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**National Endowment for the Arts**  
**Audit of Financial Statements**  
**As of and for the Years Ended**  
**September 30, 2015 and 2014**

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**Submitted By**

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



## **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 National Endowment for the Arts (Arts Endowment), as of September 30, 2015 and 2014, 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, 2015 and 2014, 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. We are reporting one significant deficiency regarding the Arts Endowment's lack of reporting required quarterly data to the Department of Treasury and the Office of Management and Budget.

Except for the effects of the lack of required 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, and 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 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, 2015 and 2014, and the related statements of net cost, changes in net position, and 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, 2015 and 2014, 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 OMB Bulletin 15-02, *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 (FASAB) 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, 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, Summary of Management Challenges, Summary of Financial Statement Audit and Management Assurances, and reporting details related to the Improper Payments Improvement Act, as amended by the Improper Payments Elimination and Recovery Act, 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, 2015 and 2014, 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. 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. We consider the following deficiency in the Arts Endowment's internal control to be a significant deficiency.

- NEA did not upload its bulk file to Treasury's Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) system during the first three quarters of fiscal year 2015.

The GTAS system feeds financial data to the OMB MAX system. The MAX produces a report, the SF 133, *Report on Budget Execution and Budgetary Resources*, that informs OMB each quarter on the agency's sources and uses of funds. MAX also captures the actual data for the current year that is used for the preparation of the following year's Presidential budget.

The United States Code (31 U.S.C. 1511–1514) requires the President of the United States to review Federal expenditures at least four times a year. The SF 133 report is designed to fulfill that requirement. In addition, OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, section 130.1, states that agencies must electronically submit SF 133 information through the Treasury's GTAS system each quarter and at the end of November, July, and August for each open Treasury appropriation fund symbol. Agencies are also required to submit a copy of the SF 133 for November, July, August, and each quarter directly to the Committee on Appropriations, House of Representatives.

NEA uses the Delphi financial management system, provided by the Department of Transportation, Federal Aviation Administration, Enterprise Service Center (ESC). For most of its clients, ESC performs the procedures necessary to create and submit

the upload to the GTAS system. Since it converted its legacy system, NEA has used only the Delphi financial management system and does not use ESC's full-service capabilities, so NEA had been performing its own upload procedures and had been using Treasury's GOALS, FACTS I, and FACTS II systems for SF 133 and other required reporting. In fiscal year 2015, Treasury ceased operating those systems and began using only GTAS to replace the functionality those systems had. Treasury has told NEA that they must use their service provider's system to generate the GTAS bulk file or Treasury will not accept it.

In September 2014 and June 2015, respectively, NEA lost two well-trained, experienced systems accountants. Those accountants performed many of the financial reporting tasks for NEA and were familiar with both Delphi and Treasury systems. NEA had taken care to train a back-up for the Systems Accountant – Team Leader; however, when the second systems accountant also left within a few months, they did not have sufficient, trained personnel to be able to keep up with all of the agency's transaction processing and reporting needs, including learning how to use ESC's Delphi system to accomplish the GTAS bulk file upload and to generate the SF 133 information.

The change in systems, coupled with the loss of highly-experienced personnel, left NEA unable to create and submit its GTAS bulk file for the first three fiscal quarters of 2015. Since the GTAS system creates the data output necessary for the OMB's MAX system to produce the SF 133 report, NEA had not been able to fulfill SF 133 reporting requirements, either. Thus, NEA did not comply with financial reporting laws and related government-wide policies and requirements.

#### Recommendation

We recommended that NEA work with ESC to find a solution to the problem of uploading the GTAS bulk file in time to submit its final 2015 SF 133 data to OMB.

#### Management's Response

NEA concurs with the finding and has enlisted our service provider, Enterprise Service Center (ESC) to ensure that we are in compliance with the GTAS regulations. We are pleased to report that the September GTAS bulk file was uploaded in time to submit our final 2015 SF 133 to OMB. NEA has just filled 1.6 FTEs with Systems Accountants who will be trained to manage the process of reporting going forward.

#### Auditor's Comment

During our final testing phase, we obtained documentation to demonstrate that the fourth quarter bulk file for each of NEA's Treasury symbols was successfully certified in GTAS. The NEA Budget Officer and Director of Accounting were able to show us that the MAX system's 2015 actual column was populated with NEA's 2015 amounts.

## 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. 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.

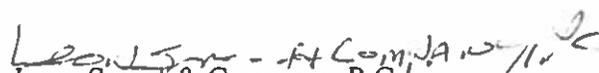
In connection with our audit, except for the effects of the lack of required reporting, nothing came to our attention that caused us to believe that the Arts Endowment failed to comply with applicable laws, regulations, or significant provisions of laws, regulations, contracts, and grant agreements that 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, contract, 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, 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 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.

  
Leon Snead & Company, P.C.  
November 23, 2015



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

November 23, 2015

Office of the Inspector General  
National Endowment for the Arts  
400 7<sup>th</sup> St. SW  
Washington, DC 20506

Dear Inspector General Staff:

Thank you for managing the audit of the Arts Endowment's Fiscal Year 2015 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 13<sup>th</sup> 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 black ink that reads "Jane Chu". The signature is written in a cursive, flowing style.

Jane Chu  
Chairman

**National Endowment for the Arts**  
**BALANCE SHEET**  
**As of September 30, 2015 and 2014**  
(In Dollars)

	September 30, 2015			September 30, 2014		
	All Other	Funds from Dedicated Collections (Combined Total) (Note 12)	Cumulative	All Other	Funds from Dedicated Collections (Combined Total) (Note 11)	Cumulative
<b>ASSETS (Notes 2-7):</b>						
<b>Intragovernmental:</b>						
Fund Balance With Treasury (Note 2)	\$ 143,406,218	\$ 3,013,962	\$ 146,420,181	\$ 143,849,339	\$ 1,364,462	\$ 145,213,801
Investments (Note 3)	-	-	-	-	1,143,423	1,143,423
Other Assets (Note 6)	1,261,412	80,000	1,341,412	285,396	62,140	347,536
<b>Total Intragovernmental</b>	<b>\$ 144,667,630</b>	<b>\$ 3,093,962</b>	<b>\$ 147,761,592</b>	<b>\$ 144,134,735</b>	<b>\$ 2,570,025</b>	<b>\$ 146,704,760</b>
<b>Assets with the Public:</b>						
Accounts Receivable, Net (Note 4)	\$ 148,081	-	\$ 148,081	\$ 152,972	-	\$ 152,972
General Property, Plant and Equipment, Net (Note 5)	602,220	-	602,220	264,010	-	264,010
Other Assets (Note 6)	840	-	840	12,248	-	12,248
<b>TOTAL ASSETS</b>	<b>\$ 145,418,771</b>	<b>\$ 3,093,962</b>	<b>\$ 148,512,733</b>	<b>\$ 144,563,965</b>	<b>\$ 2,570,025</b>	<b>\$ 147,133,990</b>
<b>LIABILITIES (Notes 8,9):</b>						
<b>Intragovernmental:</b>						
Accounts Payable (Note 9)	\$ 518,361	-	\$ 518,361	\$ 608,680	-	\$ 608,680
<b>Total Intragovernmental</b>	<b>\$ 518,361</b>	<b>\$ -</b>	<b>\$ 518,361</b>	<b>\$ 608,680</b>	<b>\$ -</b>	<b>\$ 608,680</b>
<b>With the Public:</b>						
Accrued Liabilities (Note 9)	\$ 47,717,476	\$ 114,038	\$ 47,831,515	\$ 42,359,063	\$ 79,591	\$ 42,438,654
Other Liabilities (Note 8,9)	1,910,896	863	1,911,759	1,945,384	1,661	1,947,045
<b>TOTAL LIABILITIES</b>	<b>\$ 50,146,733</b>	<b>\$ 114,901</b>	<b>\$ 50,261,635</b>	<b>\$ 44,913,127</b>	<b>\$ 81,252</b>	<b>\$ 44,994,379</b>
Commitments and Contingencies (Note 11)						
<b>NET POSITION:</b>						
Unexpended Appropriations	\$ 96,553,198	-	\$ 96,553,198	\$ 101,181,974	-	\$ 101,181,974
Cumulative Results of Operations	(1,281,161)	2,979,060	1,697,900	(1,531,136)	2,488,773	957,637
<b>TOTAL NET POSITION</b>	<b>\$ 95,272,037</b>	<b>\$ 2,979,060</b>	<b>\$ 98,251,098</b>	<b>\$ 99,650,838</b>	<b>\$ 2,488,773</b>	<b>\$ 102,139,611</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 145,418,771</b>	<b>\$ 3,093,962</b>	<b>\$ 148,512,733</b>	<b>\$ 144,563,965</b>	<b>\$ 2,570,025</b>	<b>\$ 147,133,990</b>

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, 2015 and September 30, 2014**  
(In Dollars)

	<u>2015</u>	<u>2014</u>
<b>Program Costs (Note 13):</b>		
<b>Access to Artistic Excellence:</b>		
Gross Costs	\$ 652,173	\$ 780,359
Less: Earned Revenue	(103,456)	(2,352)
<b>Net Access to Artistic Excellence Costs</b>	<u>\$ 548,717</u>	<u>\$ 778,007</u>
<b>Learning in the Arts:</b>		
Gross Costs	\$ 75,828	\$ 130,331
Less: Earned Revenue	-	-
<b>Net Learning in the Arts Costs</b>	<u>\$ 75,828</u>	<u>\$ 130,331</u>
<b>Partnerships for the Arts:</b>		
Gross Costs	\$ 606,436	\$ 1,015,638
Less: Earned Revenue	-	-
<b>Net Partnerships for the Arts Costs</b>	<u>\$ 606,436</u>	<u>\$ 1,015,638</u>
<b>Arts Creation:</b>		
Gross Costs	\$ 25,668,349	\$ 25,272,042
Less: Earned Revenue	(33,589)	(51,388)
<b>Net Arts Creation Costs</b>	<u>\$ 25,634,760</u>	<u>\$ 25,220,654</u>
<b>Engagement with the Arts:</b>		
Gross Costs	\$ 70,616,541	\$ 67,835,622
Less: Earned Revenue	(758,614)	(837,934)
<b>Net Engagement with the Arts Costs</b>	<u>\$ 69,857,928</u>	<u>\$ 66,997,688</u>
<b>Contribution of the Arts:</b>		
Gross Costs	\$ 55,430,580	\$ 49,395,801
Less: Earned Revenue	(154,851)	(1,994)
<b>Net Contribution of the Arts Costs</b>	<u>\$ 55,275,728</u>	<u>\$ 49,393,808</u>
<b>Total Program Costs</b>	<u>\$ 151,999,397</u>	<u>\$ 143,536,126</u>
<b>Net Cost of Operations</b>	<u><u>\$ 151,999,397</u></u>	<u><u>\$ 143,536,126</u></u>

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, 2015 and 2014**  
(In Dollars)

	FY 2015			FY 2014		
	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
<b>Cumulative Results of Operations:</b>						
Beginning Balances	\$ 2,488,772	\$ (1,531,136)	\$ 957,636	\$ 2,348,437	\$ (1,558,570)	\$ 789,867
Adjusted Beginning Balances	\$ 2,488,772	\$ (1,531,136)	\$ 957,636	\$ 2,348,437	\$ (1,558,570)	\$ 789,867
<b>Budgetary Financing Sources:</b>						
Appropriations Used	-	\$ 150,630,575	\$ 150,630,575	-	\$ 142,011,259	\$ 142,011,259
Non-Exchange Revenue	180	-	180	745	-	745
Donations	940,519	-	940,519	460,268	-	460,268
<b>Other Financing Sources (Non-Exchange)</b>						
Imputed financing	-	1,168,387	1,168,387	-	1,231,624	1,231,624
<b>Total Financing Sources</b>	\$ 940,699	\$ 151,798,962	\$ 152,739,661	\$ 461,013	\$ 143,242,883	\$ 143,703,896
<b>Net Cost of Operations</b>	450,411	151,548,987	151,999,397	320,677	143,215,449	143,536,126
<b>Net Change</b>	\$ 490,288	\$ 249,975	\$ 740,263	\$ 140,336	\$ 27,433	\$ 167,769
<b>Cumulative Results of Operations</b>	\$ 2,979,060	\$ (1,281,161)	\$ 1,697,900	\$ 2,488,773	\$ (1,531,136)	\$ 957,636
<b>Unexpended Appropriations:</b>						
Beginning Balances		\$ 101,181,974	\$ 101,181,974		\$ 97,172,233	\$ 97,172,233
Adjusted Beginning Balances		\$ 101,181,974	\$ 101,181,974		\$ 97,172,233	\$ 97,172,233
<b>Budgetary Financing Sources:</b>						
Appropriations Received		\$ 146,021,000	\$ 146,021,000		\$ 146,021,000	\$ 146,021,000
Other Adjustments		(19,201)	(19,201)		-	-
Appropriations Used		(150,630,575)	(150,630,575)		(142,011,259)	(142,011,259)
<b>Total Budgetary Financing Sources</b>		\$ (4,628,776)	\$ (4,628,776)		\$ 4,009,741	\$ 4,009,741
<b>Total Unexpended Appropriations</b>		\$ 96,553,198	\$ 96,553,198		\$ 101,181,974	\$ 101,181,974
<b>Net Position</b>	\$ 2,979,060	\$ 95,272,037	\$ 98,251,098	\$ 2,488,773	\$ 99,650,838	\$ 102,139,611

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, 2015 and September 30, 2014**  
(In Dollars)

	2015	2014
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance Brought Forward, Oct 1	\$ 15,777,185	\$ 12,053,265
Recoveries of Prior Year Unpaid Obligations	1,423,301	1,970,886
Other Changes in Unobligated Balance	(19,201)	-
Unobligated Balance from Prior Year Budget Authority, Net	\$ 17,181,285	\$ 14,024,151
Appropriations (discretionary and mandatory)	\$ 146,962,784	\$ 146,482,079
Spending Authority from Offsetting Collections (discretionary and mandatory)	1,423,636	1,171,721
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 165,567,704</b>	<b>\$ 161,677,951</b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred (Note 14)	\$ 150,025,162	\$ 145,900,766
Unobligated Balance, End of Year:		
Apportioned	15,542,542	15,758,096
Unapportioned	-	19,089
Total Unobligated Balance, End of Year	\$ 15,542,542	\$ 15,777,185
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 165,567,704</b>	<b>\$ 161,677,951</b>
<b>CHANGE IN OBLIGATED BALANCE:</b>		
<b>Unpaid Obligations:</b>		
Unpaid Obligations, Brought Forward, Oct 1	\$ 131,706,752	\$ 126,574,080
Obligations Incurred	150,025,162	145,900,766
Outlays (Gross)	(147,891,975)	(138,797,208)
Recoveries of Prior Year Unpaid Obligations	(1,423,301)	(1,970,886)
Unpaid Obligations, End of Year	\$ 132,416,639	\$ 131,706,752
<b>Uncollected Payments:</b>		
Uncollected Payments from Federal Sources, Brought Forward, Oct 1	\$ (1,126,903)	\$ (903,252)
Change in Uncollected Payments from Federal Sources	(412,097)	(223,651)
Uncollected Payments from Federal Sources, End of Year	\$ (1,539,000)	\$ (1,126,903)
<b>Memorandum (non-add) Entries:</b>		
Obligated Balance, Start of Year	130,579,849	125,670,828
Obligated Balance, End of Year	130,877,639	130,579,849
<b>BUDGET AUTHORITY AND OUTLAYS, NET:</b>		
Budget Authority, Gross (discretionary and mandatory)	\$ 148,386,420	\$ 147,653,800
Actual Offsetting Collections (discretionary and mandatory)	(1,011,539)	(948,071)
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(412,097)	(223,651)
Budget Authority, Net (discretionary and mandatory)	\$ 146,962,784	\$ 146,482,078
Outlays, Gross (discretionary and mandatory)	\$ 147,891,975	\$ 138,797,208
Actual Offsetting Collections (discretionary and mandatory)	(1,011,539)	(948,071)
Outlays, Net (discretionary and mandatory)	\$ 146,880,437	\$ 137,849,137
Distributed Offsetting Receipts	(940,519)	(460,268)
Agency Outlays, Net (discretionary and mandatory)	\$ 145,939,917	\$ 137,388,869

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, 2015 and 2014**  
(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 August 4, 2015, which supersedes:

- OMB Circular A-136, *Financial Reporting Requirements* (Circular A-136), dated September 18, 2014.
- M-06-27 *Fiscal Year 2006 Year-end Accounting Guidance for Earmarked Funds* (September 22, 2006), located at <http://www.whitehouse.gov/sites/default/files/omb/assets/omb/memoranda/fy2006/m06-27.pdf>.
- *Future External Reporting Changes* (December 21, 2001), located at [http://www.whitehouse.gov/sites/default/files/omb/financial/year\\_end\\_reporting\\_2001.pdf](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](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), located 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>.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(In Dollars)

**NOTE 1. Significant Accounting Policies (Continued):**

**B. Basis of Presentation (Cont'd)**

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.

**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/](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.

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**NOTE 1. Significant Accounting Policies (Continued):**

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

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.

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.

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 1. Significant Accounting Policies (Continued):**

**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

**H. 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.

**I. Accounts Payable**

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

**J. Accounts Receivable**

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

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 1. Significant Accounting Policies (Continued):**

**K. 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.

**L. 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 M. below). Reporting amounts such as plan assets and accumulated plan benefits, if any, is the responsibility of the Office of Personnel Management.

**M. 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.

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**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. 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.

**P. 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.

**Q. 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 18, Fiduciary Activities.

**R. 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, 2015 and 2014**  
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**NOTE 2: Fund Balance With Treasury**

	September 30, 2015	September 30, 2014
Fund Balance:		
Trust Funds	\$ 3,013,962	\$ 1,364,462
Appropriated Funds	143,406,218	143,849,339
Fund Balance with Treasury – Subtotal	<u>\$ 146,420,181</u>	<u>\$ 145,213,801</u>
Invested in Public Debt Treasury Bills, net	-	1,143,233
Fund Balance With Treasury – Total	<u>\$ 146,420,181</u>	<u>\$ 146,357,034</u>
Status of Budgetary Resources:		
Unobligated Balance:		
Available Other	\$ 13,377,367	\$ 13,554,421
Available Trust Fund	<u>2,165,175</u>	<u>2,203,675</u>
Subtotal – Available	\$ 15,542,542	\$ 15,758,096
Unavailable	-	19,089
Obligated Balance not yet Disbursed Other	\$ 131,567,852	\$ 131,402,732
Obligated Balance not yet Disbursed Trust Fund	<u>848,787</u>	<u>304,020</u>
Subtotal - Obligated	132,416,639	131,706,752
Unfilled Orders – Reimbursable	<u>(1,539,000)</u>	<u>(1,126,903)</u>
	<u>\$ 146,420,181</u>	<u>\$ 146,357,034</u>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3: Investments**

<b>September 30, 2015</b>	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
<b>Intragovernmental Securities:</b>					
Non-Marketable: Par Value	\$ -	Effective Interest	\$ -	\$ -	\$ -
Accrued Interest on Public Debt Bills	-				-
<b>Total</b>	<b>\$ -</b>				<b>\$ -</b>
<b>September 30, 2014</b>					
<b>September 30, 2014</b>	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
<b>Intragovernmental Securities:</b>					
Non-Marketable: Par Value	\$ 1,143,233	Effective Interest	\$ 370	\$ 1,143,603	\$ 1,143,603
Accrued Interest on Public Debt Bills	190				190
<b>Total</b>	<b>\$ 1,143,423</b>				<b>\$ 1,143,793</b>

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**  
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**NOTE 4: Accounts Receivable**

	<b>September 30, 2015</b>	<b>September 30, 2014</b>
Gross Receivables:		
Custodial Receivables (Nonentity)	\$ 139,750	\$ 150,750
Receivables Due from the Public	8,331	2,222
	\$ 148,081	\$ 152,972
 Allowance for Uncollectibles:	 -	 -
 Net Receivables	 \$ 148,081	 \$ 152,972

**NOTE 5: General Property, Plant, And Equipment**

Class of Property	September 30, 2015			September 30, 2014		
	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 725,293	\$ 123,073	\$ 602,220	\$ 338,461	\$ 74,451	\$ 264,010
Total	\$ 725,293	\$ 123,073	\$ 602,220	\$ 338,461	\$ 74,451	\$ 264,010

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**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. Heritage assets are received through donations from the public. 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.

Condition Rating Scale	Definition
<b>Poor</b>	Item is in danger of damage or loss. Requires major conservation or repair to maintain it intact and keep it stable.
<b>Fair</b>	Item is physically sound but requires major conservation to improve aesthetic integrity.
<b>Good</b>	Item is physically sound and retains aesthetic integrity. Requires routine conservation maintenance (e.g. minor surface cleaning).
<b>Excellent</b>	Item is new or has been conserved close to its original condition and appearance.

**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). The 2014 quantity was based on number of items, [195 for artwork and decorative art, and 40 furniture items]. For 2015 and forward, the number will be based on number of inventory property numbers.

Heritage Assets Category	Qty as of 9/30/15	Qty as of 9/30/14	Change	General Condition
Artwork and Decorative Art	193	183	5.5%	Good
Furniture	40	40	0%	Excellent
<b>Total</b>	<b>233</b>	<b>223</b>	<b>4.5%</b>	

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 7: Other Assets**

	September 30, 2015	September 30, 2014
Intragovernmental Advances:		
Institute of Museum and Library Services (1)	\$ 80,000	\$ 62,140
Department of Commerce (2)	1,082,977	231,489
Library of Congress (3)	840	-
Department of Transportation (4)	178,435	53,907
Total Intragovernmental	\$ 1,342,251	\$ 347,536
With the Public:		
Advances to Vendors (5)	\$ -	\$ 12,248
Total Other Assets	\$ 1,342,251	\$ 359,784

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 Library of Congress for the National Book Festival
4. Advance to the Department of Transportation for the purchase of Metrochecks and accounting system hosting.
5. Advances to various contractors for services to be provided in future periods.

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 8: Liabilities Not Covered By Budgetary Resources**

	September 30, 2015	September 30, 2014
Intragovernmental:		
Unfunded FECA Liability	\$ 498	\$ 2,509
Custodial Liability	139,750	150,750
Total Intragovernmental	\$ 140,248	\$ 153,259
Accrued Unfunded Leave	\$ 1,172,392	\$ 1,216,103
Actuarial FECA Liability	2,369	12,560
Total Liabilities Not Covered by Budgetary Resources	\$ 1,315,009	\$ 1,381,922
Total Liabilities Covered by Budgetary Resources (Note 8)	\$ 48,946,626	\$ 43,612,457
<b>Total Liabilities</b>	<b>\$ 50,261,635</b>	<b>\$ 44,994,379</b>

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**  
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**NOTE 9: Other Liabilities**

	September 30, 2015			September 30, 2014		
	Non-Current	Current	Total	Non-Current	Current	Total
<b>Intragovernmental:</b>						
Accrued Payables - Invoices	\$ -	\$ (13,121)	\$ (13,121)	\$ -	\$ -	\$ -
Custodial Liability	-	139,750	139,750	-	150,750	\$ 150,750
Employer Contributions	-	128,368	128,368	-	105,421	105,421
Unfunded FECA Liability	-	498	498	-	2,509	2,509
Advances from Other Government Agencies	-	262,866	262,866	-	350,000	350,000
Post-Employment Benefit	-	-	-	-	-	-
<b>Total Intragovernmental Liabilities</b>	\$ -	\$ 518,361	\$ 518,361	\$ -	\$ 608,680	\$ 608,680
<b>With the Public:</b>						
Accrued Payables - Invoices	\$ -	\$ 197,356	\$ 197,356	\$ -	\$ 218,375	\$ 218,375
Accrued Funded Payroll	-	520,379	520,379	-	483,628	483,628
TSP Employer Contributions	-	19,264	19,264	-	16,379	16,379
Actuarial FECA Liability	-	2,369	2,369	-	12,560	12,560
Accrued Unfunded Leave	-	1,172,392	1,172,392	-	1,216,103	1,216,103
<b>Total Other Liabilities</b>	\$ -	\$ 1,911,759	\$ 1,911,759	\$ -	\$ 1,947,045	\$ 1,947,045
Accrued Liabilities	-	\$ 47,831,515	\$ 47,831,515	-	\$ 42,438,654	\$ 42,438,654
<b>Total Liabilities with the Public</b>	\$ -	\$ 49,743,274	\$ 49,743,274	\$ -	\$ 44,385,699	\$ 44,385,699
<b>Total Liabilities</b>	\$ -	\$ 50,261,635	\$ 50,261,635	\$ -	\$ 44,994,379	\$ 44,994,379

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10: Leases**

**Brief Description of Occupancy Agreement:**

The FY 2014 Rental Costs were with the Old Post Office (OPO) building, including five months rental of office space and one surface parking space and with the Constitution Center for seven months. The new occupancy agreement with Constitution Center includes rental of office space and two parking spaces for the agency vehicles. The April 24, 2015 occupancy agreement was signed and the upcoming lease terms are as follows:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Total Annual Rental	\$2,780,253	\$2,889,544	\$2,921,902	\$2,955,230	\$2,989,559
	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Total Annual Rental	\$3,107,614	\$3,203,103	\$3,240,615	\$3,279,251	\$3,319,048

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.

**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**  
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**NOTE 12: Funds from Dedicated Collections (Combined Total)**

	<b>Gifts and Donations</b>	
<b>Balance Sheet</b>	<b>September 30, 2015</b>	<b>September 30, 2014</b>
<b><i>ASSETS</i></b>		
Fund Balance with Treasury	\$ 3,013,962	\$ 1,364,462
Investments	-	1,143,423
Other Assets - Advances	80,000	62,140
<b><i>Total Assets</i></b>	<b><u>\$ 3,093,962</u></b>	<b><u>\$ 2,570,025</u></b>
<b><i>LIABILITIES</i></b>		
Accrued Expenses	\$ 114,039	\$ 79,591
Other Liabilities	863	1,661
<b>Total Liabilities</b>	<b><u>\$ 114,902</u></b>	<b><u>\$ 81,252</u></b>
<b><i>NET POSITION</i></b>		
Cumulative Results of Operations	<u>\$ 2,979,060</u>	<u>\$ 2,488,773</u>
<b><i>Total Liabilities and Net Position</i></b>	<b><u>\$ 3,093,962</u></b>	<b><u>\$ 2,570,025</u></b>
<b>Statement of Net Cost</b>		
	<b>September 30, 2015</b>	<b>September 30, 2014</b>
Gross Program Costs	\$ 450,411	\$ 320,677
Less Earned Revenue	-	-
<b><i>Net Cost of Operations</i></b>	<b><u>\$ 450,411</u></b>	<b><u>\$ 320,677</u></b>
<b>Statement of Changes in Net Position</b>		
	<b>September 30, 2015</b>	<b>September 30, 2014</b>
Net Position Beginning of Period	\$ 2,488,772	\$ 2,348,437
Non-Exchange Revenue	180	554
Cash Donations	940,519	419,585
Less: Net Cost of Operations	<u>(450,411)</u>	<u>(173,797)</u>
Change in Net Position	<u>\$ 490,288</u>	<u>\$ 246,342</u>
<b><i>Net Position End of Period</i></b>	<b><u>\$ 2,979,060</u></b>	<b><u>\$ 2,594,779</u></b>

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 13: Intragovernmental Costs and Exchange Revenue**

	FY 2015			FY 2014		
	Intragovern- mental	With the Public	Total	Intragovern- mental	With the Public	Total
<b>Access to Artistic Excellence:</b>						
Program Costs	\$ 22,174	\$ 629,999	\$ 652,173	\$ 82,202	\$ 698,157	\$ 780,359
Earned Revenue	(103,456)	-	(103,456)	(2,352)	-	(2,352)
Net Costs - Access to Artistic Excellence	\$ (81,282)	\$ 629,999	\$ 548,717	\$ 79,850	\$ 674,157	\$ 778,007
<b>Learning in the Arts:</b>						
Program Costs	\$ 2,852	\$ 72,976	\$ 75,828	\$ 7,364	\$ 122,967	\$ 130,331
Earned Revenue	-	-	-	-	-	-
Net Costs - Learning in the Arts	\$ 2,852	\$ 72,976	\$ 75,828	\$ 7,364	\$ 122,967	\$ 130,331
<b>Partnerships for the Arts:</b>						
Program Costs	\$ 3,024	\$ 603,412	\$ 606,436	\$ 7,809	\$ 1,007,829	\$ 1,015,638
Earned Revenue	-	-	-	-	-	-
Net Costs - Partnerships for the Arts	\$ 3,024	\$ 603,412	\$ 606,436	\$ 7,809	\$ 1,007,829	\$ 1,015,638

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 13: Intragovernmental Costs and Exchange Revenue (continued)**

	FY 2015			FY 2014		
	Intragovernmental	With the Public	Total	Intragovernmental	With the Public	Total
<b>Arts Creation:</b>						
Program Costs	\$ 4,386,504	\$ 21,281,845	\$ 25,668,349	\$ 4,224,567	\$ 21,047,475	\$ 25,272,042
Earned Revenue	(33,589)	-	(33,589)	(51,388)	-	(51,388)
Net Costs - Arts Creation	\$ 4,352,914	\$ 21,281,845	\$ 25,634,760	\$ 4,173,179	\$ 21,047,475	\$ 25,220,654
<b>Engagement with the Arts:</b>						
Program Costs	\$ 5,935,542	\$ 64,680,999	\$ 70,616,541	\$ 4,874,876	\$ 62,960,747	\$ 67,835,623
Earned Revenue	(758,614)	-	(758,614)	(837,934)	-	(837,934)
Net Costs - Engagement with the Arts	\$ 5,176,929	\$ 64,680,999	\$ 69,857,928	\$ 4,036,942	\$ 50,228,881	\$ 66,997,689
<b>Contribution of the Arts:</b>						
Program Costs	\$ 167,647	\$ 55,262,933	\$ 55,430,580	\$ 192,769	\$ 49,203,032	\$ 49,395,801
Earned Revenue	(154,851)	-	(154,851)	(1,994)	-	(1,994)
Net Costs - Contribution of the Arts	\$ 12,795	\$ 55,262,933	\$ 55,275,728	\$ 190,775	\$ 49,203,032	\$ 49,393,808
<b>Total (including previous page):</b>						
Program Costs	\$ 10,517,743	\$ 142,532,165	\$ 153,049,908	\$ 9,389,587	\$ 135,040,207	\$ 144,430,794
Earned Revenue	(1,050,510)	-	(1,050,510)	(893,668)	-	(1,344,236)
Net Cost of Operations	\$ 9,467,233	\$ 142,532,165	\$ 151,999,397	\$ 8,495,919	\$ 135,040,207	\$ 143,086,558

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. As a result, these programs had no activity in FY 2011 and prior years. 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**  
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(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	\$ 147,010,947	\$ 1,375,473	\$ 148,386,420
Obligations	\$ 148,638,768	\$ 1,386,395	\$ 150,025,162

**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:	2015	2014
Direct	\$ 83,989,716	\$ 87,893,371
Reimbursable	1,085,413	(910,707)
Undelivered Orders, net, end of period	\$ 85,075,129	\$ 88,804,078

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 16: Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government**

The differences between the FY 2014 Statement of Budgetary Resources and the FY 2014 actual numbers presented in the FY 2016 Budget of the United States Government (Budget) are summarized below.

The President's Fiscal Year 2017 Budget, which will include actual numbers for fiscal year 2015, has not yet been published. The FY 2017 Budget is expected to be published in February 2016 and to be available at <http://www.whitehouse.gov/omb/budget/>.

<b>FY 2014 (in \$ millions)</b>	<b>Budgetary Resources</b>	<b>Obligations Incurred</b>	<b>Distributed Offsetting Receipts</b>	<b>Net Outlays</b>
Combined Statement of Budgetary Resources	\$ 162	\$146	\$ -	\$ 137
Difference (see above)	\$1	-	-	-
Budget of US Government	\$161	\$146	\$ -	\$ 137

**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.

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 18: Incidental Custodial Collections**

	<b>2015</b>	<b>2014</b>
Proprietary Receipts from the Public	\$ -	\$ -
Intrabudgetary Receipts Deducted by Agencies	11,000	10,500
	\$ 11,000	\$ 10,500
Total Custodial Collections	\$ 11,000	\$ 10,500

**NOTE 19: Fiduciary Activities**

The Endowment has a painting on loan from an artist to be displayed in one office. This piece is not an asset of the Endowment, but is managed and insured with the intent to return this piece to the artist according to the loan agreement. The artwork is valued and insured at fair market value.

National Endowment for the Arts  
**Schedule of Fiduciary Activity**  
For the Years Ended September 30, 2015 and 2014

	<b>September 30, 2015</b> Various Paintings	<b>September 30, 2014</b> Various Paintings
Fiduciary net assets, beginning of year	\$ 82,000	\$ 103,000
Contributions	-	-
Disposition of assets	-	(21,000)
	-	(21,000)
Increase/(Decrease) in fiduciary net assets	-	(21,000)
Fiduciary net assets, end of period	\$ 82,000	\$ 82,000

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 19: Fiduciary Activities (continued)**

**Fiduciary Net Assets**  
As of September 30, 2015 and 2014

	<b>September 30, 2015</b>	<b>September 30, 2014</b>
<b>FIDUCIARY ASSETS</b>		
Other Assets (painting)	\$ 82,000	\$ 82,000
<b>FIDUCIARY LIABILITIES</b>		
Less: Liabilities	-	-
<b>Total Fiduciary net assets</b>	<u>\$ 82,000</u>	<u>\$ 82,000</u>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 20: Reconciliation of Net Cost of Operations to Budget**

	2015	2014
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 150,025,162	\$ 145,900,766
Less: Spending Authority from offsetting collections and recoveries	(2,846,936)	(3,142,607)
Obligations net of offsetting collections and recoveries	\$ 147,178,226	\$ 142,758,159
Less: Offsetting receipts	(940,519)	(460,268)
Net Obligations	\$ 146,237,707	\$ 142,297,891
Other Resources		
Imputed financing from costs absorbed by others	\$ 1,168,387	\$ 1,231,624
Other Resources	-	-
Net Other Resources Used to Finance Activities	\$ 1,168,387	\$ 1,231,624
Total Resources Used to Finance Activities	\$ 147,406,094	\$ 143,529,516
<b>Resources Used to Finance Items not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods and Services and Benefits Ordered but not received	\$ 4,053,016	\$ (177,008)
Resources that fund expenses recognized in prior periods	(53,902)	(174,904)
Budgetary offsetting collections and receipts that do not affect net cost of operations	940,519	460,268
Resources that Finance the Acquisition of Assets	(386,833)	(132,786)
Total Resources used to finance items not part of the Net Cost of Operations	\$ 4,552,801	\$ (24,430)
Total Resources Used to finance the Net Cost of Operations	\$ 151,958,895	\$ 143,505,086
<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>		
Components Requiring/Generating Resources in Future Periods (Note 16):		
Increase in Annual Leave Liability	\$ -	\$ -
Other – Change in FECA Liability	-	-
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ -	\$ -
Components not Requiring or Generating Resources:		
Depreciation and Amortization	\$ 48,623	\$ 35,275
Other not Requiring Outlay of Resources	(8,120)	(4,234)
Total components of Net Cost of Operations that will not require or generate resources	\$ 40,502	\$ 31,040
Total components of net cost of operations that will not require or generate resources in the current period	\$ 40,502	\$ 31,040
<b>Net Cost of Operations</b>	<b>\$ 151,999,397</b>	<b>\$ 143,536,126</b>

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 21: Donations In-Kind**

During FY 2015, NEA received in-kind gifts from several organizations. Gifts include 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 \$15,839.97 in FY 2015 and \$25,457 in FY 2014.

**NOTE 22: Change in Presentation**

As of FY 2014, NEA changed the presentation of Note 12, Intragovernmental Costs and Exchange Revenue to align employee benefits with guidance provided by OMB Circular A-136.