



AGENCY FINANCIAL REPORT FISCAL YEAR 2024

Submitted to the Congress,
the Office of Management and Budget,
the Department of the Treasury, and
the Government Accountability Office
November 15, 2024

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National Endowment for the Arts – FY 2024 Agency Financial Report
A Message from the Chair

~ A Message from the Chair ~

On behalf of the National Endowment for the Arts (NEA), I am pleased to present the agency's Fiscal Year (FY) 2024 Agency Financial Report, which summarizes the NEA's financial performance during the past year.

Throughout FY 2024, the NEA focused steadfastly on fulfilling its mission of fostering and sustaining an environment in which the arts belong to and benefit everyone in the United States. The agency accomplished this through providing more than \$163 million in grant awards, conducting research about the importance of the arts in health and well-being, and promoting and advancing national conversations about the ways the arts can help strengthen our democracy and civic infrastructure. The NEA also entered into several strategic partnerships with other federal agencies and served as a national resource that supports learning in and about the arts, celebrates our nation's rich and diverse cultural heritage, and helps to advance critically important work at the intersection of arts and other fields such as education, health, and community development. Finally, arts and cultural organizations have continued to experience the economic effects of COVID 19 and persistent social, environmental, and economic shocks. The NEA draws on all of its functions to understand and support arts leaders and organizations as they adapt their practices to sustain and grow access to the arts and support good jobs for artists.

I believe that the ability of all people to experience arts, culture, and design, tell their own stories on their own terms, and participate in the creative evolution of our country is core to our American ethos and our democracy. The arts, fundamentally, strengthen and promote the well-being and resilience of our communities. They also play an important role in our local and national economies. Further, I believe all people have the capacity to be creative, imaginative, and expressive.

As described in the pages that follow, I can state confidently that the NEA deployed the resources it was provided appropriately and effectively, and made meaningful, sustained progress in fulfilling its mission in FY2024.

With gratitude,



Maria Rosario Jackson, Ph.D.
Chair, National Endowment for the Arts

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National Endowment for the Arts Fiscal Year 2024 Agency Financial Report

~ I. Management’s Discussion and Analysis ~

The National Endowment for the Arts (“NEA”) produces an Agency Financial Report (AFR) and an Annual Performance Report (APR). The Agency will include its FY 2024 APR with its FY 2026 Congressional Budget Justification in early 2025. It will post these on the NEA website at www.arts.gov.

Overview

The NEA, established by Congress in 1965, is an independent federal agency that is the largest funder of the arts and arts education in communities nationwide and a catalyst of public and private support for the arts. The agency partners closely with the nation’s 56 state and jurisdictional arts agencies, 6 regional arts organizations, and private entities, leveraging resources to provide more arts funding and arts programs across the country. Through its grant awards, strategic partnerships, and honorific awards, the NEA supports learning in and about the arts, celebrating the nation’s rich and diverse cultural heritage, and promoting equitable access to the arts in every community in the United States.

The NEA’s primary activities include grantmaking to nonprofit arts organizations, public arts agencies and organizations, and individual writers and translators. It also is a national leader in the field and a convener on issues important to the arts community and people working at the intersections of arts and other fields such as health, community development, and education, among others. The NEA supports and conducts groundbreaking arts-focused research and disseminates important information about the arts nationwide via our blog, podcasts, *American Artscape* magazine, and social media.

The NEA seeks to bring meaningful arts experiences to all Americans.

A. Mission, Organizational Structure, and Internal Operations

The NEA’s Strategic Plan for FY 2022-2026 reflects the agency’s aim to align itself with the needs of our nation today and seeks to elevate the vital and enduring role of the agency within the federal government and society at large.

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Management’s Discussion and Analysis*

MISSION

The arts strengthen and promote the well-being and resilience of people and communities. By advancing equitable opportunities for arts participation and practice, the NEA fosters and sustains an environment in which the arts benefit everyone in the United States.

VISION

A nation in which the arts are essential to our democracy and to reaching our highest potential by nourishing creative enterprise, freedom of thought, imagination, and inquiry.

VALUES

<h3 style="margin: 0;">RESPECT</h3> <ul style="list-style-type: none"> • We demonstrate respect for our colleagues, our constituents, the general public, and ourselves. This includes respecting others’ time, efforts, and abilities. • We value people equally and treat others with kindness. We lead with inquiry, good will, and assume best intentions. • We take personal accountability for our actions and their effects. • We foster a positive, transparent, kind, healthy, inclusive, sustainable work environment. • We are quick and generous in honoring the best in each other. • We celebrate our accomplishments and those of others around us. • We express gratitude to others. 	<h3 style="margin: 0;">LEARNING AND CREATIVITY</h3> <ul style="list-style-type: none"> • We welcome collaboration and sharing of ideas, knowledge, and feedback to help make the best decisions. • We are resourceful and innovative, drawing from our diverse experiences. • We engage in continuous learning for personal and professional development. We know opportunities for learning are everywhere, especially from each other. • We lead with inquiry before judgement. We offer constructive feedback and are receptive to it. • We recognize that the arts, culture, and creativity can help improve our everyday lives and what we aspire to accomplish. 	<h3 style="margin: 0;">COMMUNICATION</h3> <ul style="list-style-type: none"> • We strive for transparent, timely, direct, and courteous communications. • We recognize that listening is critical to effective communication, and we listen with a curious mindset. • We demonstrate professionalism in our communications, behaviors, and interactions, both internally and externally. • We draw on effective and respectful communication to strengthen our teamwork and collaboration. 	<h3 style="margin: 0;">RESPONSIBILITY TO PUBLIC SERVICE</h3> <ul style="list-style-type: none"> • We strive to be trustworthy public servants who serve with pride and integrity. • We are good stewards of government funding and other resources, as well as our collective agency mission. • We provide world class customer service to our internal colleagues and external constituents. • We aim for efficiency, effectiveness, and meaningful results.
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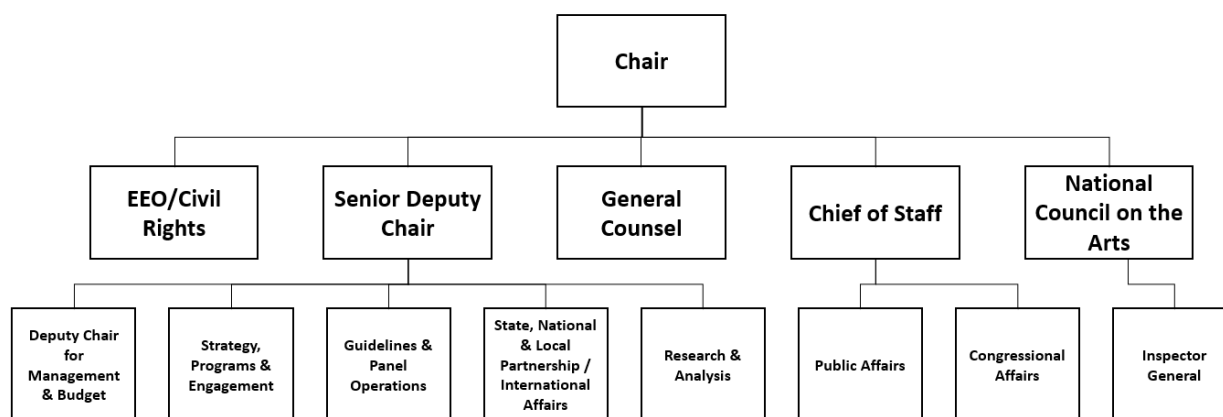
Leadership

The National Endowment for the Arts is led by Chair Maria Rosario Jackson, Ph.D., who was appointed by President Biden and subsequently confirmed by the United States Senate on December 18, 2021. Chair Jackson is advised by the National Council on the Arts, a council of up to eighteen nationally and internationally renowned artists, distinguished scholars, and arts patrons appointed by the President and confirmed by the Senate. The Council also includes non-voting Congressional (ex officio) members who are appointed by Senate and House leadership from both sides of the aisle. The Council reviews and votes to approve or reject grant applications. Its recommendations for funding are sent to the NEA Chair, who reviews those applications and makes the final decision on all grant awards. Currently, the Council has a full complement of eighteen Presidential appointees and three ex officio members.

In FY 2024, the NEA’s senior organizational leaders, in addition to Chair Jackson, included, among others, a Senior Deputy Chair; Deputy Chair for Management & Budget; Chief of Staff; Chief Strategy, Programs & Engagement Officer; Director of Research and Analysis; Chief Information Officer; Director of Public Affairs; and General Counsel. During FY 2024, the agency operated with a staffing level of approximately 150 full-time equivalents.

NEA Organizational Chart

(as of September 30, 2024)



Performance Goals, Objectives, and Results

The NEA’s FY 2022-2026 Strategic Plan includes the following four goals and underlying objectives:

Goal 1. Support opportunities for all people to participate in the arts and arts education.

Objective 1.1 Expand public access to the NEA’s programs and award-supported activities.

Objective 1.2 Prioritize data-driven methods to broaden and deepen engagement with underserved communities.

Objective 1.3 Provide opportunities for people throughout the country to participate in arts education and to increase their knowledge and skills in the arts at all stages of life.

Objective 1.4 Ensure opportunities for the international exchange of artists and arts and cultural traditions.

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Goal 2. Integrate the arts with strategies that promote the well-being and resilience of people and communities.

***Objective 2.1** Support arts projects with a focus on advancing the health and well-being of individuals.*

***Objective 2.2** Embed the arts in system-wide initiatives that strengthen or heal communities.*

Goal 3. Build capacity and infrastructure within the arts sector through knowledge-sharing, tools, resources, and evidence-based practices.

***Objective 3.1** Support the development of skills and strategies that will enable arts leaders to manage more effective organizations and agencies.*

***Objective 3.2** Produce research, statistics, and general information about the arts for the benefit of the arts sector and beyond.*

***Objective 3.3** Invest in the capacity of arts organizations and artists to serve a broader public through digital or emergent technology.*

Goal 4. Pursue and adopt exemplary practices to support the agency’s mission.

***Objective 4.1** Continue to be accountable and transparent to the public through effective operations that promote vigilant stewardship of funds.*

***Objective 4.2** Foster a skilled, agile, diverse, and cohesive workforce.*

CROSS-CUTTING OBJECTIVE

The NEA will model diversity, equity, inclusion, and accessibility in the arts through all of its activities and operations.

Across the four strategic goals, the NEA will support the cross-cutting objective to model diversity, equity, inclusion, and accessibility in the arts through all of its activities and operations.

Results

The following activities and initiatives, organized by goal, highlight some of the key accomplishments that the NEA achieved during FY 2024.

Goal 1. Support opportunities for all people to participate in the arts and arts education.

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Management's Discussion and Analysis*

- **Arts Participation:** The NEA remained committed to supporting equitable opportunities for arts participation and practice for all Americans in the United States. In FY 2024, the NEA supported more than 2,100 projects by funding \$65.6 million in Grants for Arts Projects. The agency also provided \$2.5 million in grants through its Challenge America program that offers support to small organizations for projects that extend the reach of the arts to underserved groups/communities. In addition, the NEA awarded \$1.2 million in Literature Fellowships. (Objective 1.1)
- **Support for States:** The NEA continued to support state arts agencies (SAAs) and regional arts organizations (RAOs) by helping to ensure that, along with other NEA efforts, arts programming and opportunities reach even the smallest communities in remote rural areas. In FY 2024, forty percent of the agency's grantmaking funds were allocated to the 50 States, six special jurisdictions, and six RAOs. State governments matched these federal grant dollars to create additional investments that support programs and initiatives responsive to constituent needs in arts education, organizational and community development, preservation of diverse cultures, and providing access to the arts. In FY 2024, the NEA provided approximately \$65.3 million in federal support for projects that benefit local communities in partnership with the state and jurisdictional arts agencies and regional arts organizations. (Objective 1.1 and Objective 1.3)

Goal 2. Integrate the arts with strategies that promote the well-being and resilience of people and communities.

- **United We Stand: Connecting Through Culture:** Launched in coordination with the White House United We Stand Summit in September 2022, and the National Endowment for the Humanities, [*United We Stand: Connecting Through Culture*](#) is an initiative that leverages the arts and humanities to support community healing and resilience in response to hate-motivated violence and other forms of collective trauma. In FY 2024, the NEA funded projects to support art and culture-based approaches to community healing. This included support to Maine Inside Out for a series of open-mic presentations focused on community healing after the October 2023 shooting in Lewiston, Maine. The award enabled local artists to perform music, poetry, or spoken-word at free open-mic events focused on healing where community members also had the opportunity to perform and participate.

The NEA also funded the Center for Exploratory and Perceptual Arts in Buffalo, New York, to host community arts workshops and the creation and installation of memorial flags to facilitate mourning and healing for the citizens of Buffalo after the May 14, 2022, mass shooting at the TOPS Friendly Markets supermarket. Local artists facilitated workshops across the city where citizens made blue cyanotype flags to be stitched together and installed on streets throughout the community in commemoration of the second anniversary of the shooting. Lead artists trained in trauma-informed practices supported the community throughout the project, which encouraged people of all ages, races, abilities, and experiences to take part in creating, mourning, and healing. (Objective 2.2)

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- **Leadership Initiatives:** The NEA continued its other signature initiatives throughout FY 2024, including the Big Read, Our Town, Poetry Out Loud, Shakespeare in American Communities, and Sound Health Network.
 - The NEA *Big Read* offers grants to support innovative community reading programs designed around a single book. Showcasing a diverse range of titles that reflect many different voices and perspectives, the program aims to inspire conversation and discovery. Since 2006, the NEA has funded more than 1,600 local NEA Big Read programs, providing more than \$22 million in grants to organizations nationwide. NEA Big Read activities have reached every Congressional district in the country, and grantees have leveraged more than \$50 million in local matching funds to support their NEA Big Read programs. More than 5.7 million Americans have attended an NEA Big Read event, approximately 91,000 volunteers have participated at a local level, and more than 39,000 community organizations have partnered to make NEA Big Read activities possible.
 - **Creative Forces: *NEA Military Healing Arts Network*:** The NEA maintained its primary healing arts initiative, *Creative Forces: NEA Military Healing Arts Network*, in partnership with the Departments of Defense, Veterans Affairs, and State and local arts agencies. The mission of *Creative Forces* is to improve the health, wellness, and quality of life for military and veteran populations exposed to trauma, as well as their families and caregivers, by increasing knowledge of and access to clinical creative arts therapies and community arts engagement.

The program has three components: **creative arts therapies** (including art therapy, music therapy, and dance movement therapy, as well as creative writing instruction), which are at the core of patient-centered care in military and veteran medical facilities, as well as a telehealth program for patients in rural and remote areas; **community-based arts** opportunities for military and veteran family populations around clinical site locations; and **capacity-building efforts**, including an online National Resource Center, manuals, training, and support for research on the impacts and benefits of the treatment methods.

In 2024, the NEA, in partnership with Mid-America Arts Alliance, announced that 41 organizations would receive a total of nearly \$800,000 in awards for community-based arts projects that will address the distinct experiences, challenges, and strengths of military-connected individuals through the arts. (Objective 2.1)

- *Poetry Out Loud*, a partnership of the NEA, the Poetry Foundation, and the state arts agencies, is a national arts education program that encourages the study of great poetry by offering free educational materials and a dynamic recitation competition for high school students across the country. This program helps students master public speaking skills, build self-confidence, and learn about literary history and contemporary life. Since the program began in 2005, more than 4.3 million students and 76,000 teachers from 19,000 schools across the country have participated in Poetry Out Loud.

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- *Shakespeare in American Communities* is a national theater program bringing performances and related educational activities to audiences across the country. Since 2003, it has introduced 3 million middle and high school students to the power of live theater and the masterpieces of William Shakespeare through performances and educational activities. Nearly 130 theater companies from across the country have provided more than 13,000 performances and more than 51,000 related educational activities at more than 11,000 schools and juvenile justice facilities in 4,500 communities across all 50 States, the District of Columbia, and the U.S. Virgin Islands.

In FY 2024, the NEA selected Arts Midwest, a cooperator, to continue the Shakespeare in American Communities and Shakespeare in American Communities: Juvenile Justice program components. The FY 2024 solicitation also included modifications that, among other things, prioritize support to rural communities and the addition of an apprenticeship program component.

- *Sound Health Network (SHN)* is a partnership of the NEA with the University of California, San Francisco in collaboration with the National Institutes of Health (NIH), the John F. Kennedy Center for the Performing Arts, and Renée Fleming, the center’s artistic advisor. The SHN was established to promote research and public awareness about the impact of music on health and wellness. SHN aims to expand knowledge and understanding of how listening to, performing, or creating music involves intricate circuitry in the brain that can be harnessed for health and wellness applications in daily life; explore ways to enhance the potential for music as therapy for neurological disorders; identify future opportunities for research; and create public awareness about how the brain functions and interacts with music. Among other efforts, in FY 2024, SHN led a public webinar on the topic of “exploring app-based music interventions and therapist-led music therapy.”
- *Our Town*, the NEA’s creative placemaking grant program, builds on the NEA’s longstanding support for communities and the ability of the arts to strengthen them. Since 2011, the agency has funded more than 700 projects in all 50 States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Islands. Our Town supports local partnership projects that have social, economic or physical impacts. The ultimate goal of Our Town is to sustain support and recognition of arts, design, and cultural strategies as integral to every phase of community development across the United States.
- Federal Partnerships: In addition to the Agency’s core programs, the NEA pursues its goals through partnerships with other public and private entities. Notably, the NEA has established the following long-standing partnerships with other federal agencies. (Objective 2.2)
 - *Support for Historically Black Colleges and Universities*: The NEA continued to be an active member of the White House Initiative for Historically Black Colleges and Universities (HBCUs). The foundation of the agency’s efforts is direct outreach to HBCUs, meetings between NEA staff and HBCU representatives, and

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changes to agency grant guidelines to specifically encourage HBCU applications. In particular, the NEA works with colleagues at other federal agencies to share resources for HBCUs around grant opportunities, careers and professional development, and the creative economy.

Native Arts and Culture: Working with Native-led national service organizations and an interagency federal working group, the NEA maintained its strategic outreach to Native communities throughout FY 2024. Outreach included nation-to-nation work with tribal governments, reservation communities, and Tribal Colleges and Universities (TCUs), and at conferences and convenings of indigenous leaders and organizations. Outreach also focused on the recruitment of Native artists and community leaders to participate as panelists to review grant applications. As building relationships with TCUs is a high priority for the NEA, during FY 2024 the agency continued to work in coordination with the White House Initiative on American Indian and Alaska Native Education. In addition, the NEA engaged with federal leaders to identify ways the agency can support the Executive Order on Reforming Federal Funding and Support for Tribal Nations to Better Embrace Our Trust Responsibilities and Promote the Next Era of Tribal Self-Determination.

In FY 2024, the NEA also held its second in-person Tribal Consultation at the International Conference of Indigenous Archives, Libraries, and Museums in Oklahoma City, Oklahoma.

- *Blue Star Museums:* The NEA continued to collaborate with the Department of Defense, Blue Star Families, and museums across America to offer free admission all summer long to active duty military members and their families. It is estimated that the program serves annually more than 900,000 active-duty military personnel and their families at more than 2,000 museums nationwide, including children's museums, fine art museums, history and science museums, zoos, and nature centers.
- *Disaster Recovery:* The NEA continued to support the recovery of arts and cultural communities devastated by major disasters through financial support, technical and policy assistance, and leadership. Since FY 2018, the NEA has served as a member agency in the federal Natural and Cultural Resources Recovery Support Function (NCRRSF), working in coordination with other federal agencies, such as the Federal Emergency Management Agency and the Department of Interior. In recent years, NEA staff have been deployed multiple times to the U.S. Virgin Islands and Puerto Rico to assist in the wake of recent major hurricanes.

Goal 3. Build capacity and infrastructure within the arts sector through knowledge-sharing, tools, resources, and evidence-based practices.

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- Arts Education: The NEA provides support for three national networks as part of its core work to advance arts education in the United States: (1) the Arts Education Partnership, (2) State Arts Agency Arts Education Managers; and (3) State Education Agency Directors of Arts Education. Each network plays a distinct leadership role that extends the federal reach and impact of the NEA’s work to the State and local level.
 - The [*Arts Education Partnership*](#) (*AEP*) is the nation’s hub for arts and education leaders, building their leadership capacity to support students, educators, and learning environments through research, reporting, counseling, and convening. *AEP*, which includes more than 200 organizations dedicated to advancing arts education, has been supported by the NEA and the U.S. Department of Education since 1995 and is administered by Education Commission of the States

In partnership with the Education Commission of the States, AEP connects arts research, policy, and practice with stakeholders across the country through research and information dissemination, in-person and virtual dialogue, and technical assistance. The NEA and its partners convene and facilitate meetings of arts education policy, equity, and higher education working groups, to serve as learning and resource-sharing opportunities.
 - *Collaboration with State Arts Agency Arts Education Managers*: Since 1987, the NEA, in coordination with the National Assembly of State Arts Agencies (NASAA), has provided technical assistance and support services to convene and administer an annual Professional Development Institute for state arts agencies’ education managers. The Institute provides meaningful learning opportunities for new and seasoned arts education managers, as well as a peer network of knowledgeable arts education leaders.
 - *Collaboration with the State Education Agencies Directors of Arts Education (SEADAE)*: The NEA provides support to SEADAE, a nonprofit professional membership organization, whose members consist of individuals at state education agencies who are responsible for dance, media arts, music, theater and/or visual arts education. SEADAE provides professional development and technical assistance to increase the professional effectiveness of individual members and provides a collective voice for leadership on issues affecting arts education. (Objective 3.1)
- Arts-related Research and Evaluations: In FY 2024, ORA published, “*Arts Participation Patterns in 2022: Highlights from the Survey of Public Participation in the Arts*”, affording the public the first nationally representative view of how arts attendance, literary reading, media-based arts participation, and art-making fared in the period directly after COVID-19 vaccines became widely available. It also produced, “*Online Audiences for Arts Programming: A Survey of Virtual Participation Amid COVID-19*,” a research brief that, among other things, asked respondents to reflect on their arts experiences during the pandemic.

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Following these publications, ORA issued national and state-level analytic reports of arts and cultural economic impact data that covered 2022. These resources included the release of datasets that the NEA created in partnership with the U.S. Census Bureau, the National Science Foundation, and the Bureau of Economic Analysis, respectively. In addition, ORA prepared and contributed 12 arts-related datasets and/or catalogue listings to the NEA’s [National Archive of Data on Arts & Culture](#) (NADAC), a free online repository for researchers, practitioners, and policy-makers and released, through NADAC, quarterly issues of *Arts Research Quarterly*—a round-up of recent journal articles. ORA also hosted two public webinars: one on using arts data from the Adolescent Brain Cognitive Development Study, and the other on analyzing staff and leadership demographic data across U.S. art museums. Throughout the year, ORA published monthly blog posts and podcasts highlighting other notable studies and arts research-related developments for the general public.

Goal 4. Pursue and adopt exemplary practices to support the agency’s mission.

- **Strategic Management of Human Capital:** Throughout FY 2024, the NEA worked diligently to recruit and retain a highly motivated, diverse, and talented workforce and to provide staff training and development opportunities. The Agency focused on further improving its organizational health and performance consistent with the focus established in OMB Memo M-23-15, *Measuring, Monitoring, and Improving Organizational Health and Organizational Performance in the Context of Evolving Agency Work Environments*. The Agency undertook a number of actions to promote strong employee morale and work life balance to attract, develop, and retain talented and diverse staff, such as increasing investments in staffing resources, training, and recognition programs, and updating operational safety protocols to align with Safer Federal Workforce and CDC guidance.
- **IT Investments – Cybersecurity and Modernization:** In FY 2024, the NEA continued to make meaningful investments in cybersecurity and IT modernization. In particular, the Agency procured an Application Performance Monitoring Tool, implemented a Remote Access Tool to provide remote desktop support to the NEA staff, and procured a Privileged Access Management System to aid in our Zero-Trust Architecture implementation and increase our cybersecurity posture.

The NEA also worked with the Federal Aviation Administration, our federal financial system service provider, to deploy PRISM, a web-based procurement and contract management system. This tool will streamline the NEA’s procurements by integrating and tracking information from the initiation of a requirement through solicitation and award.

- **Effective Financial Management:** The NEA maintained its commitment to ensuring the stewardship of the public funds and donations that it receives by: (1) leveraging the financial system expertise of U.S. Department of Transportation’s Enterprise Services Center (ESC), which provides the NEA with an Oracle-based fully-compliant financial management system (Delphi) and full financial services support; (2) using ESC’s E2 travel system for online travel arrangements, authorizations, and associated payments;

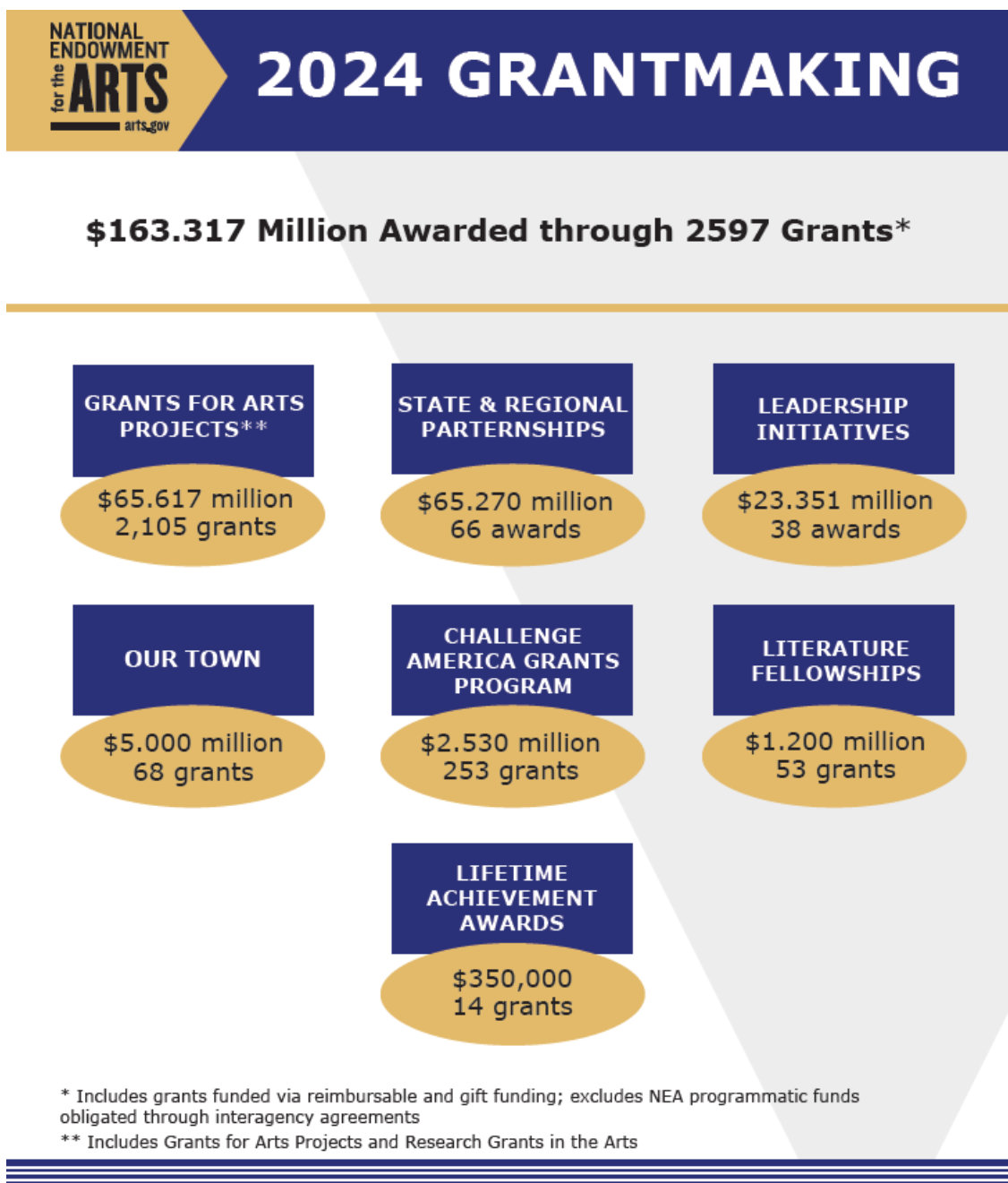
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and (3) utilizing the payroll processing operations of the National Finance Center to process staff pay and benefits.

In FY 2024, the NEA also utilized more fully the Department of Treasury's government-wide G-invoicing system, a new system that helps agencies manage intergovernmental buy/sell transactions. Likewise, the agency's most recent assessment of improper payment risk – which included the review of preventive and detective payment controls – noted that NEA had an insignificant risk of significant improper payments.

B. FY 2024 Grantmaking Statistics

The following graphic provides details on the volume of the NEA’s grantmaking activities in FY 2024.



Estimate as of September 2024

C. Analysis of Systems, Controls, and Legal Compliance

The NEA is cognizant of the importance of establishing and maintaining adequate controls over its programs and administrative functions. Management continues to evaluate and, where necessary, modify existing controls – and establish new ones as appropriate – to ensure that the Agency is able to provide reasonable assurance that we are accountable for our resources. We also recognize the importance of using technology to enhance effectiveness and efficiency, as well as to ensure an adequate degree of internal control and compliance with applicable laws and regulations.

D. Management Assurances

NEA management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers’ Financial Integrity Act (FMFIA). The NEA conducted its assessment of risk and internal control in accordance with OMB Circular A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, the Arts Endowment can provide reasonable assurance that internal control over operations, reporting, and compliance was operating effectively as of September 30, 2024.



William Wiggins, Chief Financial Officer

E. Financial Highlights

The Arts Endowment’s principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. 3515 (b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

The Arts Endowment receives an annual appropriation of “no-year” funds from Congress, and has been granted authority to receive donations and invest in interest-bearing accounts. Accounts are maintained for restricted as well as unrestricted funding, and the same guidelines are used to account for both appropriated and non-appropriated funds. The Arts Endowment’s property, plant, and equipment are recorded at cost and are depreciated according to a written asset capitalization policy.

The Arts Endowment’s FY 2024 annual appropriation was \$207.0 million, the same amount as in FY 2023. Appropriations are the primary source of financial resources for the agency,

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so the financial position of the Arts Endowment generally trends with the appropriations received each year.

Explanations for significant changes to specific financial items on the following "Table of Key Measures" between FY 2024 and FY 2023 are provided below:

- Total Net Cost – The \$3.8 million change year-over-year is due to \$3.8 million decrease in program costs. Earned revenue stayed almost flat year-over-year.
- Fund Balance with Treasury – The \$13.9 million decrease was due primarily to the net \$17.5 million decrease in funds remaining from the American Rescue Plan Act of 2021 (ARP). Offsetting the decrease was a \$2.6 million year-over-year increase in program funds and a \$1.5 million increase in administrative funds.
- Property, Plant and Equipment – The original purchase price less accumulated depreciation is reflected on the balance sheet. The \$40,234 increase is due to a \$111,522 increase in asset additions offset by \$71,288 year-over-year increase in depreciation expenses.
- Advances and Prepayments – The \$249,257 increase is attributable to the expansion of interagency agreements in FY 2024 that required advance payment, which include those the NEA has with the Department of Transportation, the Department of Interior, the Office of Personnel Management, the State Department, the Department of Commerce, Library of Congress, and the Institute of Museum & Library Services.
- Accounts Payable: The \$241,936 increase is due to a \$133,429 increase in program funds and a \$108,507 increase in administrative funds.
- Grant Accrued Liabilities – The \$17.8 million year-over-year decrease in accrued liabilities is attributable to a decrease of approximately \$15.7 million in open obligations and associated accruals related to American Rescue Plan (ARP) grants, and a \$2.0 million increase in open obligations within regular grants.
- Other Liabilities – The \$869,818 decrease is due to decreases in employee benefits.
- Net Position – The \$4.9 million increase in net position is attributed to a \$13.6 million decrease in total assets and a \$18.5 million decrease in total liabilities year-over-year.

Overall, the current financial condition of the NEA is strong. As mentioned above, the Agency's programs and operations are funded primarily through appropriations provided by Congress and signed into law by the President. Therefore, year-to-year changes in the agency's financial condition are highly dependent on appropriated funding levels.

The agency received an unmodified audit opinion on its FY 2024 financial statements as presented later in this report. This is the agency's 22nd consecutive year receiving a "clean" audit opinion. agency received an unmodified audit opinion on its FY 2024 financial statements as presented later in this report.

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F. Table of Key Measures

National Endowment for the Arts				
Table of Key Measures				
In Dollars	2024	2023	Increase/(Decrease)	
COSTS ¹				
Gross Program Cost	\$ 204,973,759	\$ 208,789,846	\$ (3,816,087)	(1.83%)
Less: Earned Revenue	\$ 565,501	\$ 578,161	\$ (12,660)	(2.19%)
Net Cost of Operations	\$ 204,408,257	\$ 208,211,685	\$ (3,803,428)	(1.83%)
NET POSITION ²				
Assets:				
Fund Balance with Treasury	\$ 245,683,484	\$ 259,559,943	\$ (13,876,458)	(5.35%)
Accounts Receivable	\$ 969	\$ 1,373	\$ (405)	(29.48%)
Property, Plant, and Equipment	\$ 152,478	\$ 112,244	\$ 40,234	35.84%
Advances and Prepayments	\$ 1,839,489	\$ 1,590,232	\$ 249,257	15.67%
Total Assets	\$ 247,676,420	\$ 261,263,792	\$ (13,587,373)	(5.20%)
Liabilities:				
Advances from Others and Deferred Revenue	\$ 525,000	\$ 525,000	\$ -	(0.00%)
Accounts Payable	\$ 338,909	\$ 96,973	\$ 241,936	249.49%
Federal Employee Benefits Payable	\$ 1,732,759	\$ 1,760,021	\$ (27,262)	(1.55%)
Grant Accrued Liability	\$ 78,470,000	\$ 96,270,000	\$ (17,800,000)	(18.49%)
Other	\$ 713,903	\$ 1,583,721	\$ (869,818)	(54.92%)
Total Liabilities	\$ 81,780,571	\$ 100,235,716	\$ (18,455,145)	(18.41%)
Net Position (Assets minus Liabilities)	\$ 165,895,849	\$ 161,028,077	\$ 4,867,772	3.02%

1. Source: Statement of Net Cost
2. Source: Balance Sheets

National Endowment for the Arts
Fiscal Year 2024
Agency Financial Report

~ II. Financial Information ~

Independent Auditor's Report



Independent Auditor's Report

Dr. Maria Rosario Jackson Chair
National Endowment for the Arts

Ronald Stith
Inspector General
National Endowment for the Arts

In our audits of the fiscal years 2024 and 2023 financial statements of The National Endowment for the Arts (NEA), we found:

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

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)² and other information included with the financial statements³; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments.

Report on the Financial Statements

Opinion

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

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

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

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

WILLIAMS, ADLEY & COMPANY-DC, LLP

Certified Public Accountants/ Management Consultants

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

NEA management is responsible for

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Other Information

NEA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in NEA's Agency Financial Report. The other information comprises the information included in the annual financial report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Internal Control over Financial Reporting

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

Results of Our Consideration of Internal Control over Financial Reporting

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

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

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

Responsibilities of Management for Internal Control over Financial Reporting

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

Auditor's Responsibilities for Internal Control over Financial Reporting

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

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

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

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

Intended Purpose of Report on Internal Control over Financial Reporting

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

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

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

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

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

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

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

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

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

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

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

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

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

Agency Comments

In commenting on a draft of this report, NEA management provided a written response which is presented in *Appendix I*. We did not audit NEA's response and, accordingly, we express no opinion on the response.

Williams, Adley & Company-DC, LLP

Washington, District of Columbia

November 11, 2024



MEMORANDUM

Date: November 14, 2024

To: Ron Stith, Inspector General

From: William Wiggins, Chief Financial Officer

Subject: Management's Response to Independent Auditor's Report for Fiscal Year 2024

We have reviewed the Independent Auditor's Report on the National Endowment for the Arts' (NEA) FY 2024 financial statements. We are pleased that, in Williams Adley and Company's opinion, the NEA's financial statements present fairly, in all material respects, NEA's financial position as of September 30, 2024 and 2023 and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

This year marks the 22nd consecutive year that the NEA has received an unmodified audit opinion on its financial statements and had no material weaknesses or significant deficiencies. I commend my team and the NEA's staff for their continued commitment to maintaining and, where the opportunity presents itself, improving agency operations and internal controls.

I also would like to thank you, your staff, and Williams Adley and Company for their professionalism during this year's audit.

A handwritten signature in black ink that reads "William Wiggins".

William Wiggins
Chief Financial Officer

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Audited Financial Statements and Notes

September 30, 2024 and 2023

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NATIONAL ENDOWMENT FOR THE ARTS
September 30, 2024 and September 2023

BALANCE SHEETS
As of September 30, 2024, and September 30, 2023
(In Dollars)

	<u>2024</u>	<u>2023</u>
Assets (Notes 2, 6, and 15):		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 245,683,484	\$ 259,559,943
Advances and Prepayments (Note 6 and 15)	1,839,489	1,590,232
Total Intragovernmental assets	<u>247,522,973</u>	<u>261,150,175</u>
Other Than Intragovernmental Assets:		
Accounts Receivable, Net (Note 3)	969	1,373
General Property, Plant, and Equipment, Net (Note 4)	152,478	112,244
Total Other Than Intragovernmental Assets	<u>153,447</u>	<u>113,618</u>
Total Assets	<u>\$ 247,676,420</u>	<u>\$ 261,263,792</u>
Liabilities (Notes 7-9):		
Intragovernmental Liabilities:		
Advances from Others and Deferred Revenue (Note 8)	\$ 525,000	\$ 525,000
Other Liabilities (Note 8)	154,902	356,292
Total Intragovernmental Liabilities	<u>679,902</u>	<u>881,292</u>
Other Than Intragovernmental Liabilities:		
Accounts Payable (Note 7)	338,909	96,973
Federal Employee and Veteran Benefits Payable (Note 8)	1,732,759	1,760,021
Other Liabilities (Note 8)	559,001	1,227,429
Grants Accrual (Notes 8 and 9)	78,470,000	96,270,000
Total Other Than Intragovernmental Liabilities	<u>81,100,669</u>	<u>99,354,424</u>
Total Liabilities	<u>\$ 81,780,571</u>	<u>\$ 100,235,716</u>
Net Position:		
Unexpended Appropriations - Funds from Dedicated Collections	\$ -	\$ -
Unexpended Appropriations - Funds from other than Dedicated Collections	161,278,407	156,400,324
Total Unexpended Appropriations	161,278,407	156,400,324
Cumulative Results of Operations - Funds from Dedicated Collections (Note 12)	6,042,296	6,090,756
Cumulative Results of Operations - Funds from other than Dedicated Collections	(1,424,854)	(1,463,003)
Total Cumulative Results of Operations	<u>4,617,442</u>	<u>4,627,752</u>
Total Net Position	<u>165,895,849</u>	<u>161,028,077</u>
Total Liabilities and Net Position	<u>\$ 247,676,420</u>	<u>\$ 261,263,792</u>

The accompanying notes are an integral part of these statements.

NATIONAL ENDOWMENT FOR THE ARTS
September 30, 2024 and September 2023

STATEMENT OF NET COST
For the Years Ended September 30, 2024 and September 30, 2023
(In Dollars)

	<u>2024</u>	<u>2023</u>
Program Costs: (Note 13)		
Gross Costs	\$ 204,973,759	\$ 208,789,846
Less: Earned Revenue	<u>565,501</u>	<u>578,161</u>
Net Program Costs	\$ 204,408,257	\$ 208,211,685
Net Cost of Operations	<u>\$ 204,408,257</u>	<u>\$ 208,211,685</u>

The accompanying notes are an integral part of these statements.

NATIONAL ENDOWMENT FOR THE ARTS
September 30, 2024 and September 2023

STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2024 and September 30, 2023
(In Dollars)

	<u>2024</u>	<u>2023</u>
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 29,406,276	\$ 21,308,968
Appropriations (discretionary and mandatory)	207,225,861	204,792,206
Spending authority from offsetting collections (discretionary and mandatory)	520,875	590,004
Total budgetary resources	<u>\$ 237,153,013</u>	<u>\$ 226,691,178</u>
 Status of Budgetary Resources		
New obligations and upward adjustments (total) (Note 14)	\$ 207,788,144	\$ 201,739,940
Unobligated balance, end of year:		
Apportioned unexpired accounts	23,350,626	18,563,103
Exempt from apportionment unexpired accounts	5,558,038	5,983,322
Unapportioned unexpired accounts	319,580	285,886
Unexpired unobligated balance, end of year	29,228,243	24,832,311
Expired unobligated balance, end of year	136,625	118,927
Unobligated balance, end of year (total)	<u>29,364,869</u>	<u>24,951,239</u>
Total budgetary resources	<u>\$ 237,153,013</u>	<u>\$ 226,691,178</u>
 Outlays, Net, and Disbursements, Net		
Outlays, net (total) (discretionary and mandatory)	\$ 221,102,319	\$ 230,984,689
Distributed offsetting receipts (-) (Note 18)	(225,861)	(1,006,217)
Agency outlays, net (discretionary and mandatory)	<u>\$ 220,876,458</u>	<u>\$ 229,978,472</u>

The accompanying notes are an integral part of these statements.

NATIONAL ENDOWMENT FOR THE ARTS
September 30, 2024 and September 2023

STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2024 and September 30, 2023
(In Dollars)

	2024			2023		
	Funds from Dedicated Collections	All Other Funds	Consolidated Total	Funds from Dedicated Collections	All Other Funds	Consolidated Total
Unexpended Appropriations:						
Beginning Balance	\$ -	\$ 156,400,324	\$ 156,400,324	\$ -	\$ 158,855,594	\$ 158,855,594
Adjustment	-	-	-	-	-	-
Beginning Balance, as adjusted	-	156,400,324	156,400,324	-	158,855,594	158,855,594
Appropriations received	-	207,000,000	207,000,000	-	207,000,000	207,000,000
Other adjustments	-	-	-	-	(3,214,011)	(3,214,011)
Appropriations used	-	(202,121,917)	(202,121,917)	-	(206,241,259)	(206,241,259)
Net Change in Unexpended Appropriations	-	4,878,083	4,878,083	-	(2,455,270)	(2,455,270)
Total Unexpended Appropriations - Ending	-	161,278,407	161,278,407	-	156,400,324	156,400,324
Cumulative Results from Operations:						
Beginning Balance	6,090,756	(1,463,003)	4,627,753	5,209,154	(1,378,308)	3,830,847
Adjustment	-	-	-	-	-	-
Beginning Balance, as adjusted	6,090,756	(1,463,003)	4,627,753	5,209,154	(1,378,308)	3,830,847
Appropriations Used	-	202,121,917	202,121,917	-	206,241,259	206,241,259
Donations	225,861	-	225,861	1,006,217	-	1,006,217
Imputed Financing	-	2,050,168	2,050,168	-	1,761,115	1,761,115
Net Cost of Operations (+/-) (Note 13 and 18)	274,321	204,133,936	204,408,257	124,615	208,087,070	208,211,685
Net Change in Cumulative Results of Operations	(48,460)	38,149	(10,311)	881,601	(84,696)	796,906
Total Cumulative Results of Operations	6,042,296	(1,424,854)	4,617,442	6,090,756	(1,463,003)	4,627,752
Net Position	\$ 6,042,296	\$ 159,853,553	\$ 165,895,849	\$ 6,090,756	\$ 154,937,321	\$ 161,028,077

The accompanying notes are an integral part of these statements.

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The National Endowment for the Arts (NEA or Arts Endowment) is an independent Federal agency whose mission is to strengthen and promote the well-being and resilience of people and communities, advance equitable opportunities for arts participation and practice, and sustain an environment in which the arts benefit everyone in the United States. The NEA was established by the National Foundation on the Arts and the Humanities Act of 1965.

B. Basis of Presentation

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

These statements were prepared from the accounting records of the Agency in conformance with U.S. generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular A-136, Financial Reporting Requirements (Circular A-136), revised May 19, 2023.

The statements consist of the Balance Sheets, 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. All of the Agency's operations fall under the category of general funds for government accounting purposes. The statements should be read with a view that they are for a component of the U.S. Government, a sovereign entity.

C. Basis of Accounting

The financial statements reflect both the accrual and budgetary bases of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to cash receipt or payment. The budgetary method recognizes the obligation of funds according to legal requirements, which in many cases is before the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of funds. The NEA's financial statements are prepared in conformity with GAAP as set forth by the Federal Accounting Standards Advisory Board (FASAB).

OMB's Office of Federal Financial Management (OFFM) is responsible for the financial management policy of the Federal Government. OFFM responsibilities

NOTE 1: Significant Accounting Policies (Continued)

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 Chief Financial Officers Act of 1990.

D. Exchange Revenues and Other Financing Sources

The NEA receives funding through annual Congressional appropriations. In particular, the agency receives “no-year” appropriations funds that are made available for use, 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.

The 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.

The NEA enters into intragovernmental reimbursable agreements. The Agency’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. Additionally, some funds with Treasury are donations that may carry restrictions as to the use of funds. See Note 2 for additional information.

F. Advances and Prepayments

The NEA’s interagency agreements with other Federal agencies are recorded as advances when the funds are received prior to expenditure. As work is performed by the Agency, 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.

NOTE 1: Significant Accounting Policies (Continued)

Prepayments are amounts paid for by the NEA in advance of the goods or services being received. Prepayments also include payments to vendors for the portion of services that extend beyond the current fiscal year.

G. General Property, Plant and Equipment, Net

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

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

H. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the 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 Federal 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

Federal accounting standards and applicable federal laws and Treasury regulations guide the management of accounts receivable, recognition of losses, and write-off of accounts receivable. For delinquent accounts, collection efforts such as demand letters are made. In accordance with federal law, the NEA refers accounts that it identifies as uncollectible to the U.S.

NOTE 1: Significant Accounting Policies (Continued)

Department of the Treasury, Bureau of the Fiscal Service (Fiscal Service), for appropriate collection action and advice.

Allowance method is used to measure receivables. Losses on receivables shall be recognized when it is more likely than not that the receivables will not be totally collected. The phrase “more likely than not” means more than a 50 percent chance of loss occurrence. An allowance for estimated uncollectible amounts shall be recognized to reduce the gross receivables to its net realizable value. If the delinquency is less than two years from the start date of non-payment by the debtor, according to Treasury regulations, the uncollectible receivable can be written-off.

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 FERS, a TSP account is automatically established and the NEA makes a mandatory one percent contribution to this account. In addition, the 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, the Arts Endowment remits the employer’s share of the required contribution.

The NEA does not report on its financial statements’ information pertaining to the retirement plans covering its employees, except for imputed costs related to

NOTE 1: Significant Accounting Policies (Continued)

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 (OPM).

M. Imputed Benefit Costs

The 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 benefits records.

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." See note 12 for additional information.

Q. Fiduciary Activities

Various artists have loaned their artwork to the Arts 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 17, Fiduciary Activities.

R. Cost Accounting Methodology

The NEA operates under an annual strategic plan that establishes goals and objectives. Under the FY 2022-2026 Strategic Plan, the NEA has three programs:

NOTE 1: Significant Accounting Policies (Continued)

Engagement, Resilience, and Capacity.

S. Rounding

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

NATIONAL ENDOWMENT FOR THE ARTS
September 30, 2024 and September 2023 (In Dollars)

NOTE 2: Fund Balance with Treasury

Status of Fund Balance with Treasury	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Unobligated Balance		
Available	\$ 23,670,205	\$ 18,848,989
Unavailable	5,558,038	5,983,322
Obligated Balance not yet Disbursed	216,336,313	234,669,662
Non-Budgetary FBWT	118,928	57,970
Total	<u>\$ 245,683,484</u>	<u>\$ 259,559,943</u>

There are no unreconciled differences between the general ledger and Treasury.

NOTE 3: Accounts Receivable, Net

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Gross Receivables:		
Receivables Due from the Public	\$ 969	\$ 1,373
	<u>\$ 969</u>	<u>\$ 1,373</u>
Allowance for Uncollectible	-	-
Net Receivables	<u>\$ 969</u>	<u>\$ 1,373</u>

The receivable represents amount owed by employees to the Agency.

NOTE 4: General Property, Plant, and Equipment, Net

<u>Class of Property</u>	<u>September 30, 2024</u>			<u>September 30, 2023</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Furniture & Equipment	\$ 988,164	\$ 835,686	\$ 152,478	\$876,642	\$764,398	\$112,244
Total	<u>\$ 988,164</u>	<u>\$ 835,686</u>	<u>\$ 152,478</u>	<u>\$ 876,642</u>	<u>\$ 764,398</u>	<u>\$ 112,244</u>

Straight line depreciation with a useful life of seven years is used. The capitalization threshold is described in Note 1.G.

NOTE 5: 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 NEA'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

NATIONAL ENDOWMENT FOR THE ARTS
September 30, 2024 and September 2023 (In Dollars)

creation, the cultural importance of the asset, and the process by which the asset was created. The General Counsel's office approves the acceptance of all gifts. If a gift or award holds some type of historical significance, cultural, educational or artistic importance, or it provides evidence of distinguished achievements and celebrates accomplishments throughout the ages and represents how art works in our communities, it will be added to the Heritage Assets inventory. All items classified as heritage assets, though generally individual items, are considered a collection in totality. The NEA's collection contains two major categories of heritage assets: Artworks and Decorative Art, and Furniture.

An independent art appraiser reviews the inventory items and provides an appraisal update to the NEA's Administrative Services Office (ASO). The appraisal typically takes place annually during the summer unless there are special circumstances that may cause minor delays. After the appraisal, the ASO incorporates any updates into the Heritage Asset Inventory. Each year, the ASO reviews the Heritage Asset inventory for items that do not meet the "artistic importance" standard and removes them from the inventory. All gifts or awards that do not meet the "artistic importance" standard are transferred to the General Services Administration.

For purposes of disclosure, each of the Arts Endowment's Heritage Assets is classified as being in one of the following states of physical condition.

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

Arts Works and Decorative and Furniture:

	Quantity as of 9/30/2024	Quantity as of 9/30/2023	Unit Change	Percentage Change	General Condition
Artwork and Decorative Art	243	244	-1	0%	Good
Furniture	40	40	0	0%	Good
Total	283	284	-1		

NATIONAL ENDOWMENT FOR THE ARTS
September 30, 2024 and September 2023 (In Dollars)

NOTE 6: Advances and Prepayments

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Intragovernmental:		
Department of Interior	\$ 863,723	\$ 706,931
Department of Commerce	381,888	-
Department of Transportation	308,061	820,469
Institute of Museum & Library Service	150,000	-
Library of Congress	100,000	-
Office of Personnel Management	35,816	32,831
The State Department	-	30,000
Total Advances and Prepayments	<u><u>\$ 1,839,488</u></u>	<u><u>\$ 1,590,232</u></u>

The September 30, 2024 amounts represent the advance for employee transit benefit payments and Oracle Financial System hosting and accounting services with the Department of Transportation; procurement services with the Department of Interior; recruitment services provided by the Office of Personnel Management; cultural activities in coordination with the State Department; survey services provided by the Department of Commerce; the National Heritage Awards in collaboration with the Library of Congress; and the President's Committee on the Arts and Humanities in support of theater and performing arts sectors with the Institute of Museum and Library Services.

NOTE 7: Liabilities Not Covered by Budgetary Resources

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Intragovernmental:		
Accounts Payable	\$ -	\$ -
Unfunded FECA Liability	-	-
Total Intragovernmental	\$ -	\$ -
 Accounts Payable	 338,909	 96,973
Federal Employee Actuarial FECA Liability	3,529	7,649
Federal Employee Accrued Leave Payable	1,707,244	1,700,959
Total Liabilities Not Covered by Budgetary Resources	<u><u>\$ 2,049,682</u></u>	<u><u>\$ 1,805,581</u></u>
Total Liabilities Covered by Budgetary Resources	<u><u>79,730,889</u></u>	<u><u>98,430,135</u></u>
Total Liabilities	<u><u>\$ 81,780,571</u></u>	<u><u>\$ 100,235,716</u></u>

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
September 30, 2024 and September 2023 (In Dollars)

NOTE 8: Other Liabilities

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Intragovernmental		
Advances and Prepayments	\$ 525,000	\$ 525,000
Accrued Pay and Benefits	\$ 154,902	356,292
Total Intragovernmental	<u>\$ 679,902</u>	<u>\$ 881,292</u>
Other Than Intragovernmental		
Accounts Payable	\$ 338,909	\$ 96,973
Grant Accrued Liability	78,470,000	96,270,000
Accrued Funded Payroll and Leave	559,001	1,227,429
Federal Employee and Veteran Benefits Payable	1,732,759	1,760,021
Total Other Than Intragovernmental	<u>\$ 81,100,669</u>	<u>\$ 99,354,424</u>
Total Other Liabilities	<u>\$ 81,780,571</u>	<u>\$ 100,235,716</u>

All liabilities are current liabilities.

NOTE 9: Grant Accrued Liability

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

TR12 provides guidance on internal control procedures to ensure the grant accrual is reasonable, based on "comparing the estimates with subsequent grantee reporting." The agency uses data from its Delphi financial system and the electronic Grants Management System (eGMS) to review payment history and determine the grant accrual estimate. As the initial step in the estimation process, the grant accrual is calculated based on a straight-line basis. An average daily expenditure rate is calculated for each award by dividing the total award by the number of days of the award period. The agency performs comprehensive analyses reviewing actual payments and the period of performance associated with each. Then, based on payment history, an adjustment to the straight-line basis is applied to arrive at the agency grant accrual estimate. The grant accrual was \$78.47 million and \$96.27 million at September 30, 2024 and September 30, 2023, respectively.

NATIONAL ENDOWMENT FOR THE ARTS
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The net decrease in the September 30, 2024 accrual compared to September 30, 2023 can be attributed largely to several factors:

- Decreased open obligations and the associated accrual related to American Rescue Plan (ARP) grants accounts for \$15.7 million of the decrease; the remaining balance of ARP open obligations is only \$3.3 million.

A \$2.0 million decrease resulting from the adjusted straight-line accrual calculations associated with regular grant funds.

NOTE 10: Leases

Brief Description of Occupancy Agreement

The NEA's most recent occupancy agreement expired on February 29, 2024. Since March 1, 2024, the NEA has operated under an "Administrative Holdover" and continued to occupy the space that it held under its prior lease and to pay at the rate applicable under the prior agreement, less certain tenant improvement and building specific costs that were fully amortized by the end of the prior lease term.

As of September 2024, the NEA's estimated lease costs for the next five years were not anticipated to exceed the annual amounts estimated below.

Year	FY 2024*	FY 2025*	FY 2026*	FY 2027*	FY 2028*	Federal Total*
Annual Amount	\$3.0M	\$3.0M	\$3.0M	\$3.0M	\$3.1M	\$15.1M

**Estimate based on information provided by the General Services Administration (GSA).*

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

In October 2024, subsequent to the end of FY 2024, the GSA, which has undertaken a lease procurement on the NEA's behalf, notified the NEA that it had reached an agreement with the owner of the NEA's current space for a succeeding 15-year lease. The NEA signed an occupancy agreement with GSA in support of the new lease on October 31, 2024, and is working with GSA to finalize the agreement's estimated timing, period of free rent, annual cost escalations, reconciliation of payments made during the Administrative Holdover period, and related accounting.

NOTE 11: Commitments and Contingencies

The National Endowment for the Arts was one of multiple federal agencies named in an ongoing class action lawsuit brought by former federal employees who alleged that the U.S. Government failed to properly calculate supplements to the lump sum payment of annual

NATIONAL ENDOWMENT FOR THE ARTS
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leave. The NEA understands that the total amount former NEA employees have received from the Judgment Fund is insignificant. As of March 2023, this case was completely resolved on the merits by a settlement agreement.

In April 2023, Plaintiffs' counsel reopened the matter with a new motion for attorneys' fees and administrative costs associated with the settlement of the class action, under the Equal Access to Justice Act. In June 2024, the Court denied the motion, and the class appealed the decision in August 2024. To the best of our knowledge, there are currently no pending commitments or contingencies for which the NEA is responsible.

NATIONAL ENDOWMENT FOR THE ARTS
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NOTE 12: Funds from Dedicated Collections

The Arts Endowment receives funds from gifts and donations.

	Gifts and Donations	
	<u>September 30, 2024</u>	<u>September 30, 2023</u>
	Funds from Dedicated Collections	Funds from Dedicated Collections
Balance Sheet		
Intragovernmental		
Fund balance with Treasury	\$ 5,892,296	\$ 6,090,756
Other assets	150,000	-
Total intragovernmental assets	<u>\$ 6,042,296</u>	<u>6,090,756</u>
Other than intragovernmental	-	-
Total other than intragovernmental	<u>-</u>	<u>-</u>
Total assets	<u>\$ 6,042,296</u>	<u>\$ 6,090,756</u>
Intragovernmental		
Total intragovernmental liabilities	<u>\$ -</u>	<u>\$ -</u>
Other than intragovernmental		
Accounts payable	\$ -	-
Total other than intragovernmental	<u>\$ -</u>	<u>-</u>
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Unexpended appropriations		\$ -
Cumulative results of operations	6,042,296	6,090,756
Total liabilities and net position	<u>\$ 6,042,296</u>	<u>\$ 6,090,756</u>
Statement of Net Cost		
Gross program cost	\$ 274,321	\$ 124,615
Less: Earned revenues	-	-
Net program costs	274,321	124,615
Net cost of operations	<u>\$ 274,321</u>	<u>\$ 124,615</u>
Unexpended Appropriations		
Total unexpended appropriations	-	-
Cumulative Results of Operations:		
Beginning balance	\$ 6,090,756	5,209,154
Changes in accounting principles	-	-
Corrections of errors	-	-
Beginning balance, as adjusted	<u>6,090,756</u>	<u>5,209,154</u>
Appropriations used		-
Donations and forfeitures of cash & property	225,861	1,006,217
Imputed financing	-	-
Other than intragovernmental non-exchange revenue:	-	-
Net cost of operations	<u>274,321</u>	<u>124,615</u>
Net Change in Cumulative Results of Operations	<u>(48,460)</u>	<u>881,602</u>
Total Cumulative Results of Operations	<u>6,042,296</u>	<u>6,090,756</u>
Net Position, end of period	<u>\$ 6,042,296</u>	<u>\$ 6,090,756</u>

NATIONAL ENDOWMENT FOR THE ARTS
September 30, 2024 and September 2023 (In Dollars)

NOTE 13: Intragovernmental Costs and Exchange Revenues

September 30, 2024				September 30, 2023			
	Intragovern- mental	With the Public	Total	Intragovern- mental	With the Public	Total	
Arts Creation:							
Program Costs	\$ 2,105,065	\$ 6,052,074	\$ 8,157,139	\$ 3,857,535	\$ 33,186,341	\$ 37,043,876	
Earned Revenue	(76,908)	-	(76,908)	(175,317)	-	(175,317)	
Net Costs - Arts Creation	\$ 2,028,157	\$ 6,052,074	\$ 8,080,231	\$ 3,682,218	\$ 33,186,341	\$ 36,868,559	
Engagement with the Arts:							
Program Costs	\$2,008,227	\$6,552,707	\$ 8,560,934	\$ 4,452,996	\$ 37,578,754	\$ 42,031,750	
Earned Revenue	(70,688)	-	(70,688)	(198,745)	-	(198,745)	
Net Costs - Engagement with the Arts	\$ 1,937,539	\$ 6,552,707	\$ 8,490,246	\$ 4,254,251	\$ 37,578,754	\$ 41,833,005	
Contribution of the Arts:							
Program Costs	\$1,177,775	\$11,883,616	\$ 13,061,391	\$ 2,609,049	\$ 63,545,316	\$ 66,154,365	
Earned Revenue	(37,889)	-	(37,889)	(105,383)	-	(105,383)	
Net Costs - Contribution of the Arts	\$ 1,139,886	\$ 11,883,616	\$ 13,023,502	\$ 2,503,666	\$ 63,545,316	\$ 66,048,982	
Engagement							
Program Costs	\$ 6,698,807	\$65,672,791	\$ 72,371,598	\$ 1,779,708	\$ 32,955,178	\$ 34,734,886	
Earned Revenue	(240,904)	-	(240,904)	(76,339)	-	(76,339)	
Net Costs - Arts Creation	\$ 6,457,903	\$ 65,672,791	\$ 72,130,694	\$ 1,703,368	\$ 32,955,178	\$ 34,658,547	
Resilience							
Program Costs	\$619,137	\$13,617,670	\$ 14,236,807	\$ 63,713	\$ 3,374,789	\$ 3,438,502	
Earned Revenue	(22,620)	-	(22,620)	(2,896)	-	(2,896)	
Net Costs - Engagement with the Arts	\$ 596,517	\$ 13,617,670	\$ 14,214,187	\$ 60,817	\$ 3,374,789	\$ 3,435,606	
Capacity							
Program Costs	\$3,799,002	\$84,786,888	\$ 88,585,890	\$ 428,615	\$ 24,957,850	\$ 25,386,465	
Earned Revenue	(116,493)	-	(116,493)	(19,480)	-	(19,480)	
Net Costs - Contribution of the Arts	\$ 3,682,509	\$ 84,786,888	\$ 88,469,397	\$ 409,135	\$ 24,957,850	\$ 25,366,985	
Total							
Program Costs	\$ 16,408,014	\$188,565,746	\$ 204,973,760	\$ 13,191,616	\$ 195,598,229	\$ 208,789,845	
Earned Revenues	(565,503)	-	(565,503)	(578,160)	-	(578,160)	
Net Cost of Operations	\$ 15,842,511	\$ 188,565,746	\$ 204,408,257	\$ 12,613,456	\$ 195,598,229	\$ 208,211,685	

NATIONAL ENDOWMENT FOR THE ARTS
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NOTE 13: Intragovernmental Costs and Exchange Revenues (Continued)

The NEA receives funds from other Federal agencies that participate in the Arts Endowment's program awards. The NEA also may incur intragovernmental costs for its participation in program awards of other Federal agencies. Starting in FY 2023, the award programs are branded as Engagement, Resilience, and Capacity.

NOTE 14: Apportionment Categories of Obligations Incurred

OMB apportions funds to the Arts Endowment only under category B, which includes direct and reimbursable resources. The Arts Endowment has no funds apportioned under Category A, which relates to program reporting as specified by OMB.

The Arts Endowment's donated funds are exempt from apportionment by OMB.

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Category B - Direct and Reimbursable	\$ 207,132,701	\$ 201,544,357
Exempt from Apportionment	655,443	195,583
Total	<u>\$ 207,788,144</u>	<u>\$ 201,739,940</u>

Apportionments for direct and reimbursable funds include funds appropriated and donations received in FY 2024, unobligated balances brought forward at the start of the fiscal year, and recoveries of prior year paid or unpaid obligations during the fiscal year.

NOTE 15: Undelivered Orders at the End of the Period

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Intragovernmental Undelivered Orders, Unpaid at the End of the Period	\$ 7,035,970	\$ 5,859,029
Public Undelivered Orders, Unpaid at the End of the Period	\$ 145,649,276	\$ 142,510,251
Intragovernmental Undelivered Orders, Paid at the End of the Period	\$ 1,839,489	\$ 1,590,232

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 2023 Statement of Budgetary Resources and the FY 2023 actual numbers presented in the FY 2025 Budget of the United States Government (Budget) are summarized below.

FY 2023 (\$ in millions)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$227M	\$202M	(\$1M)	\$230M
Difference (see above)	0	0	0	0
Budget of U.S. Government	\$227M	\$202M	(\$1M)	\$230M

The President's Fiscal Year 2026 Budget, which will include actual amounts for fiscal year 2024, will be available at a later date at <https://www.whitehouse.gov/omb/budget/>.

NATIONAL ENDOWMENT FOR THE ARTS
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NOTE 17: Schedule of Fiduciary Activity

The Arts Endowment has a painting on loan from an artist to be displayed in one office. This piece is not an asset of the Arts 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. An FY 2024 increase in the market value is reflected in the table below.

Schedule of Fiduciary Activity
For the Period Ended September 30, 2024 and September 30, 2023

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
	Painting	Painting
Fiduciary Net Assets, Beginning of Year	\$ 98,000	\$ 98,000
Contributions	-	-
Increase/(Decrease) in Fiduciary Net Assets	52,000	-
Fiduciary Net Assets, End of Period	<u><u>\$ 150,000</u></u>	<u><u>\$ 98,000</u></u>

Fiduciary Net Assets
As of September 30, 2024 and 2023

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Fiduciary Assets:		
Other Assets (Painting)	\$ 150,000	\$ 98,000
Fiduciary Liabilities:		
Less: Decrease in Fair Value	-	-
Total Fiduciary Net Assets	<u><u>\$ 150,000</u></u>	<u><u>\$ 98,000</u></u>

NATIONAL ENDOWMENT FOR THE ARTS
September 30, 2024 and September 2023 (In Dollars)

NOTE 18: Reconciliation of Net Cost to Net Outlays

	FY2024		
	Intragovernmental	With Public	Current Year
Net Operating Cost (SNC)	\$ 15,842,512	\$188,565,745	\$ 204,408,257
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation	-	(71,288)	(71,288)
Property, Plant, and Equipment Disposal & Reevaluation - Losses	-	-	-
Increase/(Decrease) in Assets not affecting Budget Outlays:			
Accounts Receivable	-	(405)	(405)
Advances, Prepayments and Other Assets	249,257	-	249,257
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	-	(241,936)	(241,936)
Federal Employees Benefits Payable	-	691,570	691,570
Advances from Others and Deferred Credits	-	-	-
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	201,391	4,120	205,511
Grant Accrual	-	17,800,000	17,800,000
Imputed Financing	(2,050,169)	-	(2,050,169)
Total Components of Net Operating Cost Not Part of the Budget Outlays	\$ (1,599,521)	\$ 18,182,061	\$ 16,582,540
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of Capital Assets	-	111,522	-
Financing Sources:			
Donated Revenue	-	(225,861)	(225,861)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	-	(114,339)	(114,339)
Net Outlays	\$ 14,242,991	\$206,633,467	\$ 220,876,458

NOTE 19: Donations In-Kind

Donations in-kind include payments of the Arts Endowment staff travel, lodging, and meals, as well as payment of the Arts Endowment staff registration fees to attend and/or participate in various arts related functions. The total value of these in-kind donations was \$2,599 in September 30, 2024, and \$1,232 in September 30, 2023.

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~ III. Other Information ~

Inspector General's Summary of Top Management Challenges



MEMORANDUM

M-25-01

DATE: October 31, 2024

TO: Dr. Maria Rosario Jackson, Chair, National Council on the Arts

FROM: Ron Stith, Inspector General *Ron Stith*

SUBJECT: Fiscal Year 2025 National Endowment for the Arts Top Management Challenges

The Consolidated Reports Act of 2000 and OMB Circular A-136, Financial Reporting Requirements, require that the Office of Inspector General (OIG) provide the National Endowment for the Arts (NEA) Chair with an annual summary of the top management and performance challenges facing the NEA. We have experienced strong support from NEA management in identifying and tracking these top management challenges. We look forward to continuing our work to help the NEA improve in these challenge areas and deliver its mission with excellence and integrity.

At the end of FY 2024, we identified the areas of Recipient Stewardship; Financial Management; Human Capital; Information Technology; and Diversity, Equity, Inclusion, & Accessibility as the top management and performance challenges for the NEA. Following is a brief discussion of each challenge area.

Recipient Stewardship

The NEA Grants and Program Management Offices face the challenge, along with the rest of the Federal government grantmaking community, to issue awards and help recipients fully implement and comply with the requirements of *2 CFR Part 200: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. This challenge includes helping to ensure recipients comply with *NEA General Terms and Conditions* for awards.

Notwithstanding the NEA's success in issuing awards in a timely manner and in responding to our recommendations to improve recipient compliance with regulations, our audits continue to identify recipients that have not fully complied with Federal award requirements. These recipients are typically identified for audit through our risk based annual audit planning process, hotline allegations/complaints, and referrals from the NEA offices. OIG audits continue to identify findings that recipients are failing to:

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1. Ensure that contractors and sub-award recipients have not been debarred or suspended from receiving Federal assistance prior to awarding them Federal funds;
2. Put in place complete written policies and procedures for managing Federal awards;
3. Report actual, allowable, and allocable costs on Federal Financial Reports; and
4. Maintain supporting documentation for all costs charged to NEA awards.

We acknowledge and encourage the NEA’s continuous efforts to identify ways to improve recipient compliance with Federal requirements. For instance, in FY 2021 the NEA Grants Office and the OIG participated in a webinar for State Arts Agencies and Regional Arts Organizations, designed to help them better understand the award audit process and how to increase compliance with Federal award management requirements. In FY 2022, the Grants Office offered webinars specific to the use of American Rescue Plan (ARP) funding for subrecipients. Technical assistance webinars were also conducted for direct ARP recipients and Local Arts Agencies that received ARP funding for subaward activity. During FY 2022 and continuing through FY 2024, the NEA Grants Office provided refresher training on allowable costs to NEA staff and recipients, provided web-based tools, and updated award policy and procedures to assist recipients in complying with award management requirements.

Continued refresher training, development and implementation of web-based tools and technical assistance by the NEA, and the results of our audits will help to continuously improve recipient compliance with award requirements. As grantmaking is a major part of the NEA mission, this area will continue to be an important challenge, particularly as the NEA more fully funds projects that strengthen the arts ecosystem and increases the size of the overall average award to have a greater impact in communities across the country. Also increasing this important challenge is that Presidential Executive Orders continue to assign leading roles to the NEA and the National Endowment for Humanities to partner with other Federal, public, and private entities increasing the focus of NEA support and initiatives to help respond to the Nation’s challenges.

Financial Management

This is one of the areas where the NEA continuously improves each year. The NEA works diligently to keep pace with government-wide financial systems modernization efforts and regulatory changes. The NEA also focuses continuously on improving efficiency and effectiveness of its accounting and finance policies and procedures, systems, and staff cross-training. While this is a top challenge area, a positive indicator in the financial management area is that the NEA has consistently received unmodified (“clean”) opinions on its annual financial statement audits and has maintained a high level of compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act) requirements over the past five years. In 2025, my office will complete another NEA financial statement audit and DATA Act review, and begin to audit awardees of the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act and ARP grant funds, and the NEA will begin to see how well these funds have been stewarded.

Human Capital

In support of merit-based human capital management, the U.S. Office of Personnel Management (OPM) evaluated the NEA's use of human capital management authorities in October 2022, and results of the evaluation were provided to the NEA and my office in June 2023. The evaluation focused on strategic planning and alignment, talent management, and performance culture. OPM assessed these areas for effectiveness, efficiency, and compliance with merit system principles, laws, regulations, and related public policies.

OPM commended the NEA for its strategic approach to human capital management due to the NEA's communication of its human capital management plans and fostering a culture that supports diversity and inclusion. OPM also mentioned that the NEA is a small agency, and while the talent management program supports the mission, the human resources office is understaffed further limiting recruitment and outreach activities. While OPM commended NEA in some areas, it concluded that improvements are needed in personnel record keeping, and although performance activities are completed timely, an internal evaluation of the performance appraisal system had not been conducted in the past, as required, a repeat finding from OPM's FY 2018 evaluation.

OPM closed by affirming that its report is designed to help improve NEA's human capital management programs and effectiveness of its operations. As such, OPM's review identified NEA practices that are working well, provided recommendations where opportunities for improvement exist, and included required actions related to legal and regulatory violations. Appendix A of OPM's report provided a summary of required and recommended actions with a requirement for the Agency to provide plans to address areas of concern and possible weaknesses.

The Agency responded to OPM's recommendations with actions taken and planned to address the OPM report. In January 2024, OPM responded by thanking the Agency for its response, stating that they appreciated the NEA's efforts in addressing the issues identified in its report. OPM also stated that the steps taken to correct the findings in their report were sufficient and reflects NEA's commitment to support merit system principles and may help to enhance and improve the effectiveness of NEA operations. While OPM closed its report based on NEA's response, NEA's response indicated actions that require continuous effort and some actions that are still in process.

The NEA considers its people to be its most valuable resource – not just assets – but as colleagues in achieving the Agency mission. We have noted NEA's work to continuously improve its human resource programs, policies, and procedures consistent with its human capital strategy. The NEA has demonstrated a strong ability to deal with human capital challenges created by the past COVID- 19 Pandemic – specifically the challenges of: 1) maintaining a safe work environment during the Pandemic for employees and contractors; 2) establishing a Post-Pandemic culture of work environment; 3) providing employees with the tools needed to successfully accomplish the NEA's mission; 4) ensuring an effective Post-Pandemic recruitment strategy to attract and retain high quality candidates with the right skills, ability and knowledge to fill vacant positions due to higher attrition and retiring employees; and 5) maintaining high quality service in other human capital

areas, such as training and development, and performance management and recognition.

As the NEA begins its official return to a hybrid work environment in October 2024 the NEA will need to be nimble, strategic, and responsive in preparing for the upcoming Presidential administration transition and in filling and retaining key leadership and staff positions. In addition, the Agency is tasked with considering and finalizing changes in its organizational structure, and changes in tools and processes to help achieve strategic mission goals.

Information Technology

Based on the most recent 2024 audit of the NEA Office of Information Technology Management (OITM), the NEA OITM made noteworthy progress during FY 2024 showing improvement in four of the five reporting metrics and successfully addressed four of seven prior audit recommendations. The audit provided five new recommendations for further strengthening the NEA's information security program. The NEA continues to show commitment and progress improving its information security program to meet the Federal Security Management Act of 2002 (FISMA) standards. The following paragraphs describe NEA's path leading them to the progress realized in 2024.

The NEA began addressing this challenge area by transitioning to a new, more robust electronic grants management system (eGMS) in FY 2018. This new system was built on a more flexible, operationally efficient platform. The initial version of eGMS was fully connected to the Grants.gov site. In 2018 and 2019, the NEA worked to fully integrate eGMS operations with its internal systems and the systems operated by external service providers. These updates are continuous and should prove helpful, yet challenges remain due to the significant increase in the volume of transactions and additional data elements required for monthly reporting of grant award activity through the NEA secure financial systems.

Another challenge in this area for the NEA is the FISMA that requires each Federal agency to develop, document, and implement an agency-wide information security program to provide information security over the operations and assets of the Agency. Through our annual review of the NEA's compliance with FISMA, we identify and assess progress in complying with FISMA. We have found that the NEA makes progress each year in complying with increasing information system security requirements.

Despite this progress, the Pandemic requirement to telework made it challenging for the NEA to meet the planned schedule of information security improvements. Beginning in FY 2021, NEA information technology staff shifted their focus to keeping the network secure and operating for all teleworking staff and ensuring the financial systems were secure and more fully integrated with the grant awards management system to ensure accurate reporting and secure processing of the increased volume of grant awards under the CARES Act and ARP. Progress in this area continued through FY 2022 and continued as the NEA responded to ever-changing and increased Federal information security requirements.

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The NEA missed opportunities for improvement due to staffing and resource challenges, but to its credit, the NEA appears poised to continue improving FISMA compliance in FY 2025. In addition to improving information technology security, the NEA will need to fund the position of the Section 508 Coordinator and that of a Privacy Specialist in OITM to enhance those programs as required by OMB while identifying additional IT tools to help streamline efforts to award grants and partner with other agencies.

Diversity, Equity, Inclusion, and Accessibility

In accordance with the President’s executive orders requiring all Federal agencies to establish Diversity, Equity, Inclusion, and Accessibility (DEIA) as integral to its internal (employee) and external (customer/supplier) programs, the Agency has added DEIA to the list of the top management challenges. The NEA moved quickly to address these areas and new requirements by establishing a cross-cutting objective in its FY 2022-2026 Strategic Plan, which states, “The NEA will model diversity, equity, inclusion, and accessibility in the arts through all its activities and operations.” Because advancing equity requires a systematic approach to embedding fairness in all decision-making processes, the NEA is working to redress inequities in its policies and programs to address barriers to equal opportunity. In alignment with its strategic plan, the Agency established its Equity Action Plan and its DEIA Plan, submitted to OMB with goals addressing these requirements and challenges.

Initial evaluation has shown early accomplishments, as well as progress made toward DEIA goals. For example, NEA guidelines, public events, and technical assistance webinars have included Spanish translations as well as captioning and options in American Sign Language. Ongoing initiatives have engaged historically Black colleges and universities (HBCUs) and Native American communities. And in 2024, the NEA, in partnership with South Arts and in collaboration with the other five U.S. Regional Arts Organizations, announced 112 recipients of ArtsHERE grants, to fund specific projects that will strengthen the organizations’ capacity to sustain meaningful community engagement and increase arts participation for underserved groups and communities. Each awardee demonstrated a commitment to equity within their practices and programming to qualify for the competitive funding.

To coordinate these and other efforts across the Agency, the NEA initiated structural changes to its organization and staffing. An Equity Coordinator was hired in May 2023, providing leadership for implementing the Equity Action Plan, including management of ArtsHERE; a Chief Diversity Officer was hired in July 2024, responsible for advancing the commitment to DEIA in all dimensions of Agency policies and practices; and recruitment is underway for a Director of Native Arts and Tribal Affairs. The latter, a new position within the Office of the Senior Deputy Chair, will serve as the NEA’s primary liaison between the Agency and Indigenous communities and coordinate related work across offices.

Joined with the NEA’s Office of Accessibility, a proposed DEIA Office would consolidate the Agency’s equity, accessibility, and diversity efforts—internal and external—for a focused, strategic approach going forward. Once in place, the Office would be responsible for refreshing the DEIA plan and troubleshooting and measuring progress associated with both the NEA Equity Plan and DEIA Plan, as well as for deepening Agency staff’s understanding of the important role they play to meet those goals. The OIG will continue to monitor the NEA

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efforts in these areas with the expectation that the Agency will continue to progress in the DEIA area and that this initiative will require continuous effort and time, as well as the support of the Agency’s senior leadership, to fully implement.

On September 30, 2022, President Biden issued Executive Order 14084. President Biden’s enhancing, if not expanding, the NEA mission – including a whole-of-government approach for advancing the arts, the humanities, and museum and library services. This order notes how essential arts and humanities are to the well-being, health, vitality, and democracy of the Nation, and encourages their integration into policies, programs, and partnerships throughout the Federal government. During FY 2023 and 2024, the NEA took important and significant actions to interpret and begin implementing the requirements of the Executive Order. One notable event held by the NEA focused on the topic of the NEA as a national resource as envisioned by the Executive Order. The purpose of the event was to spark discussion, within the NEA, of potential metrics that could help NEA leadership routinely assess how well the Agency is performing as a *national resource*—inclusive of grantmaking and other instruments for serving the public.

cc: Ascala Tsegaye Sisk, Senior Deputy
Chair Jennifer Chang, Acting Chief of
Staff
Ra Joy, Senior Advisor to the Chair
Ann Eilers, Deputy Chair for Management & Budget

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Summary of Financial Statement Audit and Management Assurances

Table 1.
Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0

Table 2.
Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
N/A						
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
Conformance with financial management system requirements (FMFIA § 4)						
Statement of Assurance	Systems conform					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
N/A						
<i>Total non-conformances</i>	0	0	0	0	0	0

Payment Integrity

Payment Integrity

The Payment Integrity Information Act of 2019 (Pub. L. No. 116-117, 31 U.S.C. § 3352 and § 3357), the Improper Payments Information Act of 2002 (IPIA) as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010, and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 require agencies to periodically assess their programs and identify which, if any, programs may be subject to high risk with respect to improper payments, and take corrective measures, as necessary. The Office of Management and Budget (OMB) *Circular A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, defines an improper payment and provides guidance to agencies to comply with IPIA as amended, and for agency improper payments efforts.

To comply with payment integrity laws and regulations, the Arts Endowment participates and contributes to the Annual Data Call issued by OMB at [PaymentAccuracy.gov](https://www.eo.gov/finance/annual-data-call).

Improper Payments Risk Assessments

The NEA has four major fund categories: Administrative; Program Support; Direct Grantmaking; and Partnership. None of these programs is considered susceptible to significant erroneous payments or qualifies as risk-susceptible based on OMB guidance thresholds. The NEA annually assesses the effectiveness of internal control over financial reporting, in compliance with OMB Circular A-123, Appendix C. The most recent reviews indicate that the internal controls over disbursement processes were effective.

Preventing and Detecting Improper Payments

The NEA's internal controls did not identify any programs that constitute a high risk for improper payments. The improper payments identified by the NEA totaled less than \$1.0 million in aggregate for all programs (or <1%) for FY 2024. All improper payments identified were corrected either through recapture or remittance of correct funds.

The NEA's internal controls include established pre-award and pre-payment processes for all acquisition and financial assistance awards. Procedures include cross-referencing applicants against the General Services Administration's (GSA) System for Award Management (SAM) exclusion records. As part of prepayment processing, our shared service provider, Enterprise Services Center (ESC), verifies an entity against both SAM and the Internal Revenue Service's Taxpayer Identification Number (TIN) before establishing them as a vendor in the financial system. For payroll expenditures, timesheets are reviewed and approved prior to submission for processing, which, along with edit checks in the National Finance Center (NFC) System, helps to facilitate accurate payroll expenditures.

The NEA also completes post-payment reviews. To identify the possibility of erroneous payment for financial assistance awards, quarterly reviews of obligations are completed to ensure awards have appropriate approval and are obligated accurately in the financial

system, and that related award payments are authorized, accurate, and complete. Administrative expense reviews include a quarterly review of manual invoices and bi-weekly review of payments to those who serve on the panels evaluating applications of financial assistance awards. The reviews are to ensure that invoices were approved and proper procedures were followed for invoice payments. While the system controls for vendor set-up facilitate proper set-up of authorized suppliers, system edit checks prevent duplicate payments. Payroll costs are reviewed by completing a pay period to pay period comparison of costs. Any variances or unanticipated changes are flagged and researched. Based on these internal controls and payment monitoring reviews, we believe that the Arts Endowment has an insignificant risk of significant improper payments for FY 2024.

Improvement of Payment Accuracy with the Do Not Pay Initiative

At the NEA, an important part of our program integrity efforts designed to prevent, identify, and reduce improper payments is integrating Treasury Department's Do Not Pay (DNP) Business Center into our existing processes. We utilize the DNP Business Center to perform online searches, screen payments against the DNP databases, and augment Treasury's Office of Financial Management (OFM) data analytics capabilities.

We follow established procedures outlined in the preventing and detecting improper payments section. Also, for any payments made outside of the financial system, ESC reviews the DNP portal prior to making the payment. ESC has undertaken the following initiatives and measures.

- Engages the DNP Analytics Services to match its vendor records with the Death Master File (DMF). The review identifies high-risk vendor records possibly associated with deceased individuals and prompts ESC to classify the vendor records into risk-based categories for further evaluation.
- Deactivates the highest-risk vendor records, thereby decreasing the likelihood of improper payments to deceased individuals.
- Implements a vendor maintenance process to deactivate profiles with no activity within 18 months and with no active invoices or purchase orders. This control decreases the likelihood of making improper payments.
- Implemented integration of SAM.GOV with the financial system to manage its supplier database. The daily processing of vendor changes from SAM is handled systemically. Financial transactions are processed based on SAM status – thereby requiring vendors to keep their SAM record active and the financial information accurate.
- Implemented a software tool to help monitor duplicate payments more effectively and timely based on business rules defined by ESC. This has allowed for daily review and the potential to prevent duplicate payments due to the quick software processing of information.
- Implemented a pre-payment review of Enterprise Data Quality (EDQ) potential duplicate invoices, which will enhance its control of ensuring payments are made accurately.

Fraud Reduction

Fraud risk management is an important aspect of the NEA’s strategy to achieve its mission and goals. Fraud prevention, detection, monitoring, and response are key to managing fraud risk and are continually being integrated into the culture and controls throughout the Agency. The NEA takes a variety of steps to both address and prevent fraud, waste and abuse. During FY 2024, the NEA continued the use of its existing policies and procedures to perform risk assessments for significant improper payments, including those under the improper payment and related laws and regulations discussed above (IPIA, IPERA, IPERIA, and OMB Circular A-123, Appendix C). Though the NEA reports only on significant improper payments in this report, the NEA reviews all sources of payments as part of its overall improper payment risk assessment and considers fraud among the variety of contributing risk factors.

Analyses of risks, including fraud risks, are a component of the NEA’s financial internal control program. Annually, the Agency performs a risk assessment and assesses exposures and controls around fraud risk. How the NEA anticipates, identifies, and responds to fraud is considered during the assessment. Existing policies and procedures are also examined to ensure that they adequately meet their objective. Operational processes are also reviewed for inherent and control-based risks. The results of these assessments aid in identifying types and levels of risks within the agency and inform the mitigation process.

Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to adjust their civil monetary penalties (CMP) for inflation. The table below describes the NEA’s current civil monetary penalties, their authorities, year enacted, last year of adjustments, and current monetary penalty amounts. These CMP adjustments are located at 89 FR 9036.

Statutory Authority	Description	CMP Name	Year CMP originally enacted (by statute)	Latest Year of CMP non-inflation adjustment	Current CMP Level
31 U.S.C. 3802(a)	Penalty for false statements under the Program Fraud and Civil Remedies Act	Violation	1986	1986	\$13,945
31 U.S.C. 1352	Penalty for certain violations of the Arts Endowment’s Restrictions on Lobbying	Violation	1989	1989	Between \$24,483 and \$244,95

Grants Oversight & New Efficiency (GONE) Act

The Grants Oversight and New Efficiency (GONE) Act (P.L. 114-117) reporting requirements have expired. Nevertheless, to promote the efficient administration of grants programs, all reporting entities with Federal grants programs must submit a brief high-level summary of expired, but not closed, Federal grants and cooperative agreements (awards), including a summary table (as shown below) of the total number of awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2024 (i.e., on or before September 30, 2022).

CATEGORY	2-3 Years	3-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	0	0	0
Number of Grants/Cooperative Agreements with Undisbursed Balances	0	0	0
Total Amount of Undisbursed Balances	0	0	0

The NEA reviewed its closed-out population of federal grants and cooperative agreements and found no instances where either a grant award or cooperative agreement with the period of performance ending on or prior to September 30, 2022, had not been closed out. We have no delays in grant and cooperative agreement closeout, and no challenges to address pursuant to the GONE Act.