

Independent Accountants' Report

on Financial Statements

Board of Directors
Woods Charitable Fund, Inc.
Lincoln, Nebraska

We have audited the accompanying cash basis statement of financial position of Woods Charitable Fund, Inc. as of December 31, 2006 and the related statement of activities for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Woods Charitable Fund, Inc. as of and for the year ended December 31, 2005, were audited by other accountants whose report dated February 22, 2006, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of Woods Charitable Fund, Inc. as of December 31, 2006, and the changes in its net assets for the year then ended, on the basis of accounting described in Note 1.

BKD, LLP

March 2, 2007

STATEMENTS OF FINANCIAL POSITION / CASH BASIS / DECEMBER 31, 2006 AND 2005

ASSETS	2006	2005
Cash and cash equivalents	\$ 289,385	\$ 125,627
Investment securities, at cost:		
Mutual funds	26,708,267	24,118,325
Partnerships and other investments	1,949,335	1,867,925
Program related investments	362,090	395,919
Total assets	<u>\$ 29,309,077</u>	<u>\$ 26,507,796</u>
LIABILITIES AND NET ASSETS		
Unrestricted net assets	\$ 29,309,077	\$ 26,507,796
Total liabilities and net assets	<u>\$ 29,309,077</u>	<u>\$ 26,507,796</u>

See notes to cash basis financial statements

STATEMENTS OF ACTIVITIES / CASH BASIS / YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Income collected:		
Investment income:		
Net realized gains on sale of securities	\$ 1,071,607	\$ 696,743
Interest:		
Program related investments, interest bearing	20,769	19,832
Cash accounts, interest bearing	12,993	4,968
Total interest income	<u>33,762</u>	<u>24,800</u>

Continued

	2006	2005
Dividends from mutual funds	3,993,941	2,276,154
Other	36,239	—
Total investment income	<u>5,135,549</u>	<u>2,997,697</u>
Donations	—	200
Total income collected	<u>5,135,549</u>	<u>2,997,897</u>
Grants and Expenses Paid		
Grants paid	1,836,134	1,353,740
Expenses paid:		
Salary and benefits	292,001	265,182
Investment advisory fee	28,395	26,719
Conferences and meetings	4,844	9,629
Legal, audit and financial services	13,736	9,550
Office expenses	11,588	11,837
Memberships and dues	12,668	9,489
Consultants	3,241	3,395
Annual report expenses	5,395	5,301
Other expenses	18,456	17,995
Excise tax payments	107,810	19,965
Total expenses paid	<u>498,134</u>	<u>379,062</u>
Total grants and expenses paid	<u>2,334,268</u>	<u>1,732,802</u>
Increase in Net Assets	<u>2,801,281</u>	<u>1,265,095</u>
Net Assets, Beginning of Year	<u>26,507,796</u>	<u>25,242,701</u>
Net Assets, End of Year	<u>\$29,309,077</u>	<u>\$26,507,796</u>

See notes to cash basis financial statements

December 31, 2006 and 2005

**Note 1:
Nature of Operations and
Summary of Significant
Accounting Policies**

NATURE OF OPERATIONS

Woods Charitable Fund, Inc. (the “Fund”) is a private philanthropic foundation incorporated in the state of Nebraska in 1941. The Fund’s mission and principal activities are to strengthen the community by improving opportunities and life outcomes for all people in Lincoln, Nebraska through grants made to eligible organizations. The Fund supports members of the nonprofit sector who are exploring creative alternatives and promoting more just, effective approaches to meet community needs. The Fund’s revenues and other support are derived principally from earnings on investments.

METHOD OF ACCOUNTING

The Fund’s accounts are maintained on a cash basis, and the statements of income collected, deductions and expenses paid reflect only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenses and amortization and depreciation, which may be material, are not reflected in the accompanying financial statements. The statements are not intended to present the financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America.

USE OF ESTIMATES

The preparation of financial statements on the cash basis of accounting 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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

The Fund considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2006 and 2005, cash equivalents consisted primarily of money market funds.

INVESTMENTS AND INVESTMENT RETURN

Investments are carried at cost unless the Fund has determined a permanent decline in value. As of December 31, 2006 and 2005, there are no investments which the Fund has determined to be permanently impaired. Under accounting principles generally accepted in the United States of America, investments in equity securities having a readily determinable fair value and in all debt securities would be carried at fair value.

Investment return includes dividend, interest and other investment income; and realized gains and losses on investments. Net profits or loss of limited partnership interests are reported as investment income upon allocation to the Fund’s capital account. The Fund uses the weighted average method to determine the cost of mutual funds sold and the first-in, first-out method to determine the cost of all other securities sold.

EXCISE TAXES

The Fund is classified as a private foundation as defined in Section 509(a) of the Internal Revenue Code and a similar provision of state law. Excise tax payments consisted of:

	2006	2005
Current year estimated payments	\$57,500	\$10,500
Payments for prior year liability	50,310	9,465
	<u>\$107,810</u>	<u>\$19,965</u>

December 31, 2006 and 2005

**Note 2:
Investments and Fair Value
Disclosures**

Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Fund does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Mutual funds at December 31, 2006 and 2005 consisted of the following:

	2006	
	Cost	Fair Value
Equity mutual funds	\$16,252,169	\$22,015,562
Fixed income mutual funds	2,471,269	2,311,235
International mutual funds	5,072,452	8,553,987
Real estate mutual funds	2,912,377	4,614,236
Total mutual funds	\$26,708,267	\$37,495,020
	2005	
	Cost	Fair Value
Equity mutual funds	\$14,223,484	\$19,654,140
Fixed income mutual funds	2,364,297	2,218,498
International mutual funds	4,549,794	7,687,841
Real estate mutual funds	2,980,750	4,088,528
Total mutual funds	\$24,118,325	\$33,649,007

During 2005, the Fund invested \$1,500,000, in a private fund of hedge funds, for which the estimated fair value at December 31, 2006 and

2005 was \$1,664,100 and \$1,539,120, respectively, as determined by the Fund's management. The Fund held an investment in a private limited

partnership with a cost of \$449,335 and \$367,925, for which a fair value was not ascertainable at December 31, 2006 and 2005, respectively.

Program related investments consist of loans issued to qualifying agencies which require repayment of principal and interest (if applicable) in accordance with the terms of the related agreement.

**Note 3:
Commitments**

The Fund is committed to pay grants totaling \$435,375 at December 31, 2006. In addition, the Fund has supplied a stand-by letter of credit to YWCA of \$28,500 as of December 31, 2006. This letter of credit expires in May 2011. The Fund is committed to invest an additional \$66,700 in a limited partnership as of December 31, 2006. Certain of these commitments are contingent on the fulfillment of specified conditions.