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**AGENCY FINANCIAL REPORT  
FISCAL YEAR 2023**

Submitted to the Congress,  
the Office of Management and Budget,  
the Department of the Treasury, and  
the Government Accountability Office  
November 15, 2023

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*National Endowment for the Arts – FY 2023 Agency Financial Report  
A Message from the Chair*

*~ A Message from the Chair ~*

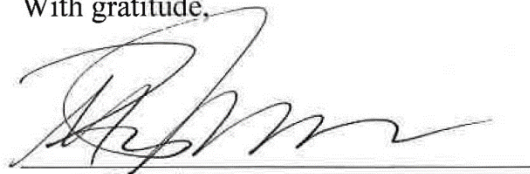
On behalf of the National Endowment for the Arts (NEA), I am pleased to present the agency's Fiscal Year (FY) 2023 Agency Financial Report, which summarizes the NEA's financial performance during the past year.

Throughout FY 2023, the NEA focused steadfastly on fulfilling its mission of fostering and sustaining an environment in which the arts belong to and benefit everyone in the United States. The agency accomplished this through supporting the prolonged, difficult recovery for the arts and culture sector in the wake of COVID-19, conducting research about the importance of the arts in health and well-being, and promoting and advancing national conversations about the ways the arts can help strengthen our democracy and civic infrastructure. More specifically, through providing more than \$160 million in grant awards and honorific awards, and entering strategic partnerships, the NEA served as a national resource that supports learning in and about the arts, celebrates our nation's rich and diverse cultural heritage, and helps to advance critically important work at the intersection of arts and other fields such as education, health, and community development.

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

As described in the pages that follow, I can state confidently that the NEA deployed the resources it was provided appropriately and effectively, and made meaningful, sustained progress in fulfilling its mission in FY2023.

With gratitude,



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

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***National Endowment for the Arts  
Fiscal Year 2023  
Agency Financial Report***

***~ I. Management’s Discussion and Analysis ~***

The National Endowment for the Arts (“NEA”) produces an Agency Financial Report (AFR) and an Annual Performance Report (APR). The Agency will include its FY 2023 APR with its FY 2025 Congressional Budget Justification in February 2024. It will post these on the NEA website at [www.arts.gov](http://www.arts.gov).

**Overview**

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

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

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

**A. Mission, Organizational Structure, and Internal Operations**

In February 2022, the NEA published a revised Strategic Plan for fiscal years 2022 through 2026. The NEA’s Strategic Plan reflects the agency’s recognition of the need to further align itself with the needs of our nation today and seeks to elevate the vital and enduring role of the agency within the federal government and society at large.

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

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

**VALUES**

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

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## Leadership

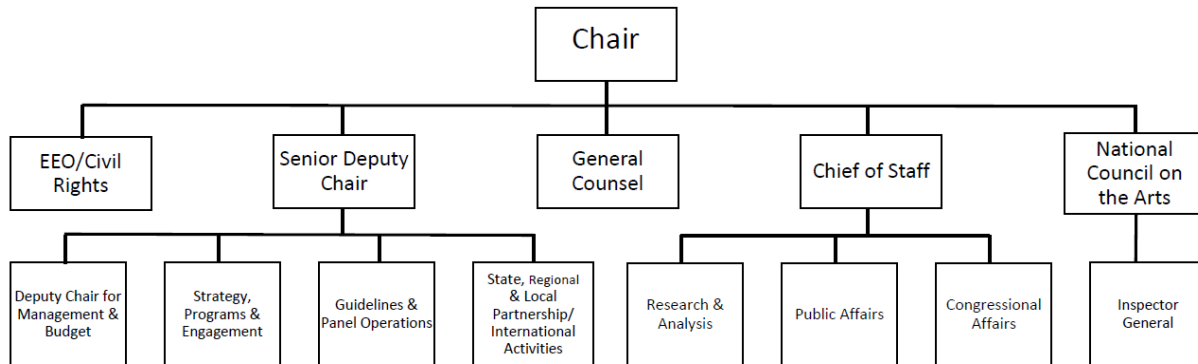
The National Endowment for the Arts is led by Chair Maria Rosario Jackson, Ph.D., who was appointed by President Biden and subsequently confirmed by the United States Senate on December 18, 2021. Chair Jackson is advised by the National Council on the Arts, a council of up to eighteen nationally and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

In FY 2023, the NEA’s senior organizational leaders, in addition to Chair Jackson, included, among others, a Senior Deputy Chair; Deputy Chair for Management & Budget; Chief of Staff; Chief Strategy, Programs & Engagement Officer; Director of Research and Analysis; Chief Information Officer; Director of Public Affairs; and Acting General Counsel. During FY 2023, the agency operated with a staffing level of approximately 145 full-time equivalents.



## NEA Organizational Chart

(as of September 30, 2023)



## Performance Goals, Objectives, and Results

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CROSS-CUTTING OBJECTIVE**

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

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

**Results**

The following activities and initiatives, organized by goal, highlight some of the key accomplishments that the NEA achieved during FY 2023.

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

- Arts Participation: The NEA is committed to supporting equitable opportunities for arts participation and practice for all Americans in the United States. In FY 2023, the NEA continued its cooperative agreement with South Arts Inc. to support a range of eligible organizations throughout the arts and cultural ecosystem that have demonstrated a commitment to equity within their practices and programming (e.g., programming that is reflective of the community they serve, planning activities that are inclusive of diverse

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voices, etc.) and have undertaken consistent engagement with underserved groups/communities that have rich and inspiring artistic and cultural contributions to share. (Objective 1.1)

- Support for States: The NEA extends its influence through state arts agencies (SAAs) and regional arts organizations (RAOs), helping to ensure that, along with other NEA efforts, programs reach even the smallest communities in remote rural areas. Forty percent of the agency’s grantmaking funds are allocated to the 50 States, six special jurisdictions, and six RAOs. State governments match the federal grant dollars to create additional investments that support programs and initiatives that respond to constituent needs in arts education, organizational and community development, preservation of diverse cultures, and providing access to the arts. In FY 2023, the NEA provided approximately \$64.7 million in federal support for projects that benefit local communities in partnership with the state and jurisdictional arts agencies and regional arts organizations. (Objective 1.1 and Objective 1.3)

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

- United We Stand: Connecting Through Culture: Launched in coordination with the White House United We Stand Summit in September 2022, and the National Endowment for the Humanities, [\*United We Stand: Connecting Through Culture\*](#) is an initiative that leverages the arts and humanities to support community healing and resilience in response to hate-motivated violence and other forms of collective trauma. In FY 2023, the NEA provided a grant to Mid-America Arts Alliance in support of the Uvalde LOVE Project, a Community Art Therapy Mural. Created in response to the May 2022 mass shooting at Robb Elementary School, the Uvalde Love Project is a project to promote community healing through a combination of workshops and creative art therapies. Community members were supported through their grief and healing with community building and art therapy during workshops and the creation of clay tiles used in a public mosaic mural. The mural was dedicated in August 2023. (Objective 2.2)
- Creative Forces: NEA Military Healing Arts Network: The NEA maintained its primary healing arts initiative, *Creative Forces: NEA Military Healing Arts Network*, in partnership with the Departments of Defense, Veterans Affairs, and State and local arts agencies. The mission of *Creative Forces* is to improve the health, wellness, and quality of life for military and veteran populations exposed to trauma, as well as their families and caregivers, by increasing knowledge of and access to clinical creative arts therapies and community arts engagement.

The program has three components: **creative arts therapies** (including art therapy, music therapy, and dance movement therapy, as well as creative writing instruction), which are at the core of patient-centered care in military and veteran medical facilities, as well as a telehealth program for patients in rural and remote areas; **community-based arts** opportunities for military and veteran family populations around clinical site locations;

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and **capacity-building efforts**, including an online National Resource Center, manuals, training, and support for research on the impacts and benefits of the treatment methods.

In 2023, *Creative Forces* made further investments in research by initiating a three-year random control trial to test whether a stepped-care, music therapy intervention improves pain, psychological symptoms (anxiety, PTSD, depression, and stress), and health-related quality of life in veterans with chronic musculoskeletal (MSK) pain. (Objective 2.1)

- **Leadership Initiatives:** In addition to the NEA’s Creative Forces program, the NEA continued its other signature initiatives, including Poetry Out Loud, Shakespeare in American Communities, NEA Big Read, Sound Health Network, and Our Town.
  - *Poetry Out Loud*, a partnership of the NEA, the Poetry Foundation, and the state arts agencies, is a national arts education program that encourages the study of great poetry by offering free educational materials and a dynamic recitation competition for high school students across the country. This program helps students master public speaking skills, build self-confidence, and learn about literary history and contemporary life. Since the program began in 2005, more than 4.3 million students and 76,000 teachers from 19,000 schools across the country have participated in Poetry Out Loud.
  - *Shakespeare in American Communities* is a national theater program bringing performances and related educational activities to audiences across the country. Since 2003, it has introduced 3 million middle and high school students to the power of live theater and the masterpieces of William Shakespeare through performances and educational activities. Nearly 130 theater companies from across the country have provided more than 13,000 performances and more than 51,000 related educational activities at more than 11,000 schools and juvenile justice facilities in 4,500 communities across all 50 States, the District of Columbia, and the U.S. Virgin Islands.
  - The NEA *Big Read* offers grants to support innovative community reading programs designed around a single book. Showcasing a diverse range of titles that reflect many different voices and perspectives, the program aims to inspire conversation and discovery. Since 2006, the NEA has funded more than 1,600 local NEA Big Read programs, providing more than \$22 million in grants to organizations nationwide. NEA Big Read activities have reached every Congressional district in the country, and grantees have leveraged more than \$50 million in local matching funds to support their NEA Big Read programs. More than 5.7 million Americans have attended an NEA Big Read event, approximately 91,000 volunteers have participated at a local level, and more than 39,000 community organizations have partnered to make NEA Big Read activities possible.
  - *Sound Health Network (SHN)* is a partnership of the NEA with the University of California, San Francisco in collaboration with the National Institutes of Health (NIH), the John F. Kennedy Center for the Performing Arts, and Renée Fleming, the center’s artistic advisor. The SHN was established to promote research and public

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awareness about the impact of music on health and wellness. SHN aims to expand knowledge and understanding of how listening to, performing, or creating music involves intricate circuitry in the brain that can be harnessed for health and wellness applications in daily life; explore ways to enhance the potential for music as therapy for neurological disorders; identify future opportunities for research; and create public awareness about how the brain functions and interacts with music. In FY 2023, SHN conducted public webinars on topics such as the relationship between music and early childhood development, education, community well-being, and pain relief—including pain management for sickle cell disease patients.

- *Our Town*, the NEA’s creative placemaking grant program, builds on the NEA’s longstanding support for communities and the ability of the arts to strengthen them. Since 2011, the agency has funded more than 700 projects in all 50 States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Islands. Our Town supports local partnership projects that have social, economic or physical impacts. The ultimate goal of Our Town is to sustain support and recognition of arts, design, and cultural strategies as integral to every phase of community development across the United States.
- Federal Partnerships: In addition to our core programs, the NEA pursues its goals through partnerships with other public and private entities. Notably, we have established the following long-standing partnerships with other federal agencies. (Objective 2.2)
  - *Support for Historically Black Colleges and Universities*: The NEA continued to be an active member of the White House Initiative for Historically Black Colleges and Universities (HBCUs). The foundation of the agency’s efforts is direct outreach to HBCUs, meetings between NEA staff and HBCU representatives, and changes to agency grant guidelines to specifically encourage HBCU applications. In particular, the NEA works with colleagues at other federal agencies to share resources for HBCUs around grant opportunities, careers and professional development, and the creative economy
  - *Native Arts and Culture*: Working with Native-led national service organizations and an interagency federal working group, the NEA maintained its strategic outreach to Native communities throughout FY 2023. Outreach included nation-to-nation work with tribal governments, reservation communities, and Tribal Colleges and Universities (TCUs), and at conferences and convenings of indigenous leaders and organizations. Outreach also focused on the recruitment of Native artists and community leaders to participate as panelists to review grant applications. As building relationships with TCUs is a high priority for the NEA, during FY 2023 the agency worked in coordination with the White House Initiative on American Indian and Alaska Native Education. The initiative, located within the Department of Education, seeks to support activities that expand education opportunities and improve education outcomes for all American Indian and Alaska Native students.

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In October 2022, the NEA hosted its first in-person Tribal Consultation at the International Conference of Indigenous Archives, Libraries, and Museums in Temecula, California on the tribal lands of the *Pechanga* Band of Luiseño Indians.

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

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

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

In partnership with the Education Commission of the States, AEP connects arts research, policy, and practice with stakeholders across the country through research and information dissemination, in-person and virtual dialogue, and technical assistance. The NEA and its partners convene and facilitate meetings of arts education policy, equity, and higher education working groups, to serve as learning and resource-sharing opportunities. Together, they help existing AEP partners improve practice, build new effective partnerships, and inform policy through the lenses of equity, and healing and recovery from the COVID-19 pandemic.

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- *Collaboration with State Arts Agency Arts Education Managers:* Since 1987, the NEA, in coordination with the National Assembly of State Arts Agencies (NASAA), has provided technical assistance and support services to convene and administer an annual Professional Development Institute for state arts agencies’ education managers. The Institute provides meaningful learning opportunities for new and seasoned arts education managers, as well as a peer network of knowledgeable arts education leaders.
- *Collaboration with the State Education Agencies Directors of Arts Education (SEADAE):* The NEA provides support to SEADAE, a nonprofit professional membership organization, whose members consist of individuals at state education agencies who are responsible for dance, media arts, music, theater and/or visual arts education. SEADAE provides professional development and technical assistance to increase the professional effectiveness of individual members and provides a collective voice for leadership on issues affecting arts education. (Objective 3.1)
- *Arts-related Research and Evaluations:* In FY 2023, NEA published interactive data tools, maps, fact-sheets, and research briefs about arts participation in 2020, and the arts’ economic impact in 2021. These resources included the release of datasets that the NEA created in partnership with the U.S. Census Bureau and the Bureau of Economic Analysis, respectively. In addition to its own production of research briefs and data tables, NEA prepared and contributed 12 arts-related datasets and/or catalogue listings to the National Archive of Data on Arts & Culture (NADAC). In particular, through NADAC, NEA released quarterly issues of *Arts Research Quarterly* – a round-up of recent journal articles – and hosted two public webinars: one on a statistical profile of arts incubators in the U.S., and the other about analyzing arts and cultural data from large-scale health, education, and labor studies. Throughout the year, moreover, NEA published monthly blog posts and podcasts highlighting notable studies and arts research-related developments for the general public.

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

- *Strategic Management of Human Capital:* Throughout FY 2023, the NEA continued to work diligently to recruit and retain a highly motivated, diverse, and talented workforce and to provide staff training and development opportunities. The Agency also focused on further improving its organizational health and performance consistent with the focus established in OMB Memo M-23-15, *Measuring, Monitoring, and Improving Organizational Health and Organizational Performance in the Context of Evolving Agency Work Environments*. In particular, the Agency undertook number of actions to promote strong employee morale and work life balance in order to attract, develop and retain talented and diverse staff, such as increasing investments in staffing resources, training, and recognition programs, and updating operational safety protocols to align with Safer Federal Workforce and CDC guidance. Finally, the agency completed preliminary steps toward the implementation of Diversity Office activities.

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- IT Investments – Cybersecurity and Modernization: In FY 2023, the NEA continued to make meaningful investments in cybersecurity and IT modernization. In particular, the Agency awarded an outsourced security operations center (SOC) contract to monitor and respond to cyber events in real time, entered an agreement for Security-as-a-Service activities to satisfy FISMA findings, and contracted with a vendor to receive Zero Trust Architecture project management and implementation support. The Agency also completed the migration of more than 90 percent of the NEA’s servers and file services to the cloud, began the process to acquire PRISM, a web-based, commercial off-the-shelf, procurement and contract management system, and acquired and implemented DocuSign to improve and automate the agency’s ability to engage with external collaborators.
- Effective Financial Management: The NEA maintained its commitment to ensuring the stewardship of the public funds and donations that it receives by: (1) leveraging the financial system expertise of U.S. Department of Transportation’s Enterprise Services Center (ESC), which provides the NEA with an Oracle-based fully-compliant financial management system (Delphi) and full financial services support; (2) using ESC’s E2 travel system for online travel arrangements, authorizations, and associated payments; and (3) utilizing the payroll processing operations of the National Finance Center to process staff pay and benefits.

The NEA also continued to implement the Department of Treasury’s government-wide G-invoicing system, a new system that is intended to help agencies manage intergovernmental buy/sell transactions. Separately, the agency’s audits of Data Act reporting found that the Agency submissions were complete, accurate, and timely. Likewise, the agency’s most recent assessment of improper payment risk – which included the review of preventive and detective payment controls – noted that NEA had an insignificant risk of significant improper payments.



## B. FY 2023 Grantmaking Statistics

The following graphic provides details on the volume of the NEA’s grantmaking activities in FY 2023.



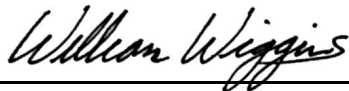
As of September 30, 2023

### **C. Analysis of Systems, Controls, and Legal Compliance**

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

### **D. Management Assurances**

NEA management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers’ Financial Integrity Act (FMFIA). The NEA conducted its assessment of risk and internal control in accordance with OMB Circular A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, the Arts Endowment can provide reasonable assurance that internal control over operations, reporting, and compliance was operating effectively as of September 30, 2023.



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William Wiggins, Chief Financial Officer

### **E. Financial Highlights**

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

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

The Arts Endowment’s FY 2023 annual appropriation was \$207.0 million, an increase of \$27.0 million over FY 2022. Appropriations are the primary source of financial resources for the agency, so the financial position of the Arts Endowment generally trends with the

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appropriations received each year. In June 2023, under the Fiscal Responsibility Act of 2023, there was a rescission of \$3.2 million of unobligated American Rescue Plan Act (ARP) funds.

Explanations for significant changes to specific financial items on the following "Table of Key Measures" between FY 2023 and FY 2022 are provided below:

- Total Net Cost – The \$70.0 million change year-over-year is due to \$70.0 million decrease in program costs. Earned revenue stayed almost flat year-over-year.
- Fund Balance with Treasury – The \$26.2 million decrease was due primarily to the net \$52.5.0 million decrease in funds remaining from the American Rescue Plan Act of 2021 and the CARES Act Funds of 2020. Offsetting the decrease was a \$17.1 million year-over-year increase in program funds, \$8.1 million increase in program support funds, and \$0.99 million increase in donations.
- Property, Plant and Equipment – The original purchase price less accumulated depreciation is reflected on the balance sheet. The \$117,506 decrease is due to year-over-year increase in depreciation expenses.
- Advances and Prepayments – The \$1.6 million increase is attributable to the expansion interagency agreements in FY 2023 that required advance payment which include Department of Transportation, the Department of Interior, the Office of Personnel Management, and the State Department.
- Grant Accrued Liabilities – The \$23.1 million year-over-year decrease in accrued liabilities is attributable to \$26.1 million decrease in open obligations and associated accrual related to American Rescue Plan (ARP) grants and the CARES Act grants, and a \$3.0 million increase in open obligations within regular grants.
- Net Position – The \$1.7 million decrease in net position is attributed to a \$24.7 million decrease in total assets and a \$23.0 million decrease in total liabilities year-over-year.

Overall, the current financial condition of the Arts Endowment is strong. As mentioned above, the Arts Endowment’s programs and operations are funded primarily through appropriated funding provided by Congress and approved by the President. Therefore, year-to-year changes in the agency’s financial condition are highly dependent on these appropriated funding levels.

The agency received an unmodified audit opinion on its FY 2023 financial statements as presented later in this report. This is the agency’s 21st consecutive year receiving a “clean” audit opinion. agency received an unmodified audit opinion on its FY 2023 financial statements as presented later in this report.

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**F. Table of Key Measures**

<b>National Endowment for the Arts Table of Key Measures</b>				
In Dollars	2023	2022	Increase/(Decrease)	
<b>COSTS<sup>1</sup></b>				
Gross Program Cost	\$ 208,789,846	\$ 278,799,140	\$ (70,009,294)	(25.11%)
Less: Earned Revenue	\$ 578,161	\$ 559,713	\$ 18,448	3.30%
<b>Net Cost of Operations</b>	<b>\$ 208,211,685</b>	<b>\$ 278,239,427</b>	<b>\$ (70,027,742)</b>	<b>(25.17%)</b>
<b>NET POSITION<sup>2</sup></b>				
<b>Assets:</b>				
Fund Balance with Treasury	\$ 259,559,943	\$ 285,752,425	\$ (26,192,482)	(9.17%)
Accounts Receivable	\$ 1,373	\$ 2,268	\$ (895)	(39.45%)
Property, Plant, and Equipment	\$ 112,244	\$ 229,750	\$ (117,506)	(51.15%)
Advances and Prepayments	\$ 1,590,232	\$ 14,195	\$ 1,576,037	11103.09%
<b>Total Assets</b>	<b>\$ 261,263,792</b>	<b>\$ 285,998,638</b>	<b>\$ (24,734,846)</b>	<b>(8.65%)</b>
<b>Liabilities:</b>				
Advances from Others and Deferred Revenue	\$ 525,000	\$ 525,000	\$ -	(0.00%)
Accounts Payable	\$ 96,973	\$ 159,406	\$ (62,433)	(39.17%)
Federal Employee Benefits Payable	\$ 1,760,021	\$ 1,787,465	\$ (27,444)	(1.54%)
Grant Accrued Liability	\$ 96,270,000	\$ 119,350,000	\$ (23,080,000)	(19.34%)
Other	\$ 1,583,721	\$ 1,490,327	\$ 93,394	6.27%
<b>Total Liabilities</b>	<b>\$ 100,235,716</b>	<b>\$ 123,312,198</b>	<b>\$ (23,076,482)</b>	<b>(18.71%)</b>
<b>Net Position (Assets minus Liabilities)</b>	<b>\$ 161,028,077</b>	<b>\$ 162,686,441</b>	<b>\$ (1,658,364)</b>	<b>(1.02%)</b>

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

*National Endowment for the Arts*  
*Fiscal Year 2023*  
*Agency Financial Report*

*~ II. Financial Information ~*

## Independent Auditor's Report



## Independent Auditor's Report

Dr. Maria Rosario Jackson Chair  
National Endowment for the Arts

Ronald Stith  
Inspector General  
National Endowment for the Arts

In our audits of the fiscal years 2023 and 2022 financial statements of The National Endowment for the Arts, we found:

- NEA's financial statements as of and for the fiscal years ended September 30, 2023, and 2022 are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed<sup>1</sup>; and
- no reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

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

### Report on the Financial Statements

#### Opinion

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, we have audited NEA's financial statements. NEA's financial statements comprise the

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

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

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

**WILLIAMS, ADLEY & COMPANY-DC, LLP**

*Certified Public Accountants/ Management Consultants*

1030 15th Street, NW, Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161

[www.williamsadley.com](http://www.williamsadley.com)

balance sheets as of September 30, 2023 and 2022 the related statements of net cost changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, NEA's financial statements present fairly, in all material respects, NEA's financial position as of September 30, 2023 and 2022 and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements NEA

management is responsible for

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.



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

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

#### Required Supplementary Information

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

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

#### Other Information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## **Report on Internal Control over Financial Reporting**

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

### Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies<sup>4</sup> or to express an opinion on the effectiveness of NEA's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

We performed our procedures related to NEA's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance<sup>5</sup>.

### Responsibilities of Management for Internal Control over Financial Reporting

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

### Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of NEA's financial statements as of and for the fiscal year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards, we considered NEA's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NEA's internal control over financial reporting. Accordingly, we do not express an opinion on NEA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

### Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

<sup>5</sup> Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, issued on October 19, 2023. According to the guidance, for those controls that have been suitably designed and implemented, the auditor should perform sufficient tests of such controls to conclude on whether the controls are operating effectively (i.e., sufficient tests of controls to support a low level of assessed control risk). OMB audit guidance does not require the auditor to express an opinion on the effectiveness of internal control.

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

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

#### Intended Purpose of Report on Internal Control over Financial Reporting

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

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

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2023 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to NEA. Accordingly, we do not express such an opinion.

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

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

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

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

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

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

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

### **Agency Comments**

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

Williams, Adley & Company-DC, LLP

Washington, District of Columbia  
November 14, 2023



**MEMORANDUM**

Date: November 14, 2023  
To: Ron Stith, Inspector General  
From: William Wiggins, Chief Financial Officer  
Subject: Management's Response to Independent Auditor's Report for Fiscal Year 2023

We have reviewed the draft Independent Auditor's Report on the National Endowment for the Arts' (NEA) FY 2023 financial statements. We are pleased that, in Williams Adley and Company's opinion, the NEA's financial statements present fairly, in all material respects, NEA's financial position as of September 30, 2023 and 2022 and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

This year marks the 21<sup>st</sup> consecutive year that the NEA has received an unmodified audit opinion on its financial statements and had no material weaknesses or significant deficiencies. This is no small feat and I commend my team and NEA staff accordingly for their continued commitment to maintaining and, where the opportunity presents itself, improving agency operations and internal controls.

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

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

*William Wiggins*  
Chief Financial Officer

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*Audited Financial Statements and Notes*

*September 30, 2023 and 2022*

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*NATIONAL ENDOWMENT FOR THE ARTS*  
*September 30, 2023 and September 2022*

**BALANCE SHEETS**  
**As of September 30, 2023, and September 30, 2022**  
**(In Dollars)**

	<b>2023</b>	<b>2022</b>
<b>Assets (Notes 2, 6, and 15):</b>		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 259,559,943	\$ 285,752,425
Advances and Prepayments (Note 6 and 15)	1,590,232	14,195
Total Intragovernmental assets	261,150,175	285,766,620
Other Than Intragovernmental Assets:		
Accounts Receivable, Net (Note 3)	1,373	2,268
General Property, Plant, and Equipment, Net (Note 4)	112,244	229,750
Total Other Than Intragovernmental Assets	113,618	232,018
Total Assets	\$ 261,263,792	\$ 285,998,638
<b>Liabilities (Notes 7-9):</b>		
Intragovernmental Liabilities:		
Advances from Others and Deferred Revenue (Note 8)	\$ 525,000	\$ 525,000
Other Liabilities (Note 8)	356,292	328,970
Total Intragovernmental Liabilities	881,292	853,970
Other Than Intragovernmental Liabilities:		
Accounts Payable (Note 7)	96,973	159,406
Federal Employee and Veteran Benefits Payable (Note 8)	1,760,021	1,787,465
Other Liabilities (Note 8)	1,227,429	1,161,357
Grants Accrual (Notes 8 and 9)	96,270,000	119,350,000
Total Other Than Intragovernmental Liabilities	99,354,424	122,458,228
Total Liabilities	\$ 100,235,716	\$ 123,312,198
<b>Net Position:</b>		
Unexpended Appropriations - Funds from Dedicated Collections	\$ -	\$ -
Unexpended Appropriations - Funds from other than Dedicated Collections	156,400,324	158,855,594
Total Unexpended Appropriations	156,400,324	158,855,594
Cumulative Results of Operations - Funds from Dedicated Collections (Note 12)	6,090,756	5,209,154
Cumulative Results of Operations - Funds from other than Dedicated Collections	(1,463,003)	(1,378,308)
Total Cumulative Results of Operations	4,627,752	3,830,847
Total Net Position	161,028,077	162,686,441
<b>Total Liabilities and Net Position</b>	<b>\$ 261,263,792</b>	<b>\$ 285,998,638</b>

The accompanying notes are an integral part of these statements.

*NATIONAL ENDOWMENT FOR THE ARTS*  
*September 30, 2023 and September 2022*

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**STATEMENT OF NET COST**  
**For the Years Ended September 30, 2023 and September 30, 2022**  
**(In Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Program Costs: (Note 13)</b>		
Gross Costs	\$ 208,789,846	\$ 278,799,140
Less: Earned Revenue	<u>578,161</u>	<u>559,713</u>
Net Program Costs	\$ 208,211,685	\$ 278,239,427
Net Cost of Operations	<u>\$ 208,211,685</u>	<u>\$ 278,239,427</u>

The accompanying notes are an integral part of these statements.

*NATIONAL ENDOWMENT FOR THE ARTS*  
*September 30, 2023 and September 2022*

**STATEMENT OF BUDGETARY RESOURCES**  
**For the Years Ended September 30, 2023 and September 30, 2022**  
**(In Dollars)**

	<b>2023</b>	<b>2022</b>
<b>Budgetary Resources</b>		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 21,308,968	\$ 96,385,000
Appropriations (discretionary and mandatory)	204,792,206	181,789,207
Spending authority from offsetting collections (discretionary and mandatory)	590,004	195,000
Total budgetary resources	\$ 226,691,178	\$ 278,369,207
<b>Status of Budgetary Resources</b>		
New obligations and upward adjustments (total) (Note 14)	\$ 201,739,940	\$ 261,051,351
Unobligated balance, end of year:		
Apportioned unexpired accounts	18,563,103	11,778,607
Exempt from apportionment unexpired accounts	5,983,322	5,173,185
Unapportioned unexpired accounts	285,886	308,095
Unexpired unobligated balance, end of year	24,832,311	17,259,887
Expired unobligated balance, end of year	118,927	57,970
Unobligated balance, end of year (total)	24,951,239	17,317,857
Total budgetary resources	\$ 226,691,178	\$ 278,369,207
<b>Outlays, Net, and Disbursements, Net</b>		
Outlays, net (total) (discretionary and mandatory)	\$ 230,984,689	\$ 233,190,190
Distributed offsetting receipts (-) (Note 18)	(1,006,217)	(1,789,207)
Agency outlays, net (discretionary and mandatory)	\$ 229,978,472	\$ 231,400,983

The accompanying notes are an integral part of these statements.

*NATIONAL ENDOWMENT FOR THE ARTS*  
*September 30, 2023 and September 2022*

**STATEMENTS OF CHANGES IN NET POSITION**  
**For the Years Ended September 30, 2023 and September 30, 2022**  
**(In Dollars)**

	2023			2022		
	Funds from Dedicated Collections	All Other Funds	Consolidated Total	Funds from Dedicated Collections	All Other Funds	Consolidated Total
<b>Unexpended Appropriations:</b>						
Beginning Balance	\$ -	\$ 158,855,594	\$ 158,855,594	\$ -	\$ 256,099,561	\$ 256,099,561
Adjustment	-	-	-	-	-	-
Beginning Balance, as adjusted	-	158,855,594	158,855,594	-	256,099,561	256,099,561
Appropriations received	-	207,000,000	207,000,000	-	180,000,000	180,000,000
Other adjustments	-	(3,214,011)	(3,214,011)	-	-	-
Appropriations used	-	(206,241,259)	(206,241,259)	-	(277,243,967)	(277,243,967)
Net Change in Unexpended Appropriations	-	(2,455,270)	(2,455,270)	-	(97,243,967)	(97,243,967)
<b>Total Unexpended Appropriations - Ending</b>	<b>-</b>	<b>156,400,324</b>	<b>156,400,324</b>	<b>-</b>	<b>158,855,594</b>	<b>158,855,594</b>
<b>Cumulative Results from Operations:</b>						
Beginning Balance	5,209,155	(1,378,308)	3,830,847	3,442,648	(1,308,257)	2,134,391
Adjustment	-	-	-	-	-	-
Beginning Balance, as adjusted	5,209,155	(1,378,308)	3,830,847	3,442,648	(1,308,257)	2,134,391
Appropriations Used	-	206,241,259	206,241,259	-	277,243,967	277,243,967
Donations	1,006,217	-	1,006,217	1,789,207	-	1,789,207
Imputed Financing	-	1,761,115	1,761,115	-	902,710	902,710
Net Cost of Operations (+/-) (Note 13 and 18)	124,615	208,087,070	208,211,685	22,700	278,216,727	278,239,427
Net Change in Cumulative Results of Operations	881,601	(84,696)	796,905	1,766,507	(70,051)	1,696,456
<b>Total Cumulative Results of Operations</b>	<b>6,090,756</b>	<b>(1,463,003)</b>	<b>4,627,753</b>	<b>5,209,154</b>	<b>(1,378,308)</b>	<b>3,830,847</b>
<b>Net Position</b>	<b>\$ 6,090,756</b>	<b>\$ 154,937,321</b>	<b>\$ 161,028,077</b>	<b>\$ 5,209,154</b>	<b>\$ 157,477,287</b>	<b>\$ 162,686,441</b>

The accompanying notes are an integral part of these statements.

**NOTE 1: Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

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

The statements consist of the Balance Sheets, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Footnotes. These financial statements have been prepared to report the financial position and results of operations of the Arts Endowment. All operations of the Arts Endowment fall under the category of general funds for government accounting purposes. The statements should be read with a view that they are for a component of the U.S. Government, a sovereign entity.

**C. Basis of Accounting**

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

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

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

include implementing the financial management improvement priorities of the President, establishing government-wide financial management policies of executive agencies, and carrying out the financial management functions of the Chief Financial Officers Act of 1990.

**D. Exchange Revenues and Other Financing Sources**

The Arts Endowment receives funding through annual Congressional appropriations. In particular, the agency receives “no-year” appropriations funds that are made available for use, within statutory limits, for operations and capital expenditures for essential personal property.

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

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

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

The Arts Endowment enters into intragovernmental reimbursable agreements. The Arts Endowment’s pricing policy on these exchange revenue transactions is based on mutually approved agreements, with no profits or losses.

**E. Fund Balance with Treasury**

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

**F. Advances and Prepayments**

The Arts Endowment’s interagency agreements with other Federal agencies are recorded as advances when the funds are received prior to expenditure. As work is performed by the Arts Endowment, expenditures are incurred, and advances reduced. Advances are recorded for intragovernmental transactions until the expenditures or revenues are reported by the trading partner, at which time the advance is reduced, and the expense/revenue is recognized.

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

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

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

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

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

**H. Liabilities**

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

**I. Accounts Payable**

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

**J. Accounts Receivable**

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

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

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

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

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

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

**L. Retirement Plans**

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

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

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



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

retirement (see M. below). Reporting amounts such as plan assets and accumulated plan benefits, if any, is the responsibility of the Office of Personnel Management (OPM).

**M. Imputed Benefit Costs**

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

**N. Use of Estimates**

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

**O. Contingencies**

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

**P. Funds from Dedicated Collections**

Amounts reported as funds from dedicated collections are represented by one appropriation, "Gifts and Donations." See note 12 for additional information.

**Q. Fiduciary Activities**

Various artists have loaned their artwork to the Arts Endowment for display in certain agency offices. These artworks are not assets of the Federal Government. Fiduciary activities are not recognized in the proprietary financial statements, but are reported in the notes to the financial statements. See Note 17, Fiduciary Activities.

**R. Cost Accounting Methodology**

The Arts Endowment operates under an annual strategic plan that establishes goals and objectives. Until fiscal year 2022, this plan has three programs: Arts Creation, Engagement with the Arts, and Contribution of the Arts. Costs for

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

grants are recorded under these programs. Starting fiscal year 2023, the programs are rebranded as Engagement, Resilience, and Capacity

**S. Rounding**

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

**NOTE 2: Fund Balance with Treasury**

Status of Fund Balance with Treasury	<u>September 30, 2023</u>	<u>September 30, 2022</u>
<b>Unobligated Balance</b>		
Available	\$ 18,848,989	\$ 12,086,702
Unavailable	5,983,322	5,173,185
Obligated Balance not yet Disbursed	234,669,662	268,459,755
Non-Budgetary FBWT	57,970	32,783
<b>Total</b>	<u>\$ 259,559,943</u>	<u>\$ 285,752,425</u>

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

**NOTE 3: Accounts Receivable, Net**

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
<b>Gross Receivables:</b>		
Receivables Due from the Public	\$ 1,373	\$ 2,268
	\$ 1,373	\$ 2,268
Allowance for Uncollectible	-	-
<b>Net Receivables</b>	<u>\$ 1,373</u>	<u>\$ 2,268</u>

The receivable represents amount owed by employees to the Agency.

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

<u>Class of Property</u>	<u>September 30, 2023</u>			<u>September 30, 2022</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
<b>Furniture &amp; Equipment</b>	\$876,642	\$764,398	\$112,244	\$ 876,642	\$ 646,892	\$ 229,750
<b>Total</b>	<u>\$ 876,642</u>	<u>\$ 764,398</u>	<u>\$ 112,244</u>	<u>\$ 876,642</u>	<u>\$ 646,892</u>	<u>\$ 229,750</u>

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

**NOTE 5: Heritage Assets**

Heritage assets are property, plant and equipment that are unique for one of the following reasons: historic or natural significance; cultural, educational, or artistic importance. Federal agencies are not required to assign a cost on the Balance Sheet for heritage assets. These items support the agency mission by demonstrating artistic excellence, creativity, and innovation. Heritage assets are received through donations from the public. To qualify as a heritage asset, items must meet Arts Endowment’s objective criteria to classify an item as a heritage asset, which includes: the age of the asset, the artist/author of the asset, the materials used in the asset’s creation, the cultural importance of the asset, and the process by which the asset was created. The General Counsel’s office approves the acceptance of all gifts to the Arts Endowment. If a gift or award holds some type of historical significance, cultural, educational or artistic importance, or it provides evidence of distinguished achievements and celebrates accomplishments throughout the ages and represents how art works in our communities, it will be added to the Heritage Assets inventory. All items classified as heritage assets, though generally individual items, are considered a collection in totality. The Arts Endowment’s collection contains two major categories of heritage assets: Artworks and Decorative Art, and Furniture.

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

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

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

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**NOTE 5: Heritage Assets (Continued)**

**Art Works and Decorative and Furniture:**

The Arts Endowment collection includes principally unique works of art by known artists that are not permanently attached to or designed for the structure (i.e. collectible). The numbers disclosed below are based on number of inventory property numbers

	<b>Quantity as of 9/30/2023</b>	<b>Quantity as of 9/30/2022</b>	<b>Unit Change</b>	<b>Percentage Change</b>	<b>General Condition</b>
<b>Artwork and Decorative Art</b>	244	220	24	11%	Good
<b>Furniture</b>	40	40	0	0%	Good
<b>Total</b>	<b>284</b>	<b>260</b>	<b>24</b>		

**NOTE 6: Advances and Prepayments**

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
<b>Intragovernmental:</b>		
Department of Transportation	\$ 820,469	\$ 14,195
Department of Interior	706,931	-
Office of Personnel Management	32,831	-
The State Department	30,000	-
<b>Total Advances and Prepayments</b>	<u><u>\$ 1,590,232</u></u>	<u><u>\$ 14,195</u></u>

The September 30, 2023 amounts represent the advance for employee transit benefit payments and Oracle Financial System hosting and accounting services with the Department of Transportation, procurement services with the Department of Interior, recruitment services provided by the Office of Personnel Management, and cultural activities in coordination with the State Department.

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

	<b>September 30, 2023</b>	<b>September 30, 2022</b>
<b>Intragovernmental:</b>		
Unfunded FECA Liability	\$ -	\$ 952
<b>Total Intragovernmental</b>	\$ -	\$ 952
Accounts Payable	96,973	159,406
Federal Employee Actuarial FECA Liability	7,649	8,157
Federal Employee Accrued Leave Payable	1,700,959	1,733,204
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 1,805,581</b>	<b>\$ 1,901,719</b>
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>98,430,135</b>	<b>121,410,479</b>
<b>Total Liabilities</b>	<b>\$ 100,235,716</b>	<b>\$ 123,312,198</b>

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

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**NOTE 8: Other Liabilities**

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
<b>Intragovernmental:</b>		
Advances and Prepayments	\$ 525,000	\$ 525,000
Accrued Pay and Benefits	356,292	328,970
<b>Total Intragovernmental</b>	<u>\$ 881,292</u>	<u>\$ 853,970</u>
<b>Other Than Intragovernmental:</b>		
Accounts Payable	\$ 96,973	\$ 159,406
Grant Accrued Liability	96,270,000	119,350,000
Accrued Funded Payroll and Leave	1,227,429	1,161,357
Federal Employee and Veteran Benefits Payable	1,760,021	1,787,465
<b>Total Liabilities</b>	<u>\$ 100,235,716</u>	<u>\$ 123,312,198</u>

All liabilities are current liabilities.

**NOTE 9: Grant Accrued Liability**

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

TR12 provides guidance on internal control procedures to ensure the grant accrual is reasonable, based on "comparing the estimates with subsequent grantee reporting." The agency uses data from its Delphi financial system and the electronic Grants Management System (eGMS) to review payment history and determine the grant accrual estimate. As the initial step in the estimation process, the grant accrual is calculated based on a straight-line basis. An average daily expenditure rate is calculated for each award by dividing the total award by the number of days of the award period. The agency performs comprehensive analyses reviewing actual payments and the period of performance associated with each. Then, based on payment history, an adjustment to the straight-line basis is applied to arrive at the agency grant accrual estimate. The grant accrual was \$96.270 million and \$119.350 million at September 30, 2023 and September 30, 2022, respectively.

Since late Q2 2020, the U.S. economy has encountered unforeseen challenges and changes related to the coronavirus pandemic. As part of the response to the current challenges, the Arts Endowment received \$75.0 million under the Coronavirus Aid, Relief, and Economic Security

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(CARES) Act, which has been directed toward grantmaking. The Arts Endowment continues to manage these grants and accrue for estimates as part of the grant accrual process.

In FY 2021, the Arts Endowment received an additional special appropriation of \$135.0 million as part of the American Rescue Plan (ARP). This emergency relief funding, similar to CARES Act funding, is tied to the continued economic challenges related to the coronavirus pandemic. Of this funding, \$130.28 million was directed toward grantmaking, with forty percent of that awarded as amendments to FY 2020 partnership agreements, inclusive of \$23.96 million of amendments processed in Q3 FY 2021, and \$28.15 million processed in Q4 FY 2021 (with one-year extensions to the period of performance). Sixty percent of the \$130.28 million was awarded as direct grants; cumulatively, \$78.15 million in direct grants were awarded through Q4 FY 2022. Given the anticipated similarities to CARES Act, the agency has used a slightly adjusted methodology for the accrual of ARP funds based upon a lookback analysis of CARES Act payments. The unadjusted methodology will continue to be used for grants funded through the agency's regular appropriation and remaining CARES Act grants.

The net decrease in the September 30, 2023 accrual compared to September 30, 2022 can be largely attributed to several main factors:

- Decreased open obligations and the associated accrual related to ARP grants accounts for \$24.9 million of the decrease.
- Increased open obligations within regular grants resulting in a \$3.0 million corresponding increase to the adjusted straight-line accrual figure.
- Decreased open obligations within CARES Act grants resulting in a \$1.2 million corresponding decrease to the adjusted straight-line accrual figure; at this point, there is only a negligible amount (\$68K) of CARES Act open obligations remaining.

**NOTE 10: Leases**

**Brief Description of Occupancy Agreement**

The Occupancy Agreement with the General Services Administration (GSA) for space at Constitution Center includes rental of office space and two parking spaces for the agency vehicles. The occupancy agreement through February 29, 2024, was last modified on April 9, 2021; an extension from March 1, 2024, through February 28, 2027, was executed on October 19, 2021. GSA is currently working on a longer-term lease procurement on behalf of the agency. As of the time of this reporting, this procurement effort remains ongoing. Depending on the results of this effort, the NEA may operate under a formally updated extension for the March 1, 2024, through February 28, 2027 timeframe or a new long-term agreement.

The Arts Endowment's estimated lease costs under either scenario are not anticipated to exceed the annual amounts currently provided below.

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Year	FY 2023	FY 2024*	FY 2025*	FY 2026*	FY 2027*	Federal Total*
<b>Annual Amount</b>	\$3M	\$3M	\$3M	\$3M	\$1.3M	\$13.3M

*\*Estimated based on analysis provided by GSA.*

The Arts Endowment's financial obligations for years beyond the current year do not mature until the later year(s) are reached. The occupancy agreement includes GSA's projected increases for real estate taxes and operating costs in future years; however, actual payments may vary slightly from GSA projections. This is not expected to increase the overall lease cost by more than 2%. The obligation to pay rent in future years is subject to the availability of funds.

**NOTE 11: Commitments and Contingencies**

The National Arts Endowment was one of multiple federal agencies named in an ongoing class action lawsuit brought by former federal employees who alleged that the U.S. Government had failed to properly calculate supplements to the lump sum payment of annual leave. We understand that the total amount the former Arts Endowment employees have received from the Judgment Fund is insignificant. As of March 2023, this case was completely resolved on the merits by a settlement agreement.

In April 2023, Plaintiffs' counsel reopened the matter with a new motion for attorneys' fees and administrative costs associated with the settlement of the class action, under the Equal Access to Justice Act. To the best of our knowledge, there are currently no pending commitments or contingencies for which the Arts Endowment is responsible. We will continue to monitor the development on this motion.



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**NOTE 12: Funds from Dedicated Collections**

The Arts Endowment receives funds from gifts and donations.

	<b>Gifts and Donations</b>	
	<b>September 30, 2023</b>	<b>September 30, 2022</b>
	<b>Funds from Dedicated Collections</b>	<b>Funds from Dedicated Collections</b>
<b>Balance Sheet</b>		
Intragovernmental		
Fund balance with Treasury	\$ 6,090,756	\$ 5,209,154
Other assets	-	-
<b>Total intragovernmental assets</b>	<b>6,090,756</b>	<b>5,209,154</b>
Other than intragovernmental	-	-
<b>Total other than intragovernmental</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 6,090,756</b>	<b>\$ 5,209,154</b>
Intragovernmental		
<b>Total intragovernmental liabilities</b>	<b>\$ -</b>	<b>\$ -</b>
Other than intragovernmental	-	-
Accounts payable	-	-
<b>Total other than intragovernmental</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>
Unexpended appropriations	\$ -	\$ -
Cumulative results of operations	6,090,756	5,209,154
<b>Total liabilities and net position</b>	<b>\$ 6,090,756</b>	<b>\$ 5,209,154</b>
<b>Statement of Net Cost</b>		
Gross program cost	\$ 124,615	\$ 22,700
Less: Earned revenues	-	-
Net program costs	124,615	22,700
<b>Net cost of operations</b>	<b>\$ 124,615</b>	<b>\$ 22,700</b>
<b>Statement of Changes in Net Position</b>		
<b>Unexpended Appropriations</b>	-	-
Total unexpended appropriations	-	-
<b>Cumulative Results of Operations:</b>		
Beginning balance	5,209,154	3,442,648
Changes in accounting principles	-	-
Corrections of errors	-	-
Beginning balance, as adjusted	5,209,154	3,442,648
Appropriations used	-	-
Donations and forfeitures of cash & property	1,006,217	1,789,206
Imputed financing	-	-
Other than intragovernmental non-exchange revenue:	-	-
Net cost of operations	124,615	22,700
Net Change in Cumulative Results of Operations	-	-
<b>Total Cumulative Results of Operations</b>	<b>-</b>	<b>-</b>
<b>Net Position, end of period</b>	<b>\$ 6,090,756</b>	<b>\$ 5,209,154</b>

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**NOTE 13: Intragovernmental Costs and Exchange Revenues**

	September 30, 2023			September 30, 2022		
	Intragovern- mental	With the Public	Total	Intragovern- mental	With the Public	Total
<b>Arts Creation:</b>						
Program Costs	\$ 3,857,535	\$ 33,186,341	\$ 37,043,876	\$ 4,114,420	\$ 87,707,124	\$ 91,821,544
Earned Revenue	(175,317)	-	(175,317)	(179,108)	-	(179,108)
Net Costs - Arts Creation	\$ 3,682,218	\$ 33,186,341	\$ 36,868,559	\$ 3,935,312	\$ 87,707,124	\$ 91,642,436
<b>Engagement with the Arts:</b>						
Program Costs	\$ 4,452,996	\$ 37,578,754	\$ 42,031,750	\$ 8,659,064	\$ 71,768,005	\$ 80,427,069
Earned Revenue	(198,745)	-	(198,745)	(369,410)	-	(369,410)
Net Costs - Engagement with the Arts	\$ 4,254,251	\$ 37,578,754	\$ 41,833,005	\$ 8,289,654	\$ 71,768,005	\$ 80,057,659
<b>Contribution of the Arts:</b>						
Program Costs	\$ 2,609,049	\$ 63,545,316	\$ 66,154,365	\$ 825,519	\$ 105,725,007	\$ 106,550,526
Earned Revenue	(105,383)	-	(105,383)	(11,194)	-	(11,194)
Net Costs - Contribution of the Arts	\$ 2,503,666	\$ 63,545,316	\$ 66,048,982	\$ 814,325	\$ 105,725,007	\$ 106,539,332
<b>Engagement</b>						
Program Costs	\$ 1,779,708	\$ 32,955,178	\$ 34,734,886			
Earned Revenue	(76,339)	-	(76,339)			
Net Costs - Arts Creation	\$ 1,703,368	\$ 32,955,178	\$ 34,658,547			
<b>Resilience</b>						
Program Costs	\$ 63,713	\$ 3,374,789	\$ 3,438,502			
Earned Revenue	(2,896)	-	(2,896)			
Net Costs - Engagement with the Arts	\$ 60,817	\$ 3,374,789	\$ 3,435,606			
<b>Capacity</b>						
Program Costs	\$ 428,615	\$ 24,957,850	\$ 25,386,465			
Earned Revenue	(19,480)	-	(19,480)			
Net Costs - Contribution of the Arts	\$ 409,135	\$ 24,957,850	\$ 25,366,985			
<b>Total</b>						
Program Costs	\$ 13,191,616	\$ 195,598,229	\$ 208,789,845	\$ 13,599,003	\$ 265,200,137	\$ 278,799,140
Earned Revenues	(578,160)	-	(578,160)	(559,713)	-	(559,713)
Net Cost of Operations	\$ 12,613,456	\$ 195,598,229	\$ 208,211,685	\$ 13,039,290	\$ 265,200,137	\$ 278,239,427

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. Starting in FY 2023, the award programs are branded as Engagement, Resilience, and Capacity.

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**NOTE 14: Apportionment Categories of Obligations Incurred**

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

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

	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Category B - Direct and Reimbursable	\$ 201,544,357	\$ 261,018,936
Exempt from Apportionment	195,583	32,415
<b>Total</b>	<b>\$ 201,739,940</b>	<b>\$ 261,051,351</b>

Apportionments for direct and reimbursable funds include funds appropriated and donations received in FY 2023, unobligated balances brought forward at the start of the fiscal year, and recoveries of prior year paid or unpaid obligations during the fiscal year.

Obligations incurred assume use of funding available during the fiscal year including funds appropriated in FY 2023, donated funds received in FY 2023, unobligated balances brought forward at the start of the fiscal year, and recoveries of prior year paid or unpaid obligations during the fiscal year.

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

	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Intragovernmental Undelivered Orders, Unpaid at the End of the Period	\$ 5,859,029	\$ 1,967,480
Public Undelivered Orders, Unpaid at the End of the Period	\$ 142,510,251	\$ 145,444,988
Intragovernmental Undelivered Orders, Paid at the End of the Period	\$ 1,590,232	\$ 14,195

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

The differences between the FY 2022 Statement of Budgetary Resources and the FY 2022 actual numbers presented in the FY 2024 Budget of the United States Government (Budget) are summarized below.

FY 2022 (\$ in millions)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$278M	\$261M	(\$2)M	\$233M
Difference (see above)	0	0	0	0
Budget of U.S. Government	\$278M	\$261M	(\$2)M	\$233M

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**NOTE 16: Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government (Continued)**

The President's Fiscal Year 2025 Budget, which will include actual amounts for fiscal year 2023, will be available at a later date at <https://www.whitehouse.gov/omb/budget/>.

**NOTE 17: Schedule of Fiduciary Activity**

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

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
	Painting	Painting
<b>Fiduciary Net Assets, Beginning of Year</b>	\$ 98,000	\$ 98,000
Contributions	-	-
Increase/(Decrease) in Fiduciary Net Assets	-	-
<b>Fiduciary Net Assets, End of Period</b>	<u>\$ 98,000</u>	<u>\$ 98,000</u>

**Fiduciary Net Assets**  
**As of September 30, 2023 and 2022**

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
<b>Fiduciary Assets:</b>		
Other Assets (Painting)	\$ 98,000	\$ 98,000
<b>Fiduciary Liabilities:</b>		
Less: Decrease in Fair Value	-	-
<b>Total Fiduciary Net Assets</b>	<u>\$ 98,000</u>	<u>\$ 98,000</u>

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**NOTE 18: Reconciliation of Net Cost to Net Outlays**

	<b>FY2023</b>		
	<b>Intragovernmental</b>	<b>With Public</b>	<b>Current Year</b>
<b>Net Operating Cost (SNC)</b>	\$ 12,613,456	\$ 195,598,229	\$ 208,211,685
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays:</b>			
Property, Plant, and Equipment Depreciation	-	(117,506)	(117,506)
Property, Plant, and Equipment Disposal & Reevaluation - Losses	-	-	-
<b>Increase/(Decrease) in Assets not affecting Budget Outlays:</b>			
Accounts Receivable	-	(895)	(895)
Advances, Prepayments and Other Assets	1,576,037	-	1,576,037
<b>(Increase)/Decrease in Liabilities not Affecting Budget Outlays:</b>			
Accounts Payable	-	62,433	62,433
Federal Employees Benefits Payable	-	27,444	27,444
Advances from Others and Deferred Credits	-	-	-
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	(27,322)	(66,072)	(93,394)
Imputed Financing	(1,761,115)	-	(1,761,115)
<b>Total Components of Net Operating Cost Not Part of the Budget Outlays</b>	<b>\$ (212,400)</b>	<b>\$ (94,596)</b>	<b>\$ (306,996)</b>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost:</b>			
Acquisition of Capital Assets	-	-	-
<b>Financing Sources:</b>			
Donated Revenue	-	(1,006,217)	(1,006,217)
<b>Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost</b>	<b>-</b>	<b>(1,006,217)</b>	<b>(1,006,217)</b>
<b>Net Outlays</b>	<b>\$ 12,401,056</b>	<b>\$ 194,497,416</b>	<b>\$ 206,898,472</b>

*NATIONAL ENDOWMENT FOR THE ARTS*  
*September 30, 2023 and September 2022 (In Dollars)*

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**NOTE 19: Donations In-Kind**

Donations in-kind include payments of the Arts Endowment staff travel, lodging, and meals, as well as payment of the Arts Endowment staff registration fees to attend and/or participate in various arts related functions. The total value of these in-kind donations was \$1,232 in September 30, 2023, and \$699 in September 30, 2022.

**NOTE 20: COVID-19 Activity**

COVID-19 Activity Funded	FY 2023	FY 2022
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from PY	52,592,392.90	82,322,967
New Budget Authority (+)	-	-
Rescissions(-)/Other Changes (+/-) to Budgetary Resources	-	-
Budgetary Resources Obligated (-)	67,736,466.15	(82,322,967)
Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried Forward	(79,831.72)	(3,396,694)
<b>Outlays, Net (Total)</b>	<b>(49,255,797.28)</b>	<b>(69,145,794)</b>

The Coronavirus Aid, Relief and Economic Security (CARES) Act (Public Law 116-136) became law on March 27, 2020, and it included provisions to support individuals and businesses in the form of loans, grants, and tax changes, among other types of relief. The Arts Endowment received \$75 million through the CARES Act to preserve jobs and help support organizations forced to close operations due to the spread of COVID-19. The Arts Endowment follows OMB Memorandum M-20-21 guidance in reporting and differentiating grant-making activities under CARES Act funding from regular appropriations.

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 (P.L. 117-2), providing \$135 million for the Arts Endowment. Per the Act, funds are for “grants, and relevant administrative expenses, that support organizations’ programming and general operating expenses to cover up to 100 percent of the costs of the programs which the grants support, to prevent, prepare for, respond to, and recover from the coronavirus.” All funds appropriated in the Act are available until expended.

In FY 2021, the Arts Endowment completed and awarded \$52 million in funding for state and jurisdictional arts agencies and regional arts organizations, the first recommended awards of the American Rescue Plan, by amending 62 prior year partnership agreements.

In FY 2022, the Arts Endowment awarded \$78 million in American Rescue Plan funding to eligible nonprofit arts organizations, based on recommendations made at the October and December 2021, and March 2022 meetings of the National Council on the Arts.

In June 2023, under the Fiscal Responsibility Act of 2023, there was a rescission of \$3.2 million of unobligated American Rescue Plan Act (ARP) funds. As of September 30, 2023, the Arts Endowment has no remaining American Rescue Plan funds to award.

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*~ III. Other Information ~*



***Inspector General’s Summary of Top Management Challenges***

# NATIONAL ENDOWMENT for the ARTS

arts.gov

## MEMORANDUM

M-24-01

DATE: October 31, 2023

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

FROM: *Ron Stith*  
Ron Stith, Inspector General

SUBJECT: Fiscal Year 2024 National Endowment for the Arts Top Management Challenges

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

At the end of FY 2023, we identified the areas of Awardee Stewardship; Financial Management; Human Capital; Information Technology; and Diversity, Equity, Inclusion, & Accessibility as the top management and performance challenges for the NEA. Following is a discussion of each challenge area.

### **Awardee Stewardship**

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

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

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

4. Maintain supporting documentation for all costs charged to NEA grants.

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

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

### **Financial Management**

This is one of the areas where the NEA works to continuously improve each year. The NEA is required to keep pace with government-wide financial systems modernization efforts and regulatory changes. The NEA also focuses continuously on improving efficiency and effectiveness of its accounting and finance policies and procedures, systems, and staff cross-training. While this is a top challenge area, a positive indicator in the financial management area is that the NEA consistently receives unmodified opinions on its annual financial statement audits and has a high level of compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act) requirements. Evidence of continuous improvement in this area are the “Clean” financial statement audit opinions that the NEA has received the past three years – meaning that auditors have not identified any major issues with NEA financial statements and no financial management areas needing significant improvements. In 2023, my office will complete another NEA financial statement audit and DATA Act review, and begin to audit awardees of the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act and ARP grant funds and NEA will begin to see how well these funds have been stewarded.

### **Human Capital**

In support of merit-based human capital management, the U.S. Office of Personnel Management (OPM) evaluated the NEA’s use of human capital management authorities in October 2022, and results of the evaluation was provided to the NEA and my office in June 2023. The evaluation was conducted in accordance with OPM’s statutory authority and responsibility under *5 U.S. Code § 1104*. The evaluation focused on strategic planning and alignment, talent management, and performance culture. OPM assessed these areas for effectiveness, efficiency, and compliance with merit system principles, law,

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regulations, and related public policies.

OPM commended the NEA for its strategic approach to human capital management due to the NEA's communication of its human capital management plans and fostering a culture that supports diversity and inclusion. OPM also mentioned that the NEA is a small agency, and while the talent management program supports the mission, the human resources office is understaffed further limiting recruitment and outreach activities.

OPM concluded however, that improvements are needed in personnel record keeping, and although performance activities are completed timely, an internal evaluation of the performance appraisal system had not been conducted in the past, as required, a repeat finding from OPM's FY 2018 evaluation.

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

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

Additional challenges in this area facing NEA in 2023 and beyond is addressing balance of work issues that continue to increase due to increasing budgets, increasing number of award applications and awards, and assignments to the NEA through executive orders. To address these issues, the NEA will need to be limber and strategic in filling and retaining key leadership and staff positions, considering changes in its organizational structure, and changes in tools and processes to help address mission delivery challenges. This challenge area is relevant not only to the NEA, but the entire Federal government.

In this regard, the Office of Personnel Management (OPM) has begun to provide feedback and guidance to all Agency Heads encouraging them to consider the feedback provided by their respective employees to understand the strengths, challenges and opportunities faced in driving workplace improvements across their organizations. While OPM typically provides this feedback each year, for the first time, OPM will begin releasing a public summary of topline OPM viewpoint measurements, and the full government-wide report of the survey results. Furthermore, while this information has already been made available to the NEA, we will continue to monitor NEA's progress in addressing human capital management challenges and their efforts to implement the required and recommended actions from OPM's audit report.

## **Information Technology**

Based on the most recent 2023 audit of the NEA Office of Information Technology Management (OITM), the NEA OITM made noteworthy progress during FY 2023 successfully closing ten of the fourteen previous years' longstanding findings and achieving two of the five auditable FISMA categories at the level of managed and measurable. NEA OITM expects that two more of the previous years' longstanding audit recommendations will be eligible to be closed in the first quarter of FY 2024. We applaud NEA OITM for its continuous improvement of information technology leading to this noteworthy progress, and we anticipate this kind of progress to continue. The following paragraphs describe NEA's path leading them to the progress in 2023.

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

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

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

Based on the NEA OIG FY 2022 FISMA audit, the independent auditor noted areas for improvement in three areas of NEA's information network security. The NEA missed opportunities for improvement due to staffing and resource challenges and untimely implementation of security software policies and procedures, but to its credit, the NEA appears poised to continue improving FISMA compliance in FY 2023. In addition to improving information technology security, the NEA will need to identify IT tools to help streamline efforts to award grants, partner with other agencies, and to track key metrics related to diversity, equity and inclusion, and accessibility in the process of awarding grants.

### **Diversity, Equity, Inclusion, and Accessibility**

In accordance with the President’s executive orders requiring all Federal agencies to establish Diversity, Equity, Inclusion, and Accessibility (DEIA) as integral to its internal (employee) and external equity action (customer/supplier) focused programs, DEIA has been added to the list of the top management challenges. The NEA moved quickly to address these areas and new requirements by establishing a cross-cutting objective in its strategic plan, which outlines how the NEA will model DEIA in the arts through all of its activities and operations. In addition, the NEA has completed its required internal focused DEIA and external focused equity assessment reports and subsequent strategic plans. Both plans were submitted to OMB. The NEA has also begun to evaluate and consider structural changes to its organization to implement its enhanced DEIA strategic focus. The Agency hired an Equity Coordinator in May 2023 and efforts are underway to recruit a Chief Diversity Officer. The OIG will continue to monitor the NEA efforts in these areas with the expectation that the DEIA initiative will require continuous effort and time to fully implement.

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

cc: Ascala Tsegaye Sisk, Senior Deputy Chair  
Ra Joy, Chief of Staff  
Ann Eilers, Deputy Chair for Management & Budget

## ***Summary of Financial Statement Audit and Management Assurances***

**Table 1.**  
Summary of Financial Statement Audit

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

**Table 2.**  
Summary of Management Assurances

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

## ***Payment Integrity***

### **Payment Integrity**

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

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

### **Improper Payments Risk Assessments**

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

### **Preventing and Detecting Improper Payments**

The Arts Endowment's internal controls did not identify any programs that constitute a high risk for improper payments. The improper payments identified by the Arts Endowment totaled less than \$1.0 million in aggregate for all programs (or <1%) for FY 2023. All improper payments identified were corrected either through recapture or remittance of correct funds.

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

The Arts Endowment also completes post-payment reviews. To identify the possibility of



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erroneous payment for financial assistance awards, quarterly reviews of obligations are completed to ensure awards have appropriate approval and are obligated accurately in the financial system, and that related award payments are authorized, accurate, and complete. Administrative expense reviews include a quarterly review of manual invoices and bi-weekly review of payments to those who serve on the panels evaluating applications of financial assistance awards. The reviews are to ensure that invoices were approved and proper procedures were followed for invoice payments. While the system controls for vendor set-up facilitate proper set-up of authorized suppliers, system edit checks prevent duplicate payments. Payroll costs are reviewed by completing a pay period to pay period comparison of costs. Any variances or unanticipated changes are flagged and researched. Based on these internal controls and payment monitoring reviews, we believe that the Arts Endowment has an insignificant risk of significant improper payments for FY 2023.

### **Improvement of Payment Accuracy with the Do Not Pay Initiative**

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

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

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

### ***Fraud Reduction***

Fraud risk management is an important aspect of the Arts Endowment’s strategy to achieve its mission and goals. Fraud prevention, detection, monitoring, and response are key to managing fraud risk and are continually being integrated into the culture and controls throughout the Agency. The Arts Endowment takes a variety of steps to both address and prevent fraud, waste and abuse. During FY 2023, the Arts Endowment continued the use of its existing policies and procedures to perform risk assessments for significant improper payments, including those under the improper payment and related laws and regulations discussed above (IPIA, IPERA, IPERIA, and OMB Circular A-123, Appendix C). Though the Arts Endowment reports only on significant improper payments in this report, the Arts Endowment reviews all sources of payments as part of its overall improper payment risk assessment and considers fraud among the variety of contributing risk factors.

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

### ***Civil Monetary Penalty Adjustment for Inflation***

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to adjust their civil monetary penalties (CMP) for inflation. The table below describes the Arts Endowment’s current civil monetary penalties, their authorities, year enacted, last year of adjustments, and current monetary penalty amounts. These CMP adjustments are located at 88 FR 2004.

<b>Statutory Authority</b>	<b>Description</b>	<b>CMP Name</b>	<b>Year CMP originally enacted (by statute)</b>	<b>Latest Year of CMP non-inflation adjustment</b>	<b>Current CMP Level</b>
31 U.S.C. 3802(a)	Penalty for false statements under the Program Fraud and Civil Remedies Act	Violation	1986	1986	\$13,507
31 U.S.C. 1352	Penalty for certain violations of the Arts Endowment’s Restrictions on Lobbying	Violation	1989	1989	Between \$23,714 and \$237,268

### ***Grants Oversight & New Efficiency (GONE) Act***

The Grants Oversight and New Efficiency (GONE) Act (P.L.114-117) reporting requirements have expired. Nevertheless, to promote the efficient administration of grants programs, all reporting entities with Federal grants programs must submit a brief high-level summary of expired, but not closed, Federal grants and cooperative agreements (awards), including a summary table (as shown below) of the total number of awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2023 (i.e., on or before September 30, 2021).

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

The NEA reviewed its closed-out population of federal grants and cooperative agreements and found no instances where either a grant award or cooperative agreement with the period of performance ending on or prior to September 30, 2023, had not been closed out. We have no delays in grant and cooperative agreement closeout, and no challenges to address pursuant to the GONE Act.