

Independent Accountants' Report

ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Directors

Woods Charitable Fund, Inc.

Lincoln, Nebraska

We have audited the accompanying cash basis statements of financial position of Woods Charitable Fund, Inc. as of December 31, 2007 and 2006, and the related statements of activities for the years 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 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.

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 financial statements referred to above present fairly, in all material respects, the financial position of Woods Charitable Fund, Inc. as of December 31, 2007 and 2006, and the changes in its net assets for the year then ended, on the basis of accounting described in Note 1.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits 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.

BKD, LLP

February 13, 2008

Financial Statements

STATEMENTS OF FINANCIAL POSITION / CASH BASIS / DECEMBER 31, 2007 AND 2006

ASSETS	2007	2006
Cash and cash equivalents	\$ 284,903	\$ 289,385
Investment securities, at cost:		
Mutual funds	30,158,694	26,708,267
Partnerships and other investments	3,954,596	1,949,335
Program related investments	171,679	362,090
Total assets	<u>\$ 34,569,872</u>	<u>\$ 29,309,077</u>
LIABILITIES AND NET ASSETS		
Liabilities	\$ —	\$ —
Unrestricted net assets	\$ 34,569,872	\$ 29,309,077
Total liabilities and net assets	<u>\$ 34,569,872</u>	<u>\$ 29,309,077</u>

See notes to cash basis financial statements

STATEMENTS OF ACTIVITIES / CASH BASIS / YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Income collected:		
Investment income:		
Net realized gains on sale of securities	\$ 2,253,094	\$ 1,071,607
Interest:		
Program related investments, interest bearing	16,207	20,769
Cash accounts, interest bearing	15,254	12,993
Total interest income	31,461	33,762
Dividends from mutual funds	4,984,950	3,993,941
Other	649	36,239
Total investment income collected	<u>7,270,154</u>	<u>5,135,549</u>
Grants and Expenses Paid		
Grants paid	1,469,988	1,836,134
Expenses paid:		
Salary and benefits	314,562	292,001
Investment advisory fees	31,455	28,395
Conferences and meetings	5,969	4,844
Legal, audit and financial services	11,935	13,736
Office expenses	5,315	11,588
Memberships and dues	12,318	12,668
Consultants	2,556	3,241
Annual report expenses	5,476	5,395
Other expenses	19,285	18,456
Excise tax payments	130,500	107,810
Total expenses paid	<u>539,371</u>	<u>498,134</u>
Total grants and expenses paid	<u>2,009,359</u>	<u>2,334,268</u>
Increase in Net Assets	5,260,795	2,801,281
Net Assets, Beginning of Year	29,309,077	26,507,796
Net Assets, End of Year	<u>\$34,569,872</u>	<u>\$29,309,077</u>

See notes to cash basis financial statements

Notes to Cash Basis Financial Statements

DECEMBER 31, 2007 AND 2006

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, 2007 and 2006, 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, 2007 and 2006, 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:

	2007	2006
Current year estimated payments	\$130,500	\$57,500
Payments for prior year liability	–	50,310
	<u>\$130,500</u>	<u>\$107,810</u>

**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, 2007 and 2006 consisted of the following:

	2007	
	Cost	Fair Value
Equity mutual funds	\$13,912,416	\$17,710,939
Fixed income mutual funds	3,147,714	3,009,399
International mutual funds	11,017,914	13,588,457
Real estate mutual funds	2,080,650	2,322,517
Total mutual funds	<u>\$30,158,694</u>	<u>\$36,631,312</u>
	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	<u>\$26,708,267</u>	<u>\$37,495,020</u>

Notes to Cash Basis Financial Statements

DECEMBER 31, 2007 AND 2006

The Fund has invested \$3,700,000, in a private fund of hedge funds, for which the estimated fair value at December 31, 2007 and 2006 was \$3,865,372 and \$1,664,100, respectively, as determined by the Fund's management. The Fund held an investment in a private limited partnership with a cost of \$254,596 and \$449,335, for which a fair value was not ascertainable at December 31, 2007 and 2006, 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 \$728,054 at December 31, 2007. In addition, the Fund has supplied a stand-by letter of credit to YWCA of \$28,500 as of December 31, 2007. This letter of credit expires in May 2011. The Fund is committed to invest an additional \$50,700 in a limited partnership as of December 31, 2007. Certain of these commitments are contingent on the fulfillment of specified conditions.