National Endowment for the Arts

Audit of Financial Statements

As of and for the Years Ended September 30, 2008 and 2007

Submitted By

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

LEON SNEAD
& COMPANY, P.C.

Certified Public Accountants
& Management Consultants

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

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

Independent Auditor's Report

We have audited the balance sheets of the National Endowment for the Arts (the Arts Endowment) as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and budgetary resources (the financial statements) for the years then ended. The objective of our audits was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the Arts Endowment's internal control over financial reporting and tested the Arts Endowment's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

SUMMARY

As stated in our opinion on the financial statements, we found that the Arts Endowment's financial statements as of and for the year ended September 30, 2008, and the restated financial statements as of and for the year ended September 30, 2007, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, our testing of internal control identified no material weaknesses in financial reporting.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements* as amended.

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

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying balance sheets of the Arts Endowment as of September 30, 2008 and September 30, 2007, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our report dated November 8, 2007, we expressed an opinion that the 2007 financial statements presented fairly, in all material respects, the budgetary resources of the Arts Endowment as of and for the years ended September 30, 2007, in conformity with accounting principles generally accepted in the United States of America. In 2008, the Arts Endowment discovered an error in its 2007 reporting of offsetting receipts in the Statement of Budgetary Resources and the related Note 16, Reconciliation of Net Cost of Operations to Budget (formerly, the Statement of Financing). In 2007, the Agency included the donations received in the offsetting receipts on the Statement of Budgetary Resources and the note based on the accounts listed in the U.S. Standard General Ledger crosswalk for the Statement of Budgetary Resources. The Arts Endowment discovered that its donations were considered to be budgetary receipts, not offsetting receipts, and should not have been reported as offsetting receipts. The offsetting receipts originally reported in 2007 were $1,791,135, a difference of $1,746,146 from the amount reported in the current presentation of the 2007 Statement of Budgetary Resources and Note 19, Reconciliation of Net Cost of Operations to Budget. As a result of this restatement, our previous report on the 2007 financial statements is not to be relied upon because the previously issued financial statements were materially misstated and that report is replaced by this report on the restated financial statements. The circumstances related to this restatement are more fully described in Note 17 and in our reporting on controls, beginning on the next page.

In our opinion, the financial statements referred to in the first paragraph of this section present fairly, in all material respects, the financial position, net cost, changes in net position, and budgetary resources of the Arts Endowment as of and for the years ended September 30, 2008 and 2007, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of Arts Endowment management regarding the methods of measurement and presentation of the supplementary information and analysis of the information for consistency with the financial statements. However, we did not audit the information and express no opinion on it. The Performance and Accountability Report, except for Management's Discussion and Analysis, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the Arts Endowment as of and for the years ended September 30, 2008 and 2007, in accordance with auditing standards generally accepted in the Unites States of America, we considered the Arts Endowment's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Arts Endowment's internal control.

Because of inherent limitations in internal control, including the possibility of management override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

1. The Arts Endowment included donations in Offsetting Receipts in the Statement of Budgetary Resources (SBR) for the year ended September 30, 2007.

   Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, defines offsetting receipts as "composed of proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts." The Receipts by Department Listing is an unpublished part of the Combined Statement of Receipts, Outlays, and Balances of the United States Government, issued by the Department of the Treasury. OMB Circular A-136 states that agencies should include in the SBR the receipt accounts that are classified in the report as Proprietary Receipts from the Public, Intrabudgetary Receipts Deducted by Agencies, and Offsetting Governmental Receipts. The report classifies the Arts Endowment's donations as Budgetary Receipts.

   The U.S. Standard General Ledger (USSGL) crosswalks define the general ledger accounts to be included in each line of Federal financial statements. The crosswalk for the SBR includes account 5600, "Donated Revenue - Financial Resources" in the Offsetting Receipts line. In addition, a footnote to the offsetting receipts instructions indicates that offsetting receipts "...must equal cash deposits to Treasury that are reported on [form] SF 224 [Report of Transactions]....In all cases, include only amounts collected, deposited, and distributed in offsetting receipt accounts."

The Arts Endowment properly records its donations in account 5600 and reports the transactions on monthly SF 224 reports. Based on the instructions in the USSGL crosswalk, the Arts Endowment included the donations received in the Offsetting Receipts lines of the SBR and the related Reconciliation of Net Cost of Operations to Budget footnote. However, the Agency was unaware that the Receipts by Department Listing report from Treasury defined its donations as budgetary receipts, not offsetting receipts.

When the Arts Endowment discovered the error and verified the applicability of the requirements for offsetting receipts late in fiscal year 2008, the Agency restated the 2007 SBR in the fiscal year 2008 financial statements. The offsetting receipts originally reported in 2007 were $1,791,135, a difference of $1,746,146 from the amount reported in the current presentation of the 2007 SBR and Note 19.

Because the Arts Endowment researched the appropriate reporting of offsetting receipts and incorporated them into the Agency financial reporting processes, the error that caused the restatement is unlikely to recur. We recommend that the Arts Endowment continue to monitor the general ledger accounts containing offsetting receipts to ensure that those receipts are reported correctly.

Management Response

The Arts Endowment concurred that the discovery, thorough verification of the applicability of various sources of guidance, and correction of reporting offsetting receipts for 2007, as restated, has corrected the error. Going forward with the 2008 financial statements, the Arts Endowment has changed its crosswalk to properly report only the offsetting receipts on that line of the Statement of Budgetary Resources.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section of the report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

A summary of the status of prior year findings is included as Attachment 1.

We noted other control risks over financial reporting and its operation that we have reported to the management of the Arts Endowment and those charged with governance in a separate letter dated November 12, 2008.

COMPLIANCE WITH LAWS AND REGULATIONS

The results of our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, disclosed no instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04.

RESPONSIBILITIES

Management Responsibilities

Management of the Arts Endowment is responsible for: (1) preparing the financial statements in conformity with generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) are met; and (3) complying with applicable laws and regulations. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies.

Auditor Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes (1) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessing the accounting principles used and significant estimates made by management; and (3) evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our audit, we considered the Arts Endowment's internal control over financial reporting by obtaining an understanding of the agency's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 07-04 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by FMFIA. Our procedures were not designed to provide an opinion on internal control over financial reporting. Consequently, we do not express an opinion thereon.

As required by OMB Bulletin 07-04, with respect to internal control related to performance measures determined to be key and reported in Management's Discussion and Analysis, we made inquiries of management concerning the methods of preparing the information, including whether it was measured and presented within prescribed guidelines; changes in the methods of measurement or presentation from those used in the prior period(s) and the reasons for any such changes; and significant assumptions or interpretations underlying the measurement or presentation. We also evaluated the consistency of Management's Discussion and Analysis with management's responses to the foregoing inquiries, audited financial statements, and other audit evidence obtained during the examination of the financial statements. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the Arts Endowment's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Arts Endowment. Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Agency Comments and Auditor Evaluation

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

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

Distribution

This report is intended solely for the information and use of the management, the Chairman, the Office of Inspector General and others within the Arts Endowment, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Leon Snead & Company, P.C.
Leon Snead & Company, P.C.
November 12, 2008

Status of Prior Year Findings

Description	Status as of September 30, 2008
1. As of June 30, 2007, transactions applicable to reimbursable funds were incorrectly applied to accounts that were designed to record the use of direct appropriations only.	1. In August 2007, the Arts Endowment corrected the accounting by posting a journal voucher for the reversing of the erroneous 3107 and 5700 accounts in the reimbursable funds; notated each gift/reimbursable obligation document with the correct transaction code to remind the invoice technician to select that transaction code; changed the quarter-end integrity check to run specific reports to verify transactions had been processed correctly; requested its service provider to modify the application programs and/or setup of the Arts Endowment's set of books and/or provide warning notices to link the proper transaction code to the funding obligation; and created a formalized quarter-end checklist to include an integrity check for correct accounting for reimbursable funds. The Arts Endowment completed the corrective actions on this control deficiency and no additional errors occurred during the remainder of the 2007 and 2008 fiscal years.
2. For the fourth quarter of 2007, the Arts Endowment recorded imputed costs for health benefits based solely on the fourth quarter factor provided by the Office of Personnel Management (OPM); however, the health insurance factors in the OPM Benefits Administration Letters are designed to be cumulative.	2. A journal voucher was created for the difference in imputed costs and the 2007 financial statements were appropriately adjusted. The integrity controls checklist was updated to include assurances that the official Benefits Administration Letter from OPM is included in the imputed costs journal voucher documentation. Additionally, the worksheet item labels were clarified to ensure that the appropriate rate is used cumulatively beginning with the first quarter reports in fiscal year 2008. The Arts Endowment completed the corrective actions on this control deficiency and the audit disclosed no additional errors during the 2008 fiscal year.

National Endowment for the Arts
BALANCE SHEET
As of September 30, 2008 and 2007
(In Dollars)

	September 30, 2008			September 30, 2007 (Restated)		
	All Other	Earmarked Funds	Cumulative	All Other	Earmarked Funds	Cumulative
ASSETS:						
Intragovernmental:						
Fund Balance With Treasury (Note 2)	$ 134,781,387	$ 3,018,785	$ 137,800,172	$ 122,346,295	$ 3,585,766	$ 125,932,061
Fund Balance With Treasury Under A Continuing Resolution (Note 2)	-		-	-		-
Investments (Note 3)		1,080,670	1,080,670		1,110,560	1,110,560
Accounts Receivable (Note 4)	726		726	180		180
Other Assets (Note 6)	247,891	-	247,891	500,000		500,000
Total Intragovernmental	$ 135,030,004	$ 4,099,455	$ 139,129,459	$ 122,846,475	$ 4,696,326	$ 127,542,801
Accounts Receivable (Note 4)	74,130		74,130	69,826		69,826
Property, Plant and Equipment, Net (Note 5)	-		-	6,642		6,642
TOTAL ASSETS	$ 135,104,134	$ 4,099,455	$ 139,203,589	$ 122,922,943	$ 4,696,326	$ 127,619,269
LIABILITIES:						
Intragovernmental:						
Accounts Payable (Note 7,8)	$ 4,274,932	$ 1,104	$ 4,276,036	$ 3,907,775	$ 2,256	$ 3,910,031
Total Intragovernmental	$ 4,274,932	$ 1,104	$ 4,276,036	$ 3,907,775	$ 2,256	$ 3,910,031
Other (Notes 7,8)	44,449,584	513,757	44,963,341	50,104,209	493,419	50,597,628
TOTAL LIABILITIES	$ 48,724,516	$ 514,861	$ 49,239,377	$ 54,011,984	$ 495,675	$ 54,507,659
Commitments and contingencies (Note 1)						
NET POSITION:						
Unexpended Appropriations	89,645,779		$ 89,645,779	$ 72,528,426		$ 72,528,426
Cumulative Results of Operations	(3,266,161)	3,584,594	318,433	(3,617,467)	4,200,651	583,184
TOTAL NET POSITION	$ 86,379,618	$ 3,584,594	$ 89,964,212	$ 68,910,959	$ 4,200,651	$ 73,111,610
TOTAL LIABILITIES AND NET POSITION	$ 135,104,134	$ 4,099,455	$ 139,203,589	$ 122,922,943	$ 4,696,326	$ 127,619,269

The accompanying notes are an integral part of these statements

National Endowment for the Arts
STATEMENT OF NET COST
For the period ended September 30, 2008 and September 30, 2007
(In Dollars)

	2008	2007
Program Costs (Note 10):		
Artistic Creativity & Preservation:		
Gross Costs	54,897,227	56,990,210
Less: Earned Revenue	(1,637,269)	(70,275)
Net AC&P Costs	53,259,958	56,919,935
Learning in the Arts:		
Gross Costs	11,199,953	12,022,057
Less: Earned Revenue	(300,000)	0
Net Learning in the Arts Costs	10,899,953	12,022,057
Access to the Arts:		
Gross Costs	133,590	(235,697)
Less: Earned Revenue	0	
Net Access to the Arts Costs	133,590	(235,697)
Partnerships for the Arts:		
Gross Costs	40,135,879	42,988,010
Less: Earned Revenue	(297,400)	0
Net Partnerships Arts Costs	39,838,479	42,988,010
Total Program Costs	104,131,980	111,694,305
Costs Not Assigned to Programs	26,808,147	26,795,562
Less: Earned Revenues Not Attributed to Programs	(36,048)	(81,053)
Net Cost of Operations	130,904,079	138,408,815

The accompanying notes are an integral part of these statements.

National Endowment for the Arts
Statement of Changes in Net Position
As of September 30, 2008 and 2007
(In Dollars)

	FY 2008			FY 2007 (Restated)		
	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	Consolidated Total
Cumulative Results of Operations:						
Beginning Balances	$ 4,200,652	$ (3,617,467)	$ 583,185	$ 4,700,263	$ 4,006,535	$ 8,706,798
Expended Appropriations Prior-Period Adjustments		-	-		(106,090)	(106,090)
Prior-Period Adjustments Correction of Errors			-		(873,772)	$ (873,772)
Adjusted Beginning Balance	$ 4,200,652	$ (3,617,467)	$ 583,185	$ 4,700,263	$ 3,026,673	$ 7,726,936
Budgetary Financing Sources:						
Appropriations Used		127,589,447	127,589,447		128,349,264	128,349,264
Non-Exchange Revenue	30,609	-	30,609	73,123	-	73,123
Donations	1,690,884		1,690,884	1,646,455		1,646,455
Other Financing Sources (Non-Exchange)						
Imputed financing		1,328,387	1,328,387		1,196,222	1,196,222
Total Financing Sources	$ 1,721,493	$ 128,917,834	$ 130,639,327	$ 1,719,578	$ 129,545,486	$ 131,265,064
Net Cost of Operations	2,337,551	128,566,528	130,904,079	2,219,189	136,189,626	138,408,815
Net Change	$ (616,058)	$ 351,306	$ (264,752)	$ (499,611)	$ (6,644,140)	$ (7,143,750)
Cumulative Results of Operations	$ 3,584,594	$ (3,266,161)	$ 318,432	$ 4,200,652	$ (3,617,467)	$ 583,185
Unexpended Appropriatons:						
Beginning Balance		$ 72,528,426	$ 72,528,426		$ 76,209,756	$ 76,209,756
Corrections of Errors		-	-		106,090	$ 106,090
Adjusted Beginning Balance		$ 72,528,426	$ 72,528,426		$ 76,315,846	$ 76,315,846
Budgetary Financing Sources:						
Appropriations Received		$ 147,000,000	$ 147,000,000		$ 124,561,844	$ 124,561,844
Other Adjustments		(2,293,200)	(2,293,200)		-	-
Appropriations Used		(127,589,447)	(127,589,447)		(128,349,264)	(128,349,264)
Total Budgetary Financing Sources		$ 17,117,353	$ 17,117,353		$ (3,787,420)	$ (3,787,420)
Total Unexpended Appropriations		$ 89,645,779	$ 89,645,779		$ 72,528,426	$ 72,528,426
Net Position	$ 3,584,594	$ 86,379,618	$ 89,964,212	$ 4,200,652	$ 68,910,959	$ 73,111,610

The accompanying notes are an integral part of these statements.

National Endowment for the Arts
STATEMENT OF BUDGETARY RESOURCES
For the Period Ended September 30, 2008 and September 30, 2007
(In Dollars)

	2008	2007 (Restated)
BUDGETARY RESOURCES		
Unobligated Balance:		
Balance Beginning of Period	$ 7,578,921	$ 8,444,147
Net Transfers		
Recoveries of Prior Year Obligations:		
Actual Recoveries	1,571,887	2,297,604
Budget Authority:		
Appropriation	148,686,650	126,309,601
Spending Authority from Offsetting Collections:		
Collections Earned	1,567,756	151,328
Unfilled Orders W/ Advances Received	651,664	2,371,387
Unfilled Orders W/O Advances	355,310	
Permanently Not Available:		
Enacted Reductions	(2,293,200)	-
Pursuant to Public Law		
TOTAL BUDGETARY RESOURCES	$ 158,118,987	$ 139,574,067
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	$ 148,880,120	$ 129,056,811
Reimbursable	2,647,669	2,938,335
Unobligated Balance:		
Apportioned Currently Available	6,591,199	7,578,921
Unobligated Balance Not Available:		
Other	-	-
TOTAL STATUS OF BUDGETARY RESOURCES	$ 158,118,987	$ 139,574,067
CHANGE IN OBLIGATED BALANCE:		
Obligated Balance Beginning of Period	$ 119,453,530	$ 117,567,480
Obligations Incurred:	$ 151,527,789	$ 131,995,147
Less: Gross Outlays	$ (136,767,492)	(127,811,493)
Less: Recoveries of Prior Year Obligations:	$ (1,571,887)	(2,297,604)
Change in Uncollected Customer Payments from Federal Sources	$ (355,310)	
Obligated Balance Net, End of Period:	$ 132,286,630	$ 119,453,530
Uncollected Customer Payments from Federal Sources		
Net Outlays:		
Disbursements	$ 136,767,492	$ 127,811,493
Collections	(2,219,420)	(2,522,715)
Less: Offsetting receipts	546,320	44,989
Net Outlays	$ 135,094,392	$ 125,333,767

The accompanying notes are an integral part of these statements.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007
(In Dollars)

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

Note 1. Significant Accounting Policies:

A. Reporting Entity

The National Endowment for the Arts (NEA) is an independent Federal agency with the mission to support excellence in the arts, both new and established; bring the arts to all Americans; and provide leadership in arts education. The NEA was established by the National Foundation on the Arts and the Humanities Act of 1965.

B. Basis of Presentation

These statements were prepared from the books and records of the NEA in conformity with accounting principles generally accepted in the United States, and the OMB Circular A-136, *Financial Reporting Requirements* (Circular A-136), Revised June 3, 2008, which supersedes:

- OMB Circular A-136, *Financial Reporting Requirements (*Circular A-136), dated June 29, 2007.
- M-06-27 *Fiscal Year 2006 Year-end Accounting Guidance for Earmarked Funds* (September 22, 2006), located at http://www.whitehouse.gov/omb/memoranda/fy2006/m06-27.pdf .
- *Future External Reporting Changes* (December 21, 2001), located at http://www.whitehouse.gov/omb/financial/year_end_reporting_2001.pdf .
- *Requirements for Accountability of Tax Dollars Act* (December 6, 2002), located at http://www.whitehouse.gov/omb/financial/accountability_of_tax_dollars.pdf .
- M-04-20 FY 2004 *Performance and Accountability Reports and Reporting Requirements for the Financial Report of the United States Government* (July 22, 2004), located at http://www.whitehouse.gov/omb/memoranda/fy04/m04-20.pdf .
- Memorandum FY 2002 *Financial and Performance Reporting*, dated October 18, 2002.
- Bulletin 01-09 *Form and Content of Agency Financial Statements*, revised September 25, 2001.

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

Note 1. Significant Accounting Policies (Continued):

C. Basis of Accounting

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

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

In 2004, the JFMIP became the Financial Systems Integration Office (FSIO) within the General Services Administration, which works closely with OMB and the Chief Financial Officers (CFO) Council to update FSIO's mission and scope of activities.

D. Revenues and Other Financing Sources

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

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

NEA was granted the authority to receive donations and to invest in interest-bearing accounts. Accounts are maintained for restricted as well as unrestricted funding and the NEA observes the same guidelines for the appropriate use of donated funds as for appropriated funds. This authority allows the Chairman to incur representation and reception expenses.

Note 1. Significant Accounting Policies (Continued):

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

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

E. Fund Balance with Treasury

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

F. Advances and Prepayments

NEA interagency agreements with other Federal agencies are recorded as advances in cases where funds are received prior to expenditure. As work is performed by NEA, expenditures are incurred and advances reduced. Prepayments are recorded for Intragovernmental Transactions until the expenditures & revenue are reported by the Trading Partner, at which time the prepayment is reduced and the expense is recognized. NEA records payments for grants where the grantee has not yet incurred the expense (but expects to within 30 days) as advances, and reduces the advances by charges to expense in the next month.

G. General Property, Plant and Equipment, Net

NEA policy is to depreciate property, plant and equipment over the estimated useful life of the asset. NEA's capitalization threshold was raised to $50,000 for individual purchases and $50,000 for bulk purchases with a minimum $10,000 per item in FY 2004. Service lives are as shown below:

Description	Life	
Leasehold Improvements	Term of Lease	
Capital Leases	Term of Lease	
Office Furniture	10 Years	
Computer Equipment & Software	4 Years	
Office Equipment	7 Years	
Vehicles	8 Years	Note: Added in FY 2008

Note 1. Significant Accounting Policies (Continued):

H. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by NEA as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation (or, in some cases, donated funds). Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources, and there is no certainty that the appropriation will be enacted. Also, the Government, acting in its sovereign capacity, can abrogate liabilities.

I. Accounts Payable

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

J. Accounts Receivable

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

K. Annual, Sick and Other Leave

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

L. Retirement Plans

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

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established and NEA makes a mandatory one percent contribution to this account. In addition, NEA makes

Note 1. Significant Accounting Policies

L. Retirement Plans (Continued):

matching contributions, ranging from one to four percent, for FERS-eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees. FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, NEA remits the employer's share of the required contribution.

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

M. Imputed Benefit Costs

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

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

There are no commitments or contingencies that require disclosure.

P. Earmarked Fund

Since the NEA earmarked fund is represented by one appropriation, "Gifts and Donations" 59X8040, there are no eliminations of this type of activity within the agency, nor any need for additional subtotal or total columns.

(In Dollars)

NOTE 2: Fund Balances With Treasury

	September 30, 2008	September 30, 2007
Fund Balance:		
Trust Funds	$ 3,018,785	$ 3,585,766
Appropriated Funds	134,781,387	122,346,295
Continuing Resolution Funds	-	-
Custodial Funds (Nonentity)	-	-
Fund Balance with Treasury – Subtotal	$ 137,800,172	$ 125,932,061
Invested in Public Debt Treasury Bills, net	1,077,655	1,100,388
Fund Balance With Treasury – Total	$ 138,877,827	$ 127,032,449
Status of Budgetary Resources:		
Unobligated Balance:		
Available Other	$ 4,455,151	$ 5,263,699
Available Trust Fund	2,136,049	2,315,221
Subtotal – Available	$ 6,591,200	$ 7,578,920
Unavailable	-	-
Obligated Balance not yet Disbursed Other	$ 130,681,547	$ 117,082,596
Obligated Balance not yet Disbursed Trust Fund	1,960,390	2,370,933
Subtotal - Obligated	132,641,937	119,453,529
Unfilled Orders – Reimbursable	(355,310)	-
Custodial Funds	-	-
	$ 138,877,827	$ 127,032,449

(In Dollars)

NOTE 3: Investments

September 30, 2008	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Non-Marketable: Par Value	$ 1,077,655	Effective Interest	$ 6,581	$ 1,084,236	$ 1,084,236
Accrued Interest on Public Debt Bills	3,015				3,015
Total	$ 1,080,670				$ 1,087,251

September 30, 2007	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Non-Marketable: Par Value	$ 1,100,388	Effective Interest	$ 24,612	$ 1,125,000	$ 1,125,000
Accrued Interest on Public Debt Bills	10,173				10,173
Total	$ 1,110,561				$ 1,135,173

(In Dollars)

NOTE 4: Accounts Receivable

	September 30, 2008	September 30, 2007
Gross Receivables:		
Custodial Receivable (Nonentity)	$ 57,500	$ 67,500
Receivables Due from Govt entities	726	180
Receivables Due from the Public	16,630	2,326
	$ 74,856	$ 70,006
Allowance for Uncollectibles:	-	-
Net Receivables	$ 74,856	$ 70,006

(In Dollars)

NOTE 5: General Property, Plant, And Equipment

	September 30, 2008			September 30, 2007		
Class of Property	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Furniture & Equipment	$ 132,845	$ 132,845	$ -	$ 132,845	$ 126,203	$ 6,642
Total	$ 132,845	$ 132,845	$ -	$ 132,845	$ 119,560	$ 6,642

	2008	2007
Capitalization Threshold:	$50,000 individual purchase $50,000 aggregate purchases where individual items each exceed $10,000	$50,000 individual purchase $50,000 aggregate purchases where individual items each exceed $10,000
Useful Life:	Computer equipment = 4 yrs Computer software = 4 yrs Office equipment = 7 yrs Furniture = 10 yrs Vehicles = 8 yrs Leasehold improvements = lease term Straight-line method used to depreciate cost of PPE over its useful life.	Computer equipment = 3_yrs Computer software = 3_yrs Office equipment = 5_yrs Furniture = 7_yrs Leasehold improvements = lease term Straight-line method used to depreciate cost of PPE over its useful life.

(In Dollars)

NOTE 6: Other Assets

	September 30, 2008	September 30, 2007
Intragovernmental:		
Open World Leadership Center (1)	$ 119,966	$ 500,000
Library of Congress (2)	100,000	
Department of Transportation (3)	15,155	
Abraham Lincoln Bicentennial Commission (4)	12,770	
Total Other Assets	$ 247,891	$ 500,000

Other Information:

1. The Open World Program enables emerging leaders from Russia and other Eurasian countries to experience American democracy and civil society in action.
2. The Library of Congress' National Book Festival will feature a NEA Poetry Pavilion Program where up to 8 poets and 6 Poetry Out Loud state champions will read.
3. Advance to the Department of Transportation for the purchase of Metrocheks.
4. The Abraham Lincoln Bicentennial Commission's program of poetry in celebration of the Abraham Lincoln's Bicentennial, proceeded and followed by musical ensembles.

(In Dollars)

NOTE 7: Liabilities Not Covered By Budgetary Resources

	September 30, 2008	September 30, 2007
Accrued Unfunded Leave Non-Federal	$ 1,335,817	$ 1,271,227
Actuarial FECA Liability Federal	907,895	1,059,390
Unfunded FECA Liability Federal	130,204	160,538
Total Liabilities Not Covered By Budgetary Resources	$ 2,373,916	$ 2,491,155

(In Dollars)

NOTE 8: Liabilities

	September 30, 2008			September 30, 2007 (Restated)		
	Non-Current	Current	Total	Non-Current	Current	Total
Intragovernmental:						
Accrued Payables - Invoices	$ -	$ 3,320	$ 3,320	$ -	$ 34,162	$ 34,162
Custodial Liability	-	57,500	57,500	-	67,500	67,500
Employer Contributions	-	142,299	142,299	-	113,235	113,235
Other Post Employment Benefits	-	-	-	-	103,819	103,819
Actuarial FECA Liability	-	907,895	907,895	-	1,059,390	1,059,390
Unfunded FECA Liability	-	130,204	130,204	-	160,538	160,538
Advances from Other Government Agencies	-	3,023,051	3,023,051		3,062,387	3,062,387
Other Accrued Liabilities		11,767	11,767			
Public:						
Accrued Payables - Invoices	$ -	$ 45,281	$ 45,281	$ -	$ 48,087,530	$ 48,087,530
Accrued Funded Payroll	-	670,442	670,442	-	532,267	532,267
TSP Employer Contributions	-	21,102	21,102	-	15,606	15,606
Other Post Employment Benefits	-			-		
Accrued Unfunded Leave	-	1,335,817	1,335,817	-	1,271,227	1,271,227
Other Accrued Liabilities		42,890,699	42,890,699			
Total Liabilities	$ -	$ 49,239,377	$ 49,239,377	$ -	$ 54,507,659	$ 54,507,659

(In Dollars)

NOTE 9: Operating Leases

Brief Description of Occupancy Agreement:
The current occupancy agreement includes rental of office space and one surface parking space for a period of 66 months expires October 31, 2008, with a payment of $181,778 for October 2008. The agreement can be terminated upon four months' notice. The Agency's financial obligations for years beyond the current year do not mature until the later year(s) are reached. The obligation to pay rent in future years is subject to the availability of funds.

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Total Annual Rental	$2,219,317	$2,217,653	$2,232,267	$2,160,677	$2,169,415

GSA has not been able to provide a renewal for an occupancy agreement beyond October 2008. The following estimates are provided for 2009 and 2010.

	FY 2009	FY 2010
Estimated Annual Rental	$2,707,166	$2,767,127

Brief Description of Copier Lease
The NEA entered into a 60 month operating lease for copiers (NEA Copy Center & walkups throughout the Endowment) in September 2008, for rental services commencing October 1, 2008 thru September 30, 2013. The Agency's financial obligations for years beyond the current year do not mature until the later year(s) are reached. The obligation to pay these lease payments in future years is subject to the availability of funds.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
$173,544.12	$173,544.12	$173,544.12	$173,544.12	$173,544.12

(In Dollars)

NOTE 10: Grants to the Public Costs and Intragovernmental Revenue

		2008	2007
Artistic Creativity & Preservation:			
	Gross Cost of Grants to the Public	$ 54,897,227	$ 56,990,210
	Less: Earned Revenue	(1,637,269)	(70,275)
	Total AC&P Costs	$ 53,259,958	$ 56,919,935
Learning in the Arts:			
	Gross Cost of Grants to the Public	$ 11,199,953	$ 12,022,057
	Less: Earned Revenue	(300,000)	-
	Total Learning in the Arts Costs	$ 10,899,953	$ 12,022,057
Access to the Arts:			
	Gross Cost of Grants to the Public	$ 133,590	$ (235,697)
	Less: Earned Revenue	-	-
	Total Access to the Arts Costs	$ 133,590	$ (235,697)
Partnerships for the Arts:			
	Gross Cost of Grants to the Public	$ 40,135,879	$ 42,988,010
	Less: Earned Revenue	(297,400)	-
	Total Access to the Arts Costs	$ 39,838,479	$ 42,988,010

The Arts Endowment receives funds from other Federal agencies that participate in the Arts Endowment's program awards. The Arts Endowment may also incur intragovernmental costs for its participation in program awards of other Federal agencies.

(In Dollars)

NOTE 11: Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

The President's Fiscal Year 2010 Budget, which will include actual numbers for fiscal year 2008, has not yet been published. The FY 2010 Budget will be submitted by the next President, and will be available at http://www.whitehouse.gov/omb..

NOTE 12: Explanation of Differences Between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods

Components that comprise liabilities not covered by budgetary resources represent the cumulative balance of the liability. By contrast, components requiring or generating resources in future periods included in the Statement of Financing represent the change in the liability created in the current year.

NOTE 13: Apportionment Categories of Obligations Incurred

The NEA is provided with funding only under Category B.

Category B	Direct	Reimbursable
Apportionments	$ 146,393,450	$ 2,219,420
Obligations	$ 148,880,120	$ 2,647,669

NOTE 14: Undelivered Orders at the End of the Period

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

Unpaid Obligations:	**2008**	**2007**
Undelivered Orders	$ 89,105,489	$ 71,067,281
Less: Undelivered Orders, paid	(247,891)	(500,000)
Undelivered Orders, unpaid	$ 88,857,597	$ 70,567,281
Accounts Payable	43,784,342	48,886,248
Total unpaid obligated balance, net, end of period	$ 132,641,939	$ 119,453,529

Note 15: Incidental Custodial Collections

	2008	2007
Proprietary Receipts from the Public	$ 535,976	$ 2,290
Intrabudgetary Receipts Deducted by Agencies	10,344	42,699
Total Custodial Collections	$ 546,320	$ 44,989

(In Dollars)

NOTE 16: Earmarked Funds

Gifts and Donations

Balance Sheet	September 30, 2008	September 30, 2007
ASSETS		
Fund balance with Treasury	$ 3,018,785	$ 3,585,766
Investments	1,080,670	1,110,560
Taxes and Interest Receivable		-
Other Assets		
Total Assets	$ 4,099,455	$ 4,696,326
Other Liabilities	$ 514,861	$ 495,675
Total Liabilities	$ 514,861	$ 495,675
Unexpended Appropriations	-	
Cumulative Results of Operations	$ 3,584,594	$ 4,200,651
Total Liabilities and Net Position	$ 4,099,455	$ 4,696,326

Statement of Net Cost	September 30, 2008	September 30, 2007
Gross Program Costs	$ 1,407,125	$ 1,719,566
Less Earned Revenue	-	-
Net Program Costs	1,407,125	1,719,566
Costs Not Attributable to Program Costs	930,426	499,623
Net Cost of Operations	$ 2,337,551	$ 2,219,189

Statement of Changes in Net Position	September 30, 2008	September 30, 2007
Net Position Beginning of Period	$ 4,200,652	$ 4,700,263
Non-Exchange Revenue	30,609	73,123
Donations	1,690,884	1,646,455
Net Cost of Operations	(2,337,551)	(2,219,189)
Change in Net Position	$ (616,058)	$ (499,611)
Net Position End of Period	$ 3,584,594	$ 4,200,652

NOTE 17: Restatements

NEA discovered two errors in its previously issued financial statements as of and for the year ended September 30, 2007. The Agency discovered the errors during the last quarter of fiscal year 2008, when the issuance of the subsequent audited financial statements was imminent.

Restatement of Prior Year Revenues

September 2007 Consolidated Statement of Changes in Net Position,
September 2007 NOTE 8: Liabilities, and
September 2007 Balance Sheet

NEA regularly receives funds from the National Park Service (NPS) to award grants under the "Save America's Treasures" program. For fiscal years prior to 2007, NEA recognized revenue and NPS recognized corresponding expenses when NEA awarded the grants. In 2007, NEA began to record such funds as Advances from Others, an unearned revenue account, and recognize the revenues as funds were paid out to the grantees.

In 2008, NEA determined that grantees had claimed no funds from three grants that NPS had funded in 2004 and 2006. Due to the age of the grants, NEA also determined that the unclaimed funds from one of the grants needed to be returned to the NPS, and the other two are in final review that is expected to also result in a return of funding. In order to do so, NEA recorded a prior period adjustment to reduce previously recorded revenues by $691,000, which reduced the beginning balance of *2007 Cumulative Results of Operations* in the Consolidated Statement of Changes in Net Position, and increased *2007 Liabilities: Other* on the Balance Sheet and *2007 Intragovernmental: Advances from Other Government Agencies* in Note 8. NEA notified NPS of the change. NEA's auditors did not change their opinion on the previously issued 2007 financial statements as a result of this restatement.

NEA received funds and recorded revenues for other similar interagency agreements in prior years. However, grantees have claimed funds from these other grants funded by interagency agreements. Because NEA will not likely need to return any other grant funds to its trading partners in the future, and because NEA's accounting for those funds was consistent with its trading partners in those prior years, NEA did not restate revenues related to prior period grants other than the three grants discussed above. The outstanding obligations on the prior fiscal year funds from interagency agreements for which revenues were not restated were $282,142 as of September 30, 2008.

Offsetting Receipts

September 2007 Statement of Budgetary Resources,
September 2007 NOTE 19: Reconciliation of Net Cost of Operations to Budget

In its previously issued financial statements as of and for the year ended September 30, 2007, NEA prepared its Statement of Budgetary Resources based on crosswalks from the U.S. Standard General Ledger. Those crosswalks define the specific general ledger accounts to be included in each line of the financial statements. The crosswalk applicable to the Statement of Budgetary Resources includes the general ledger account for donations in the offsetting receipts line.

At the end of fiscal 2008, NEA became aware that its donated funds are classified as budgetary receipts, not offsetting receipts, in the U. S. Treasury's Federal Account Symbols and Titles (FAST) book and that NEA should not have included its donations in the offsetting receipts line of the 2007 Statement of Budgetary Resources. For the current presentation of the 2007 Statement of Budgetary Resources, NEA reduced the *offsetting receipts* line by \$1,746,146 and the *offsetting receipts* lines in Note 19: Reconciliation of Net Cost of Operations to Budget, by \$1,674,681.

The agency has changed its procedures for preparing the Statement of Budgetary Resources and the NOTE 19: Reconciliation of Net Cost of Operations to Budget to include only accounts and funds identified as offsetting receipts in the FAST book. NEA's auditors changed their opinion on the previously issued 2007 Statement of Budgetary Resources and the related note as a result of this correction.

NOTE 18: Donations In-Kind

In FY 2008, the NEA received a 2008 Ford Escape Hybrid from the Ford Motor Company, for use in association with The Big Read program and for other agency business. The fair market value of the donated vehicle is $35,000.00. In addition, Ford Motor Company designed and installed a vehicle wrap at a cost estimated at $7,000.00, for a total contribution of $42,000.00. As it does not meet the capitalization threshold, nor would it have been purchased if not donated, it will not be shown as an asset or capitalized.

In FY 2008, the NEA continued its partnership with XM Satellite Radio, which aired a series of NEA-produced Jazz and Literary “Moments”. The total fair market value of the donated air time for these public service announcements, which ran numerous times each month on a number of different XM channels, is estimated at $279,000. Additionally, the NEA and XM continued to partner on the radio broadcast series focusing on the books and authors featured in the NEA’s Big Read initiative. This series included NEA-produced content, and thus the air time provided by XM for these segments would be considered an additional in-kind donation. The NEA would not have purchased the public service announcements, and the program series air time isn’t for sale. In accordance with applicable guidance, the value of these contributions is not recognized in the financial statements.

For FY 2007, the NEA received the following in-kind donations:

1. Public service announcements for Jazz “Moments”, valued at $ 2,163,700.
2. Public service announcements for Literary “Moments”, valued at $ 446,600.

NATIONAL ENDOWMENT FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007
(In Dollars)

NOTE 19: Reconciliation of Net Cost of Operations to Budget

	2008	2007 (Restated)
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 151,527,789	$ 131,995,146
Less: Spending Authority from offsetting collections and recoveries	(4,146,962)	(4,820,318)
Obligations net of offsetting collections and recoveries	$ 147,380,827	$ 127,174,828
Less: Offsetting receipts	(546,320)	(44,989)
Net Obligations	$ 146,834,507	$ 127,129,839
Other Resources		
Imputed financing from costs absorbed by others	$ 1,328,387	$ 1,196,222
Other Resources	-	-
Net Other Resources Used to Finance Activities	$ 1,328,387	$ 1,196,222
Total Resources Used to Finance Activities	$ 148,162,894	$ 128,326,061
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods and Services and Benefits Ordered but not received	$ (17,031,233)	$ 9,175,745
Budgetary offsetting collections and receipts that do not affect net cost of operations	546,320	44,989
Other Resources or adjustments to net obligated resources that do not affect net cost of operations	(1,328,387)	(1,196,222)
Total Resources used to finance items not part of the Net Cost of Operations	$ (17,813,300)	$ 8,024,512
Total Resources Used to finance the Net Cost of Operations	$ 130,349,594	$ 136,350,573
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring/Generating Resources in Future Periods (Note 12):		
Increase in Annual Leave Liability	$ 64,591	$ 75,297
Other	(151,495)	334,962
Total components of Net Cost of Operations that will require or generate resources in future periods	$ (86,904)	$ 410,259
Components not Requiring or Generating Resources:		
Depreciation and Amortization	$ 6,642	$ 26,569
Losses on Disposal of Assets	-	
Other not Requiring Outlay of Resources	634,748	1,621,414
Total components of Net Cost of Operations that will not require or generate resources	$ 641,390	$ 1,647,983
Total components of net cost of operations that will not require or generate resources in the current period	$ 554,485	$ 2,058,242
Net Cost of Operations	$ 130,904,079	$ 138,408,815