

---

**National Endowment for the Arts**  
**Audit of Financial Statements**  
**As of and for the Years Ended**  
**September 30, 2011 and 2010**

---

**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, 2011 and 2010, and the related statements of net cost, changes in net position, and budgetary resources (the financial statements) for the years then ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the Arts Endowment's internal control over financial reporting and tested the Arts Endowment's compliance with certain provisions of applicable laws 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 years ended September 30, 2011 and 2010, 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, 2011 and 2010, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above 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, 2011 and 2010, 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 the 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, 2011 and 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Arts Endowment's internal control over financial reporting (internal control) as a basis for designing 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 the Arts Endowment's 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 controls, 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 material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less

severe than a material weakness, yet important enough to merit attention by those charged with governance of the Arts Endowment.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

## **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 (as amended).

## **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 (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, as well as 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 (as amended) 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 (as amended), 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 agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts, 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 (as amended). 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.

## **DISTRIBUTION**

This report is intended solely for the information and use of the management, 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 8, 2011

**National Endowment for the Arts**  
**BALANCE SHEET**  
**As of September 30, 2011 and 2010**  
(In Dollars)

ASSETS:	September 30, 2011			September 30, 2010		
	All Other	Earmarked Funds	Cumulative	All Other	Earmarked Funds	Cumulative
Intragovernmental:						
Fund Balance With Treasury (Note 2)	\$ 155,168,055	\$ 1,535,232	\$ 156,703,287	\$ 173,065,458	\$ 1,993,429	\$ 175,058,887
Fund Balance With Treasury Under a Investments (Note 3)	-	842,086	842,086	-	840,666	840,666
Accounts Receivable (Note 4)	525	-	525	62	-	62
Other Assets (Note 6)	762,993	-	762,993	827,310	-	827,310
Total Intragovernmental	<u>\$ 155,931,573</u>	<u>\$ 2,377,318</u>	<u>\$ 158,308,891</u>	<u>\$ 173,892,830</u>	<u>\$ 2,834,095</u>	<u>\$ 176,726,925</u>
With the Public:						
Accounts Receivable, Net (Note 4)	36,250	-	36,250	40,000	-	40,000
Other Assets (Note 6)	-	-	-	879,986	-	879,986
<b>TOTAL ASSETS</b>	<u><b>\$ 155,967,823</b></u>	<u><b>\$ 2,377,318</b></u>	<u><b>\$ 158,345,141</b></u>	<u><b>\$ 174,812,816</b></u>	<u><b>\$ 2,834,095</b></u>	<u><b>\$ 177,646,911</b></u>
<b>LIABILITIES (Notes 7,8):</b>						
Intragovernmental:						
Accounts Payable (Notes 7,8)	\$ 1,370,856	\$ -	\$ 1,370,856	\$ 1,927,529	\$ -	\$ 1,927,529
Total Intragovernmental	<u>\$ 1,370,856</u>	<u>\$ -</u>	<u>\$ 1,370,856</u>	<u>\$ 1,927,529</u>	<u>\$ -</u>	<u>\$ 1,927,529</u>
With the Public:						
Accrued Liabilities (Notes 7,8)	45,029,996	5,762	45,035,758	54,740,278	192,978	54,933,256
Other (Notes 7,8)	2,707,587	1,160	2,708,747	3,748,716	-	3,748,716
<b>TOTAL LIABILITIES</b>	<u><b>\$ 49,108,439</b></u>	<u><b>\$ 6,922</b></u>	<u><b>\$ 49,115,361</b></u>	<u><b>\$ 60,416,523</b></u>	<u><b>\$ 192,978</b></u>	<u><b>\$ 60,609,501</b></u>
Commitments and Contingencies (Note 10)						
<b>NET POSITION:</b>						
Unexpended Appropriations	\$ 110,005,052	\$ -	\$ 110,005,052	\$ 117,536,652	\$ -	\$ 117,536,652
Cumulative Results of Operations	(3,145,668)	2,370,396	(775,272)	(3,140,359)	2,641,117	(499,242)
<b>TOTAL NET POSITION</b>	<u><b>\$ 106,859,384</b></u>	<u><b>\$ 2,370,396</b></u>	<u><b>\$ 109,229,780</b></u>	<u><b>\$ 114,396,293</b></u>	<u><b>\$ 2,641,117</b></u>	<u><b>\$ 117,037,410</b></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$ 155,967,823</b></u>	<u><b>\$ 2,377,318</b></u>	<u><b>\$ 158,345,141</b></u>	<u><b>\$ 174,812,816</b></u>	<u><b>\$ 2,834,095</b></u>	<u><b>\$ 177,646,911</b></u>

The accompanying notes are an integral part of these statements

**National Endowment for the Arts**  
**STATEMENT OF NET COST**  
**For Years Ended September 30, 2011 and September 30, 2010**  
(In Dollars)

	2011	2010
<b>Program Costs (Note 12):</b>		
<b>Access to Artistic Excellence:</b>		
Gross Costs	\$ 92,410,965	\$ 111,806,892
Less: Earned Revenue	(2,132,762)	(1,291,709)
Net Access to Artistic Excellence Costs	\$ 90,278,203	\$ 110,515,183
<b>Learning in the Arts:</b>		
Gross Costs	\$ 20,239,275	\$ 18,380,391
Less: Earned Revenue	(120,469)	(423,064)
Net Learning in the Arts Costs	\$ 20,118,806	\$ 17,957,327
<b>Partnerships for the Arts:</b>		
Gross Costs	\$ 54,297,547	\$ 58,067,257
Less: Earned Revenue	(1,346)	(338,208)
Net Partnerships for the Arts Costs	\$ 54,296,201	\$ 57,729,049
<b>Total Program Costs</b>	\$ 164,693,210	\$ 186,201,559
<b>Net Cost of Operations</b>	\$ 164,693,210	\$ 186,201,559

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, 2011 and 2010**  
(In Dollars)

	<u>FY 2011</u>			<u>FY 2010</u>		
	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	Consolidated Total
<b>Cumulative Results of Operations:</b>						
Beginning Balances	\$ 2,641,116	\$ (3,140,359)	\$ (499,243)	\$ 2,789,248	\$ (3,337,443)	\$ (548,195)
Adjusted Beginning Balances	\$ 2,641,116	\$ (3,140,359)	\$ (499,243)	\$ 2,789,248	\$ (3,337,443)	\$ (548,195)
<b>Budgetary Financing Sources:</b>						
Appropriations Used		\$ 162,221,600	\$ 162,221,600		\$ 183,945,434	\$ 183,945,434
Non-Exchange Revenue	1,421	-	1,421	856	-	856
Donations	550,214	-	550,214	520,988	-	520,988
<b>Other Financing Sources (Non-Exchange)</b>						
Imputed financing	-	1,643,947	1,643,947	-	1,783,234	1,783,234
<b>Total Financing Sources</b>	<b>\$ 551,635</b>	<b>\$ 163,865,547</b>	<b>\$ 164,417,182</b>	<b>\$ 521,844</b>	<b>\$ 185,728,668</b>	<b>\$ 186,250,512</b>
<b>Net Cost of Operations</b>	<b>822,354</b>	<b>163,870,856</b>	<b>164,693,210</b>	<b>669,975</b>	<b>185,531,584</b>	<b>186,201,559</b>
<b>Net Change</b>	<b>\$ (270,719)</b>	<b>\$ (5,309)</b>	<b>\$ (276,028)</b>	<b>\$ (148,131)</b>	<b>\$ 197,084</b>	<b>\$ 48,953</b>
<b>Cumulative Results of Operations</b>	<b>\$ 2,370,396</b>	<b>\$ (3,145,668)</b>	<b>\$ (775,272)</b>	<b>\$ 2,641,117</b>	<b>\$ (3,140,359)</b>	<b>\$ (499,242)</b>
<b>Unexpended Appropriations:</b>						
Beginning Balances		\$ 117,536,652	\$ 117,536,652		\$ 133,982,086	\$ 133,982,086
Adjusted Beginning Balances		\$ 117,536,652	\$ 117,536,652		\$ 133,982,086	\$ 133,982,086
<b>Budgetary Financing Sources:</b>						
Appropriations Received		\$ 155,000,000	\$ 155,000,000		\$ 167,500,000	\$ 167,500,000
Other Adjustments		(310,000)	(310,000)		-	-
Appropriations Used		(162,221,600)	(162,221,600)		(183,945,434)	(183,945,434)
<b>Total Budgetary Financing Sources</b>		<b>\$ (7,531,600)</b>	<b>\$ (7,531,600)</b>		<b>\$ (16,445,434)</b>	<b>\$ (16,445,434)</b>
<b>Total Unexpended Appropriations</b>		<b>\$ 110,005,052</b>	<b>\$ 110,005,052</b>		<b>\$ 117,536,652</b>	<b>\$ 117,536,652</b>
<b>Net Position</b>	<b>\$ 2,370,396</b>	<b>\$ 106,859,384</b>	<b>\$ 109,229,780</b>	<b>\$ 2,641,117</b>	<b>\$ 114,396,293</b>	<b>\$ 117,037,410</b>

The accompanying notes are an integral part of these statements.

**National Endowment for the Arts**  
**STATEMENT OF BUDGETARY RESOURCES**  
**For Years Ended September 30, 2011 and September 30, 2010**  
**(In Dollars)**

	<b>2011</b>	<b>2010</b>
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, Start of Year:		
Brought Forward, October 1	\$ 13,643,609	\$ 12,557,670
Recoveries of Prior Year Unpaid Obligations	4,376,659	2,059,272
Budget Authority (Note 13):		
Appropriation	155,550,959	168,021,614
Spending Authority from Offsetting Collections:		
Earned		
Collected	3,153,347	2,221,078
Change in Unfilled Customer Orders:		
Advance Received	(559,065)	(472,047)
Without Advance from Federal Sources	524,487	502,388
Subtotal	158,669,728	170,273,033
Permanently Not Available	(310,000)	-
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 176,379,996</b>	<b>\$ 184,889,975</b>

**STATUS OF BUDGETARY RESOURCES**

Obligations Incurred (Note 13):		
Direct	\$ 163,019,580	\$ 169,038,416
Reimbursable	2,220,571	2,207,950
Subtotal	165,240,151	171,246,366
Unobligated Balance:		
Apportioned	11,122,145	13,643,609
Subtotal	11,122,145	13,643,609
Unobligated Balance Not Available	17,700	-
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 176,379,996</b>	<b>\$ 184,889,975</b>

**CHANGE IN OBLIGATED BALANCES:**

Obligated Balance, Net, Start of Year:		
Unpaid Obligations, Start of Year	\$ 164,244,806	\$ 180,222,586
Uncollected Customer Payments from Federal Sources, Start of Year	(1,989,123)	(1,486,735)
Total, Unpaid Obligated Balance, Brought Forward, Net	\$ 162,255,683	\$ 178,735,851
Obligations Incurred	\$ 165,240,150	\$ 171,246,366
Gross Outlays	(176,190,096)	(185,164,874)
Recoveries of Prior Year Unpaid Obligations, Actual	(4,376,659)	(2,059,272)
Change in Uncollected Customer Payments from Federal Sources	(524,487)	(502,388)
Obligated Balance, Net, End of Period:		
Unpaid Obligations	148,918,202	164,244,806
Uncollected Customer Payments from Federal Sources	(2,513,610)	(1,989,123)
Total, Unpaid Obligated Balance, Net End of Period	\$ 146,404,592	\$ 162,255,683

**NET OUTLAYS**

Net Outlays:		
Gross Outlays	\$ 176,190,096	\$ 185,164,874
Offsetting Collections	(2,594,281)	(1,749,031)
Less: Distributed Offsetting Receipts	(554,034)	(550,808)
Net Outlays	\$ 173,041,781	\$ 182,865,035

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, 2011 and 2010**  
(In Dollars)

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

**NOTE 1. Significant Accounting Policies:**

**A. Reporting Entity**

The National Endowment for the Arts (NEA) is an independent Federal agency whose mission is to 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 as a result of the National Foundation on the Arts and the Humanities Act of 1965.

**B. Basis of Presentation**

These statements were prepared from the books and records of the NEA in conformity with accounting principles generally accepted in the United States, and the OMB Circular A-136, *Financial Reporting Requirements* (Circular A-136), Revised October 27, 2011, which supersedes:

- OMB Circular A-136, *Financial Reporting Requirements* (Circular A-136), dated September 29, 2010.
- 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](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](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 the NEA.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

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

**C. Basis of Accounting**

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

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

The Financial Systems Integration Office (FSIO) within the General Services Administration, ceased operations in April 2010. The work products and source documents remain under the management of the OMB Office of Federal Financial Management and the Chief Financial Officers (CFO) Council, located on the web at [www.cfoc.gov](http://www.cfoc.gov).

**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. Through the “American Recovery and Reinvestment Act of 2009,” the NEA was provided a one-time appropriation of \$50 million, to be used to preserve jobs in the arts.

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.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

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

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

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

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

**E. Fund Balance with Treasury**

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

**F. Advances and Prepayments**

NEA interagency agreements with other Federal agencies are recorded as advances in cases where funds are received prior to expenditure. As work is performed by NEA, expenditures are incurred and advances reduced. Advances are recorded for Intragovernmental Transactions until the expenditures or revenues are reported by the Trading Partner, at which time the advance is reduced and the expense/revenue is recognized.

Certain grantees receiving grant awards under the American Recovery and Reinvestment Act (ARRA) are paid in advance of expenditure with anticipation that cash disbursement will take place by the grantee within 30 days of their request. Amounts reported as advances are estimated based on expenditure reporting to NEA by grantees as of the balance sheet date.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

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

**G. General Property, Plant and Equipment, Net**

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

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

**H. Liabilities**

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

**I. Accounts Payable**

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

**J. Accounts Receivable**

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

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

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

**K. Annual, Sick and Other Leave**

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

**L. Retirement Plans**

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

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in FERS, a TSP account is automatically established and NEA makes a mandatory one percent contribution to this account. In addition, NEA makes matching contributions, ranging from one to four percent, for FERS-eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees. FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, NEA remits the employer's share of the required contribution.

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

**M. Imputed Benefit Costs**

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

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

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

**N. Use of Estimates**

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

**O. Contingencies**

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

**P. 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.

**Q. Fiduciary Activities**

Various artists have loaned their artwork to the Endowment for display in certain agency offices. These artworks are not assets of the Federal Government. Fiduciary activities are not recognized in the proprietary financial statements, but are reported in the notes to the financial statements. See Note 20, Fiduciary Activities.



**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 2: Fund Balance With Treasury**

	<b>September 30, 2011</b>	<b>September 30, 2010</b>
Fund Balance:		
Trust Funds	\$ 1,535,232	\$ 1,993,429
Appropriated Funds	155,168,055	173,065,458
Fund Balance with Treasury – Subtotal	<u>\$ 156,703,287</u>	<u>\$ 175,058,887</u>
Invested in Public Debt Treasury Bills, net	841,149	840,405
Fund Balance With Treasury – Total	<u><u>\$ 157,544,436</u></u>	<u><u>\$ 175,899,292</u></u>
Status of Budgetary Resources:		
Unobligated Balance:		
Available Other	\$ 9,071,993	\$ 11,821,692
Available Trust Fund	2,050,152	1,821,917
Subtotal – Available	<u>\$ 11,122,145</u>	<u>\$ 13,643,609</u>
Unavailable	17,700	-
Obligated Balance not yet Disbursed Other	\$ 148,591,973	\$ 163,232,889
Obligated Balance not yet Disbursed Trust Fund	326,229	1,011,917
Subtotal - Obligated	<u>148,918,202</u>	<u>164,244,806</u>
Unfilled Orders – Reimbursable	(2,513,610)	(1,989,123)
	<u><u>\$ 157,544,436</u></u>	<u><u>\$ 175,899,292</u></u>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 3: Investments**

<b>September 30, 2011</b>	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Non-Marketable: Par Value	\$ 841,149	Effective Interest	\$ 1,357	\$ 842,506	\$ 842,506
Accrued Interest on Public Debt Bills	937				937
<b>Total</b>	<b>\$ 842,086</b>				<b>\$ 843,443</b>
<hr/>					
<b>September 30, 2010</b>	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Non-Marketable: Par Value	\$ 840,405	Effective Interest	\$ 337	\$ 840,742	\$ 840,742
Accrued Interest on Public Debt Bills	261				261
<b>Total</b>	<b>\$ 840,666</b>				<b>\$ 841,003</b>

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

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

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 4: Accounts Receivable**

	<b>September 30, 2011</b>	<b>September 30, 2010</b>
Gross Receivables:		
Custodial Receivables (Nonentity)	\$ 36,250	\$ 40,000
Receivables Due from Govt entities	525	62
Receivables Due from the Public	-	-
	\$ 36,775	\$ 40,062
 Allowance for Uncollectibles:	 -	 -
 Net Receivables	 \$ 36,775	 \$ 40,062

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

Class of Property	<b>September 30, 2011</b>			<b>September 30, 2010</b>		
	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Furniture & Equipment	\$ 132,845	\$ 132,845	\$ -	\$ 132,845	\$ 132,845	\$ -
Total	\$ 132,845	\$ 132,845	\$ -	\$ 132,845	\$ 132,845	\$ -

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 6: Other Assets**

	September 30, 2011	September 30, 2010
Intragovernmental:		
Open World Leadership Center (1)	\$ 58,095	\$ 95,493
Department of Commerce (2)	667,500	667,500
Department of Transportation (3)	37,398	64,317
Total Intragovernmental	\$ 762,993	\$ 827,310
With the Public:		
Grant Advances – Various States (4)	\$ -	\$ 879,986
Total Other Assets	\$ 762,993	\$ 1,707,296

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. Advance provided to Census Bureau to provide statistics to the agency.
3. Advance provided to the Department of Transportation for the purchase of Metrocheks and accounting system hosting.
4. Through the American Recovery and Reinvestment Act of 2009 (ARRA), some grant payments were made to certain States in advance of expenditure. By FY 2011, all advance funds have been expended.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 7: Liabilities Not Covered By Budgetary Resources**

	<b>September 30, 2011</b>	<b>September 30, 2010</b>
Accrued Unfunded Leave Non-Federal	\$ 1,470,150	\$ 1,397,835
Actuarial FECA Liability Federal	10,628	2,914
Unfunded FECA Liability Federal	2,972	650
<b>Total Liabilities Not Covered By Budgetary Resources</b>	<b>\$ 1,483,750</b>	<b>\$ 1,401,399</b>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 8: Liabilities**

	September 30, 2011			September 30, 2010		
	Non-Current	Current	Total	Non-Current	Current	Total
<b>Intragovernmental:</b>						
Accrued Payables - Invoices	\$ -	\$ -	\$ -	\$ -	\$ 22,543	\$ 22,543
Custodial Liability	-	36,250	36,250	-	40,000	40,000
Employer Contributions	-	219,854	219,854	-	194,269	194,269
Other Post Employment Benefits	-	603	603	-	7,539	7,539
Actuarial FECA Liability	-	10,628	10,628	-	2,914	2,914
Unfunded FECA Liability	-	2,972	2,972	-	650	650
Advances from Other Government Agencies	-	1,100,549	1,100,549		1,659,614	1,659,614
<b>Public:</b>						
Accrued Payables - Invoices	\$ -	\$ 202,449	\$ 202,449	\$ -	\$ 1,409,562	\$ 1,409,562
Accrued Funded Payroll	-	1,001,830	1,001,830	-	910,710	910,710
TSP Employer Contributions	-	34,319	34,319	-	30,609	30,609
Accrued Unfunded Leave	-	1,470,149	1,470,149	-	1,397,835	1,397,835
Accrued Liabilities	-	45,035,758	45,035,758	-	54,933,256	54,933,256
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ 49,115,361</u>	<u>\$ 49,115,361</u>	<u>\$ -</u>	<u>\$ 60,609,501</u>	<u>\$ 60,609,501</u>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 9: Operating Leases**

**Brief Description of Occupancy Agreement:**

The current annual occupancy agreement includes rental of OPO office space and one surface parking space with estimates for FY 2012 and FY 2013. 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 2010	FY 2011	FY 2012	FY 2013
Total Annual Rental	\$2,765,581	\$2,829,329	\$2,869,713	\$2,881,080

**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	\$173,544	\$173,544	\$173,544	\$173,544

**NOTE 10: Commitments and Contingencies**

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

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 11: Earmarked Funds**

**Gifts and Donations**

<b>Balance Sheet</b>	<b>September 30, 2011</b>	<b>September 30, 2010</b>
<b>ASSETS</b>		
Fund Balance with Treasury	\$ 1,535,232	\$ 1,993,429
Investments	842,086	840,666
Total Assets	<u>\$ 2,377,318</u>	<u>\$ 2,834,095</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ -	\$ -
Accrued Expenses	5,762	192,978
Other Liabilities	1,160	-
Total Liabilities	<u>\$ 6,922</u>	<u>\$ 192,978</u>
<b>NET POSITION</b>		
Cumulative Results of Operations	<u>\$ 2,370,396</u>	<u>\$ 2,641,117</u>
Total Liabilities and Net Position	<u>\$ 2,377,318</u>	<u>\$ 2,834,095</u>
<b>Statement of Net Cost</b>		
Gross Program Costs	\$ 822,354	\$ 669,975
Less Earned Revenue	-	-
Net Cost of Operations	<u>\$ 822,354</u>	<u>\$ 669,975</u>
<b>Statement of Changes in Net Position</b>		
Net Position Beginning of Period	\$ 2,641,116	\$ 2,789,248
Non-Exchange Revenue	1,421	856
Cash Donations	550,214	520,988
Less: Net Cost of Operations	<u>(822,354)</u>	<u>(669,975)</u>
Change in Net Position	<u>\$ (270,719)</u>	<u>\$ (148,131)</u>
Net Position End of Period	<u>\$ 2,370,396</u>	<u>\$ 2,641,117</u>



**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 12: Intragovernmental Costs and Exchange Revenue**

	FY 2011			FY 2010		
	Intragovern- mental	With the Public	Total	Intragovern- mental	With the Public	Total
<b>Access to Artistic Excellence:</b>						
Program Costs	\$ 4,737,384	\$ 87,673,581	\$ 92,410,965	\$ 5,332,771	\$ 106,474,121	\$ 111,806,892
Earned Revenue	(2,132,762)	-	(2,132,762)	(1,291,709)	-	(1,291,709)
Net Costs - Access to Artistic Excellence	\$ 2,604,622	\$ 87,673,581	\$ 90,278,203	\$ 4,041,062	\$ 106,474,121	\$ 110,515,183
<b>Learning in the Arts:</b>						
Program Costs	\$ 937,216	\$ 19,302,059	\$ 20,239,275	\$ 862,837	\$ 17,517,554	\$ 18,380,391
Earned Revenue	(120,469)	-	(120,469)	(423,064)	-	(423,064)
Net Costs - Learning in the Arts	\$ 816,747	\$ 19,302,059	\$ 20,118,806	\$ 439,773	\$ 17,517,554	\$ 17,957,327
<b>Partnerships for the Arts:</b>						
Program Costs	\$ 80,704	\$ 54,216,843	\$ 54,297,547	\$ 123,145	\$ 57,944,112	\$ 58,067,257
Earned Revenue	(1,346)	-	(1,346)	(338,208)	-	(338,208)
Net Costs - Partnerships for the Arts	\$ 79,358	\$ 54,216,843	\$ 54,296,201	\$ (215,063)	\$ 57,944,112	\$ 57,729,049
<b>Total:</b>						
Program Costs	\$ 5,755,304	\$ 161,192,483	\$ 166,947,787	\$ 6,318,753	\$ 181,935,787	\$ 188,254,540
Earned Revenue	(2,254,577)	-	(2,254,577)	(2,052,981)	-	(2,052,981)
Net Cost of Operations	\$ 3,500,727	\$ 161,192,483	\$ 164,693,210	\$ 4,265,772	\$ 181,935,787	\$ 186,201,559

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

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 13: Apportionment Categories of Obligations Incurred**

The NEA is provided with funding only under Category B.

Category B	Direct	Reimbursable	Total
Apportionments	\$ 156,139,729	\$ 2,219,999	\$ 158,359,728
Obligations	\$ 163,019,580	\$ 2,220,571	\$ 165,240,151

**NOTE 14: Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government**

The differences between the FY 2010 Statement of Budgetary Resources and the FY 2010 actual numbers presented in the FY 2012 Budget of the United States Government (Budget) are summarized below. All differences below are due to rounding multiple component lines of the Budget of the US Government to millions, compared to the NEA financial statements, which are presented in dollars.

The President's Fiscal Year 2013 Budget, which will include actual numbers for fiscal year 2011, has not yet been published. The FY 2013 Budget is expected to be published in February 2012 and to be available at <http://www.whitehouse.gov/omb/budget/>.

<b>FY 2010 (in \$ millions)</b>	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 185	\$ 171	\$ 1	\$ 183
Difference (see above)	\$ 2	-	-	\$ 1
Budget of US Government	\$ 187	\$ 171	\$ 1	\$ 182

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 15: 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 16: Undelivered Orders at the End of the Period**

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

Undelivered Orders:	2011	2010
Direct	\$ 101,234,667	\$ 106,534,470
Reimbursable	1,953,257	1,909,905
Undelivered Orders, net, end of period	<u>\$ 103,187,924</u>	<u>\$ 108,444,375</u>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 17: Incidental Custodial Collections**

	<b>2011</b>	<b>2010</b>
Proprietary Receipts from the Public	\$ 70	\$ -
Intrabudgetary Receipts Deducted by Agencies	3,750	7,500
	<hr/>	<hr/>
Total Custodial Collections	\$ 3,820	\$ 7,500

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 18: Reconciliation of Net Cost of Operations to Budget**

	<b>2011</b>	<b>2010</b>
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 165,240,151	\$ 171,246,366
Less: Spending Authority from offsetting collections and recoveries	(7,495,427)	(4,310,690)
Obligations net of offsetting collections and recoveries	\$ 157,744,724	\$ 166,935,676
Less: Offsetting receipts	(554,034)	(550,808)
Net Obligations	\$ 157,190,690	\$ 166,384,868
Other Resources		
Imputed financing from costs absorbed by others	\$ 1,643,947	\$ 1,783,234
Other Resources	-	-
Net Other Resources Used to Finance Activities	\$ 1,643,947	\$ 1,783,234
Total Resources Used to Finance Activities	\$ 158,834,637	\$ 168,168,102
 <b>Resources Used to Finance Items not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods and Services and Benefits Ordered but not received	\$ 5,221,872	\$ 17,918,599
Resources that fund expenses recognized in prior periods	-	(500,874)
Budgetary offsetting collections and receipts that do not affect net cost of operations	554,034	550,808
Other Resources or adjustments to net obligated resources that do not affect net cost of operations	(1,643,947)	(1,783,234)
Total Resources used to finance items not part of the Net Cost of Operations	\$ 4,131,959	\$ 16,185,299
Total Resources Used to finance the Net Cost of Operations	\$ 162,966,596	\$ 184,353,401
 <b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>		
Components Requiring/Generating Resources in Future Periods (Note 14):		
Increase in Annual Leave Liability	\$ 72,314	\$ 70,133
Other – Change in FECA Liability	7,712	-
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 80,026	\$ 70,133
Components not Requiring or Generating Resources:		
Other not Requiring Outlay of Resources	\$ 1,646,588	\$ 1,778,025
Total components of Net Cost of Operations that will not require or generate resources	\$ 1,646,588	\$ 1,778,025
Total components of net cost of operations that will not require or generate resources in the current period	\$ 1,726,614	\$ 1,848,158
<b>Net Cost of Operations</b>	<b>\$ 164,693,210</b>	<b>\$ 186,201,559</b>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 19: Donations In-Kind**

During FY 2011, NEA received in-kind gifts from several organizations. Gifts included payment of NEA staff travel, lodging, and meals, as well as payment of NEA staff registration fees to attend and/or participate in various arts-related functions. The total value of these in-kind donations was \$4,014 in FY 2011 and \$29,982 in FY 2010.

**NOTE 20: Fiduciary Activities**

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

National Endowment for the Arts  
**Schedule of Fiduciary Activity**  
For the Years Ended September 30, 2011 and 2010

	<b>September 30, 2011</b> Various Paintings	<b>September 30, 2010</b> Various Paintings
Fiduciary net assets, beginning of year	\$ 7,000	\$ 7,000
Contributions	87,000	-
Increase/(Decrease) in fiduciary net assets	87,000	7,000
Fiduciary net assets, end of period	\$ 94,000	\$ 7,000

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 20: Fiduciary Activities (continued)**

**Fiduciary Net Assets**  
As of September 30, 2011 and 2010

	<b>September 30, 2011</b>	<b>September 30, 2010</b>
<b>FIDUCIARY ASSETS</b>		
Other Assets (various paintings)	\$ 94,000	\$ 7,000
<b>FIDUCIARY LIABILITIES</b>		
Less: Liabilities	-	-
Total Fiduciary net assets	<u>\$ 94,000</u>	<u>\$ 7,000</u>

Items included in the other assets line above consist of several paintings from various artists.