

NEBRASKA FOUNDATION FOR THE HUMANITIES

FINANCIAL STATEMENTS

OCTOBER 31, 2006 AND 2005

NEBRASKA FOUNDATION FOR THE HUMANITIES
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CERTIFIED PUBLIC ACCOUNTANTS
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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, 2006 and 2005, 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, 2006 and 2005, and the results of its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dana F. Cole + Company, LLP

Lincoln, Nebraska
December 7, 2006

NEBRASKA FOUNDATION FOR THE HUMANITIES
 STATEMENTS OF FINANCIAL POSITION
 YEARS ENDED OCTOBER 31, 2006 AND 2005

ASSETS

	2006	2005
ASSETS		
Cash	54,086	31,037
Investments	813,996	692,547
Cash value life insurance	8,869	8,078
Endowment Fund - Lincoln Community Foundation	<u>36,550</u>	<u>33,574</u>
TOTAL ASSETS	<u>913,501</u>	<u>765,236</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	6,766	- 0 -
NET ASSETS		
Unrestricted	<u>906,735</u>	<u>765,236</u>
TOTAL LIABILITIES AND NET ASSETS	<u>913,501</u>	<u>765,236</u>

See accompanying notes to financial statements.

NEBRASKA FOUNDATION FOR THE HUMANITIES
 STATEMENTS OF ACTIVITIES
 YEARS ENDED OCTOBER 31, 2006 AND 2005

	2006	2005
REVENUES		
Donations	93,633	90,494
Miscellaneous	876	856
Investment income and unrealized and realized gains (losses) on investments	<u>90,017</u>	<u>40,584</u>
Total revenues	<u>184,526</u>	<u>131,934</u>
 EXPENDITURES		
Miscellaneous	42	
Insurance	623	623
Investment fees	535	488
Grant - Nebraska Humanities Council	<u>41,827</u>	<u> </u>
Total expenditures	<u>43,027</u>	<u>1,111</u>
 CHANGE IN NET ASSETS	 141,499	 130,823
 NET ASSETS, beginning of year	 <u>765,236</u>	 <u>634,413</u>
 NET ASSETS, end of year	 <u>906,735</u>	 <u>765,236</u>

See accompanying notes to financial statements.

NEBRASKA FOUNDATION FOR THE HUMANITIES
 STATEMENTS OF CASH FLOWS
 YEARS ENDED OCTOBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	141,499	130,823
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in assets and liabilities:		
Unrealized (gains) losses on investments	(55,402)	(16,894)
Decrease (increase) in accounts receivable		65,532
Decrease (increase) in cash value life insurance	(791)	(754)
Decrease (increase) in Endowment Fund - Lincoln Community Foundation	(2,976)	(3,363)
Increase (decrease) in accounts payable	<u>6,766</u>	<u> </u>
Net cash provided by operating activities	<u>89,096</u>	<u>175,344</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions to investments	<u>(66,047)</u>	<u>(152,803)</u>
Net cash used in investing activities	<u>(66,047)</u>	<u>(152,803)</u>
NET INCREASE IN CASH	23,049	22,541
CASH, beginning of year	<u>31,037</u>	<u>8,496</u>
CASH, end of year	<u>54,086</u>	<u>31,037</u>

See accompanying notes to financial statements.

NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

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

Method of Accounting

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

Financial Statement Presentation

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

Unrestricted Net Assets include the following:

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

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at October 31, 2006 and 2005.

NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

NOTE 2. LINCOLN COMMUNITY FOUNDATION FUNDS

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

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

The balance in the fund at October 31, 2006 is as follows:

Endowment Fund - Lincoln Community Foundation	<u>36,551</u>
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NOTE 3. INVESTMENTS

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

	2006		2005	
	Cost	Market	Cost	Market
Money Market	258,219	258,219	263,158	263,158
Mutual Funds	<u>494,767</u>	<u>555,777</u>	<u>423,781</u>	<u>429,389</u>
	<u>752,986</u>	<u>813,996</u>	<u>686,939</u>	<u>692,547</u>

NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Components of investment income are as follows:

	2006	2005
Interest and dividend income	9,601	5,898
Unrealized and realized gains (losses) on Investments	<u>80,416</u>	<u>34,686</u>
Net investment income	<u>90,017</u>	<u>40,584</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 \$41,827 and \$- 0 - for the years ended October 31, 2006 and 2005.

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

