
National Endowment for the Arts
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



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Independent Auditor's Report

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

We have audited the accompanying balance sheets of the Arts Endowment, 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 Arts Endowment's internal control over financial reporting and tested the Arts Endowment'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 Arts Endowment'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. However, our testing of internal control identified no material weaknesses in financial reporting.

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 the Arts Endowment 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 Arts Endowment's financial statements, our consideration of the Arts Endowment's internal control over financial reporting, our tests of the Arts Endowment'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 the Arts Endowment, 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 the Arts Endowment 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.

Change in Accounting Principle

During the year, the Arts Endowment adopted Statement of Federal Financial Accounting Standards (SFFAS) 29, *Heritage Assets and Stewardship Land*, as amended by SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32*, for disclosure of heritage assets. These disclosures are found in the Notes to the Financial Statements, Notes 1.H., 6 and 23. Our opinion is not modified with respect to this matter.

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 Arts Endowment'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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 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 the Arts Endowment 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 Arts Endowment'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 Arts Endowment's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arts Endowment'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. However, given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

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 Arts Endowment. 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 the Arts Endowment 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 Arts Endowment'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 Arts Endowment's internal control over financial reporting or its compliance with laws, regulations, 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 Arts Endowment'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 the Arts Endowment concurred with the facts and conclusions in our report. A copy of management's response accompanies this report.

A handwritten signature in black ink that reads "Leon Snead & Company, P.C." with a stylized flourish at the end.

Leon Snead & Company, P.C.
November 17, 2014



**National
Endowment
for the Arts**
arts.gov

November 17, 2014

Ms. Auvonett Jones
Inspector General
National Endowment for the Arts
400 7th St. SW
Washington, DC 20506

Dear Ms. Jones:

Thank you for managing the audit of the Arts Endowment's Fiscal Year 2014 financial statements, and related review of our internal controls and compliance with laws and regulations, as required by the Accountability of Tax Dollars Act of 2002. This was the Arts Endowment's 12th full financial audit, and we are proud to have once again received an unqualified opinion.

We appreciate the time and effort committed by you, your colleagues, and the auditors from the independent accounting firm of Leon Snead & Company, P.C., who worked on this audit. We take our financial accounting and reporting responsibilities seriously, and welcome your oversight and insight to strengthen our financial operations.

Sincerely,

A handwritten signature in blue ink that reads "Jane Chu".

Jane Chu
Chairman

National Endowment for the Arts
BALANCE SHEET
As of September 30, 2014 and 2013
(In Dollars)

	September 30, 2014			September 30, 2013		
	All Other	Funds from Dedicated Collections (Combined Total) (Note 12)	Cumulative	All Other	Funds from Dedicated Collections (Combined Total) (Note 11)	Cumulative
ASSETS (Notes 2-7):						
Intragovernmental:						
Fund Balance With Treasury (Note 2)	\$ 143,849,339	\$ 1,364,462	\$ 145,213,801	\$ 135,332,133	\$ 1,280,921	\$ 136,613,054
Investments (Note 3)	-	1,143,423	1,143,423	-	1,111,296	1,111,296
Other Assets (Note 7)	285,396	62,140	347,536	285,377	-	285,377
Total Intragovernmental	<u>\$ 144,134,735</u>	<u>\$ 2,570,025</u>	<u>\$ 146,704,760</u>	<u>\$ 135,617,510</u>	<u>\$ 2,392,217</u>	<u>\$ 138,009,727</u>
Assets with the Public:						
Accounts Receivable, Net (Note 4)	\$ 152,972	-	\$ 152,972	\$ 161,800	-	\$ 161,800
General Property, Plant and Equipment, Net (Note 5)	264,010	-	264,010	166,499	-	166,499
Other Assets (Note 7)	12,248	-	12,248	44,306	-	44,306
TOTAL ASSETS	<u><u>\$ 144,563,965</u></u>	<u><u>\$ 2,570,025</u></u>	<u><u>\$ 147,133,990</u></u>	<u><u>\$ 135,990,115</u></u>	<u><u>\$ 2,392,217</u></u>	<u><u>\$ 138,382,332</u></u>
LIABILITIES (Notes 8,9):						
Intragovernmental:						
Accounts Payable (Note 9)	\$ 608,680	-	\$ 608,680	\$ 587,265	-	\$ 587,265
Total Intragovernmental	<u>\$ 608,680</u>	<u>\$ -</u>	<u>\$ 608,680</u>	<u>\$ 587,265</u>	<u>\$ -</u>	<u>\$ 587,265</u>
With the Public:						
Accrued Liabilities (Note 9)	\$ 42,359,063	\$ 79,591	\$ 42,438,654	\$ 37,746,356	\$ 43,780	\$ 37,790,136
Other Liabilities (Note 8,9)	1,945,384	1,661	1,947,045	2,042,831	-	2,042,831
TOTAL LIABILITIES	<u>\$ 44,913,127</u>	<u>\$ 81,252</u>	<u>\$ 44,994,379</u>	<u>\$ 40,376,452</u>	<u>\$ 43,780</u>	<u>\$ 40,420,232</u>
Commitments and Contingencies (Note 11)						
NET POSITION:						
Unexpended Appropriations	\$ 101,181,974	-	\$ 101,181,974	\$ 97,172,233	-	\$ 97,172,233
Cumulative Results of Operations	(1,531,136)	2,488,773	957,637	(1,558,570)	2,348,437	789,867
TOTAL NET POSITION	<u>\$ 99,650,838</u>	<u>\$ 2,488,773</u>	<u>\$ 102,139,611</u>	<u>\$ 95,613,663</u>	<u>\$ 2,348,437</u>	<u>\$ 97,962,100</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 144,563,965</u></u>	<u><u>\$ 2,570,025</u></u>	<u><u>\$ 147,133,990</u></u>	<u><u>\$ 135,990,115</u></u>	<u><u>\$ 2,392,217</u></u>	<u><u>\$ 138,382,332</u></u>

The accompanying notes are an integral part of these statements

National Endowment for the Arts
STATEMENT OF NET COST
For the Years Ended September 30, 2014 and September 30, 2013
(In Dollars)

	2014	2013
Program Costs (Note 13):		
Access to Artistic Excellence:		
Gross Costs	\$ 780,359	\$ 3,986,984
Less: Earned Revenue	(2,352)	(844,300)
Net Access to Artistic Excellence Costs	\$ 778,007	\$ 3,142,684
Learning in the Arts:		
Gross Costs	\$ 130,331	\$ 127,291
Less: Earned Revenue	-	(404,006)
Net Learning in the Arts Costs	\$ 130,331	\$ (276,715)
Partnerships for the Arts:		
Gross Costs	\$ 1,015,638	\$ 3,406,511
Less: Earned Revenue	-	-
Net Partnerships for the Arts Costs	\$ 1,015,638	\$ 3,406,511
Arts Creation:		
Gross Costs	\$ 25,272,042	\$ 23,416,430
Less: Earned Revenue	(51,388)	(49,993)
Net Arts Creation Costs	\$ 25,220,654	\$ 23,366,437
Engagement with the Arts:		
Gross Costs	\$ 67,835,622	\$ 64,649,347
Less: Earned Revenue	(837,934)	(948,710)
Net Engagement with the Arts Costs	\$ 66,997,688	\$ 63,700,637
Contribution of the Arts:		
Gross Costs	\$ 49,395,801	\$ 45,880,802
Less: Earned Revenue	(1,994)	(2,364)
Net Contribution of the Arts Costs	\$ 49,393,808	\$ 45,878,438
Total Program Costs	\$ 143,536,126	\$ 139,217,992
Net Cost of Operations	\$ 143,536,126	\$ 139,217,992

The accompanying notes are an integral part of these statements.

National Endowment for the Arts
STATEMENT OF CHANGES IN NET POSITION
As of September 30, 2014 and 2013
(In Dollars)

FY 2014

FY 2013

	Funds from Dedicated Collections (Combined Total) (Note 12)	All Other Funds	Consolidated Total	Funds from Dedicated Collections (Combined Total) (Note 11)	All Other Funds	Consolidated Total
Cumulative Results of Operations:						
Beginning Balances	\$ 2,348,437	\$ (1,558,570)	\$ 789,867	\$ 2,501,472	\$ (2,287,698)	\$ 213,774
Adjusted Beginning Balances	\$ 2,348,437	\$ (1,558,570)	\$ 789,867	\$ 2,501,472	\$ (2,474,365)	\$ 27,107
Budgetary Financing Sources:						
Appropriations Used		\$ 142,011,259	\$ 142,011,259	\$ -	\$ 138,372,259	\$ 138,372,259
Non-Exchange Revenue	745	-	745	257	-	257
Donations	460,268	-	460,268	397,664	-	397,664
Imputed financing	-	1,231,624	1,231,624	-	1,210,573	1,210,573
Total Financing Sources	\$ 461,013	\$ 143,242,883	\$ 143,703,896	\$ 397,921	\$ 139,582,832	\$ 139,980,753
Net Cost of Operations	320,677	143,215,449	143,536,126	550,956	138,667,036	139,217,992
Net Change	\$ 140,336	\$ 27,434	\$ 167,770	\$ (153,035)	\$ 915,796	\$ 762,761
Cumulative Results of Operations	\$ 2,488,773	\$ (1,531,136)	\$ 957,637	\$ 2,348,437	\$ (1,558,570)	\$ 789,867
Unexpended Appropriations:						
Beginning Balances		\$ 97,172,233	\$ 97,172,233		\$ 96,974,607	\$ 96,974,607
Corrections of Errors		-	-		186,667	186,667
Adjusted Beginning Balances		\$ 97,172,233	\$ 97,172,233		\$ 97,161,274	\$ 97,161,274
Budgetary Financing Sources:						
Appropriations Received		\$ 146,021,000	\$ 146,021,000		\$ 146,020,992	\$ 146,020,992
Appropriations Used		(142,011,259)	(142,011,259)		(138,372,259)	(138,372,259)
Total Budgetary Financing Sources		\$ 4,009,741	\$ 4,009,741		\$ 10,959	\$ 10,959
Total Unexpended Appropriations		\$ 101,181,974	\$ 101,181,974		\$ 97,172,233	\$ 97,172,233
Net Position	\$ 2,488,773	\$ 99,650,838	\$ 102,139,611	\$ 2,348,437	\$ 95,613,663	\$ 97,962,100

The accompanying notes are an integral part of these statements.

National Endowment for the Arts
STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2014 and September 30, 2013
(In Dollars)

	2014	2013
BUDGETARY RESOURCES		
Unobligated Balance Brought Forward, Oct 1	\$ 12,053,265	\$ 12,929,987
Unobligated Balance Brought Forward, Oct 1, as Adjusted	\$ 12,053,265	\$ 12,929,987
Recoveries of Prior Year Unpaid Obligations	1,970,886	1,783,832
Unobligated Balance from Prior Year Budget Authority, Net	\$ 14,024,151	\$ 14,713,819
Appropriations (discretionary and mandatory)	\$ 146,482,079	\$ 138,780,883
Spending Authority from Offsetting Collections (discretionary and mandatory)	1,171,721	965,341
TOTAL BUDGETARY RESOURCES	\$ 161,677,951	\$ 154,460,043
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred (Note 14)	\$ 145,900,766	\$ 142,406,778
Unobligated Balance, End of Year:		
Apportioned	15,758,096	12,034,176
Unapportioned	19,089	19,089
Total Unobligated Balance, End of Year	\$ 15,777,185	\$ 12,053,265
TOTAL BUDGETARY RESOURCES	\$ 161,677,951	\$ 154,460,043
CHANGE IN OBLIGATED BALANCE:		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, Oct 1	\$ 126,574,080	\$ 137,514,952
Obligations Incurred	145,900,766	142,406,778
Outlays (Gross)	(138,797,208)	(151,563,818)
Recoveries of Prior Year Unpaid Obligations	(1,970,886)	(1,783,832)
Unpaid Obligations, End of Year	\$ 131,706,752	\$ 126,574,080
Uncollected Payments:		
Uncollected Payments from Federal Sources, Brought Forward, Oct 1	\$ (903,252)	\$ (1,816,283)
Change in Uncollected Payments from Federal Sources	(223,651)	913,031
Uncollected Payments from Federal Sources, End of Year	(1,126,903)	(903,252)
Memorandum (non-add) Entries:		
Obligated Balance, Start of Year	125,670,828	135,698,669
Obligated Balance, End of Year	130,579,849	125,670,828
BUDGET AUTHORITY AND OUTLAYS, NET:		
Budget Authority, Gross (discretionary and mandatory)	\$ 147,653,800	\$ 139,746,224
Actual Offsetting Collections (discretionary and mandatory)	(948,071)	(1,878,372)
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(223,651)	913,031
Budget Authority, Net (discretionary and mandatory)	\$ 146,482,078	\$ 138,780,883
Outlays, Gross (discretionary and mandatory)	\$ 138,797,208	\$ 151,563,818
Actual Offsetting Collections (discretionary and mandatory)	(948,071)	(1,878,372)
Outlays, Net (discretionary and mandatory)	\$ 137,849,137	\$ 149,685,446
Distributed Offsetting Receipts	(460,268)	(402,664)
Agency Outlays, Net (discretionary and mandatory)	\$ 137,388,869	\$ 149,282,782

The accompanying notes are an integral part of these statements.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

The following footnotes and instructions include the disclosure requirements contained in the Statements of Federal Financial Accounting Standards (SFFAS).

NOTE 1. Significant Accounting Policies:

A. Reporting Entity

The National Endowment for the Arts (NEA) is an independent Federal agency whose mission is to advance artistic excellence, creativity, and innovation for the benefit of individuals and communities. The NEA was established as a result of the National Foundation on the Arts and the Humanities Act of 1965.

B. Basis of Presentation

These statements were prepared from the books and records of the NEA in conformity with accounting principles generally accepted in the United States, and the OMB Circular A-136, *Financial Reporting Requirements* (Circular A-136), Revised September 18, 2014, which supersedes OMB Circular No. A-136, dated October 21, 2013, and the following memoranda and bulletin:

- M-06-27 *Fiscal Year 2006 Year-end Accounting Guidance for Earmarked Funds* (September 22, 2006), available at <http://www.whitehouse.gov/sites/default/files/omb/assets/omb/memoranda/fy2006/m0627.pdf>.
- *Future External Reporting Changes* (December 21, 2001), available at http://www.whitehouse.gov/sites/default/files/omb/financial/year_end_reporting_2001.pdf.
- *Requirements for Accountability of Tax Dollars Act* (December 6, 2002), located at http://www.whitehouse.gov/sites/default/files/omb/financial/accountability_of_tax_dollars.pdf
- M-04-20 *FY 2004 Performance and Accountability Reports and Reporting Requirements for the Financial Report of the United States Government* (July 22, 2004), available at <http://www.whitehouse.gov/sites/default/files/omb/memoranda/fy04/m04-20.pdf>.
- Memorandum FY 2002 *Financial and Performance Reporting*, dated October 18, 2002.
- Bulletin 01-09 *Form and Content of Agency Financial Statements*, revised September 25, 2001, available at <http://www.whitehouse.gov/omb/bulletins/b01-09.html>.

The statements consist of the: Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Footnotes. These financial statements have been prepared to report the financial position and results of operations of the NEA.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 1. Significant Accounting Policies (Continued):

C. Basis of Accounting

Transactions are recorded on a budgetary basis, with large categories such as payroll and grant liabilities recorded on an accrual basis. Under the accrual method, expenses are recognized when liabilities are incurred and revenues are recognized when earned, without regard to payment or receipt of cash. Budgetary accounting measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal constraints and controls over use of Federal funds.

To assist OMB in recommending and publishing comprehensive accounting standards and principles for agencies of the Federal Government, the Secretary of the Treasury, the Comptroller of the United States, the Director of OMB, and the Joint Financial Management Improvement Program (JFMIP) established the Federal Accounting Standards Advisory Board (FASAB) in 1990. The American Institute of Certified Public Accountants Council designated FASAB as the accounting standards authority for Federal government entities.

Created in 1990, the Office of Federal Financial Management (OFFM) is responsible for the financial management policy of the Federal Government. OFFM responsibilities include implementing the financial management improvement priorities of the President, establishing government-wide financial management policies of executive agencies, and carrying out the financial management functions of the CFO Act.

http://www.whitehouse.gov/omb/financial_default/

D. Revenues and Other Financing Sources

NEA 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 the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are recognized as expenses when an asset is consumed in operations.

An Arts and Artifacts Indemnity Fund was established by Congress to address insurance issues that may arise in the course of national exhibits.

NEA was granted the authority to receive donations and to invest in interest-bearing accounts. Appropriate accounting guidelines are followed for both restricted and unrestricted funds.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 1. Significant Accounting Policies (Continued):

D. Revenues and Other Financing Sources (Cont'd)

NEA enters into Intragovernmental reimbursable agreements. The NEA's pricing policy on these exchange revenue transactions is based on mutually approved agreements, with no profits or losses.

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. Some donations carry restrictions as to the use of donated funds. See Note 2 for additional information.

F. Advances and Prepayments

NEA interagency agreements with other Federal agencies are recorded as advances in cases where funds are received prior to expenditure. As work is performed by NEA, expenditures are incurred and advances reduced. Advances are recorded for intragovernmental transactions until the expenditures or revenues are reported by the trading partner, at which time the advance is reduced and the expense/revenue is recognized. Advances are also recorded for payments to vendors for the portion of services that extend beyond the current fiscal year.

G. General Property, Plant and Equipment, Net

NEA policy is to depreciate property, plant and equipment over the estimated useful life of the asset using the straight-line method. NEA's capitalization threshold is \$50,000 for individual purchases and \$50,000 for bulk purchases with a minimum \$10,000 per item. Service lives are as shown below:

<u>Description</u>	<u>Life</u>
Leasehold Improvements	Term of Lease
Capital Leases	Term of Lease
Office Furniture	10 Years
Computer Equipment & Software	4 Years
Office Equipment	7 Years
Vehicles	8 Years

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 1. Significant Accounting Policies (Continued):

H. Heritage Assets

Heritage assets are property, plant and equipment that possess significant historic, cultural, artistic or natural characteristics. These assets are reported in terms of physical units rather than cost of other monetary values per SFFAS 29 *Accounting for Heritage Assets and Stewardship Land* and as amended by SSFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32, paragraph 6.b*. See Note 6 Heritage Assets for additional information.

I. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by NEA as a result of transactions or events that have already occurred. 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, and there is no certainty that the appropriation will be enacted. Also, the Government, acting in its sovereign capacity, can abrogate liabilities.

J. Accounts Payable

Accounts payable consists of amounts owed to other federal agencies and trade accounts payable.

K. Accounts Receivable

NEA uses the specific identification method to recognize an allowance for uncollectible accounts receivable and related bad debt expenses.

L. Annual, Sick and Other Leave

Annual leave and credit hours are accrued when 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.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 1. Significant Accounting Policies (Continued):

M. Retirement Plans

NEA employees participate in the Civil Service 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 participate in CSRS unless they elected to join FERS and Social Security.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established and NEA makes a mandatory one percent contribution to this account. In addition, NEA 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 the TSP accounts established by CSRS employees. FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, NEA remits the employer's share of the required contribution.

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

N. Imputed Benefit Costs

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

O. Use of Estimates

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

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 1. Significant Accounting Policies (Continued):

P. Contingencies

Contingent liabilities are recognized when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

Q. Funds from Dedicated Collections

Amounts reported as funds from dedicated collections are represented by one appropriation, "Gifts and Donations" 59X8040; there are no eliminations of this type of activity within the agency, nor any need for additional subtotal or total columns.

R. Fiduciary Activities

Various artists have loaned their artwork to the Endowment for display in certain agency offices. These artworks are not assets of the Federal Government. Fiduciary activities are not recognized in the proprietary financial statements, but are reported in the notes to the financial statements. See Note 19, Fiduciary Activities.

S. Cost Accounting Methodology

In fiscal year 2012, the Endowment began operating under a new strategic plan. This new plan established new goals and objectives that are separate from those established under the previous plan. As a result, NEA created three new programs that appear on the Statement of Net Cost: Arts Creation, Engagement with the Arts, and Contribution of the Arts. Costs for grants issued in FY 2012 and future years will be recorded under these new programs. Costs related to payment and overall support of grants issued prior to FY 2012 are attributed to the historical programs listed in the previous strategic plan, namely, Access to Artistic Excellence, Learning in the Arts, and Partnerships for the Arts. Costs attributed to these historical programs are allocated based on estimates of personnel and agency resources used to support remaining grants under the previous strategic plan

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 2: Fund Balance With Treasury

	September 30, 2014	September 30, 2013
Fund Balance:		
Trust Funds	\$ 1,364,462	\$ 1,280,921
Appropriated Funds	143,849,339	135,332,133
Fund Balance with Treasury – Subtotal	\$ 145,213,801	\$ 136,613,054
Invested in Public Debt Treasury Bills, net	1,143,233	1,111,039
Fund Balance With Treasury – Total	\$ 146,357,034	\$ 137,724,093
Status of Budgetary Resources:		
Unobligated Balance:		
Available Other	\$ 13,554,421	\$ 9,899,756
Available Trust Fund	2,203,675	2,134,600
Subtotal – Available	\$ 15,758,096	\$ 12,034,176
Unavailable	19,089	19,089
Obligated Balance not yet Disbursed Other	\$ 131,402,732	\$ 126,316,720
Obligated Balance not yet Disbursed Trust Fund	304,020	257,360
Subtotal - Obligated	\$ 131,706,752	\$ 126,574,080
Unfilled Orders – Reimbursable	(1,126,903)	(903,252)
	\$ 146,357,034	\$ 137,724,093

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 3: Investments

September 30, 2014	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Non-Marketable: Par Value	\$ 1,143,233	Effective Interest	\$ 370	\$ 1,143,603	\$ 1,143,603
Accrued Interest on Public Debt Bills	190				190
Total	\$ 1,143,423				\$1,143,793
September 30, 2013	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Non-Marketable: Par Value	\$ 1,111,039	Effective Interest	\$ 426	\$ 1,111,465	\$ 1,111,465
Accrued Interest on Public Debt Bills	257				257
Total	\$ 1,111,296				\$1,111,722

The Federal Government does not set aside assets to pay for future benefits or other expenditures associated with funds from dedicated collections. The cash receipts collected from the public for funds from dedicated collections are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the NEA as evidence of its receipts. Treasury securities are an asset to the NEA and a liability to the U.S. Treasury. Because the NEA and the U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or liability in the U.S. Government.

Treasury securities provide the NEA with authority to draw upon the U.S. Treasury to make future expenditures. When the NEA requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 4: Accounts Receivable

	September 30, 2014	September 30, 2013
Gross Receivables:		
Custodial Receivables (Nonentity)	\$ 150,750	\$ 161,250
Receivables Due from the Public	2,222	550
	\$ 152,972	\$ 161,800
	-	-
	-	-
Net Receivables	\$ 152,972	\$ 161,800

NOTE 5: General Property, Plant, And Equipment

<u>Class of Property</u>	September 30, 2014			September 30, 2013		
	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 338,461	\$ 74,451	\$ 264,010	\$ 205,675	\$ 39,176	\$ 166,499
Total	\$ 338,461	\$ 74,451	\$ 264,010	\$ 205,675	\$ 39,176	\$ 166,499

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 6: Heritage Assets

Heritage assets are property, plant and equipment that are unique for one of the following reasons: historic or natural significance; cultural, educational, or artistic importance. Federal agencies are not required to assign a cost on the Balance Sheet for heritage assets. These items support the agency mission by demonstrating artistic excellence, creativity, and innovation. To qualify as a heritage asset, items must meet the Endowment's objective criteria to classify an item as a heritage asset, which includes: the age of the asset, the artist/author of the asset, the materials used in the asset's creation, the cultural importance of the asset, and the process by which the asset was created. All items classified as heritage assets, though generally individual items, are considered a collection in totality. NEA's collection contains two major categories of heritage assets: Artwork and Decorative Art, and Furniture.

Arts Works and Decorative and Furniture

The NEA collection includes principally unique works of art by known artists that are not permanently attached to or designed for the structure(i.e., collectible).

Heritage Assets Category	Qty as of 9/30/14	Qty as of 9/30/13	Change
Artwork and Decorative Art	194	194	0%
Furniture	40	40	0%
Total	234	234	0%

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 7: Other Assets

	September 30, 2014	September 30, 2013
Intragovernmental Advances:		
Institute of Museum and Library Services (1)	\$ 62,140	\$ -
Department of Commerce (2)	231,489	220,000
Department of Transportation (3)	53,907	65,377
Total Intragovernmental	\$ 347,536	\$ 285,377
With the Public:		
Advances to Vendors (4)	\$ 12,248	\$ 44,306
Total Other Assets	\$ 359,784	\$ 329,683
Other Information:		

- (1) Support for the National Student Poets Program.
- (2) Advance to Census Bureau to provide Census statistics to the agency.
- (3) Advance to the Department of Transportation for the purchase of Metrochecks and accounting system hosting.
- (4) Advances to various contractors for services to be provided in future periods.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 8: Liabilities Not Covered By Budgetary Resources

	September 30, 2014	September 30, 2013
Intragovernmental:		
Unfunded FECA Liability	\$ 2,509	\$ 5,071
Custodial Liability	150,750	161,250
Total Intragovernmental	\$ 153,259	\$ 166,321
Accrued Unfunded Leave	\$ 1,216,103	\$ 1,374,580
Actuarial FECA Liability	12,560	28,986
Total Liabilities Not Covered by Budgetary Resources	\$ 1,381,922	\$ 1,569,887
Total Liabilities Covered by Budgetary Resources (Note 9)	\$ 43,612,457	\$ 38,850,345
Total Liabilities	\$ 44,994,379	\$ 40,420,232

Liabilities not covered by budgetary resources are financial responsibilities that do not yet have financial resources provided by Congress. Action from Congress is required before resources can be provided.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 9: Other Liabilities

	September 30, 2014			September 30, 2013		
	Non-Current	Current	Total	Non-Current	Current	Total
Intragovernmental:						
Custodial Liability	\$ -	\$ 150,750	\$ 150,750	\$ -	\$ 161,250	\$ 161,250
Employer Contributions	-	105,421	105,421	-	88,444	88,444
Unfunded FECA Liability	-	2,509	2,509	-	5,071	5,071
Advances from Other Government Agencies	-	350,000	350,000		332,500	332,500
Total Intragovernmental Liabilities	\$ -	\$ 608,680	\$ 608,680	\$ -	\$ 587,265	\$ 587,265
With the Public:						
Accrued Payables - Invoices	\$ -	\$ 218,375	\$ 218,375	\$ -	\$ 237,446	\$ 237,446
Accrued Funded Payroll	-	483,628	483,628	-	387,385	387,385
TSP Employer Contributions	-	16,379	16,379	-	14,434	14,434
Actuarial FECA Liability	-	12,560	12,560	-	28,986	28,986
Accrued Unfunded Leave	-	1,216,103	1,216,103	-	1,374,580	1,374,580
<i>Total Other Liabilities</i>	\$ -	\$ 1,947,045	\$ 1,947,045	\$ -	\$ 2,042,831	\$ 2,042,831
Accrued Liabilities	-	\$ 42,438,654	\$ 42,438,654	-	\$ 37,790,136	\$ 37,790,136
Total Liabilities with the Public	\$ -	\$ 44,385,699	\$ 44,385,699	\$ -	\$ 39,832,967	\$ 39,832,967
Total Liabilities	\$ -	\$ 44,994,379	\$ 44,994,379	\$ -	\$ 40,420,232	\$ 40,420,232

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 10: Leases

Brief Description of Occupancy Agreement:

The occupancy agreement (OA) between NEA and GSA for the Old Post Office (OPO) building includes rental of office space and one surface parking space from October 2013 through February 2014. A draft OA between NEA and GSA for the Constitution Center (CC) dated March 13, 2014 was established for the period March through September 2014; although, the NEA did not move to the CC until May 2014. The draft OA includes rental of office space and two structured parking spaces for the agency's vehicles. GSA provided a revised draft OA for the CC dated July 11, 2014 with increased estimated costs based on a higher square footage (60,015 sq ft) than the March 13, 2014 draft (58,370 sq ft). As of September 30, 2014, an OA has not been finalized between NEA and GSA for the CC.

FY 2013 and FY 2014 rent figures reflect actual charges to date, with an additional obligation listed for FY 2014 for a possible adjustment due to the increase in square footage provided in the July 11, 2014 draft OA. Estimates for FY 2015 through FY 2024 are based on the draft OA dated July 11, 2014.

RENT BY BUILDING / FY	FY 2013 ACTUAL	FY 2014 ACTUAL	FY 2014	FY 2014 (Estimate for increased square footage)	Total FY 14
OPO Annual Rent	\$2,881,632	\$1,205,215	5 Months		\$1,205,215
CC Annual Rent		\$1,575,038	7 Months	\$ 97,468	\$1,672,506
Constitution Center	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Estimated Annual Rent	\$2,772,144	\$2,719,150	\$2,752,478	\$2,786,807	\$2,904,874
Constitution Center	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (5 months)
Estimated Annual Rent	\$3,000,371	\$3,037,882	\$3,076,519	\$3,116,315	\$1,240,891

The Agency's financial obligations for years beyond the current year do not mature until the later year(s) are reached. The obligation to pay rent in future years is subject to the availability of funds.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 10: Leases (continued)

Brief Description of Copier Lease:

The NEA entered into a 60 month operating lease for copiers commencing October 1, 2008 thru April 30, 2014. In May, 2014, the National Endowment for the Arts purchased replacement copiers for use in the Constitution Center; see Note 5 for additional details.

<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
\$169,519	\$169,687	\$163,480	\$154,623	\$73,381

NOTE 11: Commitments and Contingencies

The Arts Endowment is subject to a potential claim related to a class action lawsuit brought generally by former federal employees against more than fifty agencies of the United States government, including the Arts Endowment. No amounts have been accrued in the Arts Endowment financial statements because the amount of any judgment or settlement of the suit that might occur in the future cannot be reasonably determined.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 12: Funds from Dedicated Collections (Combined Total)

	Gifts and Donations	
Balance Sheet	September 30, 2014	September 30, 2013
ASSETS		
Fund Balance with Treasury	\$ 1,364,462	\$ 1,280,921
Investments	1,143,423	1,111,296
Other Assets - Advances	62,140	-
Total Assets	\$ 2,570,025	\$ 2,392,217
LIABILITIES		
Accrued Expenses	\$ 79,591	\$ 43,780
Other Liabilities	1,661	-
Total Liabilities	\$ 81,252	\$ 43,780
NET POSITION		
Cumulative Results of Operations	\$ 2,488,773	\$ 2,348,437
Total Liabilities and Net Position	\$ 2,570,025	\$ 2,392,217

Statement of Net Cost	September 30, 2014	September 30, 2013
Gross Program Costs	\$ 320,677	\$ 550,956
Less Earned Revenue	-	-
Net Cost of Operations	\$ 320,677	\$ 550,956

Statement of Changes in Net Position	September 30, 2014	September 30, 2013
Net Position Beginning of Period	\$ 2,348,437	\$ 2,501,472
Non-Exchange Revenue	745	257
Cash Donations	460,268	397,664
Less: Net Cost of Operations	(320,677)	(550,956)
Change in Net Position	\$ 140,336	\$ (153,035)
Net Position End of Period	\$ 2,488,773	\$ 2,348,437

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 13: Intragovernmental Costs and Exchange Revenue

	FY 2014			FY 2013		
	Intragovernmental	With the Public	Total	Intragovernmental	With the Public	Total
Access to Artistic Excellence:						
Program Costs	\$ 82,202	\$ 698,157	\$ 780,359	\$ 96,209	\$ 3,890,775	\$ 3,986,984
Earned Revenue	(2,352)	-	(2,352)	(844,300)	-	(844,300)
Net Costs - Access to Artistic Excellence	\$ 79,850	\$ 674,157	\$ 778,007	\$ (748,091)	\$ 3,890,775	\$ 3,142,684
Learning in the Arts:						
Program Costs	\$ 7,364	\$ 122,967	\$ 130,331	\$ 11,869	\$ 115,465	\$ 127,291
Earned Revenue	-	-	-	(404,006)	-	(404,006)
Net Costs - Learning in the Arts	\$ 7,364	\$ 122,967	\$ 130,331	\$ (392,180)	\$ 115,465	\$ (276,915)
Partnerships for the Arts:						
Program Costs	\$ 7,809	\$ 1,007,829	\$ 1,015,638	\$ 12,539	\$ 3,393,972	\$ 3,406,511
Earned Revenue	-	-	-	-	-	-
Net Costs - Partnerships for the Arts	\$ 7,809	\$ 1,007,829	\$ 1,015,638	\$ 12,539	\$ 3,393,972	\$ 3,406,511

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 13: Intragovernmental Costs and Exchange Revenue (continued)

	FY 2014			FY 2013		
	Intragovernmental	With the Public	Total	Intragovernmental	With the Public	Total
Arts Creation:						
Program Costs	\$ 4,224,567	\$ 21,047,475	\$ 25,272,042	\$ 3,978,917	\$ 19,437,513	\$ 23,416,430
Earned Revenue	(51,388)	-	(51,388)	(49,993)	-	(49,993)
Net Costs - Arts Creation	\$ 4,173,179	\$ 21,047,475	\$ 25,220,654	\$ 3,928,924	\$ 19,437,513	\$ 23,366,437
Engagement with the Arts:						
Program Costs	\$ 4,874,876	\$ 62,960,747	\$ 67,835,623	\$ 5,778,507	\$ 58,870,840	\$ 64,649,347
Earned Revenue	(837,934)	-	(837,934)	(948,710)	-	(948,710)
Net Costs - Engagement with the Arts	\$4,036,942	\$ 62,960,747	\$ 66,997,689	\$ 4,829,797	\$ 58,870,840	\$ 63,700,637
Contribution of the Arts:						
Program Costs	\$ 192,769	\$ 49,203,032	\$ 49,395,801	\$ 2,225,920	\$ 43,654,882	\$ 45,880,802
Earned Revenue	(1,994)	-	(1,994)	(2,364)	-	(2,364)
Net Costs - Contribution of the Arts	\$ 190,775	\$ 49,203,032	\$ 49,393,808	\$ 2,223,556	\$ 43,654,882	\$ 45,878,438
Total (including previous page):						
Program Costs	\$ 9,389,587	\$ 135,040,207	\$ 144,429,794	\$ 12,103,918	\$ 129,363,447	\$ 141,467,365
Earned Revenue	(893,668)	-	(893,668)	(2,249,573)	-	(2,249,373)
Net Cost of Operations	\$ 8,495,919	\$ 135,040,207	\$ 143,536,126	\$ 9,854,545	\$ 129,363,447	\$ 139,217,992

The Arts Endowment receives funds from other Federal agencies that participate in the Arts Endowment's program awards. The Arts Endowment may also incur intragovernmental costs for its participation in program awards or activities of other Federal agencies. NEA adopted a new strategic plan beginning in FY 2012 creating Arts Creation, Engagement with the Arts, and Contribution of the Arts programs. Costs for grants issued prior to FY 2012 are recorded to the Access to Artistic Excellence, Learning in the Arts, and Partnerships for the Arts programs.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 14: Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

The NEA is provided with funding only under Category B.

Category B	Direct	Reimbursable	Total
Apportionments	\$ 146,482,079	\$ 1,134,819	\$ 147,616,898
Obligations	\$ 144,765,947	\$ 1,134,819	\$ 145,900,766

NOTE 15: Undelivered Orders at the End of the Period

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

Undelivered Orders:	2014	2013
Direct	\$ 87,893,371	\$ 87,467,148
Reimbursable	(910,707)	918,771
Undelivered Orders, net, end of period	\$ 88,804,078	\$ 88,385,919

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 16: Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

The differences between the FY 2013 Statement of Budgetary Resources and the FY 2013 actual numbers presented in the FY 2015 Budget of the United States Government (Budget) are summarized below.

The President's Fiscal Year 2016 Budget, which will include actual numbers for fiscal year 2014, has not yet been published. The FY 2016 Budget is expected to be published in February 2015 and to be available at <http://www.whitehouse.gov/omb/budget/>.

FY 2013 (in \$ millions)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 154	\$ 142	\$ -	\$ 149
Difference (see above)	-	1	-	1
Budget of US Government	\$ 154	\$ 143	\$ -	\$ 150

NOTE 17: 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 20 - Reconciliation of Net Cost of Operations to Budget represent the change in the liability created in the current year.

NOTE 18: Incidental Custodial Collections

	2014	2013
Proprietary Receipts from the Public	\$ -	\$ -
Intrabudgetary Receipts Deducted by Agencies	10,500	5,000
Total Custodial Collections	\$ 10,500	\$ 5,000

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 19: Fiduciary Activities

The Endowment has several paintings on loan from various artists to be displayed in certain offices. These pieces are not assets of the Endowment, but they are managed and insured with the intent to return these pieces to the artists according to their respective loan agreements. The artworks are valued and insured at fair market value.

National Endowment for the Arts
Schedule of Fiduciary Activity

For the Period Ended September 30, 2014 and 2013

	September 30, 2014	September 30, 2013
	Various Paintings	Various Paintings
Fiduciary net assets, beginning of year	\$ 103,000	\$ 88,500
Contributions	-	16,000
Disposition of assets	(21,000)	(1,500)
	(21,000)	14,500
Increase/(Decrease) in fiduciary net assets	(21,000)	14,500
Fiduciary net assets, end of period	\$ 82,000	\$ 103,000

National Endowment for the Arts
Fiduciary Net Assets

As of September 30, 2014 and 2013

	September 30, 2014	September 30, 2013
FIDUCIARY ASSETS		
Other Assets (various paintings)	\$ 82,000	\$ 103,000
FIDUCIARY LIABILITIES		
Less: Liabilities	-	-
Total Fiduciary net assets	\$ 82,000	\$ 103,000

Items included in the other assets line above include paintings from multiple artists.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 20: Reconciliation of Net Cost of Operations to Budget

	2014	2013
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 145,900,766	\$ 142,406,778
Less: Spending Authority from offsetting collections and recoveries	(3,142,607)	(2,749,173)
Obligations net of offsetting collections and recoveries	\$ 142,758,159	\$ 139,657,605
Less: Offsetting receipts	(460,268)	(402,664)
Net Obligations	\$ 142,287,391	\$ 139,254,941
Other Resources		
Imputed financing from costs absorbed by others	\$ 1,231,624	\$ 1,210,572
Other Resources	-	-
Net Other Resources Used to Finance Activities	\$ 1,231,624	\$ 1,210,572
Total Resources Used to Finance Activities	\$ 143,529,516	\$ 140,465,513
 Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods and Services and Benefits Ordered but not received	\$ (177,008)	\$ (1,710,035)
Resources that fund expenses recognized in prior periods	(174,904)	-
Budgetary offsetting collections and receipts that do not affect net cost of operations	460,268	402,664
Resources that Finance the Acquisition of Assets	(132,786)	-
Total Resources used to finance items not part of the Net Cost of Operations	\$ (24,430)	\$ (1,307,371)
Total Resources Used to finance the Net Cost of Operations	\$ 143,505,086	\$ 139,158,142
 Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring/Generating Resources in Future Periods (Note 17):		
Increase in Annual Leave Liability	\$ -	\$ 24,767
Other – Change in FECA Liability	-	11,313
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ -	\$ 36,080
 Components not Requiring or Generating Resources:		
Depreciation and Amortization	\$ 35,274	\$ 29,382
Other not Requiring Outlay of Resources	(4,234)	(5,612)
Total components of Net Cost of Operations that will not require or generate resources	\$ 31,040	\$ 23,770
Total components of net cost of operations that will not require or generate resources in the current period	\$ 31,040	\$ 59,850
Net Cost of Operations	\$ 143,536,126	\$ 139,217,992

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2014 and 2013
(In Dollars)

NOTE 21: Donations In-Kind

During FY 2014, NEA received in-kind gifts from several organizations. Gifts included payment of NEA staff travel, lodging, and meals, as well as payment of NEA staff registration fees to attend and/or participate in various arts related functions. The total value of these in-kind donations was \$20,416 in FY 2014 and \$25,175 in FY 2013.

NOTE 22: Change in Presentation

As of FY 2014, NEA changed the presentation of Note 13, Intragovernmental Costs and Exchange Revenue to align employee benefits with guidance provided by OMB Circular A-136.

NOTE 23: Change in Application of Principle

As of FY 2014, NEA adopted the SFFAS 29, *Accounting for Heritage Assets and Stewardship Land* and as amended by SSFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32, paragraph 6.b* to account for the recognition that some of NEA's collection of art, decorative art objects, and furniture should be characterized as heritage assets. All items have been inventoried and appraised, and a directive is being drafted to address acquisition, maintenance, and disposition of the artworks and furniture collection. See "Significant Accounting Policies", Note 1H, *Heritage Assets* policy and Note 6, *Heritage Assets* for additional information.