796,807
Grants - matched					287,174	287,174
Grants - unmatched				30,000	448,415	478,415
Grant - Nebraska Foundation for the Humanities					11,037	11,037
Processing fees		(120)	24,568			24,448
Miscellaneous income			10			10
Investment income				10	472	482
Total revenues		780	638,358	123,987	835,248	1,598,373
EXPENDITURES						
Salaries		(12,988)	421,421	7,162		415,595
Fringe benefits		509	97,061			97,570
Travel		3,457	18,858	1,587		23,902
Office expenses		22,075	81,206	325		103,606
Printing and publicity		2,477	43,913	6,544		52,934
Dues			18,030	1,100		19,130
Other		89,414	209,033	112,058		410,505
		104,944	889,522	128,776		1,123,242

NEBRASKA HUMANITIES COUNCIL
STATEMENT OF ACTIVITIES
YEAR ENDED OCTOBER 31, 2010

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Total
	17th Grant Period	18th Grant Period	19th Grant Period	KS-NE Chautauqua Fund	
EXPENDITURES (Continued)					
Regrants					
Outright - state		(1,548)	253,687		252,139
Outright - federal			67,458		67,458
Outright - nonfederal		(273)	85,126		84,853
Total regrants committed		<u>(1,821)</u>	<u>406,271</u>		<u>404,450</u>
Total expenditures		<u>103,123</u>	<u>1,295,793</u>	<u>128,776</u>	<u>1,527,692</u>
NET INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS AND OTHER CHARGES		(102,343)	(657,435)	(4,789)	835,248
TRANSFERS AND OTHER CHANGES		<u>170,122</u>	<u>538,194</u>	<u>(708,316)</u>	
CHANGE IN NET ASSETS		67,779	(119,241)	(4,789)	126,932
NET ASSETS, beginning of year	<u>177</u>	<u>(21,102)</u>		<u>7,337</u>	<u>88,518</u>
NET ASSETS, end of year	<u>177</u>	<u>46,677</u>	<u>(119,241)</u>	<u>2,548</u>	<u>215,450</u>

See accompanying notes to financial statements.

NEBRASKA HUMANITIES COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2010

	Unrestricted Net Assets				Temporarily Restricted Net Assets	Total
	17th Grant Period	18th Grant Period	19th Grant Period	KS-NE Chautauqua	Gift Fund	
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in net assets		67,779	(119,241)	(4,789)	126,932	70,681
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation		19,844	1,062			20,906
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable		36,775	(921)			35,854
(Increase) decrease in prepaid expenses		56,176	(8,662)	2,860		50,374
Increase (decrease) accounts payable		(8,691)	14,675	(333)		5,651
Increase (decrease) accrued vacation		(12,988)	15,265			2,277
Increase (decrease) accrued expenses		(7,546)	703			(6,843)
Increase (decrease) re grants committed		(110,287)	74,096			(36,191)
Increase (decrease) deferred revenue - grants				(5,001)	(194,976)	(199,977)
Net cash provided by (used in) operating activities		41,062	(23,023)	(7,263)	(68,044)	(57,268)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to equipment			(6,372)			(6,372)
Net cash used in investing activities			(6,372)			(6,372)
NET INCREASE (DECREASE) IN CASH		41,062	(29,395)	(7,263)	(68,044)	(63,640)
CASH, beginning of year	2,247	1,852		9,811	305,113	319,023
CASH, end of year	2,247	42,914	(29,395)	2,548	237,069	255,383
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 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

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.

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, 2010 and 2009.

NEBRASKA HUMANITIES COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization 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.

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.

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
Nineteenth - awarded 11/09	October 31, 2014	October 31, 2014

NEBRASKA HUMANITIES COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Organization 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.

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, 2010.

Publicity

Publicity costs are expensed as incurred. Publicity expense for the year ended October 31, 2010 was \$2,452.

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 Organization 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 HUMANITIES COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CONCENTRATION OF CREDIT RISK

The Organization holds deposits in a financial institutions. As of October 31, 2010 and 2009, all deposits are insured by the Federal Deposit Insurance Corporation or are held in Short Term Federal Investment Trust accounts.

NOTE 3. 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	900		900
Nineteenth Grant Period	600,680	13,100	613,780
We the People - Nebraska	88,150		88,150
We the People - KS-NE Chautauqua	<u>23,977</u>	<u>70,000</u>	<u>93,977</u>
	<u>713,707</u>	<u>83,100</u>	<u>796,807</u>

NOTE 4. CHANGES IN DEFERRED RESTRICTED SUPPORT

	Gift Fund
Balance at beginning of year	216,596
Additions	
Grants and contributions	16,619
Deductions - funds expended during the year	<u>(216,596)</u>
Balance at end of year - deferred revenue - grants	<u>16,619</u>

NOTE 5. 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, 2010 are:

2011	32,042
2012	32,042
2013	32,042
2014	32,042
2015	<u>32,042</u>
	<u>160,210</u>

NEBRASKA HUMANITIES COUNCIL
NOTES TO FINANCIAL STATEMENTS

NOTE 6. 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 \$11,037 for the year ended October 31, 2010.

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

NOTE 7. 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 2010, the Organization made monthly contributions up to 8% of each eligible employee's gross salary. After that date the Organization's contribution decreased to 6% of each employee's gross salary. The Organization made contributions to the plans totaling \$26,576 during the year ended October 31, 2010.

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, 2009 was as follows:

Nebraska Cultural Endowment Fund	<u>4,545,376</u>
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NOTE 9. 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.

ACCOMPANYING INFORMATION

NEBRASKA HUMANITIES COUNCIL
 NINETEENTH GRANT PERIOD AND
 KS-NE CHAUTAUQUA SCHEDULE OF
 BUDGETED AND ACTUAL EXPENDITURES
 YEAR ENDED OCTOBER 31, 2010

	Approved Budget	19th Grant Period Actual	KS-NE Chautauqua Actual	Total Actual Expenditures	Remaining Budget
SALARIES					
Wages	396,650	421,421	7,162	428,583	(31,933)
FRINGE BENEFITS					
Employers FICA	30,345	23,474		23,474	6,871
Retirement	31,730	26,576		26,576	5,154
Medical benefits	70,395	32,642		32,642	37,753
Worker's compensation	1,500	1,741		1,741	(241)
Professional development	7,300	1,808		1,808	5,492
Other benefits	4,590	10,820		10,820	(6,230)
TRAVEL					
Travel - staff	15,420	10,454	1,587	12,041	3,379
Travel - Board	3,630	2,279		2,279	1,351
Teleconference and meetings	7,350	6,125		6,125	1,225
OFFICE EXPENSES					
Office rent	30,245	27,722		27,722	2,523
Office supplies	6,935	7,688	219	7,907	(972)
Telephone equipment rental	3,740	3,570		3,570	170
Telephone - long distance	600	584	30	614	(14)
Postage and shipping	10,000	9,330	73	9,403	597
Bulk mail service	18,250	18,769		18,769	(519)
Insurance	1,650	1,652		1,652	(2)
Bonding insurance	210	206		206	4
OFFICE EQUIPMENT					
Equipment lease	3,850	3,721		3,721	129
Service contracts - equipment	11,130	6,448	3	6,451	4,679
Equipment supplies	350	454		454	(104)
Depreciation	20,400	1,062		1,062	19,338
PRINTING AND PUBLICITY					
Publicity	2,575	2,452		2,452	123
Printing brochures/other	49,635	41,461	6,544	48,005	1,630

NEBRASKA HUMANITIES COUNCIL
 NINETEENTH GRANT PERIOD AND
 KS-NE CHAUTAUQUA SCHEDULE OF
 BUDGETED AND ACTUAL EXPENDITURES
 YEAR ENDED OCTOBER 31, 2010

	Approved Budget	19th Grant Period Actual	KS-NE Chautauqua Actual	Total Actual Expenditures	Remaining Budget
DUES					
Dues - state federation	13,000	14,458		14,458	(1,458)
Other dues	4,420	3,572	1,100	4,672	(252)
OTHER					
Media grant evaluations	6,575	5,825		5,825	750
Contracted program services	389,260	203,208	112,058	315,266	73,994
COUNCIL REGRANTS	<u>380,000</u>	<u>406,271</u>	<u> </u>	<u>406,271</u>	<u>(26,271)</u>
TOTAL	<u>1,521,735</u>	<u>1,295,793</u>	<u>128,776</u>	<u>1,424,569</u>	<u>97,166</u>

NEBRASKA HUMANITIES COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2010

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	900
Nineteenth Grant Period	45.129	SO-50373-10	613,780
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>796,807</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>67,458</u>
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DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1248 O STREET, SUITE 500
LINCOLN, NEBRASKA 68508

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 as of and for the year ended October 31, 2010, and have issued our report thereon dated March 7, 2011. 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 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 Nebraska Humanities Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting 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 F Cole + Company, LLP

Lincoln, Nebraska
March 7, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Nebraska Humanities Council
Lincoln, Nebraska

Compliance

We have audited Nebraska 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 each of Nebraska Humanities Council's major federal programs for the year ended October 31, 2010. 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 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 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 of Nebraska Humanities Council's compliance with those requirements.

In our opinion, Nebraska Humanities Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended October 31, 2010.

Internal Control Over Compliance

Management of Nebraska 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 Nebraska 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 Nebraska Humanities Council's internal control over compliance.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance 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
March 7, 2011

NEBRASKA HUMANITIES COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2010

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:

Nineteenth 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, 2010

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, 2009, which required resolution during the year ended October 31, 2010.