

**NEVADA HUMANITIES, INC.**

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**Audited Financial Statements**

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**October 31, 2007**

NEVADA HUMANITIES, INC.

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October 31, 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Nevada Humanities, Inc.

We have audited the accompanying statement of financial position of Nevada Humanities, Inc. (a nonprofit corporation), as of October 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative data has been derived from the organization's October 31, 2006, financial statements. We expressed an unqualified opinion on those financial statements in our report dated January 17, 2007.

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 Nevada Humanities, Inc., as of October 31, 2007, 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 our report dated February 12, 2008, on our consideration of Nevada Humanities, Inc.'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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Nevada Humanities, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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.

**PANGBORN & CO., LTD.**

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February 12, 2008

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**NEVADA HUMANITIES, INC.**  
 Statements of Financial Position  
 October 31, 2007

**ASSETS**

	Unrestricted	Temporarily Restricted	Totals	
			2007	2006
<b>Current Assets:</b>				
Cash	\$ 121,707	\$ 3,373	\$ 125,080	\$ 405,448
Accounts receivable	2,735	-	2,735	13,759
Grants receivable:				
Federal	55,176	-	55,176	76,356
Prepaid expense	-	-	-	3,850
Inventory	35,030	-	35,030	41,650
<b>Total Current Assets</b>	<b>214,648</b>	<b>3,373</b>	<b>218,021</b>	<b>541,063</b>
<b>Other Assets:</b>				
Investments	250,001	-	250,001	230,083
<b>Total Other Assets</b>	<b>250,001</b>	<b>-</b>	<b>250,001</b>	<b>230,083</b>
<b>Total Assets</b>	<b>\$ 464,649</b>	<b>\$ 3,373</b>	<b>\$ 468,022</b>	<b>\$ 771,146</b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>				
Accounts payable	\$ 16,604	\$ -	\$ 16,604	\$ 52,678
Accrued wages and employee benefits	25,297	-	25,297	37,220
Re-grants payable	67,470	-	67,470	85,400
Deferred revenue	11,238	-	11,238	245,950
<b>Total Current Liabilities</b>	<b>120,609</b>	<b>-</b>	<b>120,609</b>	<b>421,248</b>
<b>Net Assets:</b>				
Unrestricted	344,040	-	344,040	326,598
Temporarily restricted	-	3,373	3,373	23,300
<b>Total Net Assets</b>	<b>344,040</b>	<b>3,373</b>	<b>347,413</b>	<b>349,898</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 464,649</b>	<b>\$ 3,373</b>	<b>\$ 468,022</b>	<b>\$ 771,146</b>

The attached auditor's report and notes should be read with the financial statements.

**NEVADA HUMANITIES, INC.**  
**Statements of Activities**  
**For the Year Ended October 31, 2007**

	Unrestricted	Temporarily Restricted	Totals	
			2007	2006
<b>Revenues and Gains:</b>				
Grant revenue from National Endowment for the Humanities	\$ 520,610	\$ -	\$ 520,610	\$ 598,076
Grant revenue, other federal	160,743		160,743	160,831
Grant revenue, State of Nevada	322,122		322,122	208,306
Grant revenue, other nonfederal	21,421		21,421	27,411
Book sales	8,666		8,666	15,401
Investment income	12,763		12,763	8,403
Contributions	-	104,835	104,835	99,877
Ticket sales and fees for service	39,351		39,351	56,909
Fund raising	41,412		41,412	8,800
Unrealized gain on investments	14,076		14,076	11,907
Books and authors	4,250		4,250	-
Oasis	8,955		8,955	-
<b>Total Revenues and Gains</b>	<b>1,154,369</b>	<b>104,835</b>	<b>1,259,204</b>	<b>1,195,921</b>
<b>Net assets released from restrictions</b>	<b>124,762</b>	<b>(124,762)</b>		<b>-</b>
<b>Total Revenues, Gains and Other Support</b>	<b>1,279,131</b>	<b>(19,927)</b>	<b>1,259,204</b>	<b>1,195,921</b>
<b>Expenses:</b>				
<b>Program Services:</b>				
Public humanities programs	774,458		774,458	671,418
Grant program	160,823		160,823	111,721
Program development	74,345		74,345	88,458
Communication and outreach	52,277		52,277	73,373
<b>Total Program Services</b>	<b>1,061,903</b>	<b>-</b>	<b>1,061,903</b>	<b>944,970</b>
<b>Supporting Services:</b>				
Management and general	187,069		187,069	182,405
Resource development	12,522		12,522	15,635
<b>Total Supporting Services</b>	<b>199,591</b>	<b>-</b>	<b>199,591</b>	<b>198,040</b>
Gift to Endowment Fund	195		195	70
<b>Total Expenses</b>	<b>1,261,689</b>	<b>-</b>	<b>1,261,689</b>	<b>1,143,080</b>
<b>Increase (Decrease) in Net Assets</b>	<b>17,442</b>	<b>(19,927)</b>	<b>(2,485)</b>	<b>52,841</b>
<b>Net Assets, Beginning of Year</b>	<b>326,598</b>	<b>23,300</b>	<b>349,898</b>	<b>297,057</b>
<b>Net Assets, End of Year</b>	<b>\$ 344,040</b>	<b>\$ 3,373</b>	<b>\$ 347,413</b>	<b>\$ 349,898</b>

The attached auditor's report and notes should be read with the financial statements.

**NEVADA HUMANITIES, INC.**  
Statement of Functional Expenses  
For the Year Ended October 31, 2007

	Program Services					Supporting Service			Totals	
	Public Humanities Program	Grant Program	Program Development	Communication and Outreach	Total Program Services	Management and General	Resource Development	Total Supporting Services Expense	2007 Total Expenses	2006 Total Expenses
Salaries	\$ 136,055	\$ 11,926	\$ 48,628	\$ 26,675	\$ 223,284	\$ 100,232	\$ 7,821	\$ 108,053	\$ 331,337	\$ 388,817.00
Employee benefits	33,898	2,155	11,375	7,004	54,432	22,321	1,786	24,107	78,539	98,124
Total Salaries and Related Expenses	169,953	14,081	60,003	33,679	277,716	122,553	9,607	132,160	409,876	486,941
Advertising	34,186	-	-	-	34,186	65	-	65	34,251	12,483
Catering	24,401	-	-	-	24,401	656	-	656	25,057	6,972
Community program assistance	-	-	-	-	-	-	-	-	-	9,610
Community relations	-	-	-	-	-	-	-	-	-	8,516
Cost of books sold	6,620	-	-	-	6,620	-	-	-	6,620	10,932
Dues and subscriptions	400	-	-	-	400	10,602	-	10,602	11,002	13,298
Equipment rental	21,611	-	-	-	21,611	-	-	-	21,611	17,049
Financial services fees	-	-	-	-	-	4,310	-	4,310	4,310	3,844
Insurance	2,702	-	-	-	2,702	-	-	-	2,702	2,863
Internet	1,323	-	-	515	1,838	-	-	-	1,838	728
Janitorial	546	33	87	44	710	349	33	382	1,092	1,092
Mail service	1,585	-	-	2,124	3,709	-	-	-	3,709	3,639
Media	28,300	-	-	-	28,300	-	-	-	28,300	27,637
Miscellaneous	340	-	-	-	340	737	-	737	1,077	7,102
Office equipment	10,387	-	-	-	10,387	-	-	-	10,387	10,873
Office supplies	5,253	127	1,398	1,228	8,006	1,359	127	1,486	9,492	17,766
Photocopying and printing	20,393	35	111	3,917	24,456	374	2,154	2,528	26,984	24,914
Postage	3,177	66	336	3,729	7,308	700	66	766	8,074	6,646
Professional fees	306,677	-	2,000	419	309,096	23,000	-	23,000	332,096	244,867
Publication selling expenses	3,452	-	-	-	3,452	-	-	-	3,452	2,819
Registration fees	425	-	60	60	545	690	-	690	1,235	3,694
Regrant expense	-	145,946	-	-	145,946	-	-	-	145,946	128,539
Rent	19,360	378	3,978	3,474	27,190	4,282	378	4,660	31,850	24,618
Software development	81,015	-	1,470	-	82,485	-	-	-	82,485	-
Telephone	855	43	255	198	1,351	457	43	500	1,851	2,504
Technical services	9,357	-	-	-	9,357	-	-	-	9,357	8,282
Travel	20,235	-	4,342	2,738	27,315	15,716	-	15,716	43,031	49,093
Utilities	1,905	114	305	152	2,476	1,219	114	1,333	3,809	3,479
Total Expenses before Depreciation	774,458	160,823	74,345	52,277	1,061,903	187,069	12,522	199,591	1,261,494	1,140,810
Depreciation										
Total Expenses	\$ 774,458	\$ 160,823	\$ 74,345	\$ 52,277	\$ 1,061,903	\$ 187,069	\$ 12,522	\$ 199,591	\$ 1,261,494	\$ 1,140,810

The attached auditor's report and notes should be read with the financial statements.

**NEVADA HUMANITIES, INC.**  
 Statements of Cash Flows  
 For the Year Ending October 31, 2007

	2007	2006
Cash Flows from Operating Activities:		
(Decrease)Increase in net assets	\$ (2,483)	\$ 52,841
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Unrealized gain on investments	(19,920)	(11,907)
(Increase) decrease in operating assets:		
Accounts receivable	11,024	3,793
Grants receivable, federal	21,180	14,557
Prepaid expenses	3,850	2,400
Inventory	6,620	10,932
Increase (decrease) in operating liabilities:		
Accounts payable	(36,074)	28,167
Accrued wages and employee benefits	(11,923)	10,090
Re-grants payable	(17,930)	38,950
Deferred revenue	(234,712)	179,283
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(280,368)</b>	<b>329,106</b>
Cash Flows from Investing Activities:		
Purchase of investments	-	(93,208)
Net increase (decrease) in cash	(280,368)	235,898
Cash, Beginning of Year	405,448	169,550
<b>Cash, End of Year</b>	<b>\$ 125,080</b>	<b>\$ 405,448</b>

The attached auditor's report and notes should be read with the financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - Nevada Humanities, Inc. (the corporation) is a Nevada non-profit corporation and is a publicly supported foundation funded principally by grants from the National Endowment for the Humanities. The corporation is responsible for administering grants awarded to re-grantees (subrecipients) for cultural and educational purposes, and to foster an environment in which the humanities can thrive.

Each year Nevada Humanities, Inc., carries out programs that promote the humanities. The following are the main events and programs which the corporation sponsored in 2007:

- Chautauqua - Great Basin and Lake Tahoe
- Young Chautauqua Program
- Online Nevada Encyclopedia Project
- Publications
- Speakers' Bureau
- Vegas Valley Book Festival
- Books and Authors Series
- The Creative Mind
- Oasis
- Food For Thought

**Financial Statement Presentation** - Nevada Humanities, Inc., presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the corporation is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets:* Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets:* Net assets subject to donor-imposed stipulations that will be met either by actions of the corporation and/or the passage of time.

*Permanently restricted net assets:* Net assets subject to donor-imposed stipulations that they be maintained permanently. Presently the corporation does not have any permanently restricted net assets.

**Income Taxes** - Nevada Humanities, Inc., is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. It is not a private foundation.

**Investments** - Investments in pooled investment funds are stated at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

**Inventory** - Inventory consists of books held for sale and is stated at cost determined on the first-in, first-out (FIFO) method.

**Contributions** - In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Grant Awards** - During the fiscal year ended October 31, 2007, Nevada Humanities, Inc., administered four direct federal grants:

- One grant was awarded through the *National Endowment for the Humanities, Promotion of the Humanities, Federal/State Partnership*;
- One grant was awarded through the *National Endowment for the Humanities, Promotion of the Humanities, We the People*;
- One grant was awarded through the *National Endowment for the Arts, Promotion of the Arts, Grants to Organizations and Individuals*;
- One grant was awarded through the *Department of Education, Fund for the Improvement of Education*.

The following were active grants at October 31, 2007:

- The *National Endowment for the Humanities, Promotion of the Humanities, Federal/State Partnership* Grant No. SO-50090-05;
- The *National Endowment for the Humanities, Promotion of the Humanities, We the People* Grant No. BC-50332-06;
- The *National Endowment for the Arts, Promotion of the Arts, Grants to Organizations and Individuals*, Grant No. 07-5200-7161;
- The *Department of Education, Fund for the Improvement of Education* Grant No. U215K050048.

**Recognition of Donor-Restricted Contributions** - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily-restricted net assets. When a restriction expires, temporarily-restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restriction.

**Matching Funds** - The National Endowment for the Humanities requires that all expenditures of its grant funds by Nevada Humanities, Inc., be matched in-kind or with cash contributions. Consequently, the organization requires that all of its subrecipients match all awards on the same basis.

In-kind contributions for matching purposes are the fair value of salaries, administrative assistance, equipment, travel, etc., which are essential to the completion of funded programs donated by sponsors or other supporters. The organization reported \$917,612 in matching funds for the year ended October 31, 2007. In accordance with SFAS No. 116, the in-kind contributions are not reflected in the financial statements.

**Contributions** - Nevada Humanities, Inc., receives a substantial portion of its unrestricted revenues from federal grants.

**Contributed Facilities and Services** - Contributions to the organization consist primarily of cash, professional services, and use of facilities. Use of facilities is recorded based on the current fair value of the space being used. Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, or are provided by individuals possessing these skills and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the service provided. Contributed services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributed Facilities and Services (continued)**

However, many individuals volunteer their time and perform a variety of tasks that assist the organization with specific programs, resource development activities, and other activities. For the year ended October 31, 2007, approximately 920 hours were donated to the organization. No amounts have been reflected in the financial statements for these volunteer services.

**Concentration of Credit Risk** - The corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At October 31, 2007, the organization had approximately \$128,500 in excess of FDIC insured limits. The organization has not experienced any losses in such accounts.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Allowance for Loss** - The organization does not anticipate any collection losses with respect to the receivable balances. As a result, a zero allowance for loss has been established at October 31, 2007.

**Comparative Data** - Comparative data shown for the prior year has been extracted from the 2006 financial statements. It has been provided for comparison but is not considered full disclosure of transactions for 2006. Such information can only be obtained by referring to the audited financial statements for that year.

**Reclassifications** - Certain reclassifications have been made to the October 31, 2006 financial statements in order to conform to the October 31, 2007 presentation.

**NOTE 2 - ACCRUED EMPLOYEE BENEFITS**

Nevada Humanities, Inc., recognizes vacation pay that has been earned but remains unpaid as of the fiscal year end in accordance with the provisions of SFAS No. 43, Accounting for Compensated Absences. The amount of vacation pay earned and unpaid as of October 31, 2007, was \$23,158 and is included in accrued wages and employee benefits on the Statement of Financial Position.

Sick pay is conditional on future events and, as such, Nevada Humanities, Inc., does not accrue such benefits as a liability. The costs of sick pay are recognized only when actually paid.

**NOTE 3 - RE-GRANTS PAYABLE**

Nevada Humanities, Inc., approved grants payable of \$67,470 to re-grantees for funding as of October 31, 2007, but not disbursed as of that date.

**NOTE 4 - ENDOWMENT FUNDS**

Nevada Humanities, Inc., is the beneficiary of two endowment funds: the Wilbur S. Shepperson Annual Book Award Endowment Fund and the Marilyn R. Melton Endowment Fund for the Humanities. The Shepperson Fund is managed by the University of Nevada, Reno Foundation, and had a fair market value of \$36,979 as of September 30, 2007. The Melton Endowment is managed by the Community Foundation of Western Nevada and had a fair market value of \$171,248 as of September 30, 2007. Interest, dividends, and unrealized/realized capital gains from these endowments support the mission of Nevada Humanities, Inc., and the organization accepts gifts on behalf on these endowments.

**NOTE 5 - OPERATING LEASE - OFFICE SPACE**

Since May 1, 1992, Nevada Humanities, Inc., has had a month-to-month lease for the use of office space at 1034 North Sierra Street, Reno, Nevada. Effective July 1, 2006, the University of Nevada is providing this office space at no cost to the organization.

The Las Vegas office is located on the campus of the University of Nevada, Las Vegas, in the Central Desert Complex, Building Number 2. The University of Nevada, Las Vegas, is providing this office space at no cost to the organization.

Nevada Humanities, Inc., recognized revenue and expense of \$21,510 for donated office space and \$8,386 for donated consulting fees during the year ended October 31, 2007.

**NOTE 6 - PENSION PLANS**

Nevada Humanities, Inc., makes contributions to one of two pension plans for eligible employees. The organization matches employee contributions up to ten and one-half percent of eligible salaries. The organization has a contractual arrangement with the University of Nevada, Reno, whereby the employees may participate in either the Public Employees Retirement System of the State of Nevada (PERS) or an Internal Revenue Service Code Section 403 (b) plan.

Employees can also participate in the Teachers' Insurance and Annuity Association and the College Retirement Equities Fund, the American Century Family of Funds, VALIC, and Fidelity Investment, which are defined contribution plans recognized by the Internal Revenue Service under Code Section 403(b). Defined contribution plan contributions for the year ended October 31, 2007, were \$21,467.

PERS is a cost-sharing, multiple employer defined benefit plan administered by the Public Employees' Retirement System of the State of Nevada. It provides retirement benefits, disability benefits, and death benefits, including annual cost-of-living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions can only be amended through legislation. The Public Employees' Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report can be obtained by writing to the Public Employees' Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada, 89703-1599, or by calling 775/687-4200.

Funding Policy: Benefits for plan members are funded by two methods. Under the employee pay contribution plan, the organization is required to contribute all amounts due under the plan. The second funding mechanism for providing benefits is the employer/employee paid contribution plan. Under this method, employees are required to contribute a percentage of their compensation to the plan, and the organization is required to match that contribution. The contribution requirements of plan members and the organization are established by Chapter 286 of the Nevada Revised Statutes. The funding mechanism can only be amended by legislation. The organization's contribution rates, based on employee members covered payroll and amounts contributed (equal to the required contributions) for the last three years are:

<u>Contribution Rates</u>			
<u>Fiscal Year</u>	<u>Employer Pay Regular I</u>	<u>Employer/ Employee Regular</u>	<u>Total Contribution</u>
2006 - 2007	19.75%	10.50%	\$ 19,839
2005 - 2006	19.75%	10.50%	25,666
2004 - 2005	20.25%	10.50%	16,084

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

At October 31, 2007, temporarily restricted net assets are available for the following purposes:

Online Nevada Encyclopedia	\$ 3,225
Young Chautauqua 2007	148
	<u>\$ 3,373</u>

Supplemental Information

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NEVADA HUMANITIES, INC.  
Schedule of Expenditures of Federal Awards  
For the Year Ended October 31, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Federal Expenditures
<b><u>National Endowment for the Humanities:</u></b>			
<u>Direct:</u>			
Promotion of the Humanities, Federal/State Partnership	45.129	SO-50090-05	\$ 461,611
Promotion of the Humanities, We the People	45.168	BC-50332-06	<u>58,999</u>
Total National Endowment for the Humanities			<u>520,610</u>
<b><u>National Endowment for the Arts:</u></b>			
<u>Direct:</u>			
Promotion of the arts, grants to organizations and individuals	45.024	07-5200-7161	<u>7,500</u>
Total National Foundation on the Arts and the Humanities			<u>528,110</u>
<b><u>Department of Education</u></b>			
<u>Direct:</u>			
Fund for the Improvement of Education Online Nevada Encyclopedia Project	84.215K	U215K050048	<u>153,243</u>
Total Department of Education			<u>153,243</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 681,353</u></b>

NOTE: This Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting

**NEVADA HUMANITIES, INC.**  
Note to Schedule of Expenditures of Federal Awards  
For the Year Ended October 31, 2007

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**A. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Nevada Humanities, Inc., 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.



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

To the Board of Trustees  
Nevada Humanities, Inc.

We have audited the financial statements of Nevada Humanities, Inc. (a nonprofit corporation), as of and for the year ended October 31, 2007, and have issued our report thereon dated February 12, 2008. 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 Nevada Humanities, Inc.'s internal control over financial reporting in order to determine 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 Nevada Humanities, Inc.'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 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 statement 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 over financial reporting was for the limited purpose described in the first paragraph of this section 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 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 the financial statements of Nevada Humanities, Inc., 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 that are required to be reported under Government Auditing Standards.

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

PANGBORN & Co., LTD

Reno, Nevada  
February 12, 2008



Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133

To the Board of Trustees  
Nevada Humanities, Inc.

**Compliance**

We have audited the compliance of Nevada Humanities, Inc. (a nonprofit corporation), 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, 2007. Nevada Humanities, Inc.'s major federal program is identified in the summary of auditor's 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 the management of Nevada Humanities, Inc. Our responsibility is to express an opinion on Nevada Humanities, Inc.'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 Corporations. 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 Nevada Humanities, Inc.'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 Nevada Humanities, Inc.'s compliance with those requirements.

In our opinion, Nevada Humanities, Inc., 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, 2007.

**Internal Control over Compliance**

The management of Nevada Humanities, Inc., 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 Nevada Humanities, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nevada Humanities, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity'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 a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 over compliance that we consider to be material weaknesses as defined above.

Nevada Humanities, Inc.'s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Nevada Humanities, Inc.'s response and, accordingly, we express no opinion on it.

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

FRANZ BORN & Co., LTD.

Reno, Nevada  
February 12, 2008

**NEVADA HUMANITIES, INC.**  
Schedule of Findings and Questioned Costs  
For the Year Ended October 31, 2007

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A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Nevada Humanities, Inc.
2. No reportable conditions were identified during the audit of the financial statements.
3. The audit disclosed no instances of noncompliance material to the financial statements of Nevada Humanities, Inc.
4. No reportable conditions were identified during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program for Nevada Humanities, Inc., expresses an unqualified opinion on the major federal program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program included:
  - National Endowment for the Humanities
  - Promotion of the Humanities, Federal/State Partnership, CFDA #45.129
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. It was concluded that Nevada Humanities, Inc., was a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

**NEVADA HUMANITIES, INC.**  
Summary Schedule of Prior Audit Findings  
For the Year Ended October 31, 2007

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There were no findings reported for the year ended October 31, 2006.