NATIONAL ENDOWMENT FOR THE
Humanities

(www.neh.gov)

PERFORMANCE & ACCOUNTABILITY REPORT

FISCAL YEAR 2014

This page intentionally left blank

NATIONAL ENDOWMENT FOR THE HUMANITIES

www.neh.gov

PERFORMANCE AND ACCOUNTABILITY REPORT
Fiscal Year 2014

TABLE OF CONTENTS

A Message from the NEH Chairman .....

I. Management's Discussion and Analysis

Overview of the Report
Mission and Organizational Structure 1
Highlights of Performance Goals and Results 2
Brief Analysis of Financial Statements 6
Required Supplementary Stewardship Information 7
Systems, Controls, and Legal Compliance 8
Effects of Existing Events and Conditions 8
Organizational Chart 9
Management Assurances Statement 11

II. Performance Information

Summary of Performance Highlights 12
Performance Data and Analysis 14

III. Financial Information

Message from the NEH Director of Accounting 29
Auditor's Report and Agency Financial Statements 53

IV. Other Accompanying Information

NEH Inspector General's Summary of Management Challenges ... 85
Chairman's Response to Inspector General's Summary 89
Summary of Financial Statement and Management Assurances 91
Improper Payments Improvement Act Reporting.....92

This page intentionally left blank

NATIONAL ENDOWMENT FOR THE
Humanities

THE CHAIRMAN

A Message from the Chairman

I am pleased to present the Performance and Accountability Report for the National Endowment for the Humanities (NEH) for fiscal year 2014. The report sets forth the agency's goals and objectives and highlights our related accomplishments for the fiscal year just concluded. Also included in the report is information on the Endowment's finances and operations during the year.

I was confirmed by the U.S. Senate as the tenth Chairman of NEH after more than three-quarters of fiscal year 2014 had been completed. In the few short months that I have been at the agency, I have come to recognize that NEH is a well-managed agency that has performed quite capably under the interim leadership that was in place prior to my arrival. I am especially appreciative of the careful stewardship of the agency under Acting Chairman Carole Watson, who was instrumental to the ongoing success of the agency during the first nine months of the fiscal year.

NEH is an independent federal agency that was created by an act of Congress in 1965. The Endowment's overarching goal is to advance knowledge and understanding in the humanities in the United States. We are also committed to providing national leadership in promoting the humanities in American life. We do this by encouraging and supporting excellence in scholarship, education, and public programming in the humanities.

We believe that the data and information contained in this annual Performance and Accountability Report evidences the continuing value and importance of our programs and activities for the American people. Some of our notable accomplishments this past year include:

- In FY 2014, NEH awarded $117,532,508 to 762 projects in every state of the nation and U.S. territorial jurisdictions that are advancing knowledge and understanding in the humanities—history, literature, languages, philosophy, archaeology, and other humanities subjects and disciplines—and bringing this knowledge and learning to millions of Americans.

- NEH launched a major special project, *Standing Together: The Humanities and the Experience of War*, that draws on the power of the humanities to fund advanced research in the humanities that explores war and its aftermath; to promote discussion and deepened understanding of the experiences of those Americans affiliated with the armed services, whether active duty or veterans; and to support returning military and their families. The Endowment provided more than $1 million for the initial projects supported under this initiative.

- The Endowment's work in FY 2014 was complemented by the programs and projects in the state humanities councils, which are independent nonprofit organizations in each of the fifty states and in the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, the commonwealth of the Northern Marianas, and American Samoa. With their strong networks of cultural and educational institutions, the councils ensure that funds received through NEH, and the programs they support, reach citizens in every state and territory. The councils support reading and discussion programs for children and families; state and local book festivals; educational institutes for elementary and secondary school teachers; scholarship on state and local history; Chautauqua-style historical performances; radio and film projects on humanities themes; and special initiatives designed to bring humanities programming to patients at veterans hospitals throughout the country.

- In cooperation with the National Endowment for the Arts and the Institute of Museum and Library Services, NEH is developing and testing an electronic Grants Management System ("eGMS"), which will be used by grantees to interact with NEH and manage their grants online. As a result of early developmental work on this system, a number of interactive features are already available to NEH and its grantees, including tracking of past and present grants, submission of financial and progress reports, processing of award offers, capturing of information on products and prizes that have resulted from an NEH grant, dedicated messaging, and help ticket resolution. More grantee-friendly features are in the pipeline for this time-saving technology. This cloud-based system—developed in-house—is providing the three participating agencies with state-of-the-art software to manage all aspects of their grant-making activity.

The financial and performance data contained in this report are, to the best of my knowledge, reliable and complete. I can also state that the National Endowment for the Humanities is in compliance with the requirements of the Federal Managers' Financial Integrity Act of 1982. There are no material weaknesses to report.

William D. Adams, Chairman
November 14, 2014

PERFORMANCE AND ACCOUNTABILITY REPORT
Fiscal Year 2014

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

Mission and Organizational Structure

In the 1965 legislation that established the National Endowment for the Humanities (NEH), the Congress of the United States declared that "encouragement and support of national progress . . . in the humanities . . . , while primarily a matter of private and local initiative, is also an appropriate matter of concern to the Federal Government." Acknowledging the federal government's interest in "promoting progress in the humanities," the 89th Congress expressed this interest in a single, powerful observation: "Democracy demands wisdom and vision in its citizens." The agency's authorizing legislation also encourages the Endowment to, among other things, promote "understanding of the nation's rich cultural heritage," foster a "mutual respect for the diverse beliefs and values of all persons and groups," and relate the humanities to "the current conditions of national life."

The Endowment helps Americans develop "wisdom and vision" by supporting humanities projects and programs that expand knowledge of history, thought, and culture. NEH provides grants to the nation's museums, archives, libraries, colleges, universities, and public television and radio stations, as well as other educational and cultural institutions. The agency also provides grants to individuals to undertake advanced research and scholarship in the humanities.

NEH is directed by a Chairman, who is appointed by the President of the United States and confirmed by the U.S. Senate for a term of four years. The current Chairman is Dr. William D. Adams, who was nominated by President Obama in April and confirmed by the Senate in July 2014. Before coming to NEH, Dr. Adams served for many years as president of Colby College in Maine. Advising Dr. Adams 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 agency's grant programs are organized into four divisions (Education Programs, Preservation and Access, Public Programs, and Research Programs) and three offices (Federal/State Partnership, Digital Humanities, and Challenge Grants). Complementing these divisions and offices in FY 2014 were two special program initiatives: *Standing Together: The Humanities and the Experience of War*, which assists veterans as they return to civilian life and helps Americans understand the experiences of service members; and *Bridging Cultures*, which encourages humanities projects that illuminate the connections and commonalities in the human experience across diverse cultures and subcultures within America's borders and around the globe.

NEH's grant programs received nearly 4,300 applications in FY 2014. These applications were evaluated by knowledgeable persons outside NEH who were asked for their judgments about the quality and significance of the proposed projects. More than 800 scholars, teachers, librarians and archivists, museum curators, documentary filmmakers, and other humanities professionals

and experts serve on the more than 180 panels NEH convenes annually. Panelists represent a diversity of disciplinary, institutional, regional, and cultural backgrounds. NEH staff assembles panelists' evaluations of the merits of grant applications and comment on matters of fact or significant issues that would otherwise be missing from the review. The materials are then presented to the National Council on the Humanities, which meets three times each year to advise the Chairman of NEH. The Chairman takes into account all of the advice provided via the review process and, by law, is authorized to make the final decision about funding. More than 760 humanities projects received funding from NEH in fiscal year 2014.

Highlights of Important Performance Goals and Results

NEH works to fulfill its legislated mission through the pursuit of two broad strategic goals—to advance knowledge and understanding in the humanities in the United States and to provide national leadership in promoting the humanities in American life. A third, related goal is to enhance the quality of service and efficiency of our operations.

The first of these programmatic goals—to advance knowledge and understanding in the humanities in the United States—involves the pursuit of a number of objectives:

- Facilitate basic research and original scholarship in the humanities.
- Strengthen teaching and learning in the humanities in elementary and secondary schools and institutions of higher education.
- Preserve and increase access to cultural heritage resources that constitute cultural and intellectual patrimony of the American people and that are important to research, education, and public programming in the humanities.
- Provide opportunities for Americans of all ages and wherever located to engage in lifelong learning in the humanities.
- Maintain and strengthen partnerships with the state humanities councils.
- Strengthen the institutional base of the humanities through financial incentives provided by matching challenge grants.
- Stimulate third-party support for humanities projects and programs.
- Create new program initiatives that advance knowledge and understanding in the humanities, such as promoting understanding of the diverse histories, cultures, and perspectives that have shaped the United States and the histories and cultures of other nations; and providing a focal point for development of the digital humanities.

Performance indicators are in place for each of these objectives (see the Performance Information section of this report, beginning on page 12). The indicators help NEH assess the outcomes of the humanities projects we support and the extent to which they advance the agency's long-term goals.

Because FY 2014 has only just concluded, we cannot report actual outcomes related to most of our grant-making activity during the year. This is because the vast majority of projects supported in any given year will not result in tangible outcomes by the completion of the grant period. For example, fellowships and stipends awarded to scholars to conduct advanced research in the humanities typically will not result in the publication of books or articles until five or more years after the grant period has ended. The outcomes of these grants will thus need to be accounted for in future performance reports.

For performance measuring purposes, we have been adapting elements of the new Research Performance Progress Report (RPPR) format, which was developed by a committee of the National Science and Technology Council and is under the supervision of the National Science Foundation. This report will help us capture richer performance information from our grantees and import that information directly into our grants management system. The Endowment will pilot the RPPR format in FY 2015 in a handful of grant categories. We have also developed an in-house system for collecting information on the products and prizes that result from NEH grants. This system will help both the agency and the general public better understand of the impact of our programs and initiatives.

As noted previously, in recognition of the importance of the humanities both in helping Americans to understand the experiences of service members and in assisting veterans as they return to civilian life, in FY 2014 NEH launched a special program titled *Standing Together: The Humanities and the Experience of War*. The Endowment awarded more than $1 million to the initial projects supported under this special program, including:

- The Warrior Scholar Project, an intensive two-week humanities-based "academic boot camp" to facilitate veterans' transition from the military to college. Founded at Yale University, it is being expanded to Harvard University and the University of Michigan. This project exemplifies many of the "8 Keys of Success" to help veterans on college campuses that President Obama cited in his 2013 address to the Disabled American Veterans National Convention.

- The Talking Service Project, a program of discussion groups for veterans using works of literature in the NEH-funded anthology *Standing Down: From Warrior to Civilian*, which features fiction, non-fiction, poetry, essays, journalism, public documents, and memoirs.

- Literature & Medicine for Veterans, a reading and discussion program offered by the Maine Humanities Council that reaches veterans and their caregivers. The program is working with veterans at the grassroots level, based on issues and themes that the veterans involved have highlighted as important to them.

- *YouStories*: Classics, Conversation, Connection, a project that builds on the success of previous NEH grants to Aquila Theatre, a not-for-profit company based in New York City, for programs that interpret classical Greek drama. Aquila conducts special outreach to American veterans and their families with programs that draw on powerful portrayals in Greek drama of soldiers returning home from war.

- A military history workshop at Northeastern University will offer training on the application of digital humanities methodologies to military history. Participants drawn from the military history community will learn new ways to conduct their research using the latest in digital tools and techniques.

- The Endowment also provided $10,000 grants to the state humanities councils to develop projects that reflect the interests of local communities. These grants are creating a national network dedicated to engaging diverse communities—civilian and military—in dialogues that further mutual understanding and respond to the varied needs of veterans.

The agency also added special language to its program guidelines encouraging prospective grant applicants to develop veterans-related projects. We anticipate receiving many such proposals in FY 2015 and FY 2016.

In FY 2014, the *Bridging Cultures* special initiative and the Endowment's other grant programs offered ample evidence of their effectiveness in advancing the Endowment's goals and objectives. Notable recent achievements include:

- Expansion of the National Digital Newspaper Program, a signature NEH program that is digitizing historic American newspapers in every state, to include newspapers printed in languages other than English, thus providing access to the nation's vibrant ethnic and immigrant press.

- Support for the Endowment's *Created Equal* special initiative in commemoration of the sesquicentennial of the issuing of the Emancipation Proclamation. *Created Equal* is a packaged set of four award-winning NEH-funded films that, taken together, portray the long struggle for civil rights in the nation, beginning with a film about the early role of the Abolitionists prior to the Civil War and including the Freedom Rides of the 1960s.

- Support for the programs and operations of 56 state humanities councils made available high quality state and local humanities projects to millions of citizens throughout the nation, including 17,900 reading and discussion programs, 2,500 exhibitions, 5,200 literacy programs, 4,200 speakers bureau presentations, 3,000 teacher institutes and workshops, 5,700 conferences and symposia, 1,850 Chautauqua events, 6,000 media programs, 1,500 technology projects, 790 preservation projects, and 5,000 local history projects.

- Rigorous summer institutes, seminars, and workshops helped thousands of school and college teachers deepen their knowledge of a broad range of important humanities subjects related to their teaching. In the summer of 2014, for example, more than 2,700 teachers, college faculty, and humanities graduate students across the nation attended NEH-supported professional development programs.

- NEH annually makes hundreds of awards to individual scholars, as well as grants to institutions and teams of scholars engaged in collaborative projects, to explore subjects that enrich our knowledge of the people, ideas, and events that make up the record of civilization. By supporting humanities research and scholarship, the Endowment also

contributes to faculty enrichment, improved teaching, and quality public programming. The results of humanities research are typically communicated through books and articles, and each year NEH-supported scholars produce hundreds of such publications. Many of these have won prestigious academic, scholarly, and literary prizes for intellectual distinction, such as Pulitzer Prizes for history and biography, National Book Awards, and the Bancroft Prize (generally recognized as the most prestigious award in the field of American history).

- The agency continues to be an effective agent for leveraging non-federal support for humanities projects and institutions. Through our Challenge Grants program and Treasury matching funds authority, NEH-supported projects annually receive nearly $40 million in donations.

The Endowment uses a variety of methods to ensure that its programs and policies are effective in advancing the work of the humanities. Outside evaluators who serve in our application review system, for example, not only assess the merits of grant proposals but also help us monitor the goals and objectives of our programs. NEH also routinely collects performance information from grantees after they have concluded their projects. Grant recipients are required to submit final narrative reports, in which they are asked to provide specific information about the results of their project. This information in turn helps us to assess the impact of our grant-making efforts.

NEH continues to assess the outcomes of its grants in order to monitor and, when needed, improve the effectiveness of our programs and operations. In recent years, for example, we have conducted a series of in-depth evaluations of several of our major grant programs. Assessments have recently been completed of the Humanities Collections and Research Resources program in the Division of Preservation and Access; the America's Media Makers program in the Division of Public Programs; the NEH Fellowships program in the Division of Research Programs, one of the Endowment's original flagship programs; and the Digging into Data Challenge program in the Office of Digital Humanities. Each of these surveys produced findings that have helped the agency make adjustments in program objectives, bring greater clarity to program guidelines, improve grants management, and provide better service to applicants and grantees alike.

A number of other evaluations are either currently in the works or will be launched in the coming year, including:

- ✓ NEH's Division of Education Programs is conducting a systematic evaluation of the outcomes of grants made from 1997-2011 in the Summer Seminars and Institutes for College and University Teachers program. Data gathered from the survey will help us assess the program's impact and make any needed adjustments in the program's objectives.

- ✓ The Research Programs division is evaluating its Summer Stipends program, which provides grants to scholars to devote two months of uninterrupted time to research or writing on an advanced research project in the humanities.

- ✓ The Division of Preservation and Access has begun an assessment of the impact of the projects supported in the first ten years of the agency's National Digital Newspaper Program.

- ✓ The agency's Public Programs division is conducting a study of more than 400 NEH-supported humanities exhibitions and programs that took place around the country in 2012. Information is being gathered about the number of people and types of audiences reached by each project. This will be followed by more in-depth analysis of a smaller sample of projects.

- ✓ In the fall of 2014, the Office of Digital Humanities will begin an evaluation of its Institutes for Advanced Topics in the Digital Humanities program. Extensive interviews will be conducted with scholars who attended the institutes to determine how the training impacted their research and their humanities careers. This evaluation will help the Endowment gauge how well the program is achieving its goals and where adjustments may be needed to meet needs and opportunities in the field of digital humanities.

Brief Analysis of Financial Statements

The principal financial statements have been prepared to report the financial position and the results of operations of the National Endowment for the Humanities (Endowment), pursuant to the requirements of 31 U.S.C. 3515 (b). These statements are included in the Financial Section of the Performance and Accountability Report.

While the statements have been prepared from the books and records of the Endowment in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that the Endowment is a component of the United States Government, a sovereign entity.

The following is a brief summary of the principal statements. The amounts shown are in millions of dollars.

Balance Sheet

On the balance sheet, the Endowment's most significant asset is the fund balance with the U.S. Treasury. This balance principally represents funds to be paid in future years for grants. For fiscal years 2014 and 2013, the Endowment had a fund balance with the U.S. Treasury of $148.5 and $141.0, respectively. The increase in this year's balance is due to the fact that there was no budget reduction from sequestration as there was in 2013 for $7.6. The 2014 amount of $148.5 comprises $148.0 of appropriated no-year funds and $.5 of trust no-year funds.

Of the $25.0 in total liabilities for FY 2014, the Endowment's principal liability is the estimated grant liability. This liability represents an accrual for the amount of estimated unreimbursed

grantee expenses, as of September 30, 2014. For fiscal years 2014 and 2013, the Endowment had grant liabilities of $22.5 and $22.9, respectively. For comparative purposes, the change is insignificant.

The Endowment's net position consists primarily of unexpended appropriations. The unexpended appropriations include the portion of the Endowment's appropriation represented by undelivered orders and unobligated balances. As required by OMB Circular A-136, the balance sheet shows the portion of cumulative results of operations and unexpended appropriations for dedicated collections separately from all other funds on the face of the balance sheet. For fiscal years 2014 and 2013, the Endowment had unexpended balances of $127.2 and $118.3, respectively. The increase is due to a smaller net cost of operations and no budget reduction by sequestration in FY 2014.

Statement of Net Cost

The net cost of operations represents the gross cost incurred by the Endowment less any exchange revenue earned from its activities. By disclosing the gross and net cost of the Endowment's programs, the statement of net cost provides information that can be related to the outputs and outcomes of the Endowment's programs and activities. For fiscal years 2014 and 2013, the Endowment had net cost of operations of $138.7 and $147.2, respectively.

Statement of Changes in Net Position

The statement of changes in net position is designed to display the components of the unexpended appropriations and cumulative results of operations separately to enable the stakeholders to better understand the nature of this statement. For fiscal years 2014 and 2013, the Endowment had a net position of $126.8 and $117.9, respectively. The increase is due to a smaller net cost of operations and no budget reduction by sequestration in FY 2014.

Statement of Budgetary Resources

The statement of budgetary resources provides information about how budgetary resources were made available to the Endowment as well as their status at the end of the period. It is the only financial statement primarily derived from the Endowment's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal Government. The budgetary resources are mostly from funds appropriated by the U.S. Congress. For fiscal years 2014 and 2013, the Endowment had $154.8 and $147.3 in budgetary resources, respectively. The change is due primarily to the FY 2013 budget sequestration of $7.6. For fiscal years, 2014 and 2013, the Endowment had net outlays of $138.6 and 147.8, respectively.

Required Supplementary Stewardship Information

Stewardship Investments - Investment in Non-Federal Physical Property

The National Endowment for the Humanities (NEH) provides a long term benefit to the public by maintaining its commitment to investing in non-Federal physical property. Non-Federal physical property refers to expenses incurred by the Federal government for the purchase, construction, or major renovation of physical property owned by state and local governments,

including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets.

NEH's investment in non-Federal physical property currently includes facilities, structures, and equipment.

Analysis of Systems, Controls, and Legal Compliance

In accordance with the Federal Manager's Financial Integrity Act of 1982, in FY 2014 NEH conducted its required review of the agency's operations and procedures to identify possible deficiencies in management controls. This annual review enables the agency to provide reasonable assurance that it is in compliance with the requirements of the Integrity Act.

As a result of our FY 2014 review, NEH assures that its internal management controls are adequate and effective for controlling waste, fraud, abuse, and mismanagement of resources.

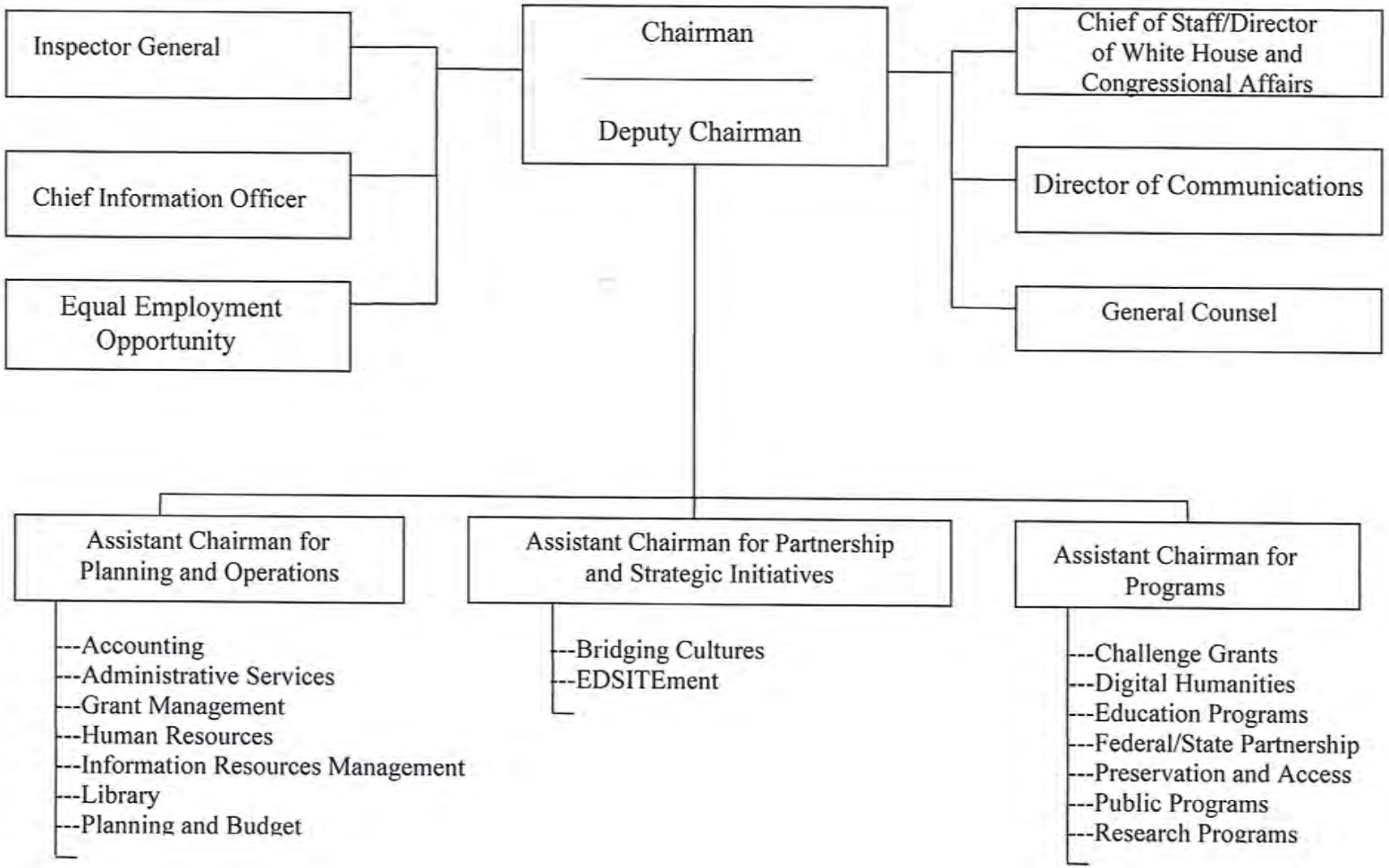
Possible Future Effects of Existing Events and Conditions

The Endowment, along with other federal agencies, continues to face fiscal uncertainty as the federal government struggles with the annual appropriation process. The sequestration that was implemented at the mid-point of FY 2013, and the government-wide shutdown that occurred at the beginning of FY 2014, wreaked havoc with agencies' fiscal planning. Although the two-year budget agreement that was reached early in FY 2014 has temporarily reduced the prospect of additional sequestrations or rescissions, when that agreement lapses at the end of FY 2015 there's no assurance that regular order will be restored. Meanwhile, NEH and other federal agencies limp along under continuing resolutions and omnibus funding bills that do not address the particular budgetary needs of the agency. This makes it difficult for the agency to plan its programmatic and administrative activities in an efficient and effective way.

Organizational Structure

The following page shows NEH's current organizational structure.

National Endowment for the Humanities



Management Assurances Statement

The National Endowment for the Humanities has assessed the effectiveness of the internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations in accordance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA) Section 2 and OMB Circular A-123. Based on this assessment, the National Endowment for the Humanities can provide reasonable assurance for FY 2014 that its internal control over the effectiveness and efficiency of operations, financial reporting, and compliance with applicable laws and regulations was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

The National Endowment for the Humanities conducted its assessment of whether the financial management systems conform to government-wide financial systems requirements in accordance with FMFIA Section 4 and OMB Circular A-127, *Financial Management Systems*. Based on this assessment, the National Endowment for the Humanities can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA Section 4 and OMB Circular A-127 for FY 2014.

William D. Adams
Chairman,
November 14, 2014

II. PERFORMANCE INFORMATION

Summary of Some FY 2014 Performance Highlights

NEH grants provide crucial incentives for scholars to explore important subjects in the humanities; colleges and universities to invest in the professional development of teachers and faculty; museums to develop educational exhibitions; archives, libraries, museums, and other repositories to preserve and increase the availability of books, periodicals, manuscripts, and other humanities resources; filmmakers to produce historical, biographical, and cultural documentaries that are grounded in excellent humanities scholarship; and state humanities councils to make cultural opportunities accessible in every community in the nation.

Among the tangible results of NEH grants awarded in FY 2014 are (or will be) the following:

- NEH launched a special program titled *Standing Together: The Humanities and the Experience of War*. More than $1 million were awarded to the initial projects supported under this special program, including, in FY 2014, $50,000 for *The Warrior Scholar Project*, an intensive two-week humanities-based "academic boot camp" to facilitate veterans' transition from the military to college conducted at Yale University, Harvard University and the University of Michigan; and $69,000 for *Talking Service*, a series of workshops for American veterans to discuss their service experience in the light of key humanities texts.

- Fifty-four state humanities councils received special $10,000 grants from the Endowment to support local programs for veterans over the next year as part of NEH's initiative *Standing Together: The Humanities and the Experience of War*.

- More than $1 million in additional awards were made for documentary films that explore cultures outside of the United States in the *Bridging Cultures* through Film: International Topics category. For example, the Center for Asian American Media was awarded $474,840 to produce a 90-minute documentary film about the experiences of Cambodian physician and actor Haing S. Ngor during the Cambodian genocide under the Khmer Rouge and his subsequent life in America.

- Books, journal articles, and conference presentations will be produced by nearly every one of the 174 recipients of an NEH research fellowship or stipend and the 76 scholars conducting sabbatical projects at an NEH-supported independent research center. As well, crucial support was provided for the conclusion or continuation of efforts to create major reference works, including *The First Federal Congress Project*. This multi-year project is publishing the complete record of the First Federal Congress, 1789-1791, including unofficial records and primary material such as letters and diaries that document the actions, debates, and thoughts of that body and its members.

- The agency's Landmarks of American History and Culture program supported week-long workshops for more than 1,500 school teachers that will be offered during the summer of

2015. Landmarks workshops are held at or near presidential residences and libraries, colonial-era settlements and missions, forts and battlefields, industrial centers, and sites associated with notable writers, architects, and artists. They are academically rigorous, involve leading scholars, and help participants develop new teaching resources.

- Ten grants totaling more than $1 million were supported through the NEH/NSF "Documenting Endangered Languages" initiative for projects to create, enhance, and deepen our knowledge of the estimated 3,000 currently spoken languages that are threatened with extinction in the near future.

- The Endowment's Office of Digital Humanities provided encouragement and support for projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities. In FY 2014, for example, Harvard University received $125,000 to develop the Automating Data Extraction from Chinese Texts platform to allow scholars to transform texts written in classical Chinese into highly structured data suitable for the application of text mining techniques. The project is led by humanities scholars and computer scientists from Harvard University and King's College, London with additional expertise provided by scholars from National Taiwan University and Academia Sinica, Taiwan.

- NEH Challenge Grants awarded to cultural institutions during the year began to leverage non-federal contributions for endowment building and capital investment projects that by 2018 will total more than $20 million.

- Sponsoring or conducting a broad spectrum of cultural activities—including book programs, exhibitions, lectures, teacher workshops, and local history projects—the state humanities councils reached millions during the year and gave the humanities a local presence in every part of the United States. In FY 2014, with funds provided through the NEH Federal/Partnership, the councils supported reading and discussion programs for children, families, and the newly literate that take place in libraries and other civic places; state and local book festivals were supported, as well as the participation of a number of councils in the annual National Book Festival sponsored by the Library of Congress's Center for the Book; educational institutes and seminars for elementary and secondary school teachers; scholarship on state and local history and culture, such as comprehensive online state encyclopedias; exhibitions at museums, libraries, and historical sites; and radio, television, and film projects on humanities themes.

- NEH cooperated with the Arts and Humanities Research Council, the Economic and Social Research Council, and the Joint Information Systems Committee of the United Kingdom; the Netherlands Organization for Scientific Research; and the Social Sciences and Humanities Research Council of Canada—as well as with the Institute for Museum and Library Services and the National Science Foundation in the United States—in the Digging into Data Challenge, a jointly sponsored grant program supporting the development of new research methods in the digital humanities.

FISCAL YEAR 2014 PERFORMANCE REPORT AND DATA ANALYSIS FROM THREE PREVIOUS FISCAL YEARS

INTRODUCTION

We are pleased to present the Performance and Impact section of our Performance and Accountability Report (PAR) for fiscal year 2014. The purpose of this section of the report is to compare performance levels anticipated for fiscal year 2014 in the annual NEH Performance Plan with the performance outcomes that were actually achieved during that year. Projected and actual performance data for fiscal years 2011 through 2013 are also provided. Because the goals and indicators of the NEH Performance Plan are tied directly to and closely parallel the general goals and objectives in the Endowment's multi-year strategic plan, this report will also serve as a measure of the agency's progress in achieving it long-term strategic goals.

The results projected in the NEH Performance Plan may accrue over many years. In those cases, measured outcomes of FY 2014 will be reported as partial results and revised in subsequent annual PARs. The projected performance outcomes cited below are those embodied in the NEH Performance Plan and relate to funding allocations at the levels of the final, enacted budget of each year. In what follows, projected performance indicators are shown in *italics*; measured performance outcomes in **bold**. Performance results that as of this writing remain incomplete are enclosed in parenthesis.

[Note: The volume of applications to NEH's discrete programs and grant categories typically fluctuates from year to year. In addition, because grants are awarded through a highly competitive—and necessarily contingent—application review process, the numbers of grants actually awarded during a given year (in **bold**) may differ significantly from the numbers of awards (in *italics*) projected for the year.]

PERFORMANCE GOALS:

A: To facilitate basic research and original scholarship in the humanities.

PERFORMANCE INDICATORS:

1) Support is provided that enables scholars—both those affiliated with educational institutions and those working independently—to devote a concentrated period of time to research and writing on significant subjects in all fields of the humanities.

- FY 2014: Support was be provided for *161*/**161** individual scholars to make significant progress on important humanities research projects through fellowships and stipends.

- FY 2013: Support was provided for *183*/**183** individual scholars to make significant progress on important humanities research projects through fellowships and stipends.

- FY 2012: Support was provided for *190*/**176** individual scholars to make significant progress on important humanities research projects through fellowships and stipends.

- FY 2011: Support was provided for *215*/**215** individual scholars to make significant progress on important humanities research projects through fellowships and stipends.

2) Support is provided for collaborative research projects that develop significant intellectual advances and resources for scholars, teachers, students, and the general public.

- FY 2014: Support was provided for *45*/**45** important long-term collaborative projects in the humanities such as scholarly editions, translations, archaeological excavations and analyses and other complex, large-scale undertakings. In addition, 24 previously awarded grants will receive ongoing support through NEH matching funds.

- FY 2013: Support was provided for *42*/**42** important long-term collaborative projects in the humanities such as scholarly editions, translations, archaeological excavations and analyses and other complex, large-scale undertakings. In addition, *16*/**16** previously awarded grants will receive ongoing support through NEH matching funds.

- FY 2012: Support was provided for *33*/**42** important long-term collaborative projects in the humanities such as scholarly editions, translations, archaeological excavations and analyses and other complex, large-scale undertakings. In addition, ***18/18*** previously awarded grants will receive ongoing support through NEH matching funds, in part through the use of *We the People* funding.

- FY 2011: Support was provided for *56*/**56** important long-term collaborative projects in the humanities such as scholarly editions, translations, archaeological excavations and analyses and other complex, large-scale undertakings. In addition, *24*/**24** previously awarded grants received ongoing support through NEH matching funds, in part through the use of *We the People* funding.

3) Support is provided for overseas research in the humanities by American scholars and, where appropriate, encouragement offered for international collaboration in research on significant topics in the humanities.

- FY 2014: Awards for *24*/**24** humanities fellowship programs at independent research institutions supported the work of 76/**76** humanities scholars who are making significant contributions to scholarship in the humanities.

- FY 2013: Awards for *23*/**23** humanities fellowship programs at independent research institutions supported the work of *75*/**75** humanities scholars who are making significant contributions to scholarship in the humanities.

- FY 2012: Awards for *25*/**25** humanities fellowship programs at independent research institutions supported the work of *80*/**80** humanities scholars who are making significant contributions to scholarship in the humanities.

- FY 2011: Awards for *25*/**25** humanities fellowship programs at independent research institutions supported the work of *80*/**80** humanities scholars who will make significant contributions to scholarship in the humanities.

4) Support is provided for humanities scholarship by faculty members at historically black, Hispanic-serving, and tribal colleges and universities.

- FY 2014: Support enabled *10*/**10** individual scholars who teach at historically black colleges and universities, at Hispanic-serving institutions, and at tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.

- FY 2013: Support enabled *10*/**9** individual scholars who teach at historically black colleges and universities, at Hispanic-serving institutions, and at tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.

- FY 2012: Support enabled *5*/**6** individual scholars who teach at historically black colleges and universities, at Hispanic-serving institutions, and at tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.

- FY 2011: Support enabled *10*/**10** individual scholars who teach at historically black colleges and universities, at Hispanic-serving institutions, and at tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.

ANALYSIS:

Availability of data.
The scholars who received NEH funding during FY 2014 undertook projects of varying length, from the three months of independent research and writing supported by a summer stipend to multi-year research collaborations. In the coming months and years, these projects will come to fruition in the form of journal articles, books, and scholarly editions. The annual submission of the NEH PAR provides an occasion to monitor and record the productivity of research in the humanities supported by the Endowment during the most recent four years. Increasingly, the Endowment's Grants Management System (GMS) database will facilitate the aggregation of data about products, such as books and articles that result from activities supported by specific NEH grants. At present, it links information about more than 6,873 humanities research awards in the Endowment's grant information database to bibliographic information about the approximately 4,809 published books that these projects produced between 1980 and 2014.

FY 2014 accomplishments. The Endowment facilitates basic research and original scholarship in the humanities primarily through programs that support the work of individual scholars; that support long-term, complex projects carried out by teams of scholars; and that support focused, individual projects that draw upon the collections and expertise of leading humanities institutions and overseas research centers.

The results of humanities research are typically communicated through books and articles, and each year NEH-supported scholars produce hundreds of such publications, many with leading trade and academic publishers. While books (including books in electronic format) and scholarly articles are most often the goal of those applying for NEH awards, grantees report that their scholarly publications often provide access to new audiences, allowing them to publish in popular presses, make presentations to both specialized and general audiences, and draw on their research to enrich their teaching.

[Indicator 1] NEH Fellowships and Summer Stipends provide opportunities for individual scholars and teachers to undertake advanced research in the humanities. Since the first years of the Endowment, these programs have proven to be an effective and efficient means of supporting humanities research, resulting in the publication of nearly 8,400 books.

The Endowment has also forged a number of strategic partnerships that reinforce the impact of an NEH Fellowship. Currently, for example, the Research Programs division administers the evaluation of applications to the Library of Congress's John W. Kluge Fellows Program. This program provides stipends to junior scholars from the U.S. and abroad to conduct research in the Library's rich collections in the humanities. The Endowment also collaborates with the Japan-United States Friendship Commission to encourage American scholars' research on Japan and U.S.-Japan relations. Finally, the Endowment continues its multi-year funding partnership with the National Science Foundation in support of Documenting Endangered Languages, a program to provide NEH awards to scholars engaged in recording and preserving key languages before they become extinct. This collaboration is made urgent by the imminent demise of an estimated half of the 6,000 to 7,000 currently used languages worldwide.

In 2012, the Endowment concluded a large-scale evaluation of the NEH Fellowships program, focusing on outcomes and impacts of awards made from 2002 through 2004. The public version of the report is available on the Endowment's website (http://www.neh.gov/files/divisions/research/2002_2004_nehfellowships.pdf). Within seven years of the close of their grant periods, 96 percent of surveyed fellows reported publishing a book or article as a result of their grant, and over 70 percent of all awards resulted in major book-length publications; and awardees reported overwhelmingly that their grants allowed them the time to conduct deeper, more meaningful research than otherwise would have been the case and to write clearer, more widely accessible books and articles. Almost 80 percent of fellows reported that their grants enabled them to leverage additional support from their employers or other grant-making institutions, and over half found that their NEH-supported research had direct, immediate implications for their teaching.

NEH-supported books often win academic, scholarly, and literary prizes. Others appeal to a broad readership. In 2014, the Modern Language Association (MLA), for example, awarded

three of its prizes to books supported by NEH Fellowships. The MLA prize for best scholarly edition went to Thomas J. Heffernan of the University of Tennessee, Knoxville, for his edition of *The Passion of Perpetua and Felicity*, a Latin account of the medieval imprisonment and martyrdom of the two saints, widely used across medieval Europe to teach conduct. MLA's Katherine Singer Kovacs Prize for outstanding book on Latin America was awarded to Joanna Rappaport of Georgetown University for her study *Beyond the Lettered City: Indiginous Literacies in the Andes*, which examines how Andean peoples reacted to the colonial government's efforts to impose Spanish literacy. Finally, the MLA awarded the Aldo and Jeanne Scaglione Prize for outstanding study of French literature to Christopher Braider of the University of Colorado for his work on *The Matter of Mind: Reason and Experience in the Age of Descartes*, which challenges the idea that Descartes' theories were widely influential in 17th-century France.

[Indicator 2] Advanced research in the humanities increasingly requires the collaboration of many scholars working across a wide range of specialties or scholars working alongside one another in research centers and archives. The Endowment nurtures such collaborative efforts through three programs—Scholarly Editions and Translations, Collaborative Research, and Fellowship Programs at Independent Research Institutions.

Scholarly Editions and Translations grants support the preparation of important texts and documents of enduring value that otherwise would be relatively inaccessible to scholars and the public. Scholarly editions projects involve significant literary, philosophical, and historical materials, with the majority being in U.S. history and literature. Most are produced in print editions but increasingly also in a variety of digital formats. Recent grants have supported, for example, editions of the papers of such major historical figures as George Washington, Thomas Jefferson, Benjamin Franklin, Eleanor Roosevelt, Abraham Lincoln, Andrew Jackson, Jefferson Davis, Ulysses S. Grant, and Thomas Edison, and such literary and cultural figures as Ernest Hemingway, Willa Cather, William F. "Buffalo Bill" Cody, and Mark Twain. Another such effort, *The First Federal Congress Project*, is collecting and publishing the documentary record of the debate over the ratification of the U.S. Constitution and the Bill of Rights between 1787 and 1791.

Translation projects make important literary and historical material accessible to English-speaking scholars and readers. In FY 2014, for example, a grant to Professor Amber Brian of the University of Iowa supports the translation and editing of Don Fernando de Alva Ixtilxochitl's *History of Ancient Mexico*, a 150-page account of pre-Columbian and conquest-era Mexico written in the early 17th century. Ixtilxochitl descended from Aztec and Spanish parents and rose to a high position within the colonial government. Because of his Aztec background, he had unique access to historical accounts and lore covering periods before Europeans first came to the New World.

Collaborative Research grants support teams of researchers involved in a variety of large-scale domestic and international projects, including archaeological excavation and interpretation, scholarly conferences, and wide-ranging original and synthetic research that significantly adds to our understanding of historical issues and cultural concerns. In 2014 for example, Timothy Pauketat, professor of archaeology at the University of Illinois, Urbana-Champaign, received

funding to lead a team of researchers to complete the analysis of, and enhance public and scholarly access to, artifacts from four related, 950-year-old settlements of North America's first metropolis: Cahokia in present-day Missouri. Pauketat and his team will produce the first synthetic history based on several excavation sites, paying special attention to how Cahokia's infrastructure sustained the city over hundreds of years.

[**Indicator 3**] The Fellowship Programs at Independent Research Institutions supports residential fellowships offered by U.S. research centers located at home and abroad, and fellowships awarded under the auspices of U.S. organizations that facilitate international research. NEH funds partially support the costs of fellowship stipends, while the partner institution covers such costs as meals, lodging, copying and library services, computer access, and, in the case of organizations supporting international research, assistance in securing the necessary visas and research permits. Fellows at NEH-supported centers produce a wide range of published scholarship. For example, John Kasson, professor of history at the University of North Carolina-Chapel Hill, held an NEH-supported fellowship through the National Humanities Center. With his award, Kasson wrote *The Little Girl Who Fought the Great Depression: Shirley Temple and 1930s America*, a historical consideration of how the most famous, adored, imitated, and commodified child in the world astonished moviegoers, created a new international culture of celebrity, and revolutionized the role of children as consumers. Kasson uses the iconic Temple to better understand the relationship between Hollywood and those living through the Depression.

[**Indicator 4**] As part of the agency's efforts to extend the reach of its grant opportunities, the Endowment offers Awards for Faculty at Historically Black Colleges and Universities, Hispanic-serving Institutions, and Tribal Colleges and Universities. The Awards for Faculty program provides flexible grants to serve the unique needs of faculty members at these institutions who struggle to maintain their credentials as scholars while teaching under the most challenging conditions. The program allows for a wide variety of research efforts leading to publication, classroom use, or public programs. In FY 2014, the Endowment provided six Awards for Faculty.

B: To strengthen teaching and learning in the humanities in schools and colleges across the nation.

PERFORMANCE INDICATORS:

1) Teachers are provided opportunities to renew and deepen their knowledge of the humanities.

- FY 2014: Support for *50*/**48** NEH summer seminars and institutes will enable *508*/(511) college teachers and *517*/(544) school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2015 will reach approximately *88,900*(89,425) students annually; school teacher participants would reach approximately *64,625*/(68,000) annually.

Support for *18/21* "Landmarks of American History and Culture" workshops to take place in the summer of 2015 will enable approximately *1,296/*(1,512) school teachers to revitalize their knowledge and teaching of American history, particularly as it relates to the relationship between specific sites and the episodes in history, the writers, and/or the artists associated with that location. These teachers will annually reach approximately *162,000/*(189,000) students.

Support for *3/***3** NEH Bridging Cultures at Community Colleges projects will enable community college faculty and administrators to participate in sustained programs of faculty and curriculum development. They will work with leading scholars to develop new curricula and courses, participating in a sustained program of study and guidance, exchanging ideas through digital technology, and will present products such as syllabi and research products at a concluding conference. Community college faculty participating in these projects will reach approximately *190/*(190) students annually.

Support for *21/***20** Enduring Questions projects will enable faculty members to develop a new course at the undergraduate level to grapple with the most fundamental concerns of the humanities, and to join with their students in deep, sustained programs of reading in order to encounter influential thinkers over the centuries and into the present day. Each participating faculty member will conduct the newly created course at least twice, with each iteration reaching approximately 25 students.

- FY 2013: Support for *45/***45** NEH summer seminars and institutes enabled *485/***485** college teachers and *460/***460** school teachers to revitalize their knowledge and teaching of the humanities. College teachers who participated in seminars and institutes during the summer of 2014 will reach approximately *84,875/***84,875** students annually; school teacher participants will reach approximately *57,500/***57,500** students annually.

  Support for *20/***20** "Landmarks of American History and Culture" workshops during the summer of 2014 enabled approximately *1,600/***1,600** school teachers to revitalize their knowledge and teaching of American history, particularly as it relates to the relationship between specific sites and the episodes in history, the writers, and/or the artists associated with that location. These teachers will annually reach approximately *200,000/***200,000** students.

  Support for *3/***3** NEH Bridging Cultures at Community Colleges projects enabled community college faculty and administrators to participate in sustained programs of faculty and curriculum development. They worked with leading scholars to develop new curricula and courses, participated in a sustained program of study and guidance, exchanged ideas through digital technology, and presented products such as syllabi and research products at a concluding conference. Community college faculty who participated in these projects will reach approximately *23,128/***23,128** students annually.

Support for *19*/**19** Enduring Questions projects enabled faculty members to develop a new course at the undergraduate level to grapple with the most fundamental concerns of the humanities, and to join with their students in deep, sustained programs of reading in order to encounter influential thinkers over the centuries and into the present day. These questions will include: What is the good life? What is justice? What is friendship? Is there a human nature, and, if so, what is it? Each participating faculty member will conduct the newly created course at least twice, with each iteration reaching approximately *25*/**25** students.

- FY 2012: Support for *40*/**44** NEH summer seminars and institutes enabled *420*/**440** college teachers and *420*/**528** school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2013 are reaching approximately *73,500*/**77,000**) students annually; school teacher participants reach approximately 52,500/**66,000**) students annually.

  Support for *15*/**21** "Landmarks of American History and Culture" workshops during the summer of 2013 enabled approximately *1,200*/**1,680** school teachers to revitalize their knowledge and teaching of American history, particularly as it relates to the relationship between specific sites and the episodes in history, the writers, and/or the artists associated with that location. These teachers annually reach approximately *150,000*/**210,000** students.

  "Landmarks of American History and Culture for Community College Faculty" workshops were discontinued in FY 2012. A new competition to better address the needs of this constituency was created in FY 2012.

  Teaching Development Fellowships were discontinued in FY 2012 due to a shift in the agency's educational programming priorities.

  Support for *5*/**5** NEH Bridging Cultures at Community Colleges projects enabled community college faculty and administrators to participate in sustained programs of faculty and curriculum development. They worked with leading scholars to develop new curricula and courses, participated in a sustained program of study and guidance, exchanging ideas through digital technology, and presented products such as syllabi and research products at a concluding conference. Community college faculty participating in these projects reach approximately 38,675/**38,675** students annually.

  Support for *21*/**22** Enduring Questions projects is enabled faculty members to develop a new course at the undergraduate level to grapple with the most fundamental concerns of the humanities, and to join with their students in deep, sustained programs of reading in order to encounter influential thinkers over the centuries and into the present day. These questions include: What is the good life? What is justice? What is friendship? Is there a human nature, and, if so, what is it? Each participating faculty member will conduct the newly created course at least twice, with each iteration reaching approximately 25 students.

Picturing America School Collaboration Projects were discontinued in FY 2012 due to a shift in the agency's education programming priorities.

- FY 2011: Support for *41*/**41** NEH summer seminars and institutes enabled *399*/**399** college teachers and *462*/**462** school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2012 are reaching approximately 69,825/**69,825** students annually; school teacher participants reach approximately *57,750*/**57,750** students annually.

  Support for *15*/**15** "Landmarks of American History and Culture" workshops during the summer of 2012 enabled approximately *1,200*/**1,200** school teachers to revitalize their knowledge and teaching of American history, particularly as it relates to the relationship between specific sites and the episodes in history, the writers, and/or the artists associated with that location. These teachers annually reach approximately *150,000*/**150,000** students. Through a partnership of NEH and the U.S. Department of State, selected "Landmarks" workshops invited participation by teachers from other nations.

  Support for *6*/**6** "Landmarks of American History and Culture for Community College Faculty" workshops during the summer of 2012 enabled *300*/**300** community college teachers to reach *52,500*/**52,000** students annually with their revitalized knowledge, understanding, appreciation, and teaching of American History, particularly as it relates to the relationship between specific sites and the episodes in history, the writers, and/or the artists associated with them.

  Nine/**9** Teaching Development Fellowships enabled recipients to pursue research aimed specifically at deepening their core knowledge in the humanities to improve their undergraduate teaching. These teachers reach *1,575*/**1,575** students annually.

  Support to *16*/**16** Enduring Questions award recipients enabled individual faculty members to develop a new course at the undergraduate level to grapple with the most fundamental concerns of the humanities, and to join with their students in deep, sustained programs of reading in order to encounter influential thinkers over the centuries and into the present day. These questions include: What is the good life? What is justice? What is friendship? Is there a human nature, and, if so, what is it? Each recipient conducted the newly created course at least twice, with each iteration reaching approximately 25 students.

  Support for *8*/**8** Picturing America School Collaboration Projects enabled approximately *470*/**470** teachers in a local area or region to attend workshops to enhance their incorporation of Picturing America into core curriculums. These teachers reach *58,750*/**58,750** students annually.

2) Support is provided for humanities education programming in Historically Black, Hispanic-serving institutions, and Tribal colleges and universities across the country.

- FY 2014: Humanities Initiatives at Presidentially Designated Institutions provided *10*/**10** grants to support faculty professional development activities for improvement in humanities instruction, as well as other capacity building activities at these institutions.

- FY 2013: Humanities Initiatives at Presidentially Designated Institutions provided *8*/**10** grants to support faculty professional development activities for improvement in humanities instruction, as well as other capacity building activities at these institutions.

- FY 2012: Humanities Initiatives at Presidentially Designated Institutions provided *13*/**13** grants to support faculty professional development activities for improvement in humanities instruction, as well as other capacity building activities at these institutions.

- FY 2011: Humanities Initiatives at Presidentially Designated Institutions provided *13*/**13** grants to support faculty professional development activities for improvement in humanities instruction, as well as other capacity building activities at these institutions.

ANALYSIS:

Availability of data. Because few of the above education projects supported by the Endowment during FY 2014 had concluded at the time this report was prepared, data are not yet available on the numbers of participating teachers and the numbers of students each teacher may be expected to affect annually. Most of the missing data on project outcomes will be supplied in the coming year as project personnel submit their regularly scheduled progress reports. We anticipate that we will be able to provide nearly complete data on the FY 2014 performance indicators in the FY 2015 PAR.

FY 2014 accomplishments. [Indicator 1] NEH Summer Seminars and Institutes have for nearly a half a century been one of the nation's premier forms of professional development in the humanities for college and university teachers and elementary and secondary school teachers. NEH offers these teachers opportunities to pursue serious, substantive intellectual inquiry in fields such as history, foreign languages, literature, religion, philosophy, and government and civics. Working with distinguished scholars, participants deepen their knowledge of the subjects they teach and develop effective ways of bringing this understanding to their students.

Summer Seminars enable sixteen school or college teachers to study for two to five weeks under the guidance of a senior scholar. The principal goal is to engage teachers in the scholarly enterprise, thus equipping them for deeper understanding of their subject areas and more effective teaching. In Summer Institutes, school or college teachers participate in an intensive program of study with teams of humanities scholars who present a broad range of perspectives

on a given topic. Well suited to larger groups (as many as thirty school teachers or twenty-five college teachers), institutes also last from two to five weeks and are a particularly appropriate mechanism for creating foreign language immersion opportunities, or for breaking new ground in an emerging field, or for redirecting the teaching of various subjects in the undergraduate classroom. In 2010, NEH revised the eligibility criteria for the Summer Seminars and Institutes program to include humanities graduate students. In higher education programs, two spaces in Summer Seminars and three spaces in Summer Institutes are now reserved for graduate students. In school teacher programs, the same numbers are made available for graduate students who intend to pursue K-12 teaching careers.

NEH annually supports summer seminars and institutes on a wide range of topics in the humanities. During the summer of 2014, for example, among the projects offered were the following: a four week institute for college and university faculty on the history of mortality in ancient Greek culture; a two-week summer institute for college and university teachers to explore the topic of American westward expansion in the Early Republic through the lens of the U. S. Constitution; a four-week institute for school teachers on the role of "The Star Spangled Banner" and other music related to civic life in American history and culture; and a three-week school teacher seminar to study influential philosophers of education from the eighteenth century to the present.

Each year, the Endowment conducts a competition for supplemental support of up to $10,000 for Seminar and Institute project directors to extend the reach, duration, and impact of their summer programs through digital means. A recent project extension, for example, awarded to history professor Richard Newman for his summer seminar "The Abolitionist Movement: Fighting Slavery from the American Revolution to the Civil War," will develop an "Abolitionism App": a free digital application for computers, phones, and mobile devices. In 2014, the Endowment modified the process for extending the reach of these summer programs by providing guidance to applicants—in advance of their proposal submission—for the development of the project's website. By including this guidance and the potential for greater budgetary allotment to the development of the website, the digital afterlife of the project can be more richly conceptualized and appropriate scaffolding for its implementation can be incorporated into the project design, even before the actual summer programs are begun.

Each summer, participants in the Seminars and Institutes programs are asked to evaluate the project they attend. The collective evaluations for each project then become part of the assessment materials panelists consider when they review proposals by directors to conduct a subsequent seminar or institute. In 2015, the Endowment will release a report based on a systematic evaluation of the measurable outcomes for the Seminars and Institutes for College and University Teachers program.

The Landmarks of American History and Culture program supports summer workshops to educate K-12 teachers in the use of historical and cultural sites in teaching central themes and topics in American history. The program also encourages staff at the sites to improve their professional development programs. Landmarks workshops are held at or near presidential residences and libraries, colonial-era settlements and missions, forts and battlefields, industrial centers, and sites associated with notable writers, architects, and artists. The workshops are

academically rigorous, involve leading scholars, and help participants develop new teaching resources. Projects accommodate thirty-six teachers at one-week sessions, which are offered twice during the summer.

Enduring Questions Course Grants provide opportunities for higher educational institutions to design a new course for undergraduate teaching and learning that promotes engagement with fundamental issues in the humanities. The purpose of this program is to encourage faculty and students at the undergraduate level to grapple with important humanities issues and to join together in deep, sustained programs of reading in order to encounter influential thinkers over the centuries and into the present day. Enduring Questions are questions that have more than one plausible answer, such as: What is the good life? What is justice? What is freedom?

In FY 2014, with an Enduring Questions grant, four faculty members at Franklin and Marshall College have teamed up to develop a course for first-semester students that will explore the question: What is the examined life? The course will be organized into three historical units, framed by a prologue and epilogue. In each unit, a relevant example of period art will supplement the core readings, and a biographical case study will encourage students to assess an examined life. With a deliberate focus on close reading, analytical writing, and group discussion, the course will immerse students in the very practice they are studying.

[**Indicator 2**] Awards made in the Humanities Initiatives at Historically Black, Hispanic-Serving, and Tribal Colleges and Universities category may be used to enhance the humanities content of existing programs; to develop new humanities programs, such as foreign language programs, new humanities minors, first-year seminars, or summer bridge programs for high school students; to build ties among faculty at several institutions; and to take advantage of underused humanities resources, particularly as they pertain to the professions, such as medicine, law, business, or economics. Each project is organized around a core topic or set of themes.

In FY 2014, Grambling State University used its Humanities Initiatives award to conduct a three-week humanities curriculum development institute for faculty drawn from Historically Black Colleges and Universities (HBCUs) on the teaching of Greek drama. Faculty for the project conducted topical teaching workshops and discussions on Greek or Athenian history, the history and theory of Greek drama, and the contexts of the plays; and visiting faculty undertook the work of one playwright each week. The University of California, Riverside, an Hispanic-Serving institution, used its award to "build a new program in health humanities" for its new medical school. "Narrative in Tandem: Creating New Medical and Health Humanities Programming," a two-year-long interdisciplinary project, engaged humanities and medical faculty in dialogue "addressing the cultural, economic, historical, and philosophical complexities of obtaining and providing health care by focusing on the role of narrative and storytelling." Turtle Mountain Community College received support for a two-year initiative to strengthen humanities teaching on its campus through the work of Louise Erdrich. A member of the Turtle Mountain Band, Erdrich has written thirteen novels, as well as poetry, short stories, and children's books, that depict the Turtle Mountain Chippewa people and their lives on the reservation. Her work has earned her the National Book Critics Circle Award, the National Book Award, and the Anisfield-Wolf Book Award, and has made her a finalist for the Pulitzer Prize.

C: To preserve and increase the availability of cultural and intellectual resources essential to the American people.

PERFORMANCE INDICATORS:

1) Support is provided to preserve and create intellectual access to humanities collections and resources. Supported activities include digitizing collections; arranging and describing archival and manuscript collections; cataloging collections of printed works, photographs, recorded sound, moving image, art, and material culture; preservation reformatting; deacidification of collections; preserving and improving access to humanities resources in "born digital" form; creating research tools and reference works; and developing technical standards, best practices, and tools for preserving and enhancing access to humanities collections.

- FY 2014: Grants were be made to *10*/**10** projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.

  Twenty-six/**26** projects are preserving and/or providing access to *927*/(927) hours of recorded sound and video collections; *1,630*/(1,630) linear feet of archival documents; and *2,205,502*/(2,205,502) manuscripts, broadsides, oversize volumes, and other non-print materials.

  Cooperative agreements are digitizing hundreds of thousands of microfilm pages of historic newspapers.

  Support was provided for *3*/**3** research and development projects concerned with standards and procedures.

- FY 2013: Grants were be made to *11*/**11** projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.

  Twenty-eight/**28** projects are preserving and/or providing access to *44,464*/(44,464) sound and video collections; *1,106*/(1,106) linear feet of archival documents; and *1,757,598*/(1,757,598) manuscripts, broadsides, oversize volumes, and other non-print materials.

  Cooperative agreements supported through the *We the People* and *Bridging Cultures* programs are digitizing hundreds of thousands of microfilm pages of historic newspapers.

  Support was provided for *3*/**3** research and development projects concerned with standards and procedures.

- FY 2012: Grants were made to *11*/**11** projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.

  Twenty-five/**25** projects are preserving and/or providing access to *3,305*/(3,305) hours of recorded sound and video collections; *2,393*/(2,393) linear feet of archival documents; and *394,987*/(394,987) manuscripts, broadsides, oversize volumes, and other non-print materials.

  Cooperative agreements supported through the *We the People* and *Bridging Cultures* programs are digitizing hundreds of thousands of microfilm pages of historic newspapers.

  Support was provided for *2*/**2** research and development projects concerned with standards and procedures.

- FY 2011: Grants were made to *11*/**11** projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.

  Twenty-four/**24** projects are preserving and/or providing access to *1,145*/**1,145** hours of recorded sound and video collections; *3,685*/**3,685** linear feet of archival documents; and *631,401*/**631,401** manuscripts, broadsides, oversize volumes, and other non-print materials.

  Cooperative agreements supported through the *We the People* program are digitizing hundreds of thousands of microfilm pages of historic newspapers.

  Support was provided for *3*/**3** research and development projects concerned with standards and procedures.

2) Support is provided to train staff from the nation's cultural repositories in the appropriate procedures for preserving and enhancing access to the humanities collections for which they are responsible.

- FY 2014: *Four*/**4** awards were made for regional and national education programs that are providing training for *309,226*/(309,226) people in U.S. museums, libraries, archives, and historical organizations.

- FY 2013: *Eight*/**8** awards were made for regional and national education programs that are providing training for *552,485*/**552,485** people in U.S. museums, libraries, archives, and historical organizations.

- FY 2012: Seven/**7** awards were made for regional and national education programs that are providing training for *301,286*/**301,286** people in U.S. museums, libraries, archives, and historical organizations.

- FY 2011: *Six*/**6** awards were made for regional and national education programs that provided training for *4,700*/**4,700** people in U.S. museums, libraries, archives, and historical organizations.

3) Support is provided to extend the useful life of fragile collections held by American museums, libraries, archives, historical organizations, and other cultural institutions and develop sustainable strategies for their care.

- FY 2014: Projects supported are helping *17*/**17** cultural institutions preserve and ensure continued access to their humanities collections institutions through preventive conservation measures.

- FY 2013: Projects supported are helping *18*/**17** cultural institutions preserve and ensure continued access to their humanities collections institutions through preventive conservation measures.

- FY 2012: Projects supported are helping 20/**18** cultural institutions preserve and ensure continued access to their humanities collections institutions through preventive conservation measures.

- FY 2011: Projects supported are helping *18*/**18** cultural institutions preserve and ensure continued access to their humanities collections institutions through preventive conservation measures.

4) The Endowment extends its reach to institutions across the country by providing support for basic preservation activities to small and mid-sized libraries, archives, museums, and historical organizations.

- FY 2014: Projects supported are assisting in preserving collections at *70*/**70** institutions in *30*/**30** states. Approximately 20 percent of the awards went to first-time NEH grantees.

- FY 2013: Projects supported are assisting in preserving collections at *72*/**72** institutions in 30 states and Puerto Rico. Forty-four percent of the awards have gone to first-time NEH grantees.

- FY 2012: Projects supported are assisting in preserving collections at *62*/**62** institutions in twenty-seven states and the District of Columbia. Thirty-four percent of the awards went to first-time NEH grantees.

- FY 2011: Projects supported are assisting in preserving collections at 186/**186** institutions in forty-six states, the District of Columbia, and the Virgin Islands. Thirty-eight percent of the awards went to first-time NEH grantees.

ANALYSIS:

Availability of data. Accurate data on the performance of the preservation, access, research tools, and reference works projects that received NEH support during FY 2014 will be provided by the respective project directors in their regularly scheduled progress reports. To the extent partial data on FY 2014 activities are available, they are shown in parenthesis above. We expect to be able to report more complete FY 2014 data in the FY 2015 PAR.

FY 2014 accomplishments. **[Indicator 1]** The Endowment provides grants to projects that preserve and create intellectual access to collections that, because of their intellectual content or value as cultural artifacts, are considered highly important to the humanities. Grants support the digitization of collections to enhance their accessibility, as well as the creation of significant reference works. Humanities Collections and Reference Resources awards also support preservation reformatting and de-acidification of humanities collections; arranging and describing archival and manuscript collections; and cataloging collections of printed works, photographs, recorded sound, moving images, and other materials important for humanities research and education.

In 2013, the Endowment completed an assessment of grant outcomes and impact in its largest Preservation and Access grant program, Humanities Collections and Reference Resources, (http://www.neh.gov/files/divisions/preservation/hcrr_evaluation_report_2013.pdf) in order to gauge the level of success in carrying out projects and long-term impact of the grants on research, education, and public audiences. A quantitative and qualitative survey of project directors of the last ten years of awards in the program and an in-depth analysis of representative projects by external specialists. Among its findings: one-third of the projects surveyed led to book-length print publications, 40 percent of projects led to published articles, and one-quarter to online publications and exhibitions.

A new grant subcategory, Humanities Collections and Reference Resources Foundations grants, supports the formative stages of planning, assessment, and pilot activities for initiatives to preserve and create access to humanities collections or to produce reference resources. In FY 2014, one such Foundations grant was made to the University of New Hampshire, where a group of scholars, librarians, web developers, and tribal historians is laying the groundwork for a new Web portal on Native American writings from the New England region. These include correspondence, oral histories, and other materials dating from the 18th century to the present.

Products generated through the Humanities Collections and Reference Resources program are used not just by scholars, but also by members of the general public. For the past ten years, the American Antiquarian Society in Worcester, Massachusetts, with NEH support, has been digitizing its vast collection of pre-1825 American election returns gathered by researcher Philip Lampi. The result of these efforts—"A New Nation Votes"—is a Web portal through which election data for the 25 states that were part of the Union in 1825 can be freely accessed. In addition to professional scholars, genealogists, journalists, students, and amateur historians also use this free online resource.

The Endowment supports the creation of tools—such as bilingual dictionaries, grammars, and text collections—that document languages threatened with extinction. Of the 6,000 to 7,000 currently spoken languages, at least 3,000 are endangered, including hundreds of American Indian languages, which are our highest priority. In 2005, NEH and the National Science Foundation established a joint, multi-year special initiative, "Documenting Endangered Languages," to support linguistic projects that exploit digital technology. Grants support fieldwork and other activities relevant to recording, documenting, and archiving endangered languages, including the preparation of lexicons, grammars, text samples, audio recordings, and databases. For example, linguists at the University of Maine, Orono, are collaborating with members of the Penobscot Nation to develop resources on this Algonquian language originally spoken in central and eastern Maine. With support from the "Documenting Endangered Languages" initiative, the university is digitizing an unpublished manuscript of a Penobscot-English dictionary compiled during the 1980s and plans to make this resource available both online and in print. Drawing on original field notes and collected texts, the project team will add up to 45,000 new words, phrases, sentences, notes, and examples of usage to the 17,000 entries currently in the dictionary. These resources will be used by scholars and by teachers from the community seeking to revitalize the language.

With digital technology, there is now a means of providing full-text searching of newspaper content. In pursuit of this objective, NEH and the Library of Congress signed a memorandum of understanding in 2004, renewed in 2009 and in 2014, establishing a partnership to create the National Digital Newspaper Program. Under the terms of this partnership, over a period of approximately twenty years the Endowment will provide grants to an institution or organization in each state and territory to digitize titles published between 1836 and 1922 and to prepare fully searchable files that the Library of Congress will maintain permanently online.

The National Digital Newspaper Program is a complex undertaking that will be implemented in successive phases. To date, the NEH has provided support under this grant category for thirty-eight state projects, each of which is contributing approximately 300,000 pages of digitized newspapers. In July 2014, NEH welcomed two new state partners: Nevada and South Dakota. Thus far, nearly eight million pages of historic American newspapers have been digitized through NDNP, with many millions more to follow. The selected pages, along with title essays and a directory of all newspapers published in the U. S. from 1690 to the present, are publicly accessible online through the *Chronicling America* website (http://chroniclingamerica.loc.gov/). Many projects are now also digitizing U.S. newspapers published in French, German, Italian, and Spanish, thus providing access to the nation's vibrant ethnic and immigrant press.

Preservation and Access Research and Development awards support efforts to formulate new ways to preserve materials of critical importance to the nation's cultural heritage—from fragile artifacts and manuscripts to analog recordings and digital assets subject to technological obsolescence—as well as to develop advanced modes of discovering and using such materials. Research and Development grants are helping, for example, to devise innovative ways to protect and slow the deterioration of humanities collections through the use of sustainable preservation strategies; develop technical standards, best practices, and tools for preserving humanities materials that are "born digital"; and ensure that collections of recorded sound and moving images that represent a major part of the record of the twentieth century will remain accessible to

future generations. In FY 2014, NEH provided $900,000 in support of three such preservation R&D efforts.

[**Indicator 2**] Complementing the Endowment's support for preserving and establishing access to a variety of cultural resources are its grants for projects to increase the ability of the nation's libraries, archival repositories, and museums to care for their collections. NEH supports regional preservation field services to help ensure that smaller cultural institutions across the country receive the kind of advice and knowledge they need to preserve their collections; and NEH supports academic programs that train the next generation of conservators responsible for the protection of the nation's cultural heritage in museums, libraries, and archives across the country. NEH has also helped museums, libraries, archives, and historical organizations improve their ability to plan and respond to disasters. For example, NEH is supporting the efforts of the Western States and Territories Preservation Assistance Service (WESTPAS) to help cultural repositories deal with floods, fire, earthquakes, and other disasters that could threaten their collections. A recent grant has enabled WESTPAS to provide a series of workshops and webinars on disaster planning for the staff of heritage institutions in eleven Western states and in the remote Pacific territories. Training sessions involve writing disaster plans, testing the plans to identify institutional vulnerabilities, and promoting networking to increase the effectiveness of disaster response. WESTPAS also offers free consultation to institutions with preservation needs, including 24/7 emergency phone and reference service.

[**Indicator 3**] In FY 2014, the Endowment's Sustaining Cultural Heritage Collections program helped cultural repositories to implement preventive conservation measures, which typically encompass managing relative humidity, temperature, light and pollutants in collection spaces; providing protective storage enclosures and systems for collections; or safeguarding collections from theft and from natural and man-made disasters. Planning grants of up to $40,000 allow institutions to gather interdisciplinary teams of professionals to explore new, cost-effective strategies for the protection of their humanities collections. Applicants may also request an additional $10,000 to carry out one or more recommendations made by the interdisciplinary planning team during the course of the project itself.

[**Indicator 4**] Smaller cultural repositories constitute the large majority of collecting institutions in the United States. These organizations often lack the resources to address the preservation needs of their collections. The Endowment's Preservation Assistance Grants provide small and mid-sized libraries, archives, museums, and historical organizations with awards of up to $6,000. Funds support on-site consultation by a preservation professional, enable staff to attend preservation training workshops, and help purchase preservation supplies and equipment. In the thirteen years since the program began, 1,655 grants have been made to institutions in all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. More than 40 percent of these Preservation Assistance Grants represent a first award from the Endowment.

D: To provide opportunities for Americans to engage in lifelong learning in the humanities.

PERFORMANCE INDICATORS:

1) Substantive media presentations, exhibitions, reading and discussion programs, and other public projects advance public understanding of the humanities.

- FY 2014: *Thirty*/**30** television/radio projects will produce *105*/(105) broadcast hours and draw a cumulative audience of approximately *35.5*/(35.5) million people.

  Thirty/**30** exhibitions, reading, viewing, and discussion programs, web-based programs, and other public education programs will employ various delivery mechanisms at venues across the country.

- FY 2013: *Twenty-eight*/**28** television/radio projects will produce *98*/(98) broadcast hours and draw a cumulative audience of approximately *33*/(33) million people.

  Twenty-eight/**28** exhibitions, reading, viewing, and discussion programs, web-based programs, and other public education programs will employ various delivery mechanisms at venues across the country.

- FY 2012: *Thirty*/**21** television/radio projects will produce *88*/(88) broadcast hours and draw a cumulative audience of approximately *35*/(35) million people.

  Thirty-one/**30** exhibitions, reading, viewing, and discussion programs, web-based programs, and other public education programs are employing various delivery mechanisms at venues across the country.

- FY 2011: *Thirty-two*/**32** television/radio projects are producing *110*/(110) broadcast hours and drawing a cumulative audience of approximately *37*/(37) million people.

  Thirty-four/**34** exhibitions, reading, viewing, and discussion programs, web-based programs, and other public education programs are employing various delivery mechanisms at venues across the country.

2) High quality interpretative panel exhibitions and public programs are circulated to libraries through Small Grants to Libraries, and selected sites that receive smaller versions of NEH-funded exhibitions through the NEH on the Road cooperative agreement receive funds for additional public programming.

- FY 2014: *Twenty-nine*/**29** grants were made to museums that receive smaller versions of NEH-funded exhibitions through the NEH on the Road cooperative agreement to be used for additional public programming. *Twenty-five*/**25** grants were made through the American Library Association (ALA) for the exhibition project *Dust, Drought, and Dreams Gone Dry: A Traveling Exhibit* and 50 grants through an interagency agreement with the Smithsonian Institution to humanities organizations that are hosting the traveling exhibition, *Changing America*.

- FY 2013: *Twenty-eight*/**26** NEH on the Road grants were made to museums, and *115*/**232** Small Grants to Libraries were awarded. An additional **473** small grants were made through a Cooperative Agreement with the Gilder Lehrman Institute for venues that will host the "Created Equal" film programs; and *50*/**50** small grants are anticipated through an Interagency Agreement with the Smithsonian Institution, for venues that will host the "Changing America" exhibition.

- FY 2012: *Thirty*/**34** NEH on the Road grants were be made to museums, and *50*/**50** Small Grants to Libraries were awarded.

- FY 2011: *Eighty*/**80** NEH on the Road grants were made to museums, and *70*/**70** Small Grants to Libraries were awarded. In addition, through the *We the People* office, support was provided for projects focusing on the Lincoln bicentennial celebration.

ANALYSIS:

Availability of data. By awarding project development funding for such varied purposes as consultation, planning, scripting, and production, the Endowment helps ensure public access to enriching humanities programs on television and in museums, libraries, and other cultural institutions. The time that elapses between an initial NEH project grant and the appearance of a completed film, exhibition, or library program may extend from six months to many years. Most of the public programs that received NEH support during FY 2014 are currently in development, and data for the associated performance indicators are not available, even in partial form. However, a more complete picture of the results of these projects will emerge cumulatively in subsequent editions of the NEH PAR. Increasingly, the Endowment's electronic Grants Management System (eGMS) database will facilitate the aggregation of data about the products, such as films and exhibitions that result from activities supported by specific NEH grants.

FY 2014 accomplishments. The Endowment supports activities that engage millions of Americans in the study and interpretation of significant humanities works, ideas, and events, providing opportunities for people to engage in lifelong learning in history, literature, comparative religion, philosophy, and other fields of the humanities.

[**Indicator 1**] NEH supports media projects—principally film documentaries and radio series—that explore significant figures and events in the humanities and examine the history and culture of America and other nations. Programs present fresh approaches to interpreting the humanities and provide stimulating and substantive educational opportunities for Americans of all ages. The Endowment also encourages and supports creative approaches—especially those that use new digital technologies—that expand the content and reach of television and radio programs in the humanities. To ensure that humanities themes and questions are well conceived, the agency requires that projects draw their content from humanities scholarship and use a team of scholars who are knowledgeable in the subject matter and represent diverse perspectives and approaches.

Endowment-supported media projects continue to garner national recognition and awards for excellence. For example, the film *The Loving Story*, which portrays an interracial married

couple whose struggle culminated in a landmark civil rights case overturning anti-miscegenation laws in the United States, recently won a prestigious George Foster Peabody award and has been nominated for an Emmy award for outstanding historical documentary. The NEH-supported documentary, *Freedom Riders*, recently received three Emmy Awards—a rare achievement for a documentary film. Broadcast on PBS's American Experience series, the two-hour documentary chronicles the experiences of more than 400 Americans, both black and white, who risked their lives and endured violence and in some cases, imprisonment, to challenge segregated transportation in the American South in 1961.

Bridging Cultures through Film: International Topics, launched in 2010, provides support for documentaries that examine a critical issue in ethics, religion, or politics through an international lens; the life of a world leader, writer, or historical figure; or the history and culture of a specific region of the world. *Women, War and Peace: I Came to Testify*, the first *Bridging Cultures* through Film project to be broadcast, examined the impact on women of ethnic violence in the Balkans, documenting the first international tribunal to define sexual violence as a war crime. The initial broadcast reached over 3.6 million viewers, and the website and social media campaigns continue to deeply engage audiences across the nation.

The Endowment recently undertook a study to assess the public reach and impact of NEH-funded films in a changing media landscape in which audiences expect to view and interact with content through a variety of vehicles. Data were compiled on all documentary films that received Production Grants and premiered in 2008 or 2009. During the period, NEH-supported documentaries attracting more than 51 million viewers served as springboards for many other forms of creative public engagement—through websites, social media, public film screenings, and discussion programs. The fifteen films broadcast in 2008 and 2009, for example, were accompanied by 875 public discussion programs and screenings across the country.

NEH also supports radio programs that examine the lives of important individuals, significant events, notable developments in the humanities, or that provide critical analysis of themes or genre. Recent projects include the *Audio History Project*, which has uncovered little-known chapters of twentieth-century American history and brought the past to life on public radio. Reaching 12 million listeners with a series of historical documentaries that are broadcast on NPR's *All Things Considered*, this program examines the broad themes of history and memory and of history as news, with stories that echo the news of the day.

The Endowment is a major source of support for substantive humanities projects and programs in the nation's historical and cultural institutions and organizations including museums, libraries and archives, historic sites, and community centers. These projects, all grounded in sound humanities scholarship, include exhibitions of artistic, cultural, and historical artifacts; the interpretation of American historic sites; reading and film discussion programs in the nation's libraries; traveling exhibitions; lecture series; and other lifelong learning activities. The Endowment also supports programs that encourage creative public dialogue, as well as engagement of underserved communities.

At any time, hundreds of NEH-sponsored exhibitions are on view at large and small museums and historical sites throughout the country, enabling Americans to learn more about their nation

and the world through the humanities. In 2013, more than 179 permanent and traveling exhibitions were offered in 47 states, the District of Columbia, and Canada. NEH-funded museum exhibitions examined diverse subjects, from the art of Islamic Africa to the history of Coney Island, presenting fresh scholarship to broad public audiences. As the nation commemorates multiple anniversaries relating to Emancipation and the civil rights movement, an NEH-supported exhibition at the Robert R. Moton Museum in Farmville, Virginia, tells the story of the student-led strike in 1951 that prompted a legal case that struck at Virginia's segregated schools and anchored the landmark Brown v. Board of Education decision. Robert R. Moton High School, the site of that strike, is now a National Historic Landmark.

The Endowment continues to foster the use of new digital technologies to deliver humanities content to the public. For example, the *Museum Without Walls* in Philadelphia offers public audiences a multiplatform interpretation of 36 outdoor sculptures in the city's collection, which spans two centuries and is the largest in scale of any American city. Illustrating the potential of mobile applications, the interpretation (by art historians and curators) is available to tourists with smart phones as well as on the web.

[**Indicator 2**] The Small Grants to Libraries program provides support for libraries and other cultural institutions to receive traveling panel exhibitions or pre-packaged reading and film discussion programs. For example, a new Endowment initiative, *Created Equal: America's Civil Rights Struggle*, encourages public conversations about the changing meanings of freedom and equality in U.S. history. Launched in 2013 to coincide with the 150th anniversary of the Emancipation Proclamation, this special program provides a packaged set of NEH-funded films on Civil Rights history to 473 communities across the nation over three years (from 2013 to 2016). Four powerful documentary films (*The Abolitionists*, *Slavery by Another Name*, *Freedom Riders*, and *The Loving Story*) are accompanied by in-depth programming resources to help guide productive community discussions. A large award to the Gilder Lehrman Institute for American History will support small grants of $1,200 each to the venues that host public screenings of the *Created Equal* film sets. The 473 venues represent a diverse range of institutions serving rural, urban, and suburban regions in all 50 states, including public libraries, museums, NAACP chapters, African-American heritage sites, multicultural centers and state humanities councils.

NEH on the Road sends scaled-down versions of major NEH-funded exhibitions to cultural organizations at sites across America. The program extends the life of funded exhibitions by several years, and also brings excellent humanities exhibitions to rural and underserved regions of the nation. The Endowment provides support to each host site, awarding small grants for local public programming and scholarly activities. Since 2005, 14 exhibitions have traveled to approximately 215 venues in 40 states, bringing intellectually engaging humanities programs to communities that are typically not served by other NEH grants.

E: To create new program initiatives that respond to needs and opportunities in American society.

PERFORMANCE INDICATORS:

1) New initiatives and programs that address important concerns and opportunities in the humanities are established.

- FY 2014: $3,494,000. Through the *Bridging Cultures* initiative, funding was provided to enhance Americans' understanding of their own rich cultural heritage, as well as the cultural complexity of the world in which we live. The initiative supported: (1) community college programs designed to expand opportunities for students to study diverse cultures and histories; (2) development of teacher support and online curriculum for the teaching of world history, cultures and languages in schools and community colleges; (3) national dissemination of model Bridging Cultures programs for the public, including community presentations of a Bridging Cultures film series and a "bookshelf" for libraries, to engage both live and online audiences in consideration of the themes of the initiative; (4) strengthened support for humanities research on Bridging Cultures themes, including interdisciplinary research opportunities engaging scholars in collaborations supported by other research agencies such as NIH and NSF; (5) Endowment-wide emphasis on development of new digital technologies (such as "apps" for smartphones and tablet computers) to engage students, teachers and life-long learners in opportunities to learn about connections between cultures; (6) expansion of the Endowment's National Digital Newspaper Program to include as a new priority the digitization of historic American newspapers from immigrant communities with newspapers printed in languages other than English, such as Spanish, Italian, German, and French; (7) documentary films that explore other countries and cultures; (8) scholarly forums open to the public that synthesize cutting-edge humanities scholarship on new Bridging Cultures themes and lay the groundwork for ongoing public programs; (9) collaboration with state humanities councils in extending the reach of national Bridging Cultures programs and identifying the best new ideas for the work of the initiative in American communities; (10) and international collaborations that facilitate research and scholarly exchange among U.S. scholars and their counterparts elsewhere in the world.

  $4,388,000. Funding was provided through the Digital Humanities program to foster the development of world-class, leading-edge research and education in the emerging field of digital humanities. Digital Humanities supported: 1) Digging into Data Challenge, an international collaboration among seven research teams in Canada, Europe, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship; 2) Digital Humanities Start-Up Grants to provide "seed grant" funding to American scholars, universities, libraries, archives or non-profits that use technology in an innovative way; 3) Digital Humanities Implementation Grants to support projects that have already demonstrated a successful beginning phase and that have a clear plan for

moving towards full implementation; 4) Institutes for Advanced Topics in the Digital Humanities to encourage the sharing of best practices among humanities scholars; and 5) NEH/ German Research Foundation Bilateral Digital Humanities Programs jointly supported by NEH and the German Research Foundation to encourage collaborative digital humanities projects between American and German institutions.

- FY 2013: Through the *Bridging Cultures* initiative, funding was provided to enhance Americans' understanding of their own rich cultural heritage, as well as the cultural complexity of the world in which we live. The initiative: 1) developed a new themes with broad national interest and once again invited proposals for scholar-driven forums that inform and engage public audiences using creative approaches based in the humanities; 2) provided small grants to libraries for the creation of reading and discussion programs in communities that have received the Bridging Cultures Bookshelf; 3) developed new Bridging Cultures lesson plans for EDSITEment to help meet the needs of K-12 teachers who are asked to teach about cultures and geographies that may not have been covered in depth in their own educational preparation; 4) stimulated new globally-focused humanities programs in America's community colleges; 5) supported documentary films that explore cultures outside of the United States within the new *Bridging Cultures* through Film: International Topics category; and 6) maintained a portfolio of international collaborations that facilitate humanities research and beneficial exchange of ideas with scholars around the world.

  Funding was provided through the Digital Humanities program to support projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities. Digital Humanities supported: 1) Digging into Data Challenge, an international collaboration among nine research teams in Canada, Europe, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship; 2) Digital Start-Up Grants to encourage innovative work at the nexus of information technology and the humanities; 3) Digital Humanities Implementation Grants, a new program to support Digital Start-Up projects and others that have already demonstrated a successful beginning phase and that have a clear plan for moving towards full implementation; 4) Institutes for Advanced Topics in the Digital Humanities to encourage the sharing of best practices among humanities scholars; and 5) DFG/NEH Bilateral Digital Humanities Programs jointly supported by NEH and the German Research Foundation (DFG) to encourage collaborative digital humanities projects between American and German institutions.

- FY 2012: *Bridging Cultures* supported: 1) the dissemination of follow-up programs to the previously funded *Bridging Cultures* forums and workshops focused on the role of civility in our democracy and on the history and culture of Muslim societies; 2) distribution of the *Bridging Cultures* Bookshelf, developed in partnership with the Carnegie Corporation of New York; 3) development of new Bridging Cultures lesson plans for EDSITEment to help meet the needs of K-12 teachers who are asked to teach about cultures and geographies that may not have been covered in depth in their

own educational preparation; 4) new globally-focused humanities programs in America's community colleges; 5) documentary films that explore cultures outside of the United States within the new *Bridging Cultures* through Film: International Topics category; and 6) a portfolio of international collaborations that facilitate humanities research and beneficial exchange of ideas with scholars around the world.

Funding was provided through the Digital Humanities program to support projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities: 1) Digging into Data Challenge, an international collaboration among six research teams in Canada, Europe, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship; 2) Digital Start-Up Grants to encourage innovative work at the nexus of information technology and the humanities; 3) Digital Humanities Implementation Grants were introduced to support projects that have already demonstrated a successful beginning phase and that have a clear plan for moving towards full implementation; 4) Institutes for Advanced Topics in the Digital Humanities to encourage the sharing of best practices among humanities scholars; 5) DFG/NEH Bilateral Digital Humanities Programs jointly supported by NEH and the German Research Foundation (DFG) to encourage collaborative digital humanities projects between American and German institutions.

- FY 2011: A special initiative, *Bridging Cultures*, introduced support for a variety of activities to enhance Americans' understanding of their own rich cultural heritage, as well as the cultural complexity of the world in which we live. The initiative sponsored a series of eight forums and workshops across the nation that enabled scholars and members of the public to discuss issues that divide us as Americans and that have helped us understand the history, heritage, and cultures of peoples in countries around the world. In addition, the Endowment encouraged scholars, educators, museums, libraries, and other individuals and institutions to develop humanities projects and programs that address the goals and objectives of the initiative. We also made creative use of social and digital media to foster dialogue among people of diverse cultures in the United States and abroad.

  Significant funding was provided through *We the People* to support a variety of new programmatic initiatives: 1) "Landmarks of American History and Culture" workshops for K-12 teachers and community college faculty, several of which invite participation by teachers from other nations; 2) Picturing America School Collaboration Projects, which encourage scholars in American art history, American history, and American studies to develop summer seminars, institutes, and workshops for school teachers related to the Picturing America collection of iconic works; 3) additional awards through the NEH/Library of Congress National Digital Newspaper Program; 4) special NEH Challenge Grants for educational and cultural institutions working to advance knowledge of the founding principles of the United States; and 5) an Endowment-wide effort to contribute to national observance of the sesquicentennial of the Civil War in 2011-2015. Additional humanities projects supported by NEH core programs received *We the People* grants. The state

humanities councils also received additional funding to support projects and programs related to the initiative.

Funding was provided through a major Digital Humanities program to support projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities. Digital Humanities supported a variety of new funding categories or programmatic emphases: 1) Digital Start-Up Grants to encourage innovative work at the nexus of information technology and the humanities; 2) Institutes for Advanced Topics in the Digital Humanities to encourage the sharing of best practices among humanities scholars; and 3) DFG/NEH Bilateral Digital Humanities Programs jointly supported by NEH and the German Research Foundation (DFG) to encourage collaborative digital humanities projects between American and German institutions.

2) Agency-wide initiatives are developed in selected humanities areas.

- FY 2014: Additional awards will be made through the NEH/NSF "Documenting Endangered Languages" special initiative.

- FY 2013: Additional awards will be made through the NEH/NSF "Documenting Endangered Languages" special initiative.

- FY 2012: Additional awards would be made through the NEH/NSF "Documenting Endangered Languages" special initiative.

- FY 2011: Twelve awards were made through the NEH/NSF "Documenting Endangered Languages" special initiative.

ANALYSIS:

FY 2014 accomplishments. [Indicator 1] The Endowment's *Bridging Cultures* initiative engages the power of the humanities to promote understanding of and mutual respect for people with diverse histories, cultures, and perspectives within the United States and abroad. In FY 2014, *Bridging Cultures* highlights and accomplishments included the following:

— NEH launched a special program titled *Standing Together: The Humanities and the Experience of War.* More than $1 million were awarded to the initial projects supported under this special program, including, in FY 2014, $50,000 for *The Warrior Scholar Project*, an intensive two-week humanities-based "academic boot camp" to facilitate veterans' transition from the military to college conducted at Yale University, Harvard University and the University of Michigan; and $69,000 for *Talking Service*, a series of workshops for American veterans to discuss their service experience in the light of key humanities texts.

- $359,526 in additional awards in the *Bridging Cultures at Community Colleges* program are supporting three projects that will engage leading humanities organizations and local community college faculty in creating new and improved humanities courses that emphasize

diverse cultures and historical perspectives. For example, a partnership between the Community College of Beaver County and the University of Pittsburgh's Center for Russian and East European Studies is conducting a multi-year Bridging Cultures faculty and curriculum development project on change and adaptation in East European culture and its impact on western Pennsylvania history.

— More than $1 million in additional awards were made for documentary films that explore cultures outside of the United States in the *Bridging Cultures* through Film: International Topics category. For example, the Center for Asian American Media was awarded $474,840 to produce a 90-minute documentary film about the experiences of Cambodian physician and actor Haing S. Ngor during the Cambodian genocide under the Khmer Rouge and his subsequent life in America.

In FY 2014, the Endowment's Office of Digital Humanities supported a number of projects that utilize or study the impact of digital technology.

— The Digging into Data program, which NEH manages, is co-sponsored by nine national and international research funders in the United States, United Kingdom, Canada, the Netherlands. The program encourages new research methods that use advanced computing to query massive digital datasets of books, newspapers, music, economic data, survey data, or other materials typically studied in the humanities and social sciences. In FY 2014, for example, Harvard University received $125,000 to develop the Automating Data Extraction from Chinese Texts platform to allow scholars to transform texts written in classical Chinese into highly structured data suitable for the application of text mining techniques. The project is led by humanities scholars and computer scientists from Harvard University and King's College, London with additional expertise provided by scholars from National Taiwan University and Academia Sinica, Taiwan.

— Digital Start-Up Grants is a "seed grant" program designed to spur innovative research and education projects in the digital humanities. A team from the University of Minnesota, Twin Cities, is collaborating with a team from Oxford University to study Christian identity in Greco-Roman Egypt. By developing a transcription tool for the Coptic language, the team will engage citizen scholars to help transcribe thousands of Egyptian papyrus documents that help tell the story of early Christian life.

— Digital Humanities Implementation Grants support projects that have already demonstrated a successful beginning phase and that have a clear plan for moving towards full implementation. University of Illinois, Urbana-Champaign, is enhancing and integrating the Bookworm analytical tool with the HathiTrust Digital Library of 3.9 billion pages of digitized materials. Scholars will be able build individual collections of materials to be studied and to discover new textual use patterns across the corpus.

— Institutes for Advanced Topics in the Digital Humanities encourage the sharing of best technology practices among humanities scholars. Lane Community College, for example, received $88,778 to host a 5-day institute for 25 community college faculty members on new digital methods, tools and practices for humanities teaching and scholarship.

[**Indicator 2**] Other agency-wide initiatives were also supported in FY 2014.

The Endowment joined with the National Science Foundation to support an agency-wide initiative on "Documenting Endangered Languages." For example, Gettysburg College in Pennsylvania received $200,000 to conduct fieldwork and comparative research in five Nahuat and two Totonac communities in Mexico to include nomenclature, classification, and use of plants in language documentation tools. The project will create recordings to document traditional ethnobotanical knowledge as well as employ DNA barcoding technology to facilitate plant identification.

F: To strengthen the institutional base of the humanities.

PERFORMANCE INDICATORS:

Support is provided for institutions to increase nonfederal contributions for their humanities activities and enhance their resources over the long term.

- FY 2014: By FY 2018, NEH Challenge Grants awarded in FY 2014 will generate more than $*20*/($20) million in nonfederal donations to recipient institutions in support of their humanities activities.

- FY 2013: By FY 2017, NEH Challenge Grants awarded in FY 2013 will generate more than $*30*/($30) million in nonfederal donations to recipient institutions in support of their humanities activities.

- FY 2012: By FY 2016, NEH Challenge Grants awarded in FY 2012 will generate more than $*28*/($28) million in nonfederal donations to recipient institutions in support of their humanities activities.

- FY 2011: By FY 2015, NEH Challenge Grants awarded in FY 2011 will generate more than $*30*/($30) million in nonfederal donations to recipient institutions in support of their humanities activities.

ANALYSIS:

Availability of data. By FY 2018, NEH Challenge Grants awarded in FY 2014 will generate more than $20 million in nonfederal donations to recipient institutions in support of their humanities activities. Challenge Grants are designed to encourage humanities organizations to undertake a capital fund-raising campaign. Because such campaigns may require years to reach their goal, the sums above represent a snapshot of current progress toward the recipients' multi-year fund-raising goals.

FY 2014 accomplishments. NEH Challenge Grants help local, state, and national institutions secure their humanities resources and activities for the long term. Crucial to achieving this goal is the "multiplier effect": First-time recipients of a challenge grant normally must match every

federal dollar with three nonfederal dollars, and recipients of subsequent awards must raise four nonfederal dollars for every federal dollar.

Grantees use both the NEH challenge funds and the matched nonfederal funds for a wide variety of long-term institutional purposes. They may use the money to purchase capital equipment and upgrade technology, renovate or construct facilities, and add to library holdings or museum collections. Challenge grants can also establish or augment endowments or spend-down funds that support basic, long-term needs such as staff, maintenance, and programming. Since 1977 the Challenge program has strengthened the capacity of more than 1,500 humanities institutions of all types, in every state of the Union, for all imaginable kinds of humanities activities.

In accord with a key element of the Endowment's strategic plan, the NEH Challenge Grants program helps strengthen humanities teaching and learning across the nation. For example, California State University, Fresno, received an NEH offer of $500,000 (to match $1.5 million) to endow the university's Middle East Studies Program (MESP). In FY 2014, an NEH award of $60,000 completed this fund-raising project. Total funds of $2 million will allow the creation of an endowed chair in Middle East Studies.

NEH Challenge Grants support scholarly research in the humanities at a variety of institutions, from large universities to small colleges, from major history museums to historic sites. Although NEH supports research in the humanities in all its forms—through individual fellowships, independent residential fellowships, summer stipends and seminars, collaborative research efforts, and access to collections—an increasingly significant mode of supporting research in the humanities is through humanities centers at universities, research libraries, museums, or historical societies. In FY 2014, an NEH award of $135,000 to Brandeis University completed a Challenge fund-raising campaign that has leveraged $1.8 million in non-federal funds for the institution's new Mandel Center for the Humanities.

As well, the Challenge Grants program supports the long-term institutional capacity to preserve manuscripts, art works, artifacts, documents, and other collections important to our cultural heritage. The North Haven Historical Society, which serves the community on a small island off the coast of Maine, used a $60,000 challenge grant (matched by $180,000 in nonfederal gifts) to construct an archives building that now houses important documents and materials from the region's past. According to the project director, the challenge offer "was just the incentive the Society needed and a clear indication to our potential donors that we ... meant to provide an archival safe haven for all that we had been given, for future acquisitions, and an enticement for community members (especially students) to explore their heritage."

An excellent example of the important role local historical societies play in providing opportunities for lifelong learning in the humanities can be seen in the challenge grant of $300,000 awarded to the Paul Revere Memorial Association, located in Boston's North End. The Paul Revere House is the most visited historic home in Massachusetts and the tenth most visited historic home in the country. The grant provides for renovation of an 1835 abutting structure to create an Education and Visitor Center and endowment of humanities programming. The visitor center will enhance interpretation and programming at the site and, most significantly, will provide space for interpretation of 19th and 20th century Boston—telling the

stories of immigration over time. Scholars and other visitors will experience improved access to research resources and interpretive themes that are unique to the property yet relevant to our understanding of not only Paul Revere and the Revere House, but also of the founding era and the history of Boston.

As part of the Endowment's recent emphasis on digital technology and applications, Challenge Grants are enhancing the institutional infrastructure that makes sustained use of advanced technology possible. For example, NEH awarded George Mason University $750,000 (to match $2.25 million in non-federal funds) for the Center for History and New Media. The goal of the Center is to move technological competency in the humanities beyond the "early adopters" into the mainstream. The challenge grant, which will provide endowment funds for post-doctoral fellowships, graduate assistantships, faculty fellows, and software acquisitions, will allow the Center to bring a new generation of scholars to its pioneering inquiries and multimedia projects, while developing programs and Web sites, such as *History Matters,* that promise to have a broad impact on higher education and K-12 humanities teaching nationally.

Successful challenge grants grow out of careful strategic planning for the long-term strength of the humanities, including taking advantage of the leveraging power of NEH awards. Wake Forest University received a $500,000 Challenge Grant to be matched with $1,500,000 in non-Federal funds to establish and endow a Humanities Institute that will strengthen and advance its historical commitment to humanistic teaching and research by promoting interdisciplinary collaborations among faculty, students, and community. In February 2013, a 2000 alumnus became the only person under 35 in the university's history to give a single seven-figure gift. Based on his experience as a Wake Forest student who majored in history, the donor wanted to affirm the central place the humanities have played in shaping his life. With his $1 million gift, the Institute exceeded the challenge match more than two years earlier than required.

G: To maintain and strengthen partnerships with the state humanities councils.

PERFORMANCE INDICATORS:

Support is provided to the councils to encourage locally initiated, substantive humanities programs for the people in each state.

- FY 2014: Support for the programs and operations of 56 state humanities councils will make possible high quality state and local humanities projects throughout the nation, including *17,900/*(17,900) reading and discussion programs, *2,500/*(2,500) exhibitions, *5,200/*(5,200) literacy programs, *4,200/*(4,200) speakers bureau presentations, *3,000/*(3,000) teacher institutes and workshops, *5,700/*(5,700) conferences and symposia, *1,850/*(1,850) Chautauqua events, *6,000/*(6,000) media program events, *1,500/*(15,000) technology projects, *790/*(790) preservation projects and *5,000/*(5,000) local history projects.

- FY 2013: Support for the programs and operations of 56 state humanities councils will make possible high quality state and local humanities projects throughout the nation, including *15,900/***15,900** reading and discussion programs, *2,200/***2,200**

exhibitions, *6,100*/**6,100** literacy programs, *3,800*/**3,800** speakers bureau presentations, *2,500*/**2,500** teacher institutes and workshops, *5,100*/**5,100** conferences and symposia, *1,760*/**1,760** Chautauqua events, *22,700*/**22,700**) media program events,*1,240*/**1,240** technology projects, *700*/**700** preservation projects and *4,900*/**4,900** local history projects.

- FY 2012: Support for the programs and operations of 56 state humanities councils made possible high quality state and local humanities projects throughout the nation, including *16,600*/**16,600** reading and discussion programs, *2,000*/**2,000** exhibitions, *5,500*/**5,500** literacy programs, 3,600/**3,600** speakers bureau presentations, *3,500*/**3,500** teacher institutes and workshops, *2,700*/**2,700** conferences and symposia, *1,800*/**1,800** Chautauqua events, *7,600*/**7,600** media program events, *600*/**600** technology projects, *650*/**650** preservation projects and *3,500*/**3,500** local history projects.

- FY 2011: Support for the programs and operations of 56 state humanities councils made possible high quality state and local humanities projects throughout the nation, including *16,600*/**16,600** reading and discussion programs, *2,300*/**2,300** exhibitions, *6,200*/**6,200** literacy programs, *4,000*/**4,000** speakers bureau presentations, *4,300*/**4,300** teacher institutes and workshops, *5,100*/**5,100** conferences and symposia, *2,000*/**2,000** Chautauqua events, *7,600*/**7,600** media program events, *700*/**700** technology projects, *720*/**720** preservation projects and *4,200*/**4,200** local history projects.

ANALYSIS:

Availability of data. The above performance data about programmatic activities undertaken by the state humanities councils as a result of funding awarded by the Endowment in FY 2014 are preliminary. Final data will be provided by the councils via a newly instituted electronic submission system.

FY 2014 accomplishments. State humanities councils are nonprofit 501(c)(3) organizations governed by volunteer boards of directors. They operate in each of the fifty states as well as in the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and Amerika Samoa. The councils were established to fulfill the requirement in the agency's enabling legislation—National Foundation on the Arts and the Humanities Act of 1965, as amended—that the Endowment support humanities programs "in each of the several states."

State councils receive funds each year from the NEH appropriation according to a statutory formula. In accordance with the federal mandate, every NEH dollar that a council receives is matched by local contributions of cash, goods, or services. In recent years councils annually attracted nonfederal contributions well in excess of the required 1:1 match. State humanities councils may grant a portion of their funds on a competitive basis to locally initiated programs; they may also develop and carry out their own programs. In their grant making role, they act as foundations from which eligible organizations and individuals seek funding; in their program-

generating role, they are nonprofit service providers drawing on their own resources and looking to the public to support the benefits they offer.

The councils support thousands of humanities projects and programs every year that reach millions of Americans in rural areas, urban neighborhoods, and suburban communities. With funds provided through the NEH Federal/Partnership, the councils support reading and discussion programs for children, families, and the newly literate that take place in libraries and other civic places; state and local book festivals, as well as the participation of a number of councils in the annual National Book Festival sponsored by the Library of Congress's Center for the Book; educational institutes and seminars for elementary and secondary school teachers; scholarship on state and local history and culture, such as comprehensive online state encyclopedias; exhibitions at museums, libraries, and historical sites; and radio, television, and film projects on humanities themes. They carry out an increasing amount of programming and communications electronically, using websites, electronic newsletters, social networking, podcasting, and RSS feeds. A number of councils also post videos on the popular YouTube website.

For many years, state humanities councils have supported programs designed specifically to address the experiences and needs of America's service men and women and veterans. To further that work, fifty-four state humanities councils received special $10,000 grants from the Endowment to support local programs for veterans over the next year as part of NEH's initiative *Standing Together: The Humanities and the Experience of War*. Examples of the ways councils will work with veterans include the Wyoming Humanities Council's collaboration with the University of Wyoming Veterans Service Office on its *Project Healing Waters*, a fly fishing program where veterans will read and discuss Norman Maclean's book, *A River Runs Through It*, during fishing trips; the Oklahoma Humanities Council partnership with the Oklahoma Educational Television Authority to help produce an episode of its "Native Oklahoma" series focusing on the war experience of Native Oklahomans, the warrior culture, and the uniquely Oklahoman veteran narrative; and the New York Council for the Humanities initiative *Serving: Standing Down*, a reading and discussion program for veterans, providing space for them to reflect on their service as well as the challenges and opportunities of transitioning from active duty to civilian life.

State humanities councils across the country make it possible for citizens to come together to address issues related to the economy, health care, demographics, energy, and our schools, through discussions informed by history and literature. Such in-depth explorations of critical and potentially divisive issues serve purposes beyond creating more thoughtful and better-informed citizens. They also increase citizen engagement in public life and bring citizens together to work toward common goals in shaping the future of their community and nation. Humanities Montana, for example, sponsors the "Gracious Space" program, an approach to community conversations that emphasizes welcoming the stranger and listening respectfully to alternative points of view.

State-based humanities councils strengthen the bonds of community by making it possible for citizens to come together in neutral surroundings to address such issues as the economy, healthcare, demographics, energy, and education through discussions informed by history and

literature. These in-depth explorations of critical and potentially divisive issues not only encourage citizens to be more thoughtful and better informed, they also increase citizen engagement in public life and bring people together to work toward common goals in shaping the future of their community and nation. The New York Humanities Council's "Community Conversations" program, for instance, includes online toolkits that are available for download to anyone according to topic and audience. The toolkits contain everything necessary for these "do-it-yourself" discussions: texts suitable for each audience—children, young adults, or adults; a set of sample questions; and guidelines for starting and sustaining a good conversation.

Most state humanities councils support a speakers bureau that sends humanities professionals and living history actor/scholars around their state or jurisdiction to talk with people of all ages about varied humanities topics. Many of these speakers go to very small towns. And, Humanities Nebraska opened its annual Chautauqua week in June 2014 in northeast Nebraska just after tornadoes hit the nearby tiny town of Pilger. The Chautauqua actors put on a benefit performance to help raise money for tornado relief.

Eleven councils serve as their state's Center for the Book in affiliation with the Library of Congress. Councils not only program around books, a number also publish books, some of which are bilingual. Councils also use books to broaden their audience reach. Humanities Tennessee, for example, has a book review website, "Chapter 16" and has run the Southern Festival of Books for 35 years. In 2014, the South Dakota Humanities Council held its first Young Readers Festival in addition to its annual Festival of Books. And, Cal Humanities, the council in California, sponsors the "California Reads" program. In 2014, the book selected for this state-wide reading program is by Vietnam veteran Karl Marlantes' *What It Is Like to Go to War*, frequently cited by veterans as the work that best expresses their experience.

The Virginia Foundation for the Humanities supports two radio programs, "With Good Reason" and "Backstory with the American History Guys," that reached audiences of almost twelve million in 2013. On "With Good Reason," Virginia scholars talk engagingly about their research, and "Backstory" looks at contemporary topics through the lens of three centuries of American history. For the 60th anniversary of the *Brown v. Board of Education* Supreme Court decision that declared segregated public education unconstitutional, the Kansas Humanities Council co-hosted two days of interviews for the national oral history project *StoryCorps*, in concert with the Brown v. Board of Education National Historic Site and the Topeka & Shawnee County Public Library.

State and jurisdictional humanities councils provide educational services using the humanities approach of seeking out evidence, looking at it from various angles, weighing it against other evidence, and discussing it with respect for differing points of view. Councils require that projects they fund incorporate the services of humanities professionals so as to provide intellectual balance. Some councils fund academic research; many support K-12 teacher professional development. State humanities councils in many states sponsor or support National History Day, the competitive national history program for middle and high school students, which was the recipient of a 2011 National Humanities Medal from President Obama.

H: To establish collaborative partnerships with individuals and institutions in support of the humanities.

PERFORMANCE INDICATORS:

1) Partnerships are forged to leverage new resources for the humanities and expand audiences for the humanities.

- FY 2014: The Endowment developed of a number of new partnerships with other institutions and organizations, leveraging approximately $1.5 million in new funding for humanities programs.

- FY 2013: The Endowment developed a number of new partnerships with other institutions and organizations, leveraging approximately $1.5 million in new funding for humanities programs.

- FY 2012: The Endowment developed of a number of new partnerships with other institutions and organizations, leveraging approximately $1.5 million in new funding for humanities programs.

- FY 2011: The Endowment developed a number of new partnerships with other institutions and organizations, leveraging approximately $1.5 million in new funding for humanities programs.

2) New programming, funding, and administrative partnerships are established with other agencies, foundations, and organizations, both public and private.

- FY 2014: NEH partnerships included the following: 1) cooperation with the Library of Congress, the National Archives, the Smithsonian, and the Institute of Museum and Library Services to plan for the creation of a Digital Public Library of America; 2) the National Digital Newspapers Program, a multi-year collaboration with the Library of Congress to digitize and make publicly available on the World Wide Web newspapers already preserved on microfilm through the United States Newspapers Program; 3) a program of fellowships sponsored jointly by NEH and the Library of Congress that supports humanities scholars who wish to conduct research at the Library of Congress; 4) the Advanced Research Fellowships on Japan Program jointly sponsored by NEH and the Japan-United States Friendship Commission; 5) EDSITEment; 6) the Digging into Data Challenge, an international collaboration among seven research teams in Canada, Europe, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship; 7) NEH/ German Research Foundation Bilateral Digital Humanities Programs jointly supported by NEH and the German Research Foundation to encourage collaborative digital humanities projects between American and German institutions; 8) the *Bridging Cultures* Bookshelf project, a partnership with the Carnegie Corporation of New York; 9) "The Arts and Human Development," a task force made up of other federal agencies (including NIH, the National Science

Foundation, the National Endowment for the Arts, the Department of Education and others) committed to research that links creativity, health and other aspects of human well-being; 10) a portfolio of academic conferences and other international collaborations that facilitate humanities research and beneficial exchange of ideas with scholars around the world; and 11) programmatic collaboration with the National Trust for the Humanities.

- FY 2013: NEH partnerships included the following: 1) a program of fellowships sponsored jointly by NEH and the Library of Congress to support humanities scholars who wish to conduct research at the Library of Congress; 2) the National Digital Newspaper Program, a multi-year collaboration with the Library of Congress to digitize and make publicly available on the World Wide Web newspapers already preserved on microfilm through the United States Newspapers Program; 3) the Advanced Research Fellowships on Japan Program to be jointly sponsored by NEH and the Japan-United States Friendship Commission; 4) a "Cultural Diplomacy" partnership of NEH and the U.S. Department of State that would enable teachers from other nations to participate in "Landmarks of American History and Culture" workshops; 5) EDSITEment; 6) Digging into Data Challenge, an international collaboration among nine research teams in Canada, Europe, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship; 7) the *Bridging Cultures* Bookshelf project, a partnership with the Carnegie Corporation of New York; and 8) programmatic collaboration with the National Trust for the Humanities.

- FY 2012: NEH partnerships included the following: 1) a program of fellowships sponsored jointly by NEH and the Library of Congress to support humanities scholars who wish to conduct research at the Library of Congress; 2) the National Digital Newspaper Program, a multi-year collaboration with the Library of Congress to digitize and make publicly available on the World Wide Web newspapers already preserved on microfilm through the United States Newspapers Program; 3) the Advanced Research Fellowships on Japan Program to be jointly sponsored by NEH and the Japan-United States Friendship Commission; 4) EDSITEment; 5) Digging into Data Challenge, an international collaboration among eight research teams in Canada, Europe, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship; 6) the *Bridging Cultures* Bookshelf project, a partnership with the Carnegie Corporation of New York and; 7) programmatic collaboration with the National Trust for the Humanities.

- FY 2011: NEH partnerships included the following: 1) a program of fellowships to be sponsored jointly by NEH and the Library of Congress to support humanities scholars who wish to conduct research at the Library of Congress; 2) the National Digital Newspapers Program, a multi-year collaboration with the Library of Congress to digitize and make publicly available on the World Wide Web newspapers already preserved on microfilm through the United States Newspapers Program; 3) the Advanced Research Fellowships on Japan Program to be jointly sponsored by NEH

and the Japan-United States Friendship Commission; 4) a "Cultural Diplomacy" partnership of NEH and the U.S. Department of State that would enable teachers from other nations to participate in "Landmarks of American History and Culture" workshops; 5) EDSITEment; 6) Digging into Data Challenge, an international collaboration among research teams in Canada, England or Wales in the United Kingdom, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship; and 7) programmatic collaboration with the National Trust for the Humanities.

ANALYSIS:

FY 2014 accomplishments. [Indicator 2] NEH has entered into formal partnership arrangements with several of its fellow agencies and with private foundations in order to collaborate on specific projects. Currently, the NEH administers the review and evaluation of applications to the Library of Congress's John W. Kluge Fellows Program, which provides stipends to junior scholars from the U.S. and abroad to conduct research in the Library's humanities collections; and, in collaboration with the Japan-United States Friendship Commission, it conducts the evaluation of applications and serves as fiscal agent for a program to encourage American scholars' research on Japan. The Endowment maintains "Cultural Diplomacy" partnerships that include an ongoing series of academic conferences, co-sponsored by the Ministry of Culture of the People's Republic of China, that bring together Chinese and American scholars to discuss common interests in the humanities, and a joint grant program with the German Research Foundation (Deutsche Forschungsgemeinschaft e.V., DFG) to develop and implement digital infrastructures and services for humanities research.

NEH is also cooperating with the Arts and Humanities Research Council, the Economic and Social Research Council, and the Joint Information Systems Committee of the United Kingdom; the Netherlands Organization for Scientific Research; and the Social Sciences and Humanities Research Council of Canada—as well as the Institute for Museum and Library Services and the National Science Foundation in the United States—in the Digging into Data Challenge, a jointly sponsored grant program supporting the development of new research methods in the digital humanities.

The Endowment has entered into two other federal partnerships in conjunction with agency-wide initiatives. NEH and the Library of Congress signed a memorandum of understanding establishing a partnership to create the National Digital Newspaper Program. Over a period of approximately 20 years, the Endowment will provide grants to institutions and organizations in each state of the nation to digitize titles published between 1836 and 1922 and to prepare fully searchable files that the Library of Congress will permanently maintain on the World Wide Web. And, the Endowment continues its multi-year funding partnership with the National Science Foundation in support of Documenting Endangered Languages, a program to provide NEH awards to scholars engaged in recording and preserving key languages before they become extinct.

The Endowment has also been alert to opportunities to pool NEH and private-sector resources in ways that make the most of each. One noteworthy example of this collaboration is

EDSITEment, a nationally recognized destination for teachers seeking rich humanities resources on the Internet. For many years, the Endowment partnered with the Verizon Foundation to create a nationally recognized website for teachers seeking rich humanities resources on the Internet. The website, EDSITEment, now contains over 500 scholar- and teacher-developed lesson plans for the K-12 classroom and links to more than 400 peer-reviewed sites selected for their high quality humanities content and interactive design. More than 2,700,000 visitors—teachers, students, and parents—avail themselves of EDSITEment's rich resources each year.

III. Financial Information

A Message from the Director of the Accounting Office

On behalf of the National Endowment for the Humanities (Endowment), it is my pleasure to present the agency's audited financial statements for fiscal year 2014. I am happy to report that our independent auditor, Leon Snead and Company, P.C., has rendered an unmodified opinion on these statements. The Endowment has obtained an unmodified (clean) opinion on the agency's consolidated financial statements for the tenth consecutive year, indicating the Endowment's continued responsible stewardship of the taxpayer dollars to which it has been entrusted.

For fiscal year 2014, our independent auditor identified a significant deficiency related to administrative funds control. In response to the audit finding we have developed a comprehensive plan to strengthen our internal controls in fiscal year 2015 to prevent future occurrences.

The accounting office successfully managed two significant changes during FY 2014. First, we transitioned the Endowment's Oracle financial system to be compliant with the reporting requirements of the Department of the Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS), which replaced four legacy Treasury systems that collected trial balance information. Second, we successfully transitioned our financial system to report cash activity to Treasury at the transaction level on a daily basis. Both of these tasks took a great deal of technical skill and testing in order to meet these requirements, and both tasks were accomplished all while still working on our daily stewardship responsibilities.

For FY 2015, we have new challenges facing us. We will be upgrading our Oracle financial system to release 12, which will require a significant amount of resources to learn, test, and implement the changes that will come with this upgrade. Further, we will continue to work towards using technology to improve efficiencies in operations and reporting. The staff is up to the challenge, as am I.

Under the requirements of the Federal Managers' Financial Integrity Act of 1982, the NEH's management conducted its annual assessment and concluded that the system of internal controls, taken as a whole, complies with the internal control standards prescribed by Government Accountability Office (GAO) and provides reasonable assurance that the agency's goals and objectives are being met.

Receiving an unmodified opinion verifies that the Endowment's financial statements are fairly presented and demonstrates accountability in the execution of our fiduciary responsibilities. I want to express my sincere appreciation to all of the NEH staff members whose effort and dedication made the FY 2014 unmodified opinion possible.

Sean Doss
Director, Accounting Office
October 31, 2014

National Endowment for the Humanities

Audit of Financial Statements

As of and for the Years Ended September 30, 2014 and 2013

Submitted By

Leon Snead & Company, P.C.
Certified Public Accountants & Management Consultants

LEON SNEAD
& COMPANY, P.C.

Certified Public Accountants
& Management Consultants

416 Hungerford Drive, Suite 400
Rockville, Maryland 20850
301-738-8190
Fax: 301-738-8210
leonsnead.companypc@erols.com

Independent Auditor's Report

Inspector General, National Endowment for the Humanities
Chairman, National Endowment for the Humanities

We have audited the accompanying balance sheets of the National Endowment for the Humanities (NEH), as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position and budgetary resources (the financial statements) for the years then ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the NEH's internal control over financial reporting and tested the NEH's compliance with certain provisions of applicable laws, regulations, contracts and grant agreements that could have a direct and material effect on its financial statements.

SUMMARY

As stated in our opinion on the financial statements, we found that the NEH's financial statements as of and for the years ended September 30, 2014 and 2013, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. Our testing of internal control identified no material weaknesses in financial reporting. However, we identified a significant deficiency related to overallotment of administrative funds.

As a result of our tests of compliance with certain provisions of laws, regulations, and significant provisions of contracts and grant agreements, nothing came to our attention that caused us to believe that NEH failed to comply with applicable laws, regulations, contracts or grant agreements that have a material effect on the financial statements insofar as they relate to accounting matters.

The following sections discuss in more detail our opinion on the NEH's financial statements, our consideration of NEH's internal control over financial reporting, our tests of NEH's compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of NEH, which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of net cost, statements of changes in net position and statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NEH as of September 30, 2014 and 2013, and the related net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Such responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and pertinent provisions of Office of Management and Budget (OMB) Bulletin 14-02, *Audit Requirements for Federal Financial Statements* (the OMB audit bulletin). Those standards and the OMB audit bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments in a Federal agency, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the NEH's internal control or its compliance with laws, regulations, and significant provisions of contracts and grant agreements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

REQUIRED SUPPLEMENTARY INFORMATION AND REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and information about investments in non-Federal physical property and research and development be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information and required supplementary stewardship information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER ACCOMPANYING INFORMATION

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The performance measures and other accompanying information are presented for the purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

OTHER AUDITOR REPORTING REQUIREMENTS

Report on Internal Control

In planning and performing our audit of the financial statements of NEH as of and for the years ended September 30, 2014 and 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the NEH's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NEH's internal control. Accordingly, we do not express an opinion on the effectiveness of the NEH's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or

significant deficiencies may exist that were not identified. During the audit of the financial statements, we identified no deficiencies in internal control that we considered to be material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

Because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. 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. A material weakness is a deficiency or a combination of deficiencies, in internal control, 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the NEH's internal control to be a significant deficiency.

Finding and Recommendation

Total allotments of NEH's administrative funds for 2014 exceeded the amount that OMB approved to be spent. Through September 30, NEH had allotted $106,071 more than the amount OMB approved.

After NEH receives its appropriation, the agency submits an apportionment schedule to OMB for approval. The apportionment form shows the sources and amounts of funds the agency expects to receive and the amounts of funds it expects to spend, broken down by major category. Once NEH receives OMB's approval of its apportionment, the agency allots or allocates the approved funds to the specific detailed categories of program and administrative funds for which the agency budgeted. These allotments make the funds available to be obligated and expended. Obligations occur when NEH signs contracts or awards grants. Expenditures occur when NEH receives invoices or grantee payment requests or pays its payroll expenses.

OMB Circular A-11 states:

> 120.2...The *Antideficiency Act* prohibits Federal employees from obligating or disbursing amounts in excess of an appropriation, an apportionment (or in its absence), an allotment, a suballotment or any other subdivisions of funds that are identified in your agency's administrative control of funds.
>
> 120.45...The agency system of administrative control of funds must be designed to keep obligations and expenditures from exceeding apportionments and allotments and or from exceeding budgetary resources available for obligation, whichever is smaller, so as to avoid Antideficiency Act violations.

The National Endowment for the Humanities *Administrative Control of Funds Directive*, section 6)a) states:

> ...No officer or employee of the National Endowment for the Humanities will: (1) Authorize or make an obligation exceeding...The amount in an apportionment or reapportionment (a type of administrative subdivision of funds), such as a category B apportionment...An allotment or suballotment.

The NEH fiscal year 2014 funding was provided by Public Law 113-76 on January 17, 2014. OMB approved NEH's most recent apportionment schedule on February 25, 2014, to include administrative funds totaling $28,280,048. Through the year, in addition to its appropriation, NEH accumulated funds from providing services to other agencies and from recoveries of prior year obligations due to closeouts of grants and contracts. At least some of those funds appeared to have been allotted as accumulated, regardless whether they exceeded the approved apportionment. By the end of the year, NEH had made $28,386,119 available to be spent in its administrative funds. NEH did not have controls in place to analyze the amounts of those accumulated funds versus the actual amounts of such funds included in OMB's spending approval and to request approval from OMB to spend funds accumulated in excess of the amount originally approved.

NEH made more of its administrative funds available for spending than OMB approved the agency to spend. The Oracle financial management system controls funds at the allotment level by checking the amount of allotted funds available before it allows an obligation to be processed. However, if the available allotments exceed the apportionment, Oracle would allow the obligation to go through. Such an obligation could create a violation of the Antideficiency Act.

Recommendation

We recommend that NEH initiate periodic analyses of actual and projected spending and to reapportion funds as necessary and obtain OMB approval for funding expectations that change from the previous apportionment.

Management Response

NEH management provided the following response:

> The agency agrees with the facts and recommendations as stated. NEH has already begun developing plans to address this issue by establishing regular monitoring of allotment activity on a monthly basis and checking summary amounts against approved apportionments received from OMB. Further, as a preventative measure, the budget office will modify their spending plans based on best practices that will be gathered from other agencies. To further assist in preventing future occurrences and to address detection and correction of any errors, the accounting office will meet on a monthly basis with the budget office and will assist in developing detailed reports on obligations incurred for that fiscal year that can be compared to the approved apportionments. Finally, the agency's funds control directive will be reviewed and modified as necessary to incorporate these improved monitoring and preventative actions mentioned above.

The NEH's written response to the significant deficiency identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Compliance

As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in the OMB audit bulletin. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the NEH. Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

In connection with our audit, nothing came to our attention that caused us to believe that NEH failed to comply with applicable laws, regulations, or significant provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the NEH's noncompliance with applicable laws, regulations, or significant provisions of laws, regulations, contracts, and grant agreements insofar as they relate to accounting matters.

Restricted Use Relating to Reports on Internal Control and Compliance

The purpose of the communication included in the sections identified as "Report on Internal Control" and "Report on Compliance" is solely to describe the scope of our testing of internal control over financial reporting and compliance, and to describe any material weaknesses, significant deficiencies, or instances of noncompliance we noted as a result of that testing. Our objective was not to provide an opinion on the design or effectiveness of the NEH's internal control over financial reporting or its compliance with laws, regulations, or provisions of contracts or grant agreements. The two sections of the report referred to above are integral parts of an audit performed in accordance with *Government Auditing Standards* in considering the NEH's internal control over financial reporting and compliance. Accordingly, those sections of the report are not suitable for any other purpose.

Agency Comments and Auditor Evaluation

In commenting on the draft of this report, the management of NEH concurred with the facts and conclusions in our report. A copy of management's response accompanies this report.

Leon Snead & Company, P.C.
November 13, 2014

NATIONAL ENDOWMENT FOR THE
Humanities

OFFICE OF THE CHAIRMAN

November 6, 2014

Pat Layfield
Senior Audit Manager
Leon Snead & Company, P.C.
416 Hungerford Drive, Suite 400
Rockville, MD 20850

Dear Ms. Layfield:

Thank you for the opportunity to comment on the draft audit report of the National Endowment for the Humanities (NEH) for fiscal year 2014.

We concur with the facts and conclusions of your report. We are pleased to learn of the unmodified opinion on NEH's financial statements and to note that there were no material weaknesses identified during the audit.

We would like to express our appreciation for the hard work of you and your team of auditors throughout this year's audit cycle. The collegiality and professionalism of the audit team were instrumental in our efforts to prepare and submit all of the required information. We are particularly grateful to you for your patience and understanding during the lengthy period of transition as we recruited for new leadership in our Accounting Office.

Sincerely,

Jeffrey Thomas
Assistant Chairman for
Planning and Operations

cc: Laura Davis
Sean Doss

NATIONAL ENDOWMENT FOR THE
Humanities

Audited Financial Statements

As of and for the Years Ended September 30, 2014 and 2013

NATIONAL ENDOWMENT FOR THE HUMANITIES

NATIONAL ENDOWMENT FOR THE HUMANITIES

BALANCE SHEET
As of September 30, 2014 and 2013
(in US Dollars)

	2014	2013
ASSETS		
Intragovernmental:		
Cash & fund balances w/ U.S. Treasury (Note 2)	$ 148,468,437	$ 141,037,198
Receivables and advances (Note 3)	923,105	1,102,281
Total intragovernmental	149,391,542	142,139,479
Receivables and advances (Note 3)	1,708,100	2,567,581
Property and equipment, net (Note 4)	806,206	489,027
TOTAL ASSETS	151,905,848	145,196,087
LIABILITIES		
Intragovernmental:		
Accounts payable and accrued expenses (Note 5)	644,108	679,936
Total intragovernmental	644,108	679,936
Accounts payable and accrued expenses	22,762,592	25,119,812
Unfunded FECA actuarial liability (Notes 5 & 8)	245,432	246,574
Unfunded annual leave (Notes 5 & 8)	1,412,093	1,267,037
TOTAL LIABILITIES	25,064,225	27,313,359
Commitments and contingencies (Note 1)		
NET POSITION		
Unexpended appropriations - other funds	127,191,466	118,306,648
Cumulative results operations - other funds	(822,598)	(942,291)
Cumulative results operations - funds from dedicated collections (Note 11)	472,755	518,371
TOTAL NET POSITION	126,841,623	117,882,728
TOTAL LIABILITIES AND NET POSITION	$ 151,905,848	$ 145,196,087

The accompanying notes are an integral part of these statements.

NATIONAL ENDOWMENT FOR THE HUMANITIES

NATIONAL ENDOWMENT FOR THE HUMANITIES

STATEMENT OF NET COST
For the Years Ended September 30, 2014 and 2013
(in US Dollars)

	2014	2013
PROGRAM COSTS (Notes 1, 12, 13, 15, & 19)		
Bridging Cultures		
Gross costs	$ 2,222,707	$ 3,686,700
Less: earned revenue	(4,290)	(6,561)
Net costs	2,218,417	3,680,139
Challenge Grants		
Gross costs	10,890,723	9,101,387
Less: earned revenue	(20,935)	(16,101)
Net costs	10,869,788	9,085,286
Digital Humanities		
Gross costs	5,464,337	5,718,937
Less: earned revenue	(10,369)	(10,029)
Net costs	5,453,968	5,708,908
Education		
Gross costs	17,481,696	17,512,151
Less: earned revenue	(33,096)	(30,689)
Net costs	17,448,600	17,481,462
Federal/State Partnership		
Gross costs	45,417,405	46,214,096
Less: earned revenue	(87,538)	(82,148)
Net costs	45,329,867	46,131,948
Preservation and Access		
Gross costs	18,524,426	18,821,122
Less: earned revenue	(302,709)	(873,050)
Net costs	18,221,717	17,948,072
Program Development		
Gross costs	445,752	705,958
Less: earned revenue	(860)	(1,257)
Net costs	444,892	704,701
Public		
Gross costs	15,173,354	19,001,660
Less: earned revenue	(28,816)	(33,383)
Net costs	15,144,538	18,968,277
Research		
Gross costs	18,781,833	20,313,935
Less: earned revenue	(183,984)	(221,763)
Net costs	18,597,849	20,092,172
Treasury Funds		
Gross costs	1,833,853	2,893,887
Less: earned revenue	(3,540)	(5,150)
Net costs	1,830,313	2,888,737
We the People		
Gross costs	3,181,594	4,489,752
Less: earned revenue	(6,141)	(7,991)
Net costs	3,175,453	4,481,761
TOTAL PROGRAMS		
Gross costs (Note 18)	139,417,680	148,459,585
Less: earned revenue	(682,278)	(1,288,122)
NET COST OF OPERATIONS	$ 138,735,402	$ 147,171,463

The accompanying notes are an integral part of these statements.

Humanities

STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 2014 and 2013
(in US Dollars)

	2014			2013		
	Funds from Dedicated Collections	All Other Funds	Total	Funds from Dedicated Collections	All Other Funds	Total
CUMULATIVE RESULTS OF OPERATIONS						
Beginning balances	$ 518,371	$ (942,291)	$ (423,920)	$ 1,497,160	$ (1,510,476)	$ (13,316)
Adjustments: Corrections of errors	-	-	-	-	-	-
Beginning balances, as adjusted	518,371	(942,291)	(423,920)	1,497,160	(1,510,476)	(13,316)
Budgetary financing sources:						
Donations (Note 11)	319,955	-	319,955	610,550	-	610,550
Appropriations used (Note 17)	-	137,136,183	137,136,183	-	144,873,168	144,873,168
Other financing resources:						
Imputed financing from costs absorbed by others (Notes 1 & 13)	-	1,353,341	1,353,341	-	1,277,142	1,277,142
Total financing sources	319,955	138,489,524	138,809,479	610,550	146,150,310	146,760,860
Net cost of operations (Notes 12 & 13)	(365,571)	(138,369,831)	(138,735,402)	(1,589,339)	(145,582,124)	(147,171,463)
Net change	(45,616)	119,693	74,077	(978,789)	568,185	(410,604)
Cumulative Results of Operations	472,755	(822,598)	(349,843)	518,371	(942,291)	(423,920)
UNEXPENDED APPROPRIATIONS						
Beginning balances	-	118,306,648	118,306,648	-	124,796,598	124,796,598
Adjustments: Corrections of errors	-	-	-	-	-	-
Beginning balances, as adjusted	-	118,306,648	118,306,648	-	124,796,598	124,796,598
Budgetary financing sources:						
Appropriations received (current period) (Notes 17 & 18)	-	146,021,000	146,021,000	-	146,020,992	146,020,992
Rescissions	-	-	-	-	(7,637,774)	(7,637,774)
Appropriations used (Note 17)	-	(137,136,183)	(137,136,183)	-	(144,873,168)	(144,873,168)
Total budgetary financing sources	-	8,884,817	8,884,817	-	(6,489,950)	(6,489,950)
Total Unexpended Appropriations	-	127,191,465	127,191,465	-	118,306,648	118,306,648
NET POSITION	$ 472,755	$ 126,368,867	$ 126,841,623	$ 518,371	$ 117,364,357	$ 117,882,728

The accompanying notes are an integral part of these statements.

NATIONAL ENDOWMENT FOR THE HUMANITIES

STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2014 and 2013
(in US Dollars)

	FY 2014	FY 2013
Budgetary Resources:		
Unobligated balance brought forward, October 1	$ 5,798,563	$ 5,245,488
Adjustment to unobligated balance brought forward, October 1 (+or-)	-	-
Unobligated balance brought forward, October 1, as adjusted	5,798,563	5,245,488
Recoveries of prior year unpaid obligations	1,938,792	1,882,420
Other changes in unobligated balance (+or-)	-	-
Unobligated balance from prior year budget authority, net	7,737,355	7,127,908
Appropriations (discretionary and mandatory)	146,340,955	138,993,768
Borrowing authority (discretionary and mandatory)	-	-
Contract authority (discretionary and mandatory)	-	-
Spending authority from offsetting collections (discretionary and mandatory)	751,216	1,148,272
Total budgetary resources	154,829,526	147,269,948
Status of Budgetary Resources:		
Obligations incurred (Note 14)	145,982,549	141,471,385
Unobligated balance, end of year:		
Apportioned	8,117,550	4,972,835
Exempt from apportionment	-	-
Unapportioned	729,427	825,728
Total unobligated balance, end of year	8,846,977	5,798,563
Total budgetary resources	154,829,526	147,269,948
Change in Obligated Balance:		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	135,407,537	145,286,004
Adjustment to unpaid obligations, start of year (+/-)	-	-
Obligations incurred	145,982,549	141,471,385
Outlays (gross) (-)	(139,739,944)	(149,467,431)
Actual transfers, unpaid obligations (net) (+ or-)	-	-
Recoveries of prior year unpaid obligations (-)	(1,938,792)	(1,882,420)
Unpaid obligations, end of year	139,711,350	135,407,538
Uncollected Payments:		
Uncollected pymts, Fed sources, brought forward, Oct 1 (-)	(168,902)	(7,403)
Adjustment to uncollected pymts, Fed sources, start of year (+/-)	-	-
Change in uncollected pymts, Fed sources (+/-)	79,011	(161,499)
Actual transfers, uncollected pymts, Fed sources (net) (+/-)	-	-
Uncollected pymts, Fed sources, end of year(-)	(89,891)	(168,902)
Memorandum (non-add) entries:		
Obligated balance, start of year (+/-)	135,238,635	145,278,601
Obligated balance, end of year (+/-)	139,621,459	135,238,635
Budget Authority and Outlays, Net:		
Budget authority, gross (discretionary and mandatory)	147,092,171	140,142,040
Actual offsetting collections (discretionary and mandatory) (-)	(830,227)	(986,773)
Change in uncollected customer payments from Federal sources (discretionary/mandatory) (+or-)	79,011	(161,499)
Anticipated offsetting collections (discretionary and mandatory)(+ or-)	-	-
Budget authority, net (discretionary and mandatory)	146,340,955	138,993,768
Outlays, gross (discretionary and mandatory)	139,739,944	149,467,431
Actual offsetting collections (discretionary and mandatory)(-)	(830,227)	(986,773)
Outlays, net (discretionary and mandatory)	138,909,717	148,480,658
Distributed offsetting receipts (-)	(356,295)	(716,082)
Agency outlays, net (discretionary and mandatory)	$ 138,553,422	$ 147,764,576

Note: NEH does not have a non-budgetary credit reform financing account

The accompanying notes are an integral part of thest statements.

National Endowment for the Humanities
Notes to the Financial Statements
As of and for the Years Ended
September 30, 2014 and 2013
(In Dollars)

Table of Contents

Note 1 – Significant Accounting Policies 2
Note 2 – Fund Balance with Treasury 7
Note 3 – Accounts Receivable and Advances 7
Note 4 – General Property, Plant and Equipment, Net 8
Note 5 – Liabilities 8
Note 6 – Leases 9
Note 7 – Incidental Custodial Collections 9
Note 8 – Liabilities Not Covered by Budgetary Resources 10
Note 9 – Explanation of Differences between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods 10
Note 10 – Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government 10
Note 11 – Funds from Dedicated Collections 11
Note 12 – Intragovernmental Costs and Exchange Revenue 13
Note 13 – Reconciliation of Net Cost of Operations to Budget 14
Note 14 – Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations 15
Note 15 – Exchange Revenues for Reimbursable Services Activities 15
Note 16 – Undelivered Orders at the End of the Period 15
Note 17 – Reconciliation of Federal Appropriation to Federal Expended Appropriation 16
Note 18 – Reconciliation of Expenses to Federal Appropriation 16
Note 19 – Statement of Net Cost 16
Investment in Non-Federal Physical Property 18

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) is an independent grant-making agency of the United States government dedicated to supporting research, education, preservation, and public programs in the humanities. NEH was established by the National Foundation on the Arts and the Humanities Act of 1965.

B. Basis of Presentation

The financial statements are provided to meet the requirements of the Accountability of Tax Dollars Act of 2002. The statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources.

C. Basis of Accounting

Transactions are generally recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Each year, Congress provides NEH appropriations to incur obligations in support of agency programs. Budgetary accounting is the means of recording these appropriations and measuring the consumption of budget authority and other budgetary resources.

D. Revenues and Other Financing Sources

NEH receives funding through annual Congressional appropriations from the budget of the United States. No-year appropriations are used, within statutory limits, for operations and capital expenditures for essential personal property. Appropriations are recognized as revenues at the time that the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are recognized as expenses when assets are consumed in operations.

Note 1 – Significant Accounting Policies (continued)

The National Foundation on the Arts and the Humanities Act granted NEH the authority to receive donations and to invest in interest-bearing accounts. Accounts are maintained for restricted as well as unrestricted funding and NEH observes the same guidelines for the appropriate use of donated funds as for appropriated funds. This authority allows the Chairman to incur representation and reception expenses.

E. Fund Balance with Treasury

Funds with the Department of the Treasury primarily represent appropriated funds that are available to pay current liabilities and finance authorized purchase commitments. See Note 2 for additional information.

F. Advances and Prepayments

NEH records grant payments for work not yet performed at year-end as advances. The advances are recorded as expenses in subsequent fiscal years.

G. General 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. Service lives are listed below:

Description	Estimated Useful Life
Leasehold Improvements	Shorter of Lease Term or Improvement
Capital Leases	Term of Lease
Office Furniture	7 years
Computer Equipment and Software	3 years
Office Equipment	5 years

H. Liabilities

Liabilities represent transactions or events that have already occurred for which NEH will likely pay. No liability can be paid, however, absent an appropriation, or in some cases donated funds. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources, because there is no absolute certainty that the appropriation will be enacted. Also, liabilities can be abrogated by the Government acting in its sovereign capacity.

Note 1 – Significant Accounting Policies (continued)

I. Accounts Payable

Accounts payable consists of amounts owed to other federal agencies, commercial vendors, and grantees. Accounts payable to commercial vendors are expenses for goods and services received but not yet paid by NEH. Grant liabilities are grantee expenses not yet funded or reimbursed by NEH. At fiscal year-end, NEH calculates and records an accrual for the amount of estimated unreimbursed grantee expenses.

In estimating grant accruals, NEH followed the guidelines in the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Technical Release (TR) 12, *Accrual Estimates for Grant Programs*. The purpose of TR 12 is to provide a cost-effective framework for developing reasonable estimates of accrued grant liabilities. TR 12 addresses materiality considerations, risk assessment, and procedures for estimating accruals for grant programs, including acceptable procedures until sufficient relevant and reliable historical data is available for new grant programs or changes to existing programs.

J. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates and balances. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

K. Retirement Plans

NEH employees participate in the Civil Services Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS was established by enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984, participated in CSRS unless they elected to join FERS and Social Security.

All employees are eligible to contribute to the Thrift Saving Plan (TSP). For those employees participating in FERS, a TSP account is automatically established and NEH makes a mandatory one percent contribution to this account. In addition, NEH makes matching contributions, ranging from one to four percent, for

FERS eligible employees, who contribute to their TSP accounts. Matching contributions are not made to TSP accounts established by CSRS employees.

Note 1 – Significant Accounting Policies (continued)

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, NEH remits the employer's share of the required contribution.

NEH does not report on its financial statements information pertaining to the retirement plans covering its employees except for imputed costs related to retirement (see L. below). Reporting amounts such as plan assets and accumulated plan benefits, if any, is the responsibility of the Office of Personnel Management.

L. Imputed Benefit Costs

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

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

The FECA provides income and medical cost protection to covered federal civilian employees injured on the job, for those who have contracted a work-related occupational disease, and for beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under the FECA for NEH's employees are administered by the Department of Labor (DOL) and are ultimately paid by NEH.

DOL provides a computational model for estimating a FECA actuarial liability for any federal agency not specifically listed in the results of DOL's FECA actuarial model. This computational model is based on an extrapolation from the actual charges experienced recently by NEH. This procedure is not an allocation of a listed liability amount. It is, however, a way to calculate a reasonable actuarial liability for NEH.

The computational model takes the amount of benefit payments for the entity over the last 9 to 12 quarters, and calculates the annual average of payments for medical expenses and compensation. Both types of payments can be found in the chargeback reports that are issued quarterly by DOL. The average is then multiplied by the liability to benefits paid ratios (LBP). These ratios vary from year to year as a result of economic assumptions and other factors. The model calculates a liability approximately 11 times the annual payments.

Note 1 – Significant Accounting Policies (continued)

N. 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.

O. Commitments and Contingencies

There are no commitments or contingencies that require disclosure.

P. Intragovernmental Activity

Throughout these financial statements, intragovernmental assets, liabilities, revenues, and costs have been classified according to the type of entity associated with the transactions. Intragovernmental assets and liabilities are those from or to other Federal entities. Intragovernmental earned revenues are collections or accruals of revenue earned from other Federal entities and intragovernmental costs are payments or accruals to other Federal entities.

Q. Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. For the National Endowment for the Humanities, such investments are measured in terms of expenses incurred for federally-financed but not federally-owned physical property (investment in non-federal physical property).

R. Rounding

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

Note 2 – Fund Balance with Treasury

Fund balance with Treasury:	2014	2013
Appropriated funds	$ 147,994,205	$ 140,508,044
Trust funds	474,232	529,154
Total	148,468,437	141,037,198
Status of fund balance with Treasury:		
Unobligated balance - available	8,117,550	4,972,835
Unobligated balance - unavailable	729,427	825,728
Unfilled customer orders without advance	(79,805)	(117,603)
Receivables from federal sources	(10,085)	(51,300)
Obligated balance not yet disbursed	139,711,350	135,407,538
Total	$ 148,468,437	$ 141,037,198

Fund Balance with Treasury is the aggregate amount of NEH's accounts with the U.S. Treasury from which NEH is authorized to make expenditures and pay liabilities. The trust fund includes amounts donated to NEH. Some of these funds are restricted for intended purposes.

Note 3 – Accounts Receivable and Advances

	2014	2013
Gross receivables	Current	Current
Receivables from services to federal agencies:		
Advances to federal agencies	$ 913,020	$ 1,050,981
Other receivables	10,085	51,300
Receivables from the public:		
Advances to grantees	1,603,843	2,391,535
Other receivables	104,257	176,046
Allowance for uncollectible accounts	-	-
Net receivables	$ 2,631,205	$ 3,669,862

Note 4 – General Property, Plant and Equipment, Net

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

Major Class	Service Life and Method	Cost	Accumulated Amortization /Depreciation	2014 Net Book Value	2013 Net Book Value
Leasehold Improvements	10 years/Straight	$ 168,723	$ (4,218)	$ 164,505	$ -
Software – Internal Use	3 years/Straight	758,536	(277,235)	481,301	355,209
Software – In Development	Not Applicable	160,400	-	160,400	133,818
Total, Property & Equipment		$ 1,087,659	$ (281,453)	$ 806,206	$ 489,027

Note 5 – Liabilities

	2014 Current	2013 Current
Intragovernmental:		
Accrued unfunded FECA	$ 46,375	$ 45,575
Advances from others	296,087	571,883
Employee contributions & payroll taxes payable	76,321	62,478
Accrued liabilities due to federal agencies	225,325	
Total Intragovernmental	644,108	679,936
With the Public:		
Accrued funded payroll	464,309	385,748
Actuarial FECA	245,432	246,574
Accrued unfunded leave	1,412,093	1,267,037
Accrued liabilities due - non-Government	22,298,283	24,734,064
Total Liabilities with the Public	24,420,117	26,633,423
Total liabilities	$ 25,064,225	$ 27,313,359

Note 6 – Leases

Occupancy Agreement:
Office Space: The National Endowment for the Humanities (NEH) occupied office space in the Old Post Office Building at 1100 Pennsylvania Avenue in the District of Columbia under an occupancy agreement with the General Services Administration (GSA) that is accounted for as an operating lease.

The term of the occupancy agreement was from October 1, 2011 through February 2014. Due to the planned redevelopment of the Old Post Office Building for commercial purposes, the NEH relocated in June 2014 to a new office space at the Constitution Center, 400 7th Street, SW, in the District of Columbia. The estimate for the annual rent for NEH's new office space for the next fiscal year is below:

	2014	2013
Future payments due:	Office Space	Office Space
Fiscal year 2013	$ -	$ -
Fiscal year 2014	$ -	$ 2,750,000
Fiscal year 2015 (estimate)	$ 2,692,575	$ -

Note 7 – Incidental Custodial Collections

Custodial collections made by NEH are deposited and reported into a designated miscellaneous receipt account. At fiscal year-end, all custodial collections are returned to the U.S. Treasury.

	2014	2013
Collections for NEH projects funded in previous years	$ 36,340	$ 105,532
Total cash collections	36,340	105,532
Disposition of collections:		
Returned to Treasury (general fund)	36,340	105,532
Retained by NEH	-	-
Net custodial collection activity	$ -	$ -

Note 8 – Liabilities Not Covered by Budgetary Resources

	2014	2013
Intragovernmental		
Accrued unfunded FECA	$ 46,375	$ 45,575
Total intragovernmental	46,375	45,575
Actuarial FECA	245,432	246,574
Accrued unfunded leave	1,412,093	1,267,037
Total liabilities not covered by budgetary resources	1,703,900	1,559,186
Total liabilities covered by budgetary resources	23,360,325	25,754,173
Total liabilities	$ 25,064,225	$ 27,313,359

Note 9 – Explanation of Differences between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods

Components that comprise liabilities not covered by budgetary resources represent the cumulative balance of the liability. By contrast, components requiring or generating resources in future periods included in Note 13 – Reconciliation of Net Cost of Operations to Budget – represent the change in the liability created in the current year.

Note 10 – 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 2014 has not been published. Actual numbers for fiscal year 2014 will be included in the President's Budget for fiscal year 2016, which will be published in February 2015 and will be available at http://www.whitehouse.gov/omb/.

There are no material differences between the amounts reported in the FY 2013 Statement of Budgetary Resources and the 2013 actual amounts reported in the Budget of the United States Government. Any differences in the table below are due to the rounding of the amounts in the Budget of the United States Government.

Note 10 (continued)

FY 2013 (In Millions of Dollars)	Budgetary Resources Available for Obligation	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Budget of the U.S. Government	$ 148	$ 141	$ 1	$ 149
Statement of Budgetary Resources	147	141	1	148
Differences (due to rounding)	$ 1	$ -	$ -	$ 1

Note 11 – Funds from Dedicated Collections

The Statement of Federal Financial Accounting Standards 43: *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds SFFAS No. 27, Identifying and Reporting Earmarked Funds*, changed the term "earmarked funds" to "funds from dedicated collections." SFFAS 43 also amended the definition as follows. Generally, funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing 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 must be accounted for separately from the government's general revenues.

Pursuant to authority set forth in its authorizing statute, at 20 U.S.C. 959(a)(2), and at P.L. 106-113, Sec. 319, the NEH is authorized to solicit, accept and invest money and other property donated to the agency. Section 959(a)(2) authorizes the Chairman 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." There are two types of donations accepted by the Endowment: unrestricted and restricted gifts. An unrestricted gift is one made to the Endowment with no limitations on how the gift is to be used. A restricted gift explicitly states how the gift is to be used.

Donations to the Endowment must be used for a purpose consistent with the agency's mission and authorizing legislation. The general authority of the Chairman to carry out the functions of the Endowment is enumerated in 20 U.S.C. 956(c).

Note 11 – Funds from Dedicated Collections – (continued)

	2014			2013		
Balance Sheet, as of September 30th	**Funds from Dedicated Collections Gifts & Donations**	**Eliminations**	**Total Funds from Dedicated Collections**	**Funds from Dedicated Collections Gifts & Donations**	**Eliminations**	**Total Funds from Dedicated Collections**
Assets						
Fund balance with Treasury	$ 474,232	$ -	$ 474,232	$ 529,154	$ -	$ 529,154
Other assets	-	-	-	-	-	-
Total assets	474,232	-	474,232	529,154	-	529,154
Liabilities	1,477	-	1,477	10,783	-	10,783
Unexpended Appropriations	-	-	-	-	-	-
Cumulative results of operations	472,755	-	472,755	518,371	-	518,371
Total liabilities and net position	474,232	-	474,232	529,154	-	529,154
Statement of Net Cost, for the period ended September 30th						
Gross program costs	365,571	-	365,571	1,589,339	-	1,589,339
Less earned revenues	-	-	-	-	-	-
Net program costs	365,571	-	365,571	1,589,339	-	1,589,339
Costs not attributable to program costs	-	-	-	-	-	-
Less earned revenues not attributable to program costs	-	-	-	-	-	-
Net cost of operations	365,571	-	365,571	1,589,339	-	1,589,339
Statement of Changes in Net Position, for the period ended September 30th						
Net position, beginning of period	518,371	-	518,370	1,497,160	-	1,497,160
Non-exchange revenue	319,955	-	319,955	610,550	-	610,550
Other financing sources	-	-	-	-	-	-
Net cost of operations	365,571	-	365,571	1,589,339	-	1,589,339
Change in net position	(45,616)	-	(45,616)	(978,789)	-	(978,789)
Net position, end of period	$ 472,755	$ -	$ 472,754	$ 518,371	$ -	$ 518,371

Note 12 – Intragovernmental Costs and Exchange Revenue

OMB Circular A-136 has changed the disclosure requirements for transactions with other Federal entities and the public. Under the revised guidance, NEH will present costs associated with Federal agencies, as well as costs associated with the public. The following amounts present NEH's earned revenues for sales of goods and services to Federal agencies and the public, gross costs associated with sales of goods and services to Federal agencies and the public, and net cost of operations by program.

FY 2014 Programs	Intragovernmental costs	Public costs	Total costs	Intragovernmental earned revenue	Public earned revenue	Total earned revenue	Net costs
Bridging Cultures	88,110	2,134,597	2,222,707	4,290	-	4,290	2,218,417
Challenge Grants	528,175	10,362,548	10,890,723	20,935	-	20,935	10,869,788
Digital Humanities	398,108	5,066,229	5,464,337	10,369	-	10,369	5,453,968
Education	1,398,886	16,082,810	17,481,696	33,096	-	33,096	17,448,600
Federal/State Partnership	1,934,247	43,483,158	45,417,405	87,538	-	87,538	45,329,867
Preservation and Access	1,290,408	17,234,018	18,524,426	302,709	-	302,709	18,221,717
Program Development	27,670	418,082	445,752	860	-	860	444,892
Public	1,207,438	13,965,916	15,173,354	28,816	-	28,816	15,144,538
Research	1,394,186	17,387,647	18,781,833	183,984	-	183,984	18,597,849
Treasury Funds	72,695	1,761,158	1,833,853	3,540	-	3,540	1,830,313
We the People	1,268,318	1,913,276	3,181,594	6,141	-	6,141	3,175,453
2014 Total	9,608,241	129,809,439	139,417,680	682,278	-	682,278	138,735,402

FY 2013 Programs	Intragovernmental costs	Public costs	Total costs	Intragovernmental earned revenue	Public earned revenue	Total earned revenue	Net costs
Bridging Cultures	137,616	3,549,084	3,686,700	6,561	-	6,561	3,680,139
Challenge Grants	453,707	8,647,681	9,101,388	16,101	-	16,101	9,085,287
Digital Humanities	374,517	5,344,419	5,718,936	10,029	-	10,029	5,708,907
Education	1,228,171	16,283,980	17,512,151	30,689	-	30,689	17,481,462
Federal/State Partnership	1,839,054	44,375,042	46,214,096	82,148	-	82,148	46,131,948
Preservation and Access	1,173,114	17,648,007	18,821,121	873,050	-	873,050	17,948,071
Program Development	26,354	679,604	705,958	1,257	-	1,257	704,701
Public	1,238,415	17,763,245	19,001,660	33,383	-	33,383	18,968,277
Research	1,366,739	18,947,197	20,313,936	221,763	-	221,763	20,092,173
Treasury Funds	101,416	2,792,471	2,893,887	5,150	-	5,150	2,888,737
We the People	762,659	3,727,093	4,489,752	7,991	-	7,991	4,481,761
2013 Total	8,701,762	139,757,823	148,459,585	1,288,122	-	1,288,122	147,171,463

National Endowment for the Humanities

Required Supplementary Stewardship Information
Stewardship Investments
(Unaudited)
As of September 30, 2014

Note 13 – Reconciliation of Net Cost of Operations to Budget

	2014	2013
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations incurred	$ 145,982,549	$ 141,471,385
Less: Spending authority from offsetting collections and recoveries	2,690,007	3,030,692
Obligations net of offsetting collections and recoveries	143,292,542	138,440,693
Less: Offsetting receipts	356,295	716,082
Net Obligations	142,936,247	137,724,611
Other Resources		
Imputed financing from costs absorbed by others	1,353,341	1,277,142
Total resources used to finance activities	144,289,588	139,001,753
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS:		
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided	(5,809,805)	7,838,502
Budgetary offsetting collections and receipts that do not affect net cost of operations	356,295	716,082
Resources that fund expenses recognized in prior periods	(1,142)	(18,710)
Resources that finance acquisition of assets	(508,738)	(425,628)
Total resources used to finance items not part of the net cost of operations	(5,963,390)	8,110,246
Total resources used to finance the net cost of operations	138,326,198	147,111,999
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD:		
Components requiring or generating resources in future periods:		
Annual leave liability increase	145,056	-
Other	72,589	(44,792)
Total components of Net Cost of Operations that will require or generate resources in future periods	217,645	(44,792)
Components not requiring or generating resources:		
Depreciation and amortization	191,559	104,256
Other	-	-
Total components of Net Cost of Operations that will require or generate resources	191,559	104,256
Total components of the net cost of operations that will not require or generate resources in the current period	409,204	59,464
NET COST OF OPERATIONS	$ 138,735,402	$ 147,171,463

National Endowment for the Humanities

Required Supplementary Stewardship Information
Stewardship Investments
(Unaudited)
As of September 30, 2014

Note 14 – Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Obligations Incurred	2014	2013
Direct:		
1. Category A total, direct obligations	$ -	$ -
2. Category B total, direct obligations	145,576,567	141,056,343
3. Exempt from apportionment	-	-
Reimbursable:		
1. Category A total, direct obligations	-	-
2. Category B total, direct obligations	405,982	415,042
3. Exempt from apportionment	-	-
Total direct and reimbursable	$ 145,982,549	$ 141,471,385

Note 15 – Exchange Revenues for Reimbursable Services Activities

Pricing policy – Generally, when providing products and services, NEH sets prices to recover the full costs incurred unless otherwise noted in the interagency agreement.

Note 16 – Undelivered Orders at the End of the Period

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

	2014	2013
Unpaid obligations:		
Undelivered orders	$ 116,647,112	$ 110,225,247
Accounts payable	23,064,238	25,182,290
Less: uncollected customers payments from Federal sources	(89,891)	168,902
Total, unpaid obligated balance, net, end of period	$ 139,621,459	$ 135,238,635

National Endowment for the Humanities

Required Supplementary Stewardship Information
Stewardship Investments
(Unaudited)
As of September 30, 2014

Note 17 – Reconciliation of Federal Appropriation to Federal Expended Appropriation

	2014	2013
Federal appropriation	$ 146,021,000	$ 138,383,218
Unexpended appropriation – current year	(77,754,205)	(71,534,302)
Amounts obligated in previous years, expended in current year	68,869,388	78,024,251
Federal expended appropriation	$ 137,136,183	$ 144,873,167

Note 18 – Reconciliation of Expenses to Federal Appropriation

	2014	2013
Total expenses	$ 139,417,680	$ 148,459,585
Depreciation and amortization	(191,559)	(104,256)
Unpaid annual leave	(145,056)	16,948
Reimbursable expenses	(663,261)	(1,104,810)
Trust fund expenses	(365,571)	(1,589,339)
Unfunded expenses	(1,424,788)	(1,230,589)
Unexpended appropriation – current year	77,754,205	71,534,302
Amounts obligated in previous years, expended in current year	(68,869,388)	(78,024,251)
Capital expenditures	508,738	425,628
Federal appropriation	$ 146,021,000	$ 138,383,218

Note 19 – Statement of Net Cost

Matching Grants - Challenge Grants and Treasury Fund Grants

Matching grants are awarded in most programs of the Endowment. A matching award entails an offer of NEH funding that is conditioned on an equivalent amount of fund-raising by the recipient. The Endowment uses two types of matching grants: Challenge Grants and Treasury Fund Grants.

Challenge grants are used to assist organizations in developing long-term sources of support for humanities programs, activities and resources. Some examples include the establishment of endowment funds, the purchase of capital equipment, the retirement of debt, and the renovation or construction of facilities. Recipients of a challenge grant must match every federal dollar with three nonfederal dollars in gifts to the grant recipients.

National Endowment for the Humanities

Required Supplementary Stewardship Information
Stewardship Investments
(Unaudited)
As of September 30, 2014

Treasury Fund grants are appropriated funds used to match nonfederal contributions in support of humanities projects. Treasury matching grants, which match nonfederal donations on a one-to-one basis, have proven to be an effective mechanism for leveraging the contributions of businesses, foundations, and individuals on behalf of the humanities.

National Endowment for the Humanities

Required Supplementary Stewardship Information
Stewardship Investments
(Unaudited)
As of September 30, 2014

Investment in Non-Federal Physical Property

The National Endowment for the Humanities (NEH) provides a long term benefit to the public by maintaining its commitment to investing in non-Federal physical property. Non-Federal physical property refers to expenses incurred by the Federal government for the purchase, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets.

NEH's investment in non-Federal physical property currently includes facilities, structures, and equipment. The principal program funding this investment is Challenge Grants. This program is best understood as a lasting partnership between the community of humanities institutions and NEH. Through this program, NEH invested funding in historic buildings, conservation centers, museums, and libraries. For example, NEH grants funded: the restoration of buildings at the Historic Dyess Colony, Arkansas; the construction of the humanities portion of the public library in Lake County, Oregon; the expansion of the conservation facility at SUNY Buffalo State College; and the renovation of the historic Hilton Mansion House, Baltimore, Maryland.

The following exhibit shows the National Endowment for the Humanities investment in non-Federal physical property displayed in four major categories for FY 2014 and the previous four fiscal years.

Type of Property	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Historic Home/Building	-	-	-	$684,809	$315,191
Conservation Center	$184,255	$9,688	$6,057	-	-
Museum/Library	$300,000	-	$500,000	$150,000	$500,606
Research/Lab Center				$652,981	$152,019
Total	$484,255	$9,688	$506,057	$1,487,790	$967,816

IV. Other Accompanying Information

NEH Inspector General's Summary of Management Challenges

November 6, 2014

William Adams
Chairman, National Council on the Humanities
National Endowment for the Humanities
Washington, DC 20506

Dear Chairman Adams:

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 the Agency's operations.

The OIG has identified three management and performance challenges for inclusion in the NEH's FY 2014 *Performance and Accountability Report* (PAR).

1. Grant Management
2. Information Technology Security
3. Continuity of Operations Planning

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 17, 2014.

Laura Davis
Inspector General

Attachment
cc: Carole Watson, Deputy Chairman
Jeff Thomas, Assistant Chairman for Planning and Operations

Inspector General's Statement
on the
National Endowment for the Humanities'
Management and Performance Challenges

FY 2014
Grant Management

In December 2013, Office of Management and Budget (OMB) issued uniform administrative requirements, (inclusive of requirements for Federal awarding agency management of grant programs before the Federal award has been made), cost principles, and audit requirements for Federal awards to non-Federal entities, ("Uniform Guidance"). This guidance was crafted to ensure the highest integrity in the financial management and operation of Federal programs and strengthen accountability for Federal dollars through improved policies that protect against waste, fraud, and abuse. Annually, disbursements to recipients of NEH awards represent approximately 80 percent of the overall NEH budget. The Uniform Guidance will require additional effort by the Agency during both the pre-award and post-award phases of the grant process to ensure responsible stewardship of Federal funds.

The number of NEH awards that are made to small, non-profit organizations with internal control challenges and limited financial management experience and/or competencies necessitate consistent application of risk assessment procedures (pre-award and post-award), since these entities are more susceptible to fraud, waste, and abuse. In addition to the merit-based review of applications, OMB Uniform Guidance requires Federal awarding agencies to have a framework in place for evaluating the risks posed by applicants before they receive Federal awards. Also, NEH management should consider supplementing current grant administrative guidance published on the Agency website with web-based, interactive training modules to assist prospective applicants and new grantees with their understanding of Federal financial management standards and administrative requirements.

As travel budget restraints continue to impact on-site monitoring activities, Agency management should continue to research and pursue viable alternatives to accomplish site visit objectives, to include use of video teleconferencing tools.

Currently, the "Single Audit" process represents a useful tool for purposes of monitoring NEH grantees, especially state humanities councils. The Uniform Guidance establishes the threshold for the single audit requirement at $750,000. This higher threshold will result in the loss of annual audit coverage of state humanities councils approximating sixty-three (63) percent, (based on the number of state councils subject to the single audit requirement during FY 2013). Consequently, current monitoring activities would need to be enhanced to compensate for the extensive loss of accountability assurances afforded by the "Single Audit" process. In addition to state humanities councils, recipients of

NEH challenge grants and media production awards are most impacted by the increase in the single audit threshold.

Collectively, effective pre-award risk assessments and post-award monitoring procedures, (including timely grant close-out procedures) ensure responsible stewardship of Federal funds.

Information Technology Security

The NEH relies on information management systems to carry out the agency's vital mission. Unfortunately, cyberthreats have continued to evolve universally; therefore protecting information continues to be a challenge for all organizations, both private and government.

The Federal Information Security Management Act (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. Over the years, the NEH has realized steady progress in the implementation of an information security program consistent with FISMA and National Institute of Standards and Technology (NIST) requirements.

To further enhance the security of Federal information and information systems, the OMB has identified cybersecurity as one of 14 Cross Agency Priority (CAP) Goals established in accordance with the Government Performance and Results Modernization Act. Rather than enforcing a static, point-in-time reauthorization process, Federal agencies are required to assess information security risks on an ongoing basis[1]. The cybersecurity goal measures agency implementation of Trusted Internet Connections; strong authentication through the use of multi-factor authentication in accordance with Homeland Security Presidential Directive 12 (HSPD-12); and monitoring information systems' security controls on a continuous basis. The NEH continues to make progress pursuant to this cybersecurity goal.

Continuous Monitoring

NEH management issued a *Security Program and Risk Management Policy* in FY 2012. The policy defines the required components of a continuous monitoring plan and mandates the development of continuous monitoring plans (CMPs) for each major IT system. While the Agency has instituted many continuous monitoring tools, individual CMPs for each of the three core IT systems have yet to be drafted and tested for compliance, as prescribed by the NEH *Security Program and Risk Management Policy*. This step is critical since the sophistication and frequency of cyber-attacks continue to escalate. Furthermore, the Agency's potential risk exposure will increase due to the planned migration of several software applications to the cloud. Continuous monitoring plans will provide management with the necessary blueprint to identify risks and target IT security efforts.

[1] OMB Memorandum M-14-03, *Enhancing the Security of Federal Information and Information Systems*

HSPD-12 Implementation

As discussed in previous years, Homeland Security Presidential Directive 12 (HSPD-12), *Policy for a Common Identification Standard for Federal Employees and Contractors* (the Directive) requires the implementation of a mandatory, government-wide standard for secure and reliable forms of identification for Federal employees and contractors. Accordingly, the Secretary of Commerce issued Federal Information Processing Standard 201 (the Standard). Successful implementation of the Directive and the Standard increases the security of Federal facilities and information systems. In February 2011, the U.S. Department of Homeland Security issued a memorandum in which a plan of action for agencies was outlined to expedite full use of the PIV credentials for access to Federal facilities and logical access to information systems. According to the memorandum, each agency was to develop and issue an implementation policy by March 31, 2011, through which the agency would require the use of PIV credentials as the common means of authentication for access to that agency's facilities, networks, and information systems.

NEH management has made great progress concerning the issuance of PIV credentials to all staff for purposes of gaining physical access to the Agency's new location; thus completing the first HSPD-12 requirement. In order to comply with the Directive and further tighten IT security, management should continue addressing current technical issues that prevent the Agency from moving forward with the second phase of HSPD-12 implementation (utilizing PIV credentials for logical access to NEH systems). During the interim, the OIG encourages the continued use of the two-factor identification process for remote users accessing the full suite of NEH applications.

Continuity of Operations Planning

In order to ensure the preservation of our form of Government under all conditions, it is the policy of the United States to maintain a comprehensive and effective continuity capability composed of Continuity of Operations (COOP) and Continuity of Government (COG) programs. Continuity requirements must be incorporated into the daily operations of all agencies to ensure seamless and immediate continuation of Primary Mission Essential Function capabilities so that critical government functions and services remain available to the Nation's citizens. During previous years, NEH management has made significant progress in maintaining the Agency's Continuity of Operations Plan. However this area continues to represent a management challenge.

An effective test, training, and exercise (TT&E) program is necessary to assist agencies in preparing and validating their organization's continuity capabilities and program. Tests and exercises serve to assess and validate all components of continuity plans, policies, procedures, systems, and facilities used to respond to and recover from an emergency situation and identify issues for subsequent improvement. The last exercise to evaluate the NEH emergency response procedures was conducted in July 2012.

NEH Chairman's Response to Inspector General's Summary of Management Challenges

MEMORANDUM

Date: November 12, 2014

To: Laura Davis
Inspector General

From: William D. Adams
Chairman

Subject: Response to OIG's Management Challenges

Thank you for your thoughtful assessment of the most significant management challenges facing NEH as we enter fiscal year 2015. Our responses to your specific concerns are detailed below.

Grant Management

The agency has an existing policy regarding pre-award risk: an organizational survey that is sent by the Office of Grant Management (OGM) to those nonprofit institutions receiving a first-time NEH award exceeding $50,000, or those who have not received an award exceeding $50,000 in the previous five years. The purpose of the survey is to determine whether applicants' financial management systems meet the standards of the relevant OMB guidance documents.

The submission of the organizational survey is a requirement that is included in the offer letter for those applications approved for reduced funding. For those applications who are fully funded, the requirement is included in the award letter, and payment is restricted until the survey is received and approved. In either case, the completed survey is reviewed by OGM, and if any potential problems are identified, OGM consults with your office so that these concerns are addressed and resolved prior to the release of payment on the award.

In the coming year OGM will continue to work with the Office of Information Resources Management (OIRM) to make use of technology upgrades to eGMS to ensure grant reporting requirements are met. As a first step, OGM will explore possible eGMS enhancements that would help NEH track the timeliness of report review, acceptance, and closeout, consistent with the timelines set forth in OMB's Uniform Guidance. Additionally, as OGM updates NEH's "General Terms and Conditions" documents, they will endeavor to direct grantees not just to the documents' text, but to webinars, podcasts, or other training modules that will help increase NEH grantees' understanding of the Uniform Guidance as well as Endowment-specific guidelines. OGM may also explore the creation and/or hosting of agency-specific training opportunities.

We are aware that the raising of the single-audit threshold to $750,000 will significantly reduce the number of required NEH audits. To address the resulting diminishment of NEH's oversight

function, I will be asking OGM to identify and make use of effective oversight mechanisms that are in use by similarly situated federal agencies.

Information Technology Security

Continuous Monitoring

We agree with you that the agency must continuously improve information security to protect against emerging threats. To this end, NEH already has in place an agency-wide program aimed at improving our security posture. This program, which is a component of the agency's Security Program and Risk Management Policy, sets standards and expectations for information systems managed by NEH. Included in this policy is a requirement for each information system owner to create a continuous monitoring plan that meets the standards for FISMA compliance and furthers the Cross Agency Priority (CAP) goals.

The adoption of continuous monitoring will move NEH closer to the ideal of evaluating and responding to risk in real time. To ensure we implement the requirements of the Security Program and Risk Management Policy in a timely manner, "plan of action and milestones" (POA&M) items have been created to help accelerate the schedule for each system's accreditation and authorization. These POA&Ms will in turn drive the creation of the desired continuous monitoring plans.

HSPD-12 Implementation

In the coming year NEH will be exploring the possibility of using PIV cards to control logical access to NEH's IT systems. To give structure to this review, a POA&M has already been created for this purpose. During the course of the review OIRM will be examining the nature and extent of our current security risks in the absence of logical access controls, as well as steps the agency might sensibly make to remediate these risks through the use of such controls.

Continuity of Operations Planning

NEH recognizes the need to test continuity-of-operation plans (COOP) and procedures. As a first step we have begun planning for a test, training, and exercise event in April of the coming year. This exercise will build on previous COOP exercises conducted by the agency. The April exercise will conclude with an after-action report that will guide further updates and revisions to NEH's continuity of operations plan.

Summary of Financial Statement and Management Assurances

Other Information

Table 1 - Summary of Financial Statement Audit for the Year Ending September 30, 2014

Audit Opinion	Unqualified				
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, 2014

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

Conformance with Financial management system requirements (FMFIA § 4)						
Statement of Assurance	Systems conform 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 Federal Financial Management Improvement Act (FFMIA) *Not Applicable to Non-CFO Act Agencies per OMB Circular A-127 Sec. 8D		
	Agency	Auditor
Overall Substantial Compliance	Not Applicable*	Not Applicable*
1. System Requirements	Not Applicable*	
2. Accounting Standards	Not Applicable*	
3. USSGL at Transaction Level	Not Applicable*	

Improper Payments Improvement Act (IPIA) Reporting

The Improper Payments Information Act of 2002 (IPIA) requires each agency to assess its programs and identify which, if any programs may be subject to high risk with respect to improper payments, and take corrective measures, as necessary. OMB has established specific reporting requirements for agencies with programs that possess a significant risk of erroneous payments and for reporting on results of recovery auditing activities.

On July 22, 2010, the President signed into law the Improper Payments Elimination and Recovery Act (IPERA, Public Law 111-204), which amends the IPIA Act, generally repeals the Recovery Auditing Act (RAA, Section 831 of the FY 2002 Defense Authorization Act, Public Law 107-107), and significantly increases agency payment recapture efforts — by expanding the types of payments that can be reviewed and lowering the threshold of annual outlays that requires agencies to conduct payment recapture audit programs.

IPERA defined a significant erroneous payment as an annual erroneous payment in a program that (1) exceeds both 2.5 percent of program outlays and $10,000,000 of all program or activity payments made during the fiscal year reported or (2) $100,000,000 (regardless of the improper payment percentage of total program outlays). The new law establishes a 2.5 percent improper payment rate threshold to determine risk susceptible programs (in addition to the monetary threshold identified above). OMB has determined as a policy matter that, beginning with fiscal year 2013 reporting, agencies should instead apply a 1.5 percent improper payment rate (with other aspects of the above definition unchanged).

On April 14, 2011, the Office of Management and Budget (OMB) issued government-wide guidance on the Improper Payments Elimination and Recovery Act (IPERA) in OMB Memorandum M-11-16: *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123*. Federal agencies are required to follow the steps in the revised A-123 to determine whether the risk of improper payments is significant and to provide valid annual estimates of improper payments.

The Criteria for the Risk Assessment

At the National Endowment for the Humanities (NEH), risk assessments are currently performed on an annual basis, although a three year rotation is an option. NEH management followed the steps in the revised OMB Circular A-123, Appendix C, Part I, to determine whether the risk of erroneous payments is significant.

IPERA defined "payment" as any payment or transfer of Federal funds to any non-Federal person or entity. Therefore, agencies are not obligated to review intra-governmental transactions and payments to employees.

The Description Of The Sampling Process

Using the following systematic process, NEH conducted an annual review of randomly selected individual grant payments of its major grant program. For each selected payment, the NEH verified the:

a. existence of a properly approved grant award document;
b. properly signed request for payment from the grantee;
c. payment was made to the correct grantee's banking information on record;
d. accuracy of the payment; and
e. payment was charged to the correct grant obligation in Oracle.

The Description Of The Corrective Action Plan

The result of the sampling was an error rate of zero percent for FY 2014 IPIA reporting; therefore, no corrective action plan was needed to manage and reduce improper payments.

NEH identified no programs and activities susceptible to significant improper payments, and consequently determined that no annual estimated amount of improper payments was necessary. OMB's guidance states "when calculating a program's annual improper payment amount, agencies should only utilize the amount paid improperly."

Results of FY 2014 testing for improper payments (in thousands of dollars)

Fund	Population Outlays	Tested Outlay Amount	Population Insufficient Documentation		Population Improper Payment Error	
			Dollars	Rate	Dollars	Rate
Major Grant Fund	$37,745	$2,521	-0-	0.0%	-0-	0.0%

Improper Payment Reduction Outlook

The result of the sampling was an error rate of zero percent for FY 2014 IPIA reporting.

Improper payment reduction outlook: FY 2012 - FY 2016 (in thousands of dollars)

Program	FY 2012			FY 2013			FY 2014			FY 2015			FY 2016		
	Outlays	%	$	Outlays	%	$	Outlays	%	$	Est Outlays	%	$	Est Outlays	%	$
Grant Program	$123,402	0.0	-0-	$119,878	0.0	-0-	$111,711	0.0	-0-	$115,000	0.0	-0-	$115,000	0.0	-0-

Recovery Of Improper Payments

Post-Payment Reviews:
NEH has not identified any program that constitutes a high-risk for improper payments. Therefore, NEH considers all of its payments to fall within the realm of low-risk. Consequently, NEH will not conduct post-payment reviews.

Payment Recapture Audits:

NEH remains at low risk of making improper payments. Based on the FY 2014 IPERA risk assessment, NEH will not perform recapture audits due to the low risk of making improper payments.

Risk Assessment And Oversight Benefits

NEH assessment resulted in an FY 2014 IPIA reporting error rate of zero percent, demonstrating that overall, NEH has adequate internal controls over its payment process. To maintain a zero percent testing error rate, NEH continues to improve internal controls, conduct continuous internal monitoring of possible improper payments, use centralization of accounting functions, and improve communication and follow-up prior to payment authorization to reduce the potential for error.

Management Accountability

Existing control processes and the implementation of the revised OMB Circular A-123 requirements continue to ensure that NEH's internal controls over financial reporting and systems are documented, sufficiently tested, and properly assessed. In turn, improved internal controls enhance safeguards against improper payments, fraud, waste, and abuse better ensure that the taxpayer dollars continue to be used effectively and efficiently to meet NEH's program objectives.