



PERFORMANCE &
ACCOUNTABILITY REPORT

FISCAL YEAR 2024

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Message from the Chair

I am pleased to present the Performance and Accountability Report for the National Endowment for the Humanities for the fiscal year 2024. The report sets forth the agency's goals, objectives and results for the fiscal year just concluded. The report provides communication on the Endowment's performance, operations, and financial information.

The Endowment's grant programs received over 4,600 applications in fiscal year 2024. Each eligible application underwent a rigorous peer review process to evaluate the quality and significance of the proposed projects. The information contained in this report summarizes the agency's work on behalf of the taxpayer and the value of NEH's programs for the American people.

During FY24, NEH awarded more than \$159 million in direct grant funding through 1,099 grant awards to humanities organizations, institutions and individuals. This funding supported research, education, preservation, and public programs in history, literature, philosophy, languages, and other humanities fields. These peer-reviewed grants included \$92 million in funding for 796 discretionary awards and \$67 million in funding for 303 awards to the national network of state and jurisdictional humanities councils.

The financial and performance data contained in this report are, to the best of my knowledge, reliable, accurate, and complete. NEH's fiscal year 2024 financial statement audit yielded an 18th consecutive unmodified (clean) audit opinion. Enterprise Risk Management is an identified area for continued improvement, and NEH continues to mature our established program, which is discussed further in this report. The agency is fully committed to continuous process and operational improvements.

A handwritten signature in black ink, appearing to read 'Shelly C. Lowe', with a stylized, cursive flourish at the end.

Shelly C. Lowe (Navajo), Chair

I. Management’s Discussion and Analysis

Mission, Vision, and Core Values¹

NEH’s vision is for “*a nation where the public has access to and can benefit from the Humanities without barriers*”.

The agency’s mission is to “*to serve and strengthen our nation by fostering an expanded role for the Humanities*”.

Accessible: We listen, learn, and strive to break down barriers.

Responsive: We provide high-quality support and advice to meet on-going needs.

Collaborative: We work respectfully and inclusively through collaboration and open communications.

Reflective: We encourage critical, deep, and innovative thinking.

Integrity: We uphold public trust through honesty, fairness, and transparency.

Organization

The National Endowment for the Humanities (NEH) is an independent federal agency created in 1965. NEH serves the American public as the only federal agency dedicated to funding the humanities, which include history, philosophy, literature, language, ethics, law, archaeology, political theory, comparative religion, anthropology, sociology, and media and cultural studies. NEH supports the fundamental building blocks of American civil society, helping us to examine the human condition, understand our cultural heritage, foster mutual respect for diverse beliefs and cultures, develop media and information literacy, and promote civics education. Since its founding in 1965, NEH has awarded nearly \$6 billion in grants to museums, historic sites, colleges, universities, K- 12 teaching, libraries, public television and radio stations, research institutions, independent scholars, and state and jurisdictional humanities councils nationwide— providing a critical lifeline to the nation’s cultural and educational sectors and sustaining the United States’ role as a global leader in the humanities.

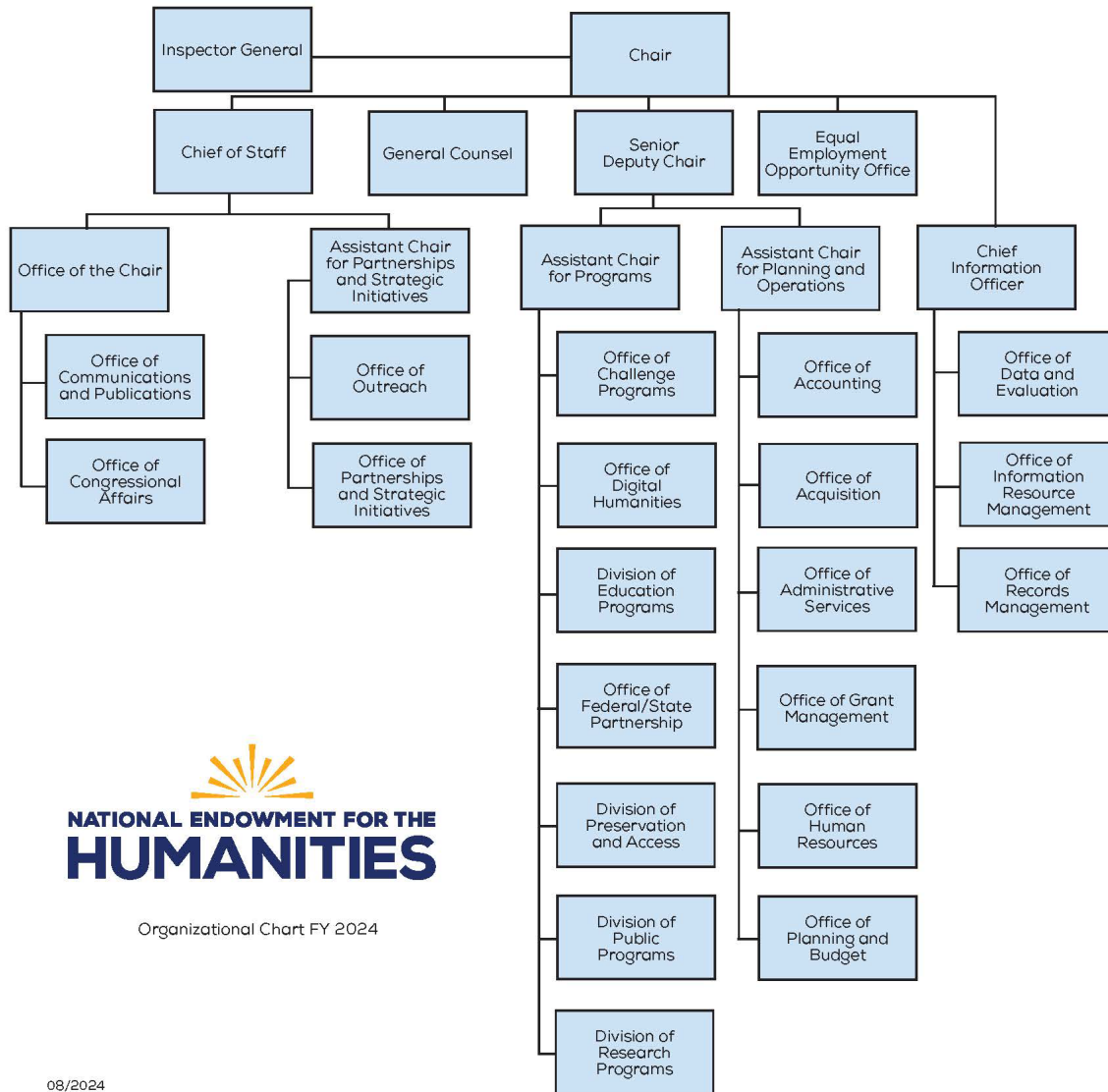
¹ FY2022-2026 NEH Strategic Plan Framework

NEH is a consolidation entity of the federal financial reports of the U.S. Government; however, the presentation of information in this report is as its own entity. NEH is directed by a Chair, who is appointed by the President of the United States and confirmed by the U.S. Senate for a term of four years. President Biden announced the nomination of Shelly Lowe, who was confirmed by the U.S. senate as twelfth Chair of the Endowment in February of 2022. Anthony Mitchell was appointed as NEH's Senior Deputy Chair in August of 2022.

Advising the Endowment's Chair is the National Council on the Humanities, a board of 26 distinguished private citizens who are appointed by the President and confirmed by the Senate. National Council members serve staggered six-year terms. The National Council on the Humanities meets at least three times annually to advise the NEH Chair. The Chair considers the advice provided by the review process and, by law, makes all funding decisions.

The agency's programmatic operations are divided into seven divisions that conduct grant making on behalf of major agency programs and initiatives. These divisions include Federal/State Partnership, Public Programs, Preservation & Access, Research, Education Programs, Digital Humanities and Challenge Grants. The program divisions are supported by several administrative offices, which are reflected in the organization chart below.

Organizational Chart



Organizational Chart FY 2024

08/2024

Organizational Summary

The Office of Federal/State Partnership is the liaison between NEH and the nonprofit network of state and jurisdictional humanities councils. This division provides general operating support awards to the states and jurisdictions to bring humanities education, lifelong learning, and public humanities programming to communities across the country. This partnership also serves to advance public understanding of the humanities, while enhancing public awareness of, access to, and support for the humanities on a local, grassroots level.

The Division of Public Programs supports a wide range of public humanities programming that reaches large and diverse public audiences and makes use of a variety of formats including exhibits, public programs, film, radio, and digital media. Supported projects include those that bring the ideas and insights of the humanities to life for general audiences as well as interpret and analyze humanities content in primarily digital platforms and formats, such as websites, mobile applications and tours, interactive touch screens and kiosks, games, and virtual environments.

The Division of Preservation and Access supports projects that preserve and create intellectual access to collections and cultural heritage resources of importance for research, education, and public programming in the humanities. This division supports projects that preserve cultural and heritage materials in diverse formats of materials that are threatened by factors inherent in their physical structures or by the environments in which they are housed.

The Division of Research Programs supports scholarly research and writing in all disciplines of the humanities and humanistic social sciences. Through annual funding opportunities, awards are made to scholars, including individuals, collaborative teams, and institutions working on research projects that advance knowledge and understanding of the humanities.

The Division of Education Programs supports projects that strengthen teaching and learning in the humanities through innovative curricular programs and professional development for K-12 and higher education faculty. Projects supported include intensive reading and discussion summer programs featuring recognized scholars, programs that support broad institutional endeavors and integrative curricular projects at two- and four-year post-secondary institutions between various disciplines, and a veterans-centered program supporting institutions exploring experiences of war and military service.

The Office of Digital Humanities supports projects advancing development of and training in digital tools, methods, and best practices for humanities research, teaching and learning, public engagement, and scholarly communications. Another major goal of ODH is to increase the capacity of the humanities in applying digital methods. The office also works closely with the scholarly community and other funding agencies in the United States and abroad to encourage collaboration across national and disciplinary boundaries.

The Office of Challenge Programs supports projects that transform and strengthen humanities institutions and organizations through federal matching grants to fund construction and improvements to facilities and equipment. Supported projects include building and renovating structures such as museums and libraries and comprehensive organizational assessments leading to climate-informed strategic plans to reduce operational costs, increase resilience, and support organizational health.

Treasury Matching Funds are utilized to match nonfederal contributions in support of humanities projects. These funds are awarded in most programs, and NEH funding is conditioned on an equivalent ratio amount of funds being raised by the recipients. NEH Treasury matching funds aims to leverage the contributions of the nation's businesses, foundations, and individuals on behalf of the humanities.

Peer Panel Review is a hallmark of the NEH grant application review process. NEH instructs reviewers to evaluate applications according to the published review criteria and in compliance with federal ethics and conflicts of interest requirements. Peer reviewers come from diverse disciplinary, institutional, regional, and cultural backgrounds. They are experts in their respective fields with relevant knowledge and expertise in the types of project activities identified in the grant funding applications submitted to the agency. Based on the peer review and their individual experience, NEH staff provide comments and make recommendations for funding to the National Council on the Humanities and the Chair of NEH. The National Council on the Humanities provides recommendations to the Chair, who makes the final funding decisions.

The Annual Performance Report is due in February of each fiscal year and will be available online at <https://www.neh.gov/about/budget-performance>.

Performance Goals, Objectives, and Results

NEH's strategic plan framework sets forth the structure for how the agency's goals, objectives and measures are highlighted in achieving the agency's mission through results. The topics further discussed in subsequent sections attempt to integrate elements of enterprise risk management as well as provide insight into how each goal is defined and structured to the mission of the agency.

The agency continues to evolve its Enterprise Risk Management (ERM) program implementation and the integration of data to support evidenced-based decision making. In the current year, NEH has made tremendous progress in addressing its risks, its data infrastructure and how results are measured and presented.

Risk

In spring 2021, NEH initiated implementation of an ERM program. Since that time, the agency created a Chief Risk Officer (CRO) position; established a governance structure; adopted a governance charter and administrative directive; created the agency's risk appetite statement; and developed a comprehensive risk register that aligns to the strategic framework and documents mitigation efforts.

The agency has evolved its implementation strategy in the current year to internalize the functional work through the process of hiring a Risk Analyst. As a full-time federal employee, the Risk Analyst will be responsible for working with the CRO to sustain the ERM program, maintain work products, and collaborate across the agency to integrate ERM, strategic planning, internal controls, and performance.

During the development of the risk register, the agency identified several risks related to its outdated financial system such as (1) the procurement system for requisitions and the agency's financial system are not linked; (2) manual processes for payments, accruals, and travel; (3) data is compiled outside of the financial system for reporting; and (4) non-compliance with federal requirements set by the U.S. Treasury and Office of Management and Budget. To mitigate these risks, NEH worked with the Department of Treasury's Administrative Resource Center (ARC) to transition NEH to their shared service platform. This transition will remediate some of the agency's risks and automate processes that previously were manual. NEH worked with Treasury ARC throughout FY 2024 to transition to the shared service platform.

Across the agency, both in the programmatic divisions and administrative offices, staffing was also identified as a cross-cutting risk, contributing to other identified risks. Hiring additional staff will assist in remediating and/or mitigating risks such as: (1) lack of standard operating procedures or outdated procedures; (2) segregation of duties; (3) lack of a data infrastructure; and (4) delays in the grant lifecycle. During FY 2024 after receiving its full year appropriation that included an increased Administration budget, NEH made significant progress in hiring and onboarding key programmatic and administrative positions to include program officers, grants management specialists, human resources specialists, a data scientist, and an agency travel administrator.

Continued delays in receiving full-year appropriations and future uncertainty about agency appropriations contribute to hiring delays. To ensure current and future year sustainability of positions, the hiring of any position requires routing and approval through the Director of Planning and Budget and the Senior Deputy Chair.

Financial Statements Overview & Analysis

The audited financial statements are prepared to report the financial position, financial condition and results of operations of the National Endowment for the Humanities (Endowment), pursuant to the requirements of 31 U.S.C. § 3515(b). The financial statements are prepared from records of the agency in accordance with federal, generally accepted accounting principles (GAAP) and Federal Accounting Standards Advisory Board (FASAB) as per the formats prescribed by OMB A-136 Financial Reporting Requirements. Reports used to monitor and control budgetary resources are prepared from the same records. The financial statements users should be advised the agency statements are a component of the U.S. Government. The following is a summary of the agency financial statements and Dollar amounts represent millions (M) unless otherwise stated.

The Endowment continued to provide emergency relief to organizations working in the humanities affected by the coronavirus pandemic through disbursing existing obligations of supplemental appropriations from the American Rescue Plan Act of 2021 (ARP) and Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES). NEH's net outlays for FY2024 was \$7.2M and \$0.1M respectively.

Balance Sheet (BS)

The Balance Sheet presents the amounts of assets owned and liabilities of NEH for the current fiscal year and prior fiscal year. Their difference determines the net position as of September 30, 2024.

Total assets are \$296.7M for FY2024. The most significant asset is the Fund Balance with the U.S. Treasury (FBWT) which represents grant funds to be disbursed in future years. For fiscal years 2024 and 2023, FBWT amounts were \$288.4M and \$287M, respectively. The increase is primarily due to receipt of increased appropriations received in the current fiscal year. Decreases to Advances and Prepayments from the current year compared to prior year are primarily due to an \$4M inter-agency agreement advance to the Department of Interior in prior year.

Total liabilities are \$43M for FY2024. The majority of NEH's Other than-intragovernmental liability is due to the estimated grant liability (accrual). The accrual expense decreased to \$39.8M in the current year primarily due to fluctuation in calculation factors in the accrual methodology via decreases in the amount of unliquidated obligations for supplemental appropriations.

Statement of Budgetary Resources (SBR)

The Statement of Budgetary Resources displays how budgetary resources were made available to the Endowment and the status of resources at the end of the reporting period. NEH budgetary resources are derived primarily from no year funds appropriated by the U.S. Congress.

For fiscal years 2024 and 2023, total budgetary resources were \$251M and \$255.2M, respectively. The decrease in unobligated balances of budgetary resources is primarily due to reduced unobligated balances of supplemental appropriations received in prior years and reduced carryover balances compared to 2024.

Status of Resources decreased in FY2024 compared to FY2023 due to the reduced number of new obligations due to supplemental appropriations received in prior years. The increase in unapportioned, unexpired accounts are due to the increased number of grant closeouts and resulting carryover balances.

NEH had decreased net outlays to \$205.6M in 2024 from \$248.7M due to decreased amounts of grant payments from supplemental appropriations received in prior years.

Statement of Net Cost (SNC)

The Statement of Net Cost presents cost information by responsibility segment, namely, the program divisions within NEH, along with previously established initiatives. The net cost of operations represents gross cost incurred less any exchange revenue activity earned. Disclosures of gross and net cost provide information which correlates to program activity outputs. For fiscal years 2024 and 2023, net cost of operations decreased to \$197.3M from \$255.5M due to decreased grant disbursements and liability accrual.

Statement of Changes in Net Position (SNCP)

The Statement of Changes in Net Position display the components of the unexpended appropriations and cumulative results of operations representative of comparative changes to balances. For fiscal years 2024 and 2023, net position was \$253.7M and \$241M respectively. The increase to total Unexpended Appropriations and Net Position are due to increased beginning balances in prior years related to received supplemental appropriations.

Analysis of Systems, Controls and Legal Compliance Management Assurances

NEH management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). NEH conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, the agency can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2024.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that substantially comply with federal financial management system requirements, federal accounting standards and the United States General Ledger. NEH conducted its evaluation of financial management systems for compliance and based on assessment can provide reasonable assurance that financial management systems substantially comply with the FFMIA, Section 4. Detailed information is provided in the Other Accompanying Information section of this report.

There are no other component or subsidiary entities that are combined or consolidated for presentation in this document. Through sustained effort, NEH is committed to maintaining compliance with applicable laws.

NEH is committed to and continues making progress toward the integration of risk management, internal controls, and strategic planning.



Shelly C.Lowe (Navajo), Chair

II. Performance Information

Introduction

NEH's discussion of general operational process cycles provides context into how goals and objectives are structured and how goals can be achieved. The agency operates within three general procedural concepts:

- NEH grant programs and award cycles cross multiple fiscal years. Agency awards cycle occurs approximately three times per year in March, July, and November. During the pandemic, additional cycles were added to support supplemental COVID funding awarded to the agency. NEH cycles and periods of performance do not align with the financial fiscal year so they may not currently demonstrate full performance results. Therefore, the data disclosed in this report may not present the full scope of previously established programmatic activity.
- The volume of applications received by NEH typically fluctuates year over year. This is dependent on many factors, including but not limited to, the availability of appropriations, administrative and operational priorities and the number of available grant programs.
- Grant applications are evaluated through a highly competitive peer-review panel process and a review by the National Council on the Humanities. These recommendations are presented to the agency Chair, who weighs the recommendations and information provided and ultimately makes final funding decisions. Due to this rigorous selection process, the numbers of grants awarded during a given year may differ significantly from the numbers of awards projected for the year or applications received.

Forward Looking Information

In support of evidenced based decision making and maturing the development of a performance metric framework across the agency, NEH has established the Office of Data and Evaluation to understand and develop a data framework to develop hierarchies in support of the integration of operational and financial data.

Additionally, the implementation of the ARC shared service platform supports this integration through the realignment of the financial data hierarchy and its correlation to data within the grant management system. NEH will continue to implement these concepts to support future data, performance measures and their alignment. Therefore, presented metrics will be adapted and matured across NEH's statutory reporting requirements.

Strategic Goals and Objectives

The goals and objectives outlined in this section align directly with the agency strategic plan framework. Measures and outcomes to these goals are further discussed in subsequent sections of this report.

Strategic Goal 1: Preserve, advance, and expand awareness of the Humanities.

NEH strives to present a forum in which the role of the humanities continues to expand its footprint. NEH recognizes its ongoing responsibility to ensure all peoples benefit from the expanded reach of what the humanities can and will provide to society, now and in the future.

Strategic Objective 1: Strengthen the Role of and Institutional Base of the Humanities

- Provide national leadership in spurring innovation and encouraging best practices in the humanities.
- Broaden participation in the humanities.
- Enhance preservation of and access to humanities resources

Strategic Objective 2: Strengthen the Nation's democracy through education and civic engagement.

- Strengthen civics and humanities education and learning.
- Support investment in projects that examine threats to democracy.
- Provide increased opportunities for Americans to engage in lifelong learning in the humanities.

Strategic Objective 3: Increase Exploration of Impacts of Climate Change on the Nation's Cultural Heritage

- Support climate resilience in the nation's cultural and educational sectors.

Strategic Objective 4: Bolster NEH's profile as a Research Agency

- Support robust humanities research.
- Increase collaboration with external partners on a variety of research and developmental opportunities.

Strategic Goal 2: Advance Equity and Support for Historically Underserved Communities

NEH is committed to advancing and enhancing opportunity for all, including populations who have been historically underserved or marginalized. This commitment informs our work agency-wide, including our efforts to create a robust data collection system, enhance our outreach and branding strategies, and simplify the grants application process.

Strategic Objective 1: Reduce barriers to NEH programs and funding.

- Simplify the grant application processes.
- Embed a culture of program and funding accessibility.
- Develop communication strategies that promote NEH programs and funding opportunities to underserved communities.

Strategic Objective 2: Increase engagement with underserved communities.

- Provide greater assistance to small organizations and first-time applicants.
- Collaborate with entities to increase the agency's engagement with underserved stakeholders.
- Increase collaborations with Tribal Nations, veterans, Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions (HSIs), Tribal Colleges and Universities (TCUs), and community colleges.

Strategic Goal 3: Fortify the management of NEH Resources

NEH stakeholders contemplated how to best manage and carry out the agency mission within finite and limited resources (i.e., people, budget, etc.) and how to best allocate these resources. Planning and thought leadership are essential in bringing together ideas and best practices on effective and efficient operations. NEH recognizes the tremendous value each of our divisions and offices contribute to the accomplishment of our vision and mission and look capitalize these strengths nearly 60 years in the making as we move toward a future forward approach.

Strategic Objective 1: Increase NEH's data collection capacity and scope

- Develop an agency data-driven framework for Agency funding and operations.
- Establish a data driven evidence-based culture to support decision making.

Strategic Objective 2: Expand NEH's procurement opportunities.

- Attract, identify, and utilize partners from underserved communities.

Strategic Objective 3: Further integrate risk analysis into NEH's decision making process.

- Integrate ERM into organizational culture, process, and decision making.

Strategic Goal 4: Expand NEH's organizational capacity and capability.

At NEH, organizational capacity is defined as our potential to ensure our growing and changing operations continue to be efficient, productive, and effective. NEH defines its assets from both a tangible perspective (i.e., financial and budgeting) and from an intangible perspective (i.e., institutional and thought knowledge, leadership, and internal and external relationships.) Capacity focuses on our potential, capability refers to existing and future personnel, ensuring tools are available to maximize roles and responsibilities at NEH.

Strategic Objective 1: Enhance cultivation of an inclusive and high performing workforce.

- Continue to recruit, hire, and retain a diverse agency workforce.
- Expand NEH professional developmental opportunities.
- Support career paths for a diverse generation of humanities professionals.

Strategic Objective 2: Foster a culture of communication and collaboration.

- Provide collaborative leadership training and development opportunities for managers and supervisors.
- Capitalize on working group efforts for cross-unit collaboration.

Strategic Objective 3: Modernize NEH's operational systems and processes.

- Enhance integration of NEH systems and processes.
- Develop, monitor, and implement updated policies and procedures.

Performance Goals, Metrics and Measures

The purpose of this section is to present performance activity for the current fiscal year and the outcomes achieved during the year. The data and narratives discussed below are in alignment with the strategic plan framework. As NEH continues to fully implement its data infrastructure, future performance measures will be adapted and matured for continued alignment across NEH's statutory reporting requirements.

NEH's total administrative costs of \$46.1M are associated with all four major strategic goals. Administrative costs represent agency supporting activities, including staff salary and benefits, administrative services, travel, interagency agreements with federal partners, IT related expenses, training and conferences, panelist honoraria payments, supplies, invoice accruals, and depreciation.

The program costs included within Strategic Goal 1 and Strategic Goal 2 below represent multiple divisions' grant activities and do not include the associated administrative costs.

Outcomes for Strategic Goal 1: Preserve, advance, and expand awareness of the Humanities.

As the only federal agency dedicated to funding the humanities, NEH recognizes its ongoing responsibility to ensure all people can benefit from the humanities. NEH plays a core role in advancing federally funded research and development (R&D), preservation, and educational and public programming to foster a strong, resilient, and thriving democracy; build a more just and equitable society; and protect our cultural resources from the effects of climate change. NEH-supported projects bring the past into sharper focus, thereby bringing about, as its founding

legislation affirms, “a better analysis of the present and a better view of the future.”

In fiscal year 2024, the net cost of Strategic Goal 1 represented \$108.1M inclusive of the activities of the seven programmatic divisions: Challenge Programs, Digital Humanities, Education Programs, Federal/State Partnership, Preservation and Access, Public Programs, Research Programs. These costs represent over sixty (60) different grant line programs across the programmatic divisions. Costs for Treasury Matching Funds and special initiatives programs like the agency-wide American Tapestry: Weaving Together Past, Present, and Future are included within the underlying grant activity presented for this goal and aligned to with the Statement of Net Costs.

NEH will continue to mature and integrate its data hierarchy and infrastructure to refine future metrics and measures.

Outcomes for Strategic Goal 2: Advance Equity and Support for Historically Underserved Communities

In 2024, NEH continued its work to remove barriers to full and equal participation in the agency’s programs and opportunities. NEH did this in a myriad of ways, including:

- Expanding the Office of Data and Evaluation that was created in 2023 to continue to build a robust data collection system to analyze the effectiveness of NEH programs and policies and determine whether, and to what extent, they advance equity and support for underserved communities. By centralizing data and evaluation efforts, the office ensures that NEH can make informed, data-driven decisions about resource allocation, program efficacy, and outreach success.
- Creating an Office of Outreach which is essential for expanding access to the agency’s resources and initiatives, particularly among communities historically underrepresented in the humanities. This office addresses a gap in centralized outreach efforts, allowing NEH to build stronger relationships and engagements with communities and institutions that have been historically underserved by NEH, such as Tribal Nations, veterans, HBCUs, HSIs, TCUs, community colleges, and rural organizations. By coordinating engagement strategies across the agency, the Office of Outreach ensures that NEH’s programs reach a broader audience, fostering inclusion and equity across its grants and partnerships. The office will also provide data-informed outreach guidance, allowing NEH to better evaluate and respond to the needs of underserved communities.
- Establishing the Office of Partnerships and Strategic Initiatives to advance NEH’s mission by fostering strategic relationships with public, private,

philanthropic, and international partners. This Office aims to expand NEH's reach, amplify resources, and create impactful initiatives aligned with NEH priorities.

- Exploring ways to simplify the agency's grant application processes and funding opportunity notices.
- Continuing to support programs and projects that build capacity, expand access and inclusivity, and amplify untold stories of historically underserved groups through American Tapestry: Weaving Together Past, Present, and Future, NEH's special initiative.

For fiscal year 2024, the net cost of Strategic Goal 2 represented \$44.2M inclusive of the activities of the seven programmatic divisions: Challenge Programs, Digital Humanities, Education Programs, Federal/State Partnership, Preservation and Access, Public Programs, Research Programs. These costs represent over sixty (60) different grant line programs across the programmatic divisions. Costs for Treasury Matching Funds and special initiatives programs are included within the underlying grant activity presented for this goal and aligned to with the Statement of Net Costs.

NEH will continue to mature and integrate its data hierarchy and infrastructure to refine future metrics and measures.

Outcomes for Strategic Goal 3: Fortify the management of NEH Resources

Strategic Objective 1: Increase NEH's data collection capacity and scope

In 2023, NEH established an Office of Data and Evaluation (ODE) to ensure the equitable distribution, reach, and impact of NEH funds through 1) analyses of awards and their impacts, as well as of awardees and panelists; 2) systematic program and agency evaluations; and 3) broad humanities data gathering.

Since the office's first Director on-boarded, the office has hired additional staff members and created a program data working group with representation from all NEH's programmatic divisions as well as the Office of Grant Management. This was to allow a broad coalition of NEH staff to collaborate on goals related to grantmaking data and evaluation, review best practices at similar organizations such as the National Endowment for the Arts, Institute of Museum and Library Services, and the National Science Foundation, and participate on further refining performance metrics for the agency. In addition, the agency has established a performance metrics working group that includes ODE and the Directors of the Office of Accounting and the Planning and Budget to share data practices within the financial and budgetary systems and further collaborate on goals and metrics agency wide.

Strategic Objective 2: Expand NEH's procurement opportunities.

For purchases and procurements, NEH continues to encourage competition wherever possible to ensure that a fair and reasonable price is obtained from the vendor that is selected. NEH also supports the use of priority sources, such as General Services Administration (GSA) supply sources or vendors with GSA contracts. When these sources cannot provide the services or supplies required, NEH turns to commercial sources in the open market. For open market purchases over \$10,000, NEH generally requires employees to obtain quotations from at least three sources to ensure adequate competition.

NEH also continues to encourage underserved communities to participate in our acquisition program, including veterans, women owned small businesses, small/disadvantaged businesses, and 8(a) firms. In addition, NEH continues to provide resources to staff involved in ongoing and future solicitations regarding vendor diversity. In 2024, we also continued to restaff our acquisition function, including hiring a new Director of Acquisition and two contract specialists. With the rebuilt team, we intend to conduct expanded outreach regarding our procurement opportunities as a part of our supplier diversity work.

Strategic Objective 3: Further integrate risk analysis into NEH's decision making process.

In 2024, NEH continued implementation of the ERM program through various activities which include:

- Regular meetings of the NEH Enterprise Risk Management Board that provided training as well as review and adoption of work products;
- The adoption of a revised governance chart that was signed by the Chair;
- The adoption of an administrative directive that outlines roles and responsibilities, definitions, and authorities for the ERM program;
- The adoption of the first comprehensive risk register for the agency that reflects alignment with the agency's strategic framework and documents risk mitigation efforts;
- The adoption of the agency's risk appetite statement; and
- Agency-wide all-staff training on ERM topics.

Additionally, NEH also performed a current statement assessment of its internal controls program and compliance with OMB Circular A-123 and its appendices. The agency will use this information to further integrate ERM, internal controls, data requirements, and performance.

Outcomes for Strategic Goal 4: Expand NEH's organizational capacity and capability.

Strategic Objective 1: Enhance cultivation of an inclusive and high performing workforce.

NEH continued to invest in our staff to cultivate an inclusive and high performing workforce. For example, in 2024, NEH formally implemented the Temporary Rotational Assignment policy, which provides developmental opportunities for staff to explore different facets of NEH's work. The agency also continued to participate on the Small Agency Council, and our staff attended various trainings provided through the Council. The agency also continued to offer the Independent Study, Research and Development (ISRDR) program and the Educational Opportunities for Career Development (EOCD) program. The ISRDR program promotes independent study and research that are designed to maintain employees' professional competence and active scholarly lives. The EOCD program supports an employee's additional coursework that is relevant to the mission of NEH and the career goals of the employee.

NEH also continued to offer leadership development opportunities through our internal working groups, including the Historically Black Colleges and Universities (HBCUs) working group, Hispanic-Serving Institutions (HSIs) working group, and Native Americans and Tribal Colleges and Universities (TCUs) working group.

The Office of Human Resources also conducted an annual training needs assessment survey, which supported each office's and division's projected training plans. In addition, employees and supervisors were encouraged to collaborate and identify appropriate training and technology needs. This collaboration ensures that staff are prepared to meet the future needs and evolving demands of the agency.

NEH also continued to refine its methodology and data collection to measure organizational health, pursuant to OMB Memorandum M-23-15, Measuring, Monitoring, and Improving Organizational Health and Organizational Performance in the Context of Evolving Agency Work Environments.

NEH continued to evaluate and implement its telework and remote work policies to promote workplace transformation and maximize the agency's organizational performance and organizational health. The policies also support NEH's strategic workforce planning to retain essential skills and knowledge deemed critical among staff, and to support a more competitive and inclusive workplace.

Strategic Objective 2: Foster a culture of communication and collaboration.

NEH utilized many working groups, task forces, and committees that include staff from across the agency to provide developmental leadership opportunities for management and staff and enhance cross-unit collaboration. NEH currently has 3 cross unit working groups focused on outreach and technical assistance to underrepresented populations, including Historically Black Colleges and Universities (HBCUs), Hispanic-Serving Institutions (HSIs), and Native Americans

and Tribal Colleges and Universities (TCUs).

In addition, during FY24, NEH maintained several groups that focus on various areas of our work, including the Awards Committee, who advise and recommend on staff and manager award nominations throughout the year; the Combined Federal Campaign (CFC) Committee, whose members outreach to the agency regarding CFC; the Future of Work Group, who provided recommendations to the Chair's Office regarding workplace flexibilities; Telework and Remote Work Policy implementation team, who worked across the agency to finalize NEH's policies and provided technical assistance and outreach to agency staff; and the Special Observances Committee, which include staff from across NEH well as staff from NEA.

NEH also conducted quarterly Town Halls for all staff, with each Town Hall including a presentation from staff and managers from different units within the agency as well as opportunities for collaboration among staff members. Individual units also facilitated regular working groups with other agency components for improved operations. For example, the Office of Accounting conducted recurring working groups with the Office of Planning and Budget, Office of Grants Management, Human Resources, Acquisitions, and Office of Information Resources Management.

With respect to data and performance, as discussed above, the agency established the Program Data Working Group and the Performance Metrics Working Group to utilize expertise in various units and divisions to further implement robust data infrastructure.

All of these collaborative teams include staff and managers from across the agency and provide opportunities for cross-unit collaboration and leadership training and development.

In FY2024, NEH also offered a 360-degree feedback training for first line managers to further foster collaboration and communication throughout the agency.

Strategic Objective 3: Modernize NEH's operational systems and processes.

NEH upgraded its financial management system to a shared services system and service platform with the U.S. Department of Treasury's Administrative Resource Center (ARC). This complex modernization of the agency's financial system, travel system, and acquisition system will update and automate outdated and manual processes across the agency for increased efficiency and utilization of staff resources in addition to improving the agency's ability to quickly and accurately leverage data for decision making.

In 2024, NEH also continued to prioritize information technology (IT) modernization and cybersecurity and made significant progress in implementing guidance from CISA's Zero-Trust Maturity Model. NEH adopted Okta and Zscaler throughout the organization, thereby addressing gaps in the Identity pillar requiring phishing-resistant Multi-factor authentication (PIV). In 2024, NEH made available, agency wide, the capability to use PIV for remote users' access to all resources and applications to which they are authorized. This is an important step in requiring strong authentication. Additionally, to fully address the evolving landscape of cybersecurity risks, NEH hired additional cybersecurity staff to drive process improvements and strengthen the effectiveness of NEH's information security programs.

III. Financial Information

A Message from the Director, Office of Accounting

On behalf of the National Endowment for the Humanities (Endowment), I present the agency's audited financial statements for fiscal year 2024. The independent auditor, Williams Adley, LLP has rendered an unmodified (clean) opinion on the agency financial statements. The Endowment has obtained an unmodified opinion on the agency's financial statements for many consecutive years, indicating the Endowment's commitment to the careful stewardship of the taxpayer dollars.

The Office of Accounting operates within general government-wide challenges in the federal accounting and financial reporting compliance environment. As the U.S. Department of Treasury continues to implement their strategic and federal financial reporting goals within their strategic plan, NEH continues to work to ensure the agency is prepared and maintaining a future forward perspective to meet those objectives.

During this reporting period, the office began leading the agency through the implementation of Treasury's [Administrative Resource Center \(ARC\)](#) shared services solution. This entails our financial management system of systems, financial management processes and the underlying infrastructure inclusive of data relationships. As we work through implementation activities for this migration while working collaboratively across the agency, the aim is to support a smooth transition of this large, scaled project.

The contribution and efforts of the Accounting Staff and all NEH colleagues to receive an unmodified opinion, supports that the Endowment's financial statements are fairly presented and demonstrate steadfast commitment to responsible execution of fiduciary responsibilities.



Cora Shepherd

Audited Financial Statements
Fiscal Year 2024

BALANCE SHEET
As of September 30, 2024 and 2023
(in US Dollars)

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 288,351,293	\$ 286,997,256
Accounts Receivable, Net (Note 3)	-	7,648
Advances and Prepayments	5,434,912	6,331,561
Total intragovernmental	<u>293,786,205</u>	<u>293,336,465</u>
Other than Intragovernmental:		
Accounts Receivable, Net (Note 3)	70,255	90,693
Property and equipment, net (Note 4)	321,555	553,712
Advances and Prepayments	2,472,805	2,742,116
Total other than intragovernmental	<u>2,864,615</u>	<u>3,386,521</u>
TOTAL ASSETS	<u><u>296,650,820</u></u>	<u><u>296,722,986</u></u>
 <u>LIABILITIES</u>		
Intragovernmental liabilities:		
Advances from Others and Deferred Revenue	145,960	139,194
Other Liabilities (Note 6)		
Benefit contributions payable	152,269	329,949
Total intragovernmental liabilities	<u>298,229</u>	<u>469,143</u>
Other than intragovernmental liabilities:		
Accounts Payable	37,771	130,619
Federal Employee Salary, Leave and Benefits Payable	2,679,676	3,277,107
Pension, Post-Employment, and Veterans Benefits Payable	126,006	264,230
Other Liabilities (Note 6)		
Accrued Grant Liabilities (Note 13)	39,837,785	51,601,331
Total other than intragovernmental liabilities	<u>42,681,238</u>	<u>55,273,287</u>
TOTAL LIABILITIES	<u><u>42,979,467</u></u>	<u><u>55,742,430</u></u>
 <u>NET POSITION</u>		
Unexpended Appropriations		
Funds from Other than dedicated collections	255,046,087	242,115,993
Total Unexpended Appropriations (Consolidated)	<u>255,046,087</u>	<u>242,115,993</u>
Cumulative Results of Operations		
Funds from dedicated collections (Note 8)	533,561	542,882
Funds from Other than dedicated collections	(1,908,295)	(1,678,319)
Total Cumulative Results of Operations (Consolidated)	<u>(1,374,734)</u>	<u>(1,135,437)</u>
TOTAL NET POSITION	<u>253,671,353</u>	<u>240,980,556</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 296,650,820</u></u>	<u><u>\$ 296,722,986</u></u>

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST
As of September 30, 2024 and 2023
(in US Dollars)

	<u>2024</u>	<u>2023</u>
GROSS PROGRAM COSTS (Notes 1 & 12)		
Gross costs	\$ 198,640,644	\$ 256,761,369
Less: earned revenue	(1,321,022)	(1,263,898)
Net program costs	197,319,622	255,497,471
A More Perfect Union		
Gross costs	5,982,738	5,872,293
Less: earned revenue	(17,469)	(15,286)
Net program costs	5,965,269	5,857,007
Challenge Grants		
Gross costs	13,913,304	15,802,140
Less: earned revenue	(40,009)	(40,739)
Net program costs	13,873,295	15,761,401
Digital Humanities		
Gross costs	8,740,938	12,218,012
Less: earned revenue	(582,610)	(481,414)
Net program costs	8,158,328	11,736,598
Education		
Gross costs	20,225,513	30,173,020
Less: earned revenue	(57,669)	(77,521)
Net program costs	20,167,844	30,095,499
Federal/State Partnership		
Gross costs	76,866,863	79,480,747
Less: earned revenue	(223,783)	(206,534)
Net program costs	76,643,080	79,274,213
Preservation and Access		
Gross costs	25,340,098	35,125,281
Less: earned revenue	(72,520)	(90,482)
Net program costs	25,267,578	35,034,799
Public Programs		
Gross costs	20,643,482	29,143,915
Less: earned revenue	(58,952)	(74,906)
Net program costs	20,584,530	29,069,009
Research		
Gross costs	22,875,435	45,631,054
Less: earned revenue	(256,176)	(268,387)
Net program costs	22,619,259	45,362,667
Treasury Matching Funds		
Gross costs	2,738,449	2,488,655
Less: earned revenue	(7,997)	(6,478)
Net program costs	2,730,452	2,482,177
Special Initiatives*		
Gross costs	1,313,824	826,252
Less: earned revenue	(3,837)	(2,151)
Net program costs	1,309,987	824,101
NET COST OF OPERATIONS	\$ 197,319,622	\$ 255,497,471

The accompanying notes are an integral part of these statements.

* Special Initiatives comprises Bridging Cultures, Common Good, We the People, and Program Development costs.

STATEMENT OF CHANGES IN NET POSITION
As of September 30, 2024 and 2023
(in US Dollars)

	2024			2023		
	Dedicated Collections (Note 8)	Funds from Other than Dedicated Collections	Total	Dedicated Collections (Note 8)	Other than Dedicated Collections	Total
UNEXPENDED APPROPRIATIONS:						
Beginning balances	\$ -	\$ 242,115,993	\$ 242,115,993	\$ -	\$ 288,007,773	\$ 288,007,773
Beginning balances, as adjusted	-	242,115,993	242,115,993	-	288,007,773	288,007,773
Appropriations received	-	207,000,000	207,000,000	-	207,000,000	207,000,000
Other Adjustments - Rescissions	-	-	-	-	(188,597)	(188,597)
Appropriations used	-	(194,069,906)	(194,069,906)	-	(252,703,183)	(252,703,183)
Net Change in Unexpended Appropriations	-	12,930,094	12,930,094	-	(45,891,780)	(45,891,780)
Total Unexpended Appropriations	-	255,046,087	255,046,087	-	242,115,993	242,115,993
CUMULATIVE RESULTS OF OPERATIONS:						
Beginning balances	542,882	(1,678,319)	(1,135,437)	764,055	(1,444,688)	(680,633)
Beginning balances, as adjusted	542,882	(1,678,319)	(1,135,437)	764,055	(1,444,688)	(680,633)
Appropriations used	-	194,069,906	194,069,906	-	252,703,183	252,703,183
Donations	232,092	-	232,092	213,208	-	213,208
Imputed financing	-	2,778,326	2,778,326	-	2,126,277	2,126,277
Net cost of operations (Note 12)	(241,413)	(197,078,208)	(197,319,621)	(434,380)	(255,063,091)	(255,497,471)
Net change in cumulative results of operations	(9,321)	(229,976)	(239,297)	(221,172)	(233,631)	(454,803)
Total Cumulative Results of Operations	533,561	(1,908,295)	(1,374,734)	542,883	(1,678,319)	(1,135,436)
NET POSITION	\$ 533,561	\$ 253,137,792	\$ 253,671,353	\$ 542,883	\$ 240,437,674	\$ 240,980,557

Eliminations represent zero balances in FY 2024 and 2023 for all lines
The accompanying notes are an integral part of these statements.

STATEMENT OF BUDGETARY RESOURCES
As of September 30, 2024 and 2023
(in US Dollars)

	<u>2024</u>	<u>2023</u>
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory) (Note 10)	\$ 42,523,118	\$ 46,944,883
Appropriations (discretionary and mandatory)	207,232,092	207,024,611
Spending authority from offsetting collections (discretionary and mandatory)	1,255,375	1,256,549
Total budgetary resources	<u>251,010,585</u>	<u>255,226,043</u>
Status of Budgetary Resources		
New obligations and upward adjustments (total)	210,590,472	217,355,438
Unobligated balance, end of year:		
Apportioned, unexpired accounts	38,003,474	36,514,036
Unapportioned, unexpired accounts	2,229,005	1,187,739
Unexpired unobligated balance, end of year	<u>40,232,479</u>	<u>37,701,775</u>
Expired unobligated balance, end of year	187,634	168,830
Unobligated balance, end of year (total)	<u>40,420,113</u>	<u>37,870,605</u>
Total budgetary resources	<u>251,010,585</u>	<u>255,226,043</u>
Outlays, Net, and Disbursements, Net		
Outlays, net (total) (discretionary and mandatory)	205,878,055	248,922,190
Distributed offsetting receipts (-)	(269,021)	(233,486)
Agency outlays, net (discretionary and mandatory)	<u>205,609,034</u>	<u>248,688,704</u>
Disbursements, net (total) (mandatory)	<u>\$ 7,414,242</u>	<u>\$ 47,184,185</u>

The accompanying notes are an integral part of these statements.



Notes to the Financial Statements

As of and for the Period Ended
September 30, 2024 and 2023
(In Dollars)

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Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

The following Notes include the disclosure requirements contained in the Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements" and the Federal Accounting Standards Advisory Board (FASAB) "Statements of Federal Financial Accounting Standards" (SFFAS).

Note 1 – Significant Accounting Policies

A. Reporting Entity

The National Endowment for the Humanities (NEH) was established as an independent agency by the National Foundation on the Arts and the Humanities Act of 1965 and is the largest funder of programs supporting cultural institutions, research and public programs in the humanities. NEH financial statements are defined as a component entity of the U.S. Government. For this reason, some of the assets and liabilities reported by NEH may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

B. Basis of Presentation, Accounting, and Formatting

The audited financial statements are generated to meet the requirements of the Government Management Reform Act of 1994 and Accountability of Tax Dollars Act of 2002. The statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and related footnotes and disclosures.

NEH performs accrual based accounting in alignment with federal budget and reporting cycles as a consolidation entity included in the governmentwide financial statements as per the SFFAS 47 Reporting Entity guidance. Revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Congress provides budgetary authority to NEH through appropriations to incur obligations in support of agency programs.

The Office of Management and Budget (OMB) issues circular A-136, Financial Reporting Requirements, on an annual basis. This document defines presentation format requirements for financial statements and footnotes, which can change annually. In FY 2024 presentation changes were made to the balance sheet breakout of lines for the Other Than Intragovernmental Liabilities section. Therefore information in this section is not visually comparative with the presentation in FY2023.

C. Significant Changes to Accounting Policy

NEH did not have any significant changes to accounting policy in this fiscal year.

D. Fund Balance with Treasury (FBWT) and Funds from Dedicated Collections

Funds balances with the U.S. Department of the Treasury is an asset of NEH, a liability of the General Fund and primarily represent appropriated funds available to incur obligations and

Notes to the Financial Statements

As of and for the Period Ended

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finance disbursements. See Note 2, Fund Balance with Treasury and Note 8, Funds from Dedicated Collections, for additional information. See information about donations in Note 1E

E. Revenues and Other Financing Sources

NEH receives funding through annual Congressional appropriations from the budget of the United States under a no year appropriation, and previously a multi-year appropriation from the Coronavirus Aid, Relief and Economic Security Act (CARES Act) Public Law 116-136, enacted on March 27, 2020, and the no year American Rescue Plan (ARP) Public Law 117-2, enacted on March 11, 2021. The multi-year appropriation for COVID-19 emergency response funds was used for grant programs only. The no year appropriation for COVID-19 emergency funds was used for grant program and administrative costs.

Appropriations are recognized as revenues when the warrant is received and expended as program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are recognized as expenses when assets are consumed in operations.

NEH was founded with the authority to receive donations and to invest in interest-bearing accounts. Accounts are maintained for restricted and unrestricted funding and observes federal guidelines for the appropriate use and apportionment of donated funds. This authority also allows the Chair to incur representation and reception expenses. NEH also earns revenue by providing cost sharing or reimbursable services to other Federal agencies through interagency agreements.

NEH sets prices to recover the full costs incurred unless otherwise noted in the interagency agreement when providing goods and services. Imputed financing represents benefit costs to OPM.

F. Budgetary Terms

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with the law.

The following budget terms are commonly used from OMB Circular A-11, Section 20.3 (whitehouse.gov):

Appropriation means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

Budgetary resources mean amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Gross outlays are disbursements and net outlays are disbursements (net of refunds) minus reimbursements collected.

Notes to the Financial Statements

As of and for the Period Ended

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(In Dollars)

Offsetting collections mean payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.

Offsetting receipts mean payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.

Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending.

Rescission are provisions of law that cancel budget authority previously provided to federal agencies before it would otherwise expire and is a tool used by Congress to reduce federal spending.

For further information about budget terms and concepts, see the "Budget Concepts" chapter of the *Analytical Perspectives* volume of the President's Budget: [Analytical Perspectives | OMB | The White House](#).

G. Advances and Prepayments

The Endowment's payments to other Federal agencies are recorded as an advance when funds are disbursed prior to expenditure. As work is performed, the expenditures or revenues are

Notes to the Financial Statements

As of and for the Period Ended

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(In Dollars)

reported by the trading partner, at which time the advance is reduced, and the expense/revenue is recognized. Advances to the public, are payments to grantees while work is being performed.

H. Property, Plant, and Equipment

NEH policy is to depreciate property, plant, and equipment over the estimated useful life of the asset. The capitalization threshold is \$50,000 for individual purchases and \$50,000 for bulk purchases with a minimum of \$10,000 per item. The capitalization threshold for leasehold improvements is \$50,000 for individual items with a useful life of two years or more. The capitalization threshold for internal use software is \$250,000 or above for aggregate costs. Additional information is provided in Note 4: General Property, Plant and Equipment, Net.

I. Liabilities

Liabilities represent transactions or events which have occurred for which NEH will likely pay since no absolute certainty exists that appropriations will be enacted and can be rescinded by the Government acting in its sovereign capacity. For additional information, see Note 5: Liabilities not Covered by Budgetary Resources, and Note 6: Other Liabilities.

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

J. Accounts Payable

Accounts payable consists of amounts owed to grantees, commercial vendors, and federal trading partners. Accounts payable to commercial vendors are expenses for goods and services received but not yet paid by NEH.

K. Accounts Receivable

Accounts receivable comprises amounts due from others when the right to receive funds accrues. This may result from the performance of services, the delivery of goods, court ordered assessment, or amounts due from vendors or grant recipients. This account does not close at yearend. NEH uses the specific identification method to recognize an allowance for uncollectible accounts receivable and related bad debt expenses.

L. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned and reduced as leave is used. Annually, accrued leave balances are adjusted to reflect changes in current rates and balances figures. If current

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

appropriations are not available to fund annual leave earned but not used, funding will be obtained from future financing sources. Sick leave and other types are expensed as used.

The accrued payroll liability represents amounts for salaries and benefits owed for the amount of time since the payroll was last paid through the end of the reporting period. Total accrued payroll is composed of amounts to be paid to employees as well as the related intragovernmental payable for employer contributions and payroll taxes. The annual leave liability is the amount owed to employees for unused annual leave as of the end of the reporting period. At the end of each quarter, the balance in the accrued annual leave account is adjusted to reflect current balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

M. Pension and Other Imputed Benefit Costs

Pension and other benefits (life insurance, and health care) expense are recognized at the time the employees' services are rendered. The expense is equal to the actuarial present value of benefits attributed by the pension plan's benefit formula, less the amount contributed by the employees. An imputed cost is recognized for the difference between the expense and contributions made by and for employees.

NEH reports imputed benefit costs on Life Insurance, Health Insurance, and Retirement. The Office of Personnel Management (OPM) supplies cost factors that are applied to the Agency's records.

The agency's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

The Thrift Savings Plan (TSP) is a tax-deferred retirement savings and investment plan that offers Federal employees the same type of savings and tax benefits that many corporations offer their employees under 401(k) plans. By participating in the TSP, federal employees have the opportunity to save part of their income for retirement, receive matching agency contributions, and reduce their current taxes. For employees under FERS, the NEH contributes an amount equal to one percent of the employee's basic pay to the TSP and matches employee contributions up to an additional four percent of pay. FERS and CSRS employees can contribute a portion of their gross earnings to the plan up to Internal Revenue Service limits; however, CSRS employees receive no matching agency contributions.

N. Federal Employees' Compensation Act (FECA) Actuarial Liability

The Federal Employees' Compensation Act (FECA) provides wage replacement and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently

Notes to the Financial Statements

As of and for the Period Ended

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seeks reimbursement from the Federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' wage replacement, medical, and miscellaneous costs for approved compensation cases.

O. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

P. Commitments and Contingencies

The NEH records commitments and contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated. There were no contingent liabilities as of September 30, 2024.

Q. Rounding

Some totals and amounts reflected on the financial statements and notes may differ due to rounding.

R. Suborganization Program Costs

Program Grants – The Statement of Net Costs presents costs associated with specific NEH program divisions. The amounts shown represent both programmatic and administrative gross costs less earned revenue for each program office. Special initiative costs are not assigned to a specific program office and are further explained below.

Matching Grants - Challenge and Treasury Fund Grants are matching awards entailing an offer of NEH funding conditioned on a recipient raising an equivalent amount of funds in ratios from one-to-one and up to one-to-four matching “gifts” in support of humanities projects. These non-federal donations are a mechanism for leveraging the contributions of businesses, foundations, and individuals.

A More Perfect Union – An agency wide initiative established in 2019, commemorating the upcoming 250th anniversary of the founding of the United States for the U.S. Semi-quincentennial in 2026. This provides funding across all the agency's grantmaking divisions for humanities projects that promote a deeper understanding of American history and culture and that advance civic education and knowledge of our core principles of government

Special Initiatives – Comprises several programs: Bridging Cultures, Common Good, We the People, and Program Development costs. These provide funding across all the agency's grantmaking divisions and were consolidated on the Statement of Net Costs for formatting purposes.

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

S. Reconciliation of Net Costs to Net Outlays (Budget to Accrual Reconciliation)

The purpose of the reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, is to provide an explanation of the relationship between budgetary and financial accounting information. The Note 12: Reconciliation of Net Cost to Net Outlays illustrates the reconciliation by listing key differences between Net Cost and Net Outlays.

Net Cost of Operations is derived from the Statement of Net Cost.

Components of net cost that are not part of net outlays are most commonly (a) the result of allocating assets to expenses over more than one reporting period (e.g., depreciation) and the write-down of assets (due to revaluations), (b) the temporary timing differences between outlays/receipts and the operating expense/revenue during the period, and (c) costs financed by other entities (imputed inter-entity costs).

Components of net outlays that are not part of net cost are primarily amounts provided in the current reporting period that fund costs incurred in prior years and amounts incurred for goods or services that have been capitalized on the balance sheet (e.g., plant, property and equipment acquisition and inventory acquisition).

Net Outlays is the summation of the above amounts and equals the Statement of Budgetary Resources net outlays amount.

T. Rescission

NEH was issued a warrant for a rescission in July of FY 2023 in the amount of \$188,597 as a result of Public Law 118-5, Division B of the Fiscal Responsibility Act of 2023; PL 118-5 137 STAT 30 Sec. 77. The original funding was authorized in FY2021, from the American Rescue Plan Act (Public Law 117-2), which was mandatory in the same Treasury Account Fund Symbol as our discretionary, indefinite regular appropriation. The rescission is reflected in the FY2023 information presented in the financial statements and footnotes.

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

Note 2 – Fund Balance with Treasury

	<u>2024</u>	<u>2023</u>
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 38,003,474	\$ 36,506,388
Unavailable	1,615,575	478,898
Obligated Balance not yet Disbursed	248,732,245	250,011,970
Non-Budgetary Fund Balance with Treasury	-	-
Total	<u>\$ 288,351,294</u>	<u>\$ 286,997,256</u>

Fund Balance with Treasury is the aggregate amount of NEH's accounts with the U.S. Department of Treasury of which NEH is authorized to incur obligations and make expenditures to pay liabilities. The trust fund includes amounts donated to NEH, some which are restricted for specific purposes. There are no differences between NEH's ledger accounts and FBWT reported amounts.

Note 3 – Accounts Receivable, Net

NEH uses a specific method to recognize allowance for uncollectable account. All receivables are reported at net cost and expected to be collected when due with no allowance for doubtful account needed.

	<u>2024</u>	<u>2023</u>
Receivables from services to federal agencies	-	7,648
Receivables from the public	<u>70,255</u>	<u>90,693</u>
Total Receivables	<u>\$ 70,255</u>	<u>\$ 98,341</u>

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

Note 4 – Property, Plant, and Equipment, Net

Property, plant, and equipment, net, consists of the following:

2024

Major Class	Service Life and Method	Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	10 years/Straight	\$ 168,722	\$ (168,722)	\$ -
Office Equipment	5 years/Straight	295,541	(295,541)	-
Software - Internal Use	3 years/Straight	3,546,783	(3,225,228)	321,555
Software - In Development	Not Applicable	-	-	-
Total Property, Plant, & Equipment		\$ 4,011,046	\$ (3,689,491)	\$ 321,555

2023

Major Class	Service Life and Method	Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	10 years/Straight	\$ 168,722	\$ (156,068)	\$ 12,654
Office Equipment	5 years/Straight	295,541	(295,541)	-
Software - Internal Use	3 years/Straight	3,546,783	(3,005,725)	541,058
Software - In Development	Not Applicable	-	-	-
Total Property, Plant, & Equipment		\$ 4,011,046	\$ (3,457,334)	\$ 553,712

See Note 1H for capitalization threshold information.

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

Note 5 – Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources represent liabilities requiring future Congressional appropriation to pay. Liabilities not requiring budgetary resources represent custodial collections due to the General Fund of the U.S. Department of Treasury and are not available for agency use.

	2024	2023
Intragovernmental		
Other accrued unfunded FECA	\$ 22,219	\$ 44,621
Total intragovernmental	22,219	44,621
Federal employee and veteran benefits payable		
Actuarial FECA	126,006	264,230
Accrued unfunded leave	2,065,597	1,895,442
Total federal employee and veteran benefits payable	2,191,603	2,159,672
Other		
Total liabilities not covered by budgetary resources	2,213,822	2,204,293
Total liabilities covered by budgetary resources	40,765,645	53,538,137
Total Liabilities	\$ 42,979,467	\$ 55,742,430

Note 6 – Other Liabilities

	2024	2023
Intragovernmental liabilities:		
Other current liabilities - Benefit contributions payable	\$ 152,269	\$ 329,949
Liability to the General Fund for custodial & other non-ent	-	-
Total Intragovernmental liabilities	152,269	329,949
Other than Intragovernmental liabilities:		
Accrued funded payroll	614,079	1,381,665
Actuarial FECA liability	126,006	264,230
Accrued unfunded leave	2,065,597	1,895,442
Grant accrual liability	39,837,785	51,601,331
Invoice accrual liability	-	-
Total Liabilities Other than Intragovernmental liabilities	42,643,467	55,142,668
Total Other Liabilities	\$ 42,795,736	\$ 55,472,617

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

Note 7 – Leases

The NEH occupies office space in the Constitution Center Building at 400 7th Street in the District of Columbia. The occupancy agreement with the General Services Administration (GSA) is accounted for as a non-cancellable operating lease. The current lease agreement expires in 2027, however NEH is currently in negotiations with GSA on a lease extension that is not finalized. The estimate for the annual lease costs for future fiscal years are as follows:

Future fiscal year payments due:

FY 2025	3,225,902
FY 2026	3,264,108
FY 2027 through February 2027	1,352,028
Total Future Lease Payments	<u>\$ 7,842,038</u>

An intragovernmental lease is a contract or agreement occurring within a consolidation entity or between two or more consolidation entities as defined in SFFAS 47 whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration. Any lease that meets the definition of an intragovernmental lease should recognize lease payments, including lease-related operating costs (for example, maintenance, utilities, taxes, etc.) paid to the lessor, as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts. NEH does not prepay rent.

Note 8 – Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes and are accounted for separately from the government's general revenues.

There are two types of donations accepted by the Endowment: unrestricted and restricted gifts. An unrestricted gift is made to the Endowment with no limitations on how the gift is to be used whereas restricted gifts explicitly state how the gift is to be used.

Pursuant to authority set forth in its authorizing statute, the NEH is authorized to solicit, accept and invest money and other property donated to the agency and authorizes the Chair of the NEH, with the recommendation of the National Council on the Humanities, to "receive money and other property donated, bequeathed, or devised to [the] Endowment with or without condition or restriction." Donated funds must be used for a purpose consistent with the agency's mission and authorizing legislation. Eliminations represent zero balances in FY 2024 and 2023 for all lines, and those columns are not shown in presentation in the table below and SCNP.

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

Note 8 – Funds from Dedicated Collections – (continued)

Balance Sheet, as of September 30th	2024		2023	
	Dedicated Collections <u>Donations & Gifts</u>	Total Funds from Dedicated Collections	Dedicated Collections <u>Donations & Gifts</u>	Total Funds from Dedicated Collections
Intragovernmental Assets				
Fund Balance with Treasury	\$ 482,283	\$ 482,283	\$ 534,003	\$ 534,003
Other Assets	-	-	-	-
Total Intragovernmental Assets	482,283	482,283	534,003	534,003
Other than Intragovernmental Assets				
Other Assets	59,423	59,423	39,670	39,670
Total Other than Intragovernmental Assets	59,423	59,423	39,670	39,670
Total Assets	541,706	541,706	573,673	573,673
Intragovernmental Liabilities	-	-	-	-
Total Intragovernmental Liabilities	-	-	-	-
Other than Intragovernmental Liabilities				
Other Liabilities	8,145	8,145	30,790	30,790
Total Other than Intragovernmental Liabilities	8,145	8,145	30,790	30,790
Total Liabilities	8,145	8,145	30,790	30,790
Unexpended Appropriations	-	-	-	-
Cumulative Results of Operations	533,561	533,561	542,882	542,882
Total Liabilities and Net Position	541,706	541,706	573,672	573,672
Statement of Net Cost, for the year ended September 30th				
Gross Program Costs	241,414	241,414	434,380	434,380
Less Earned Revenues	-	-	-	-
Net Program Costs	241,414	241,414	434,380	434,380
Costs not Attributable to Program Costs	-	-	-	-
Less Earned Revenues not Attributable to Program Costs	-	-	-	-
Net Cost of Operations	241,414	241,414	434,380	434,380

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

Statement of Changes in Net Position, for the year ended September 30th				
Unexpended Appropriations				
Beginning balance	-	-	-	-
Changes in accounting principles	-	-	-	-
Corrections of errors	-	-	-	-
Beginning balance, as adjusted	-	-	-	-
Appropriations received	-	-	-	-
Appropriations used	-	-	-	-
Total Unexpended Appropriations	-	-	-	-
Cumulative Results of Operations:				
Beginning balance	542,882	542,882	764,055	764,055
Changes in accounting principles	-	-	-	-
Corrections of errors	-	-	-	-
Beginning balance, as adjusted	542,882	542,882	764,055	764,055
Appropriations used	-	-	-	-
Donations and forfeitures of cash & property	232,092	232,092	213,208	213,208
Imputed financing	-	-	-	-
Net cost of operations	(241,414)	(241,414)	(434,380)	(434,380)
Net change in Cumulative Results of Operations	(9,322)	(9,322)	(221,172)	(221,172)
Total Cumulative Results of Operations	533,560	533,560	542,883	542,883
Net Position, end of period	\$ 533,560	\$ 533,560	\$ 542,883	\$ 542,883

Note 9 – Inter-Entity Costs

Goods and services are received from other Federal entities at no cost or at a cost less than the full cost to the providing Federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by NEH are recognized as imputed costs in the Statement of Net Cost, and are offset by imputed revenue in the Statement of Changes in Net Position. NEH imputed costs and revenues represent employee benefits and the agency does not have unreimbursed costs of goods and services other than imputed.

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

Note 10 – Statement of Budgetary Resources

Undelivered Orders at the End of the Period

On the Statement of Budgetary Resources, the obligated balance, net, end of period includes the following:

	<u>2024</u>	<u>2023</u>
Federal Undelivered Orders:		
Unpaid	\$ 1,814,811	\$ 1,083,601
Paid	<u>5,434,912</u>	<u>6,331,561</u>
Total Federal Undelivered Orders	7,249,723	7,415,162
Non-Federal Undelivered Orders:		
Unpaid	206,297,749	195,529,426
Paid	<u>2,472,805</u>	<u>2,742,116</u>
Total Non-Federal Undelivered Orders	208,770,554	198,271,542
Total, Undelivered Orders at the End of the Period	<u>\$ 216,020,277</u>	<u>\$ 205,686,704</u>

Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The President's Budget, which includes actual numbers for fiscal year 2023, has not been published. The Budget with actual amounts for fiscal year 2024 will be published at a later date at [President's Budget - OMB - The White House](#).

There are no material differences in amounts reported in the Statement of Budgetary Resources and actual amounts reported in the Budget of the United States Government.

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

Note 11 – Incidental Custodial Collections

NEH collects funds, such as program income generated from NEH-funded projects, on behalf of the federal government. These collections, called custodial collections, are not available for NEH use and must be returned to the U.S. Department of Treasury at the end of the fiscal year.

	<u>2024</u>	<u>2023</u>
Collections for NEH projects funded in previous years	\$ 36,929	\$ 20,278
Total cash collections	36,929	20,278
Disposition of collections:		
Return to Treasury (general fund)	36,929	20,278
Retained by NEH	-	-
Net custodial collection activity	<u>\$ -</u>	<u>\$ -</u>

Notes to the Financial Statements
As of and for the Period Ended
September 30, 2024 and 2023
(In Dollars)

Note 12 – Reconciliation of Net Cost to Net Outlays

	2024			2023		
	Intra- governmental	Other than Intra- governmental	Total	Intra- governmental	Other than Intra- governmental	Total
Net Operating Cost (SNC)	\$ 14,518,593	\$ 182,801,025	\$ 197,319,618	\$ 11,800,724	\$ 243,696,747	\$ 255,497,471
Components of Net Operating Cost Not Part of the Budgetary Outlays						
Property, plant, and equipment depreciation	-	(232,156)	(232,156)	-	(215,379)	(215,379)
Other	-	-	-	-	258,812	258,812
Increase/(Decrease) in assets:						
Accounts receivable	(7,648)	(20,438)	(28,086)	5,176	(117,997)	(112,821)
Other assets	(896,649)	(269,312)	(1,165,961)	3,543,588	72,611	3,616,199
(Increase)/Decrease in liabilities not affecting Budget Outlays						
Accounts payable	(6,766)	92,848	86,082	(63,420)	17,021	(46,399)
Salaries and benefits	155,278	767,586	922,864	(25,113)	(101,503)	(126,616)
Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA)	22,402	11,731,615	11,754,017	6,374	(7,829,174)	(7,822,800)
Other financing sources						
Federal employee retirement benefit costs paid by OPM and imputed to agency	(2,778,326)	-	(2,778,326)	(2,126,277)	-	(2,126,277)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(3,511,709)	12,070,143	8,558,434	1,340,328	(7,915,609)	(6,575,281)
Components of the Budget Outlays That Are Not Part of Net Operating Cost						
Other	(36,929)	(232,092)	(269,021)	(20,278)	(213,208)	(233,486)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	(36,929)	(232,092)	(269,021)	(20,278)	(213,208)	(233,486)
Net Outlays	<u>\$ 10,969,955</u>	<u>\$ 194,639,076</u>	<u>\$ 205,609,031</u>	<u>\$ 13,120,774</u>	<u>\$ 235,567,930</u>	<u>\$ 248,688,704</u>
Related Amounts on the Statement of Budgetary Resources						
Outlays, net			205,878,055			248,922,190
Distributed offsetting receipts			(269,021)			(233,486)
Agency Outlays, Net			<u>\$ 205,609,034</u>			<u>\$ 248,688,704</u>

*See Note 1S: Reconciliation of Net Costs to Net Outlays

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

Note 13 – Grant Accrual Liability

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes available, which could impact the amounts reported and disclosed herein. The Endowment's grants and cooperative agreements expenses are comprised of two components: (1) actual grant expenditures reported by grantees through reimbursement submissions, and (2) an estimate (accrual) of grantee expenditures incurred but not yet reported as a request for reimbursement from agency. The Federal Accounting Standards Advisory Board (FASAB) Technical Release (TR12) "Accrual Estimates for Grant Programs" addresses preparation of accrual estimates for grant programs.

TR12's guidance on internal control procedures is to ensure the grant accrual estimates are reasonable, based on "comparing the estimates with subsequent grantee reporting."

NEH has historically performed a review via the "look back" analysis for estimating accruals for grant liabilities. Requests for payments may be received several months after grantee expenses are incurred. When a grant is due for payment but has not yet been disbursed, an adjustment entry is needed to recognize accrued liability. The look back analysis calculated a 5-year average percentage for estimating accrual amounts by analyzing payment trends by quarter and prior year periods of performance.

In 2022, the existing methodology from 2021 was analyzed and it was determined that a change in methodology was needed because the estimates calculated for prior years produced variances much greater than actual grant liability. This was primarily due to changes in the timing of the grant award cycle and disbursement patterns of the two covid related supplemental appropriations. The changes made were to use prior FY actual liability figures, calculate the rates of change in unliquidated obligations balances from PY and CY and add/subtract the amounts to the total of prior year actual liability. If the change rate is a positive percentage, then the amount would be added, conversely if the rate is negative, then be subtracted. In the event that this methodology would not apply, then the unliquidated obligations balance would be pro-rated based on period of performance.

Accrual adjustment postings are performed in Q4 of the current year and Q1 of the subsequent fiscal year using calculated rates generated on the lookback analysis of the current fiscal year payment data. If at any point in the fiscal year, payment requests were processed earlier than expected causing abnormal balances within general ledger accounts, we will reverse these entries to maintain Generally Accepted Accounting Principles (GAAP). For September 2024, the prorated method

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2024 and 2023

(In Dollars)

was applied to Covid funding due to decreasing unliquidated obligation balances in the lookback analysis calculations.

Audit Report Fiscal Year 2024



Independent Auditor's Report

Ms. Shelly Lowe
Chair
National Endowment for the Humanities

Ms. Laura Davis
Inspector General
National Endowment for the Humanities

In our audits of the fiscal years 2024 and 2023 financial statements of the National Endowment of the Humanities (NEH), we found:

- NEH's financial statements as of and for the fiscal years ended September 30, 2024 and 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed¹; and
- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)² and other information included with the financial statements³; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

Opinion

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, we have audited NEH's financial statements. NEH's financial statements comprise the

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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. 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.

² The RSI consists of Management's Discussion and Analysis and Performance Information, which are included with the financial statements.

³ Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

balance sheets as of September 30, 2024 and 2023, the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, NEH's financial statements present fairly, in all material respects, NEH's financial position as of September 30, 2024, and 2023, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the U.S. and the U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NEH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

NEH management is responsible for

- the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in NEH's Performance and Accountability Report and ensuring the consistency of that information with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NEH's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods of preparing the RSI and (2) comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

NEH's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in NEH's Performance and Accountability Report. The other information comprises the Message from the Chair and the information included within Section IV of the Performance and Accountability Report but does not include the financial statements and

our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of NEH's financial statements, we considered NEH's internal control over financial reporting, consistent with our auditor responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies⁴ or to express an opinion on the effectiveness of NEH's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

During our 2024 audit, we noted a deficiency in NEH's controls pertaining to the agency's lack of an effective Enterprise Risk Management (ERM) program that we do not consider to be a material weakness or significant deficiency. Nonetheless, the deficiency warrants NEH management's attention. We have communicated this matter to NEH management, separately in a management letter.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to NEH's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance⁵.

Responsibilities of Management for Internal Control over Financial Reporting

NEH management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

⁴ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

⁵ Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, issued on July 29, 2024. According to the guidance, for those controls that have been suitably designed and implemented, the auditor should perform sufficient tests of such controls to conclude on whether the controls are operating effectively (i.e., sufficient tests of controls to support a low level of assessed control risk). OMB audit guidance does not require the auditor to express an opinion on the effectiveness of internal control.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of NEH's financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards, we considered NEH's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NEH's internal control over financial reporting. Accordingly, we do not express an opinion on NEH's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of NEH's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of NEH's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of NEH's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to NEH. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

NEH management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to NEH.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to NEH that have a direct effect on the determination of material amounts and disclosures in NEH's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to NEH. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Williams, Arley & Company DC, LLP

Washington, District of Columbia
November 13, 2024

IV. Other Accompanying Information

Summary of Financial Statement Audit and Management Assurances

The following provides a summary of the negative reports of material weaknesses and all items corrected for FY2024.

Management’s Responsibility for Internal Control and Compliance

NEH’s management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under FMFIA, (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, (3) ensuring NEH financial management systems are in substantial compliance with FFMIA requirements, and (4) ensuring compliance with other applicable laws, regulations, contracts, and grant agreements.

The Federal Financial Management Improvement Act (FFMIA) is designed to improve financial and program managers’ accountability, provide better information for decision-making, and improve the efficiency and effectiveness of Federal programs.

FFMIA requires that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles and standards. These systems must also comply with (1) Federal Financial Management System requirements, (2) applicable Federal accounting standards, and (3) the U.S. Standard General Ledger (USSGL) at the transaction level.

Material weaknesses and financial system conformance, as related to management’s assurance for the Federal Managers’ Financial Integrity Act (FMFIA) and the certification for the Federal Financial Management Improvement Act (FFMIA) are summarized below.

Table 1 - Summary of Financial Statement Audit for the Year Ending September 30, 2024

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
No items to report	0	-	-	-	0
Total Material Weaknesses	0	-	-	-	0

Table 2 - Summary of Management Assurances for the Year Ending September 30, 2024

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No items to report						
Total Material Weaknesses	0	-	-	-	-	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					

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Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No items to report	0	-	-	-	-	0
Total Material Weaknesses	0	-	-	-	-	0
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance		Systems conform to financial management system requirements				
Non-conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No items to report	0	-	-	-	-	0
Total Material Weaknesses	0	-	-	-	-	0
Compliance with Section 803 (a) Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
1. Federal Financial Management System Requirements	No lack of substantial compliance noted.			No lack of substantial compliance noted.		
2. Applicable Accounting Standards	No lack of substantial compliance noted.			No lack of substantial compliance noted.		
3. USSGL at Transaction Level	No lack of substantial compliance noted.			No lack of substantial compliance noted.		

Management Accountability for Internal Controls

Existing internal control processes continue to ensure that NEH's internal controls over financial reporting and systems are effective. Improved internal controls enhance safeguards against improper payments, fraud, waste, and abuse better ensure proper stewardship of taxpayer dollars continue to be used effectively and efficiently to meet NEH's program objectives. In the current year, NEH continued to implement the Enterprise Risk Management (ERM) program and completed its internal control program current state assessment of OMB Circular A-123 requirements. Continued implementation and maturity of the ERM program and its integration with internal controls and strategic planning aim to align risk, internal controls and strategic planning through evidence-based decision making.

Agency Information Systems and Other Infrastructure

The NEH agency financial management system is Oracle Financial Systems (OFS) platform, which is supported internally, hosted in a cloud environment and nested within the NEH information technology network and security architecture. OFS is the agency's source system of financial records and supported by complimentary, internally developed systems such as eGMS for grant awards, requisition system for administrative obligations, panelist payment system for peer review process management and U.S. Department of Treasury system interfaces. These systems provide source information, system controls and interface data with OFS to maintain the agency's financial information, serving as the source system of financial transactions and records for compilation of the agency financial statements and reports.

During the fiscal year, the agency preparing for migration activities for implementing

the U.S. Department of Treasury's shared services solution for financial management systems and services, Administrative Resource Center (ARC). This effort aims to upgrade the financial management system of systems environment to strengthen data infrastructure, internal and system controls and sustain current and future compliance requirements.

NEH believes its current internal control, human capital, information systems and other infrastructure resources are sufficient to maintain the goals of safeguarding personally identified information and maintain internal controls for financial operational processes.

Enterprise Risk Management (ERM)

Throughout the fiscal year, NEH continued implementation of its ERM program and made progress in incorporating performance metrics and data into agency processes, including strategic planning and ERM. The NEH strategic planning framework highlights the specific ERM Strategic Goal 3: Fortify the management of NEH Resources, Strategic Objective 3: Further integrate risk analysis into NEH's decision making process and FY 2024 results are discussed in Section II: Performance Information of this document.

Office of Inspector General (OIG) Management Challenges Report

The OIG identified challenges areas for management to address with respect to Information Security and Enterprise Risk Management. The Chair addresses these recommendations and emphasizes commitment to support resolutions for identified areas through management responses in this report further below.

NEH Inspector General's Summary of Management Challenges

Office of the Inspector General

November 7, 2024

Shelly C. Lowe, Chair
Members of the National Council on the Humanities
National Endowment for the Humanities
Washington, DC 20506

Dear Chair Lowe and Members of the National Council on the Humanities:

In accordance with the Reports Consolidation Act of 2000 (Public Law 106-531), I am submitting the annual statement summarizing what the Office of Inspector General considers to be the most serious management and performance challenges facing the National Endowment for the Humanities (NEH). This assessment is based on OIG reviews and inspections, as well as a general knowledge of NEH operations.

The OIG has identified two management and performance challenges for inclusion in the NEH Fiscal Year 2024 Performance and Accountability Report (PAR).

1. Information Security
2. Enterprise Risk Management

The Reports Consolidation Act of 2000 permits agency comment on the Inspector General's statements. Agency comments, if applicable, are to be included in the final version of the PAR that is due by November 15, 2024.



Laura Davis
Inspector General

Attachment

cc: Anthony Mitchell, Senior Deputy Chair
Shelby Lopez, Chief of Staff
Pranita Raghavan, Assistant Chair for Planning and Operations

Management and Performance Challenges for the

National Endowment for the Humanities

Fiscal Year 2024

Information Security

The National Endowment for the Humanities (NEH) relies on information management systems to carry out the agency's mission and operations, and to process, maintain, and report essential information. As a small, independent agency, the NEH faces ongoing challenges in maintaining a robust information security program and cybersecurity posture. NEH leadership must effectively manage risks associated with constantly changing technology, cybersecurity compliance expectations, the increasing complexity and frequency of cyber threats, and technology supply chain integrity. Despite demonstrating dedication to IT security, limited staffing and budgetary resources continue to impede the agency's ability to fully address evolving cybersecurity demands. The *Federal Information Security Modernization Act of 2014* (FISMA) requires each Federal agency to develop, document, and implement an agency-wide program to provide information security and develop a comprehensive framework to protect the government's information, operations, and assets. Federal agencies are expected to achieve stringent maturity requirements across various FISMA security domains, including risk management, supply chain risk management, continuous monitoring, and contingency planning. NEH leadership has committed to the maintenance of information security policies and procedures consistent with FISMA and National Institute of Standards and Technology (NIST) requirements and continues to undertake efforts to refine those policies and procedures to effectively support the agency's mission, goals, and objectives. Considering the sophisticated and malicious cyber campaigns that continue to threaten Federal agencies, implementation of a robust information security program to fully address the evolving landscape of cybersecurity risks and expanding FISMA and NIST requirements will continue to be a challenge for the NEH.

To further reinforce the Federal Government's defense against increasingly sophisticated and persistent threat campaigns, agencies were required to meet specific cybersecurity standards and objectives by September 30, 2024. In May 2021, President Biden issued Executive Order (EO) 14028, *Improving the Nation's Cybersecurity*, initiating a sweeping Government-wide effort to ensure that baseline security practices are in place to migrate the Federal Government to a "zero trust" architecture, and to realize the security benefits of cloud-based infrastructure while mitigating associated risks. The foundational tenet of the "zero trust" model is that no actor, system, network, or service operating outside or within the security perimeter is trusted. All access attempts must be verified. This strategy places significant emphasis on stronger enterprise identity and access controls, including multi-factor authentication. This strategy also sets a new baseline for access controls across the Government that prioritizes defense against sophisticated phishing and directs agencies to consolidate identity systems so that protections and monitoring can be consistently applied.

The NEH has adopted a new enterprise authentication system which enforces centralized multi-factor authentication rules on user accounts. The agency has not fully implemented strong authentication requirements concerning all system access attempts. Considering the evolving nature of cyber-based intrusions and attacks on Federal systems, as well as other challenges related to the implementation of "zero trust" cybersecurity principles, NEH

leadership must continue to focus on strengthening the effectiveness of the agency's information security practices and program.

Enterprise Risk Management

Enterprise Risk Management (ERM) is an effective agency-wide approach which enables Federal managers to identify, prioritize, and mitigate the impact of uncertainty on an agency's overall strategic goals and objectives. ERM programs emphasize risks and opportunities that could have negative or positive impacts to the agency's reputation, its ability to achieve mission objectives, and the public trust in government. ERM practices support decision making processes, such as policy and program development and implementation (including information security programs), program performance reviews, strategic and tactical planning, human capital planning, capital investment planning, and budget formulation. OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires agencies to implement an ERM capability coordinated with the strategic planning and strategic review processes established by the *Government Performance and Results Act Modernization Act of 2010* and the internal control processes required by the *Federal Managers' Financial Integrity Act of 1982* and the *Standards for Internal Control in the Federal Government*, as issued by the Comptroller General of the United States. Agency management must sustain an integrated governance structure to effectively direct and oversee implementation of OMB Circular A-123 and all the provisions of a robust process of risk management and internal control.

Since 2020, NEH leadership has undertaken efforts to design and formalize a sustainable ERM program. While key and foundational risk determinations have been completed and documented, the agency has not fully engaged dedicated staffing to ensure consistent integration of ERM objectives across agency programs and operations. NEH leadership must maintain the commitment to support and engage in recurring risk assessment and risk management activities, thereby stabilizing the NEH risk awareness culture. A fully functional and integrated ERM program aptly informs risk-aware decisions that impact prioritization, performance, and resource allocation.

Chair's Response to Inspector General Management Challenges



Date: November 15, 2024

To: Laura Davis
Inspector General

From: Shelly C. Lowe (Navajo)
Chair

Thank you for your assessments of the management challenges facing NEH in FY 2024. Responses to your specific concerns are detailed below.

Enterprise Risk Management (ERM)

NEH agrees leadership must maintain their commitment to support and engage in recurring risk assessment and risk management activities, thereby evolving and maturing the NEH risk culture. Since the ERM program began in early 2021, the agency has evolved its implementation strategy to internalize the functional work from an external contractor to a full-time federal resource. The agency is in the process of hiring and on-boarding a federal Senior Risk Analyst, who will support the Chief Risk Officer in the maintenance of risk-based documentation (i.e. risk register, risk appetite statement), and integration of risk management with strategic planning, budget, performance, and internal controls. The agency's ERM governance body will continue to meet to guide the implementation process, advise on sustainment activities and provide direct support to the Chair and Senior Deputy Chair on the mitigation of identified risks to the agency.

Information Security

The National Endowment for the Humanities (NEH) agrees that leadership must continue to focus on strengthening the effectiveness of the agency's information security practices and program. To that end, in the FY 2025 budget submitted to Congress in March 2024, NEH included funding for information security to continue to implement Executive Order 14028, Improving the Nation's Cybersecurity; Moving the U.S. Government Toward Zero Trust Cybersecurity Principles (OMB M-22-09); and CISA's Zero-Trust Maturity Model. Funding in FY 2025 will allow the NEH Office of Information Technology to do the following: (1) Leverage Okta to enforce PIV card

authentication; (2) Replace and consolidate on-premise virtual servers; (3) replace end-of-life networking devices (e.g., firewalls); (4) attract and retain cyber talent.

NEH has also adopted Okta and Zscaler throughout the organization, thereby addressing prior gaps in the Identity pillar requiring phishing-resistant Multi-factor authentication (PIV). In 2024, NEH made available, agency wide, the capability to use PIV for remote users' access to all resources and applications to which they are authorized. This is an important first step in requiring strong authentication. In FY 2025, NEH will focus on enforcing strong authentication requirements through PIV-only access across the enterprise.

To fully address the evolving landscape of cybersecurity risks, NEH has modernized and made progress in key Zero Trust Pillars stemming from EO 14028 which has helped NEH prepare to address future threats and requirements. Additionally, NEH is better able to respond to new cybersecurity risks by hiring additional cybersecurity staff. This will drive process improvements and strengthen the effectiveness of NEH's information security programs.

Payment Integrity Information Act of 2019

The Payment Integrity Information Act of 2019 (PIIA) repealed and reorganized several existing improper payment statutes for reducing improper payments. The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012. PIIA requires federal agencies to review programs and activities, identify those most susceptible to significant improper payments, estimate amounts of improper payments and establish reporting requirements. For high-risk programs, agencies must estimate the amount of improper payments, establish reduction targets, and develop and implement corrective actions.

Improper payments are defined by GAO¹ as: “Any payment that should not have been made or made in an incorrect amount”. Further defined by OMB and U.S. Department of Treasury²: “...consists of two main components (1) improper payments resulting in a monetary loss to the Government and (2) improper payments that do not result in a monetary loss to the Government. Monetary loss occurs when payments are made to the wrong recipient and/or in the wrong amount. Improper payments that do not result in a monetary loss include under-payments and payments made to the right recipient for the right amount, but the payment was not made in strict accordance with statute or regulation”.

A program determined to be susceptible to significant improper payments is referred to as a high-risk program within the agency having a 1.5 percent improper payment rate and at least \$10 million in improper payments or exceeds \$100 million in improper payments (regardless of rate). Readers can obtain more detailed information on improper payments and information published at www.paymentaccuracy.gov.

Program Descriptions & Risk Assessment Summary

NEH typically receives no-year funding in its regular appropriation in which annual carry-over authority is granted by OMB. The agency received supplemental 2-year appropriation as related to CARES Act in FY2020 and supplemental no-year appropriation ARP in FY2021.

Risk assessments help determine risk of significant improper payments for each fund category through identification of improper payment risk factors, mechanisms to identify risks, management's analysis of the risk effects, and the controls developed to address identified risks and to determine whether the risk of erroneous payments is significant. Dollar amounts represent millions (M) unless otherwise stated.

As the agency's ERM program evolves and matures, the Chief Risk Officer (CRO), in collaboration with relevant stakeholders across the agency, will work to integrate PIIA into the larger enterprise risk program. The inclusion of PIIA in the ERM program will support the program's stated goals of integrating risk with existing agency processes.

¹ [Government Accountability Office-Improper Payments](#)

² [Payment Accuracy.gov](http://www.paymentaccuracy.gov)

The agency does not perform recovery audits because it has a %100 recovery policy should an improper payment be identified through the course of operations, audits or for risk assessment and sampling or audit purposes.

Administrative Program Funds (210)

The majority of NEH administrative program costs consist of payroll representing approximately \$32M in outlays or 77.6% of the administrative budget primarily personnel compensation. Outlays of payroll funds follow strict payroll policies, procedures, and system controls maintained by our payroll service provider, who disburses funds to agency employees on behalf of NEH. Agency processes and system access & roles controls along with a multi-layered segregation of duties across several offices are in place before outlays occur. NEH has deemed this program as not susceptible to improper payment risk.

Other programs categories represent \$9.2M in outlays or 22.4% of administrative costs from vendor payments, intragovernmental payments, employee travel and other employee payments, panelists for peer review, and credit card purchase card transactions. These costs fall below the 1.5 percent, \$10 million threshold representing determination of being susceptible to significant improper payments. As a result, the agency determined that the non-payroll Administrative Fund program is not susceptible to significant improper payments.

Definite Grant Program Funds (225)

NEH's recurring annual appropriation are grant programs reported in this fund. Annual outlays were identified as \$141.9M in FY 2024. For sampling of payments over \$50 thousand or greater, 753 representing \$88.3M were identified and 71 were audited representing a total of \$9.2M. No issues were noted in sample audits and NEH has deemed this program as not susceptible to significant improper payments.

CARES Act (226)

NEH received \$75M in FY2020 in supplemental appropriations from the Coronavirus Aid, Relief and Economic Security Act (CARES) in which expired September 30, 2021. Annual outlays were \$166,207 (thousand) in FY2024. Two payments were sampled totaling \$95,375 (thousand). No issues were noted in sample audits and NEH has deemed this program as not susceptible to significant improper payments.

American Rescue Plan (227)

NEH received \$135M in FY2021 in supplemental appropriations from the America Rescue Plan Act of 2021 (ARP) as no-year funding. Annual outlays were \$7.2M in FY 2024. For sampling of payments over \$50 thousand or greater, 39 payments totaling \$5.7M were identified. Three transactions were audited and no issues were noted therefore NEH has deemed this program as not susceptible to significant improper payments.

Treasury Matching and Challenge Grant Program Funds (254/255)

The Treasury Matching Grants program funds (254) annual outlays were identified as \$10.3M in FY 2024. For sampling of payments over \$50 thousand or greater, 52 payments totaling \$9.4M were identified and 3 were audited representing a total of \$1.6M yielding no issues noted. NEH deemed this program as not susceptible to significant improper payments.

For Challenge Program (255), outlays were \$2.6M and fell below the threshold criteria. Improper payment rate must exceed both 1.5 percent of program outlays and \$10M for all program or activity payments made during the fiscal year. NEH determined the Challenge Grants program is not susceptible to significant improper payments.

Summary

The NEH risk assessments resulted in a FY 2024 PIIA reporting error rate of 0% for 210, 225, 226, 227, 254, 255 funds, demonstrating NEH has sufficient internal controls over its payment processes. To maintain a zero percent testing and error rate, NEH continues implement its ERM program and analyze internal controls through assessments, continuous internal monitoring of possible improper payments, centralization of accounting functions and roles, improve systems and processes for efficiency and compliance purposes. The Office of Inspector General's report assessing the agency's prior year submission determined NEH was in compliance, for prior year reporting.

Statistical Sampling Process

NEH maintains the same payment certification process for all payments made by the agency. For all agency programs, potential payments are reviewed to ensure that; (1) an approved obligation exists in the agency's accounting system; (2) invoices are properly signed and approved; (3) payment is being sent to the correct vendor and bank account; (4) payment amount is accurate and (5) payment was charged to the correct obligation in the accounting system.

NEH performs outlay analysis and sampling for payment integrity and improper payment susceptibility. Supplemental appropriations for CARES in FY 2020 and ARP in FY2021 were included within sampling to maintain consistency in this document and for federal reporting requirements.

Summary, Root Causes & Drivers, Corrective Action Plans, Recovery of Improper Payments & Recapture Audits

NEH recovers 100% of funds identified as an improper payment. A root cause analysis and corrective action is performed for each instance. While sampling did not yield instances of improper payment, three instances were identified in the course of operational work which were fully recovered and root cause analysis led to mitigation to prevent future occurrence. There are no corrective action plans active with respect to improper payments. This is due to the low amounts of improper payments risk for all agency funds and the recovery policy for improper payments, therefore post-payment reviews and recapture audits would not be cost effective for the agency. NEH results are reported via www.paymentaccuracy.gov.

Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to adjust their civil monetary penalties (CMP) for inflation. The following are the civil

penalties that NEH may impose, the authority for imposing the penalty, the year enacted, the dates of inflation adjustments, and the current monetary penalty amounts. These CMP adjustments are located at 89 FR 1946.

Statutory Authority	Penalty Name/Description	Year Enacted	Latest year of Adjustment (via statute or regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
31 U.S.C. 1352; 45 CFR 1168.400(a), (b), (e)	Penalty for certain violations of NEH's New Restrictions on Lobbying	1989	2024	Minimum: \$24,496 Maximum: \$244,958	Not Applicable	Federal Register; 89 FR 1946 (January 11, 2024)
31 U.S.C. 3801-3812; 45 CFR 1174.3(a), (b)	Penalty for false, fictitious, or fraudulent claims under the Program Fraud Civil Remedies Act	1986	2024	\$13,946	Not Applicable	Federal Register; 89 FR 1946 (January 11, 2024)

Summary of Expired Federal Grants and Cooperative Agreements

NEH is committed to making closeout a priority in promoting and ensuring financial accountability of grant awards. NEH staff review final reports to administratively and financially close out the award. Per regulation, financial closeout begins 120 days after the period of performance expiration date.

Since last year's report, NEH has continued taking steps to close out its backlog of open awards. In FY 2024, NEH closed 705 grant awards. NEH continued using the unilateral closeout policy established in FY 2022 in daily operations. NEH also increased its focus on tracking award closeout using an internal tracking and progress reporting sheet.

As required by OMB Circular A-136, Financial Reporting Requirements, the "Expired Federal Grants and Cooperative Agreements Summary" above shows 267 awards totaling \$4,364,979.27 for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2024 (i.e., on or before September 30, 2022).

In FY2024, NEH reports a higher number of grants, cooperative agreements and undisbursed balances as compared to FY 2023, driven by an expanded award portfolio. In FY2022, NEH administered additional funding approved under the American Rescue Plan Act (ARP). The influx of additional funding resulted in a total outright amount of \$207,418,932 in FY2021 funds administered; compared to FY2020 (\$126,237,329 awarded).

FY2021 represented a 64% increase in the amount of funds awarded and volume of CARES and ARP awards administered therefore making the primary focus as closeouts supporting the shared services implementation.

During the next fiscal year, NEH will continue Closeout Project Team activities. When unilateral closeout procedures are applied in FY2025, there will be a significant

decrease in volume of expired awards with open balances. 78% of expired awards with open balances have periods of performance that ended in the past 2-3 years, indicating that NEH mainly needs to focus on addressing more recently concluded awards.

Category	2-3 Years	3-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	0	0	0
Number of Grants/Cooperative Agreements with Undisbursed Balances	208	40	19
Total Amount of Undisbursed Balances⁴	\$3,608,621.95	\$478,576.88	\$277,780.44

Fraud Reduction Report

Each federal agency must include a report on its fraud reduction efforts undertaken in FY 2024. The report must include information on the agency's:

- Implementation of (1) financial and administrative controls established pursuant to the Fraud Reduction and Data Analytics Act of 2015 (Pub. L. 114-186, 32 U.S.C. §3321 note), (2) the fraud risk principle in the Standards for Internal Control in the Government (the Green Book), and (3) Management's Responsibility for Enterprise Risk Management and Internal Control (OMB A- 123) with respect to leading practices for managing fraud risk;
- Identification of risks and vulnerabilities to fraud (including with respect to payroll, beneficiary payments, grants, large contracts, and purchase and travel cards); and
- Establishment of strategies, procedures, and other steps to curb fraud.

As required by the Office of Management and Budget and OMB A-123, the NEH continues to implement and mature fraud risk management into its ERM program and framework to effectively identify, assess, analyze, prioritize, document responses to, and monitor fraud risks of its operational and grant making processes and activity.

NEH is committed to its responsibility as a steward of taxpayer resources. Fraud can take many forms, such as:

- Intentional misstatement, misapplications or omissions in financial data, statements, notes, and other reports
- Theft of agency assets
- Illegal acts of agency staff, such as bribery
- Waste and abuse of agency resources or authority

⁴ Excludes negative balances of 3 awards.

Financial and Administrative Controls:

NEH has conducted implementation activities related to risk identification and an assessment of management internal control processes, to consolidate and analyze the types of threats to assets, projects, and stakeholders the agency faces. An entity wide risk appetite statement was developed and approved for the agency. Continued implementation activities will also enable evaluation of the agency's risk capacity, risk tolerance, and risks to support management decisions on to achieve planned goals.

- Fraud Risk Principle (Green Book): Principle 8 of GAO's Standards for Internal Control in the Federal Government requires the agency to consider the potential for fraud and types of fraud that can occur (including waste and abuse). These standards also require management to leverage fraud risk factors and to identify fraud risks to the agency. Each federal agency should analyze and respond to the identified fraud risks for effective mitigation. NEH is developing a comprehensive Fraud Risk Framework, which once implemented, will meet the Green Book fraud consideration requirements listed within Principle 8.
- Identification of risks and vulnerabilities to fraud: The NEH Fraud Risk Framework, contains entity-level and process-level risk assessments capturing agency risks and vulnerabilities related to fraud through a 'top-down' and 'bottom-up' approach to identification.
- Establishment of strategies, procedures, and other steps to curb fraud: NEH established the Enterprise Risk Management Board as the governance body to: (1) oversee its ERM implementation efforts and eventual oversight (2) assess its fraud risk mitigation strategies; (3) provide entity wide ERM and Internal Controls guidance; and (4) advocate for the design and implementation of efforts to mitigate fraud risks.

OMB Circular A-123: NEH continues to develop a compliant future-state process at the entity, process, and transaction level for each of the appendices inclusive of the acquisition assessment. The agency previously facilitated a current-state assessment of its internal controls program and each appendices to serve as a roadmap to create tools to further strengthen the annual Statement of Assurance process.

Anti-deficiency Act (ADA)

Title 31 U.S. Code (U.S.C.) Section 1517 states that an officer or an employee of the United States Government may not make or authorize an expenditure or obligation exceeding an apportionment or an amount permitted by regulations as prescribed by Title 31 U.S.C. Section 1514. NEH continues to implement and mature ERM requirements inclusive of fraud risk into the overall agency risk framework and internal controls assessments. In FY 2024, NEH had no ADA violations to report.