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**National Endowment for the Arts**  
**Audit of Financial Statements**  
**As of and for the Years Ended**  
**September 30, 2013 and 2012**

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**Submitted By**

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



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## **Independent Auditor's Report**

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

We have audited the accompanying balance sheets of the Arts Endowment, as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position and budgetary resources (the financial statements) for the years then ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the Arts Endowment's internal control over financial reporting and tested the Arts Endowment's compliance with certain provisions of applicable laws, regulations, contracts and grant agreements that could have a direct and material effect on its financial statements.

### **Summary**

As stated in our opinion on the financial statements, we found that the Arts Endowment's financial statements as of and for the years ended September 30, 2013 and 2012, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

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

As a result of our tests of compliance with certain provisions of laws, regulations, and significant provisions of contracts and grant agreements, nothing came to our attention that caused us to believe that the Arts Endowment failed to comply with applicable laws, regulations, contracts or grant agreements that have a material effect on the financial statements insofar as they relate to accounting matters.

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

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Arts Endowment, which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, statements of changes in net position and statements of budgetary resources for the years then ended, and the related notes to the financial statements.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arts Endowment as of September 30, 2013 and 2012, and the related net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Such responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and pertinent provisions of OMB Bulletin 14-02, *Audit Requirements for Federal Financial Statements* (the OMB audit bulletin). Those standards and the OMB audit bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments in a Federal agency, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the Arts Endowment's internal control or its compliance with laws, regulations, and significant provisions of contracts and grant agreements. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the FASAB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **OTHER ACCOMPANYING INFORMATION**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The performance measures and other accompanying information are presented for the purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **OTHER AUDITOR REPORTING REQUIREMENTS**

##### Report on Internal Control

In planning and performing our audit of the financial statements of the Arts Endowment as of and for the years ended September 30, 2013 and 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Arts Endowment's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arts Endowment's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arts Endowment's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Report on Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the Arts Endowment failed to comply with applicable laws, regulations, or significant provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Arts Endowment's noncompliance with applicable laws, regulations, or significant provisions of laws, regulations, contracts, and grant agreements insofar as they relate to accounting matters.

### Restricted Use Relating to Reports on Internal Control and Compliance

The purpose of the communication included in the sections identified as "Report on Internal Control" and "Report on Compliance" is solely to describe the scope of our testing of internal control over financial reporting and compliance, and to describe any material weaknesses, significant deficiencies, or instances of noncompliance we noted as a result of that testing. Our objective was not to provide an opinion on the design or

effectiveness of the Arts Endowment's internal control over financial reporting or its compliance with laws, regulations, contracts or grant agreements. The two sections of the report referred to above are integral parts of an audit performed in accordance with *Government Auditing Standards* in considering the Arts Endowment's internal control over financial reporting and compliance. Accordingly, those sections of the report are not suitable for any other purpose.

Agency Comments and Auditor Evaluation

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

*Leon Snead & Company, P.C.*

December 4, 2013

**National Endowment for the Arts**  
**BALANCE SHEET**  
**As of September 30, 2013 and 2012**  
(In Dollars)

	September 30, 2013			September 30, 2012		
	All Other	Funds from Dedicated Collections (Combined Total) (Note 11)	Cumulative	All Other	Funds from Dedicated Collections (Combined Total) (Note 11)	Cumulative
<b>ASSETS (Notes 2-6):</b>						
Intragovernmental:						
Fund Balance With Treasury (Note 2)	\$ 135,332,133	\$ 1,280,921	\$ 136,613,054	\$ 146,123,230	\$ 2,505,426	\$ 148,628,656
Investments (Note 3)	-	1,111,296	1,111,296	-	-	-
Other Assets (Note 6)	285,377	-	285,377	394,607	55,510	450,117
<b>Total Intragovernmental</b>	<b>\$ 135,617,510</b>	<b>\$ 2,392,217</b>	<b>\$ 138,009,727</b>	<b>\$ 146,517,837</b>	<b>\$ 2,560,936</b>	<b>\$ 149,078,773</b>
Assets with the Public:						
Accounts Receivable, Net (Note 4)	\$ 161,800	-	\$ 161,800	\$ 31,250	-	\$ 31,250
General Property, Plant and Equipment, Net (Note 5)	166,499	-	166,499	195,881	-	195,881
Other Assets (Note 6)	44,306	-	44,306	2,750	-	2,750
<b>TOTAL ASSETS</b>	<b>\$ 135,990,115</b>	<b>\$ 2,392,217</b>	<b>\$ 138,382,332</b>	<b>\$ 146,747,718</b>	<b>\$ 2,560,936</b>	<b>\$ 149,308,654</b>
<b>LIABILITIES (Notes 7,8):</b>						
Intragovernmental:						
Accounts Payable (Note 8)	\$ 587,265	-	\$ 587,265	\$ 1,025,925	-	\$ 1,025,925
<b>Total Intragovernmental</b>	<b>\$ 587,265</b>	<b>\$ -</b>	<b>\$ 587,265</b>	<b>\$ 1,025,925</b>	<b>\$ -</b>	<b>\$ 1,025,925</b>
With the Public:						
Accrued Liabilities (Note 8)	\$ 37,746,356	\$ 43,780	\$ 37,790,136	\$ 48,680,544	\$ 59,464	\$ 48,740,008
Other (Note 8)	2,042,831	-	2,042,831	2,354,341	-	2,354,341
<b>TOTAL LIABILITIES</b>	<b>\$ 40,376,452</b>	<b>\$ 43,780</b>	<b>\$ 40,420,232</b>	<b>\$ 52,060,810</b>	<b>\$ 59,464</b>	<b>\$ 52,120,274</b>
Commitments and Contingencies (Note 10)						
<b>NET POSITION:</b>						
Unexpended Appropriations	\$ 97,172,233	-	\$ 97,172,233	\$ 96,974,607	-	\$ 96,974,607
Cumulative Results of Operations	(1,558,570)	2,348,437	789,867	(2,287,699)	2,501,472	213,773
<b>TOTAL NET POSITION</b>	<b>\$ 95,613,663</b>	<b>\$ 2,348,437</b>	<b>\$ 97,962,100</b>	<b>\$ 94,686,908</b>	<b>\$ 2,501,472</b>	<b>\$ 97,188,380</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 135,990,115</b>	<b>\$ 2,392,217</b>	<b>\$ 138,382,332</b>	<b>\$ 146,747,718</b>	<b>\$ 2,560,936</b>	<b>\$ 149,308,654</b>

The accompanying notes are an integral part of these statements

**National Endowment for the Arts**  
**STATEMENT OF NET COST**  
**For the Years Ended September 30, 2013 and September 30, 2012**  
(In Dollars)

	<b>2013</b>	<b>2012</b>
<b>Program Costs (Note 12):</b>		
<b>Access to Artistic Excellence:</b>		
Gross Costs	\$ 3,986,984	\$ 37,495,146
Less: Earned Revenue	(844,300)	(1,518,231)
Net Access to Artistic Excellence Costs	\$ 3,142,684	\$ 35,976,915
<b>Learning in the Arts:</b>		
Gross Costs	\$ 127,291	\$ 9,912,285
Less: Earned Revenue	(404,006)	(462,965)
Net Learning in the Arts Costs	\$ (276,715)	\$ 9,449,320
<b>Partnerships for the Arts:</b>		
Gross Costs	\$ 3,406,511	\$ 41,379,165
Less: Earned Revenue	-	-
Net Partnerships for the Arts Costs	\$ 3,406,511	\$ 41,379,165
<b>Arts Creation:</b>		
Gross Costs	\$ 23,416,430	\$ 18,734,038
Less: Earned Revenue	(49,993)	(26,950)
Net Arts Creation Costs	\$ 23,366,437	\$ 18,707,088
<b>Engagement with the Arts:</b>		
Gross Costs	\$ 64,649,347	\$ 41,917,608
Less: Earned Revenue	(948,710)	(116,927)
Net Engagement with the Arts Costs	\$ 63,700,637	\$ 41,800,681
<b>Contribution of the Arts:</b>		
Gross Costs	\$ 45,880,802	\$ 12,608,678
Less: Earned Revenue	(2,364)	(793)
Net Contribution of the Arts Costs	\$ 45,878,438	\$ 12,607,885
<b>Total Program Costs</b>	\$ 139,217,992	\$ 159,921,054
<b>Net Cost of Operations</b>	\$ 139,217,992	\$ 159,921,054

The accompanying notes are an integral part of these statements.



**National Endowment for the Arts**  
**STATEMENT OF CHANGES IN NET POSITION**  
**As of September 30, 2013 and 2012**  
(In Dollars)

	FY 2013			FY 2012		
	Funds from Dedicated Collections (Combined Total) (Note 11)	All Other Funds	Consolidated Total	Funds from Dedicated Collections (Combined Total) (Note 11)	All Other Funds	Consolidated Total
<b>Cumulative Results of Operations:</b>						
Beginning Balances	\$ 2,501,472	\$ (2,287,699)	\$ 213,773	\$ 2,370,396	\$ (3,145,668)	\$ (775,272)
Corrections of Errors	-	(186,667)	(186,667)	-	-	-
Adjusted Beginning Balances	\$ 2,501,472	\$ (2,474,366)	\$ 27,106	\$ 2,370,396	\$ (3,145,668)	\$ (775,272)
<b>Budgetary Financing Sources:</b>						
Appropriations Used		\$ 138,372,259	\$ 138,372,259		\$ 159,051,437	\$ 159,051,437
Non-Exchange Revenue	257	-	257	420	-	420
Donations	397,664	-	397,664	623,308	-	623,308
<b>Other Financing Sources (Non-Exchange)</b>						
Imputed financing	-	1,210,573	1,210,573	-	1,234,934	1,234,934
<b>Total Financing Sources</b>	\$ 397,921	\$ 139,582,832	\$ 139,980,753	\$ 623,728	\$ 160,286,371	\$ 160,910,099
<b>Net Cost of Operations</b>	550,956	138,667,036	139,217,992	492,652	159,428,402	159,921,054
<b>Net Change</b>	\$ (153,035)	\$ 915,796	\$ 762,761	\$ 131,076	\$ 857,969	\$ 989,045
<b>Cumulative Results of Operations</b>	\$ 2,348,437	\$ (1,558,570)	\$ 789,867	\$ 2,501,472	\$ (2,287,699)	\$ 213,773
<b>Unexpended Appropriations:</b>						
Beginning Balances		\$ 96,974,607	\$ 96,974,607		\$ 110,005,052	\$ 110,005,052
Corrections of Errors		186,667	186,667		-	-
Adjusted Beginning Balances		\$ 97,161,274	\$ 97,161,274		\$ 110,005,052	\$ 110,005,052
<b>Budgetary Financing Sources:</b>						
Appropriations Received		\$ 146,020,992	\$ 146,020,992		\$ 146,255,000	\$ 146,255,000
Other Adjustments		(7,637,774)	(7,637,774)		(234,008)	(234,008)
Appropriations Used		(138,372,259)	(138,372,259)		(159,051,437)	(159,051,437)
<b>Total Budgetary Financing Sources</b>		\$ 10,959	\$ 10,959		\$ (13,030,445)	\$ (13,030,445)
<b>Total Unexpended Appropriations</b>		\$ 97,172,233	\$ 97,172,233		\$ 96,974,607	\$ 96,974,607
<b>Net Position</b>	\$ 2,348,437	\$ 95,613,663	\$ 97,962,100	\$ 2,501,472	\$ 94,686,908	\$ 97,188,380

The accompanying notes are an integral part of these statements.

**National Endowment for the Arts**  
**STATEMENT OF BUDGETARY RESOURCES**  
**For the Years Ended September 30, 2013 and September 30, 2012**  
**(In Dollars)**

	<u>2013</u>	<u>2012</u>
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance Brought Forward, Oct 1	\$ 12,929,987	\$ 11,139,844
Unobligated Balance Brought Forward, Oct 1, as Adjusted	\$ 12,929,987	\$ 11,139,844
Recoveries of Prior Year Unpaid Obligations	1,783,832	1,145,554
Unobligated Balance from Prior Year Budget Authority, Net	<u>\$ 14,713,819</u>	<u>\$ 12,285,398</u>
Appropriations (discretionary and mandatory)	\$ 138,780,883	\$ 146,645,657
Spending Authority from Offsetting Collections (discretionary and mandatory)	965,341	1,248,823
<b>TOTAL BUDGETARY RESOURCES</b>	<u><u>\$ 154,460,043</u></u>	<u><u>\$ 160,179,878</u></u>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred (Note 13)	\$ 142,406,778	\$ 147,249,891
Unobligated Balance, End of Year:		
Apportioned	12,034,176	12,910,898
Unapportioned	19,089	19,089
Total Unobligated Balance, End of Year	<u>\$ 12,053,265</u>	<u>\$ 12,929,987</u>
<b>TOTAL BUDGETARY RESOURCES</b>	<u><u>\$ 154,460,043</u></u>	<u><u>\$ 160,179,878</u></u>
<b>CHANGE IN OBLIGATED BALANCE:</b>		
<b>Unpaid Obligations:</b>		
Unpaid Obligations, Brought Forward, Oct 1	\$ 137,514,952	\$ 148,918,202
Obligations Incurred	142,406,778	147,249,891
Outlays (Gross)	(151,563,818)	(157,507,586)
Recoveries of Prior Year Unpaid Obligations	<u>(1,783,832)</u>	<u>(1,145,554)</u>
Unpaid Obligations, End of Year	\$ 126,574,080	\$ 137,514,952
<b>Uncollected Payments:</b>		
Uncollected Payments from Federal Sources, Brought Forward, Oct 1	\$ (1,816,283)	\$ (2,513,610)
Change in Uncollected Payments from Federal Sources	913,031	697,327
Uncollected Payments from Federal Sources, End of Year	(903,252)	(1,816,283)
<b>Memorandum (non-add) Entries:</b>		
Obligated Balance, Start of Year	135,698,669	146,404,592
Obligated Balance, End of Year	125,670,828	135,698,669
<b>BUDGET AUTHORITY AND OUTLAYS, NET:</b>		
Budget Authority, Gross (discretionary and mandatory)	\$ 139,746,224	\$ 147,894,480
Actual Offsetting Collections (discretionary and mandatory)	(1,878,372)	(1,946,150)
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	913,031	697,327
Budget Authority, Net (discretionary and mandatory)	<u>\$ 138,780,883</u>	<u>\$ 146,645,657</u>
Outlays, Gross (discretionary and mandatory)	\$ 151,563,818	\$ 157,507,586
Actual Offsetting Collections (discretionary and mandatory)	(1,878,372)	(1,946,150)
Outlays, Net (discretionary and mandatory)	<u>\$ 149,685,446</u>	<u>\$ 155,561,436</u>
Distributed Offsetting Receipts	(402,664)	(627,004)
Agency Outlays, Net (discretionary and mandatory)	<u><u>\$ 149,282,782</u></u>	<u><u>\$ 154,934,432</u></u>

The accompanying notes are an integral part of these statements.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2013 and 2012**  
(In Dollars)

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

**NOTE 1. Significant Accounting Policies:**

**A. Reporting Entity**

The National Endowment for the Arts (NEA) is an independent Federal agency whose mission is to advance artistic excellence, creativity, and innovation for the benefit of individuals and communities. The NEA was established as a result of the National Foundation on the Arts and the Humanities Act of 1965.

**B. Basis of Presentation**

These statements were prepared from the books and records of the NEA in conformity with accounting principles generally accepted in the United States, and the OMB Circular A-136, *Financial Reporting Requirements* (Circular A-136), Revised October 21, 2013, which supersedes:

- OMB Circular A-136, *Financial Reporting Requirements* (Circular A-136), dated August 3, 2012.
- M-06-27 *Fiscal Year 2006 Year-end Accounting Guidance for Earmarked Funds* (September 22, 2006), located at <http://www.whitehouse.gov/sites/default/files/omb/assets/omb/memoranda/fy2006/m06-27.pdf>.
- *Future External Reporting Changes* (December 21, 2001), located at [http://www.whitehouse.gov/sites/default/files/omb/financial/year\\_end\\_reporting\\_2001.pdf](http://www.whitehouse.gov/sites/default/files/omb/financial/year_end_reporting_2001.pdf).
- *Requirements for Accountability of Tax Dollars Act* (December 6, 2002), located at [http://www.whitehouse.gov/sites/default/files/omb/financial/accountability\\_of\\_tax\\_dollars.pdf](http://www.whitehouse.gov/sites/default/files/omb/financial/accountability_of_tax_dollars.pdf).
- M-04-20 FY 2004 *Performance and Accountability Reports and Reporting Requirements for the Financial Report of the United States Government* (July 22, 2004), located at <http://www.whitehouse.gov/sites/default/files/omb/memoranda/fy04/m04-20.pdf>.
- Memorandum FY 2002 *Financial and Performance Reporting*, dated October 18, 2002.
- Bulletin 01-09 *Form and Content of Agency Financial Statements*, revised September 25, 2001, available at <http://www.whitehouse.gov/omb/bulletins/b01-09.html>.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2013 and 2012**  
(In Dollars)

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

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

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

**C. Basis of Accounting**

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

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

Created in 1990, the Office of Federal Financial Management (OFFM) is responsible for the financial management policy of the Federal Government. OFFM responsibilities include implementing the financial management improvement priorities of the President, establishing government-wide financial management policies of executive agencies, and carrying out the financial management functions of the CFO Act.

[http://www.whitehouse.gov/omb/financial\\_default/](http://www.whitehouse.gov/omb/financial_default/)

**D. Revenues and Other Financing Sources**

NEA receives funding through annual Congressional appropriations from the budget of the United States. No-year appropriations are used, within statutory limits, for operations and capital expenditures for essential personal property. Through the "American Recovery and Reinvestment Act of 2009," the NEA was provided a one-time appropriation of \$50 million. These funds were obligated by the conclusion of FY 2010, as required by the act, and were expended to preserve jobs in the arts.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2013 and 2012**  
(In Dollars)

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

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

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

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

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

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

**E. Fund Balance with Treasury**

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

**F. Advances and Prepayments**

NEA interagency agreements with other Federal agencies are recorded as advances in cases where funds are received prior to expenditure. As work is performed by NEA, expenditures are incurred and advances reduced. Advances are recorded for intragovernmental transactions until the expenditures or revenues are reported by the trading partner, at which time the advance is reduced and the expense/revenue is recognized. Advances are also recorded for payments to vendors for the portion of services that extend beyond the current fiscal year.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2013 and 2012**  
(In Dollars)

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

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

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

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

**H. Liabilities**

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

**I. Accounts Payable**

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

**J. Accounts Receivable**

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

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

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

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

**L. Retirement Plans**

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

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

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

**M. Imputed Benefit Costs**

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

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

**N. Use of Estimates**

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

**O. Contingencies**

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

**P. Funds from Dedicated Collections**

Amounts reported as funds from dedicated collections are represented by one appropriation, "Gifts and Donations" 59X8040; there are no eliminations of this type of activity within the agency, nor any need for additional subtotal or total columns.

**Q. Fiduciary Activities**

Various artists have loaned their artwork to the Endowment for display in certain agency offices. These artworks are not assets of the Federal Government. Fiduciary activities are not recognized in the proprietary financial statements, but are reported in the notes to the financial statements. See Note 18, Fiduciary Activities.

**R. Cost Accounting Methodology**

In fiscal year 2012, the Endowment began operating under a new strategic plan. This new plan established new goals and objectives that are separate from those established under the previous plan. As a result, NEA created three new programs that appear on the Statement of Net Cost: Arts Creation, Engagement with the Arts, and Contribution of the Arts. Costs for grants issued in FY 2012 and future years will be recorded under these new programs. Costs related to payment and overall support of grants issued prior to FY 2012 are attributed to the historical programs listed in the previous strategic plan, namely, Access to Artistic Excellence, Learning in the Arts, and Partnerships for the Arts. Costs attributed to these historical programs are allocated based on estimates of personnel and agency resources used to support remaining grants under the previous strategic plan.



**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 2: Fund Balance With Treasury**

	<b>September 30, 2013</b>	<b>September 30, 2012</b>
Fund Balance:		
Trust Funds	\$ 1,280,921	\$ 2,505,426
Appropriated Funds	135,332,133	146,123,230
Fund Balance with Treasury – Subtotal	\$ 136,613,054	\$ 148,628,656
Invested in Public Debt Treasury Bills, net	1,111,039	-
Fund Balance With Treasury – Total	<u>\$ 137,724,093</u>	<u>\$ 148,628,656</u>
Status of Budgetary Resources:		
Unobligated Balance:		
Available Other	\$ 9,899,576	\$ 10,710,270
Available Trust Fund	2,134,600	2,200,628
Subtotal – Available	\$ 12,034,176	\$ 12,910,898
Unavailable	19,089	19,089
Obligated Balance not yet Disbursed Other	\$ 126,316,720	\$ 137,210,154
Obligated Balance not yet Disbursed Trust Fund	257,360	304,798
Subtotal - Obligated	126,574,080	137,514,952
Unfilled Orders – Reimbursable	(903,252)	(1,816,283)
	<u>\$ 137,724,093</u>	<u>\$ 148,628,656</u>

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**NOTE 3: Investments**

<b>September 30, 2013</b>	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Non-Marketable: Par Value	\$ 1,111,039	Effective Interest	\$ 426	\$ 1,111,465	\$ 1,111,465
Accrued Interest on Public Debt Bills	257				257
<b>Total</b>	<b>\$ 1,111,296</b>				<b>\$ 1,111,722</b>
<b>September 30, 2012*</b>	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Non-Marketable: Par Value	\$ -	Effective Interest	\$ -	\$ -	\$ -
Accrued Interest on Public Debt Bills	-				-
<b>Total</b>	<b>\$ -</b>				<b>\$ -</b>

\*Due to low Treasury yields, investments that matured in fiscal year 2012 were not re-invested as of September 30, 2012.

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

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

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 4: Accounts Receivable**

	<b>September 30, 2013</b>	<b>September 30, 2012</b>
Gross Receivables:		
Custodial Receivables (Nonentity)	\$ 161,250	\$ 31,250
Receivables Due from the Public	550	-
	\$ 161,800	\$ 31,250
Allowance for Uncollectibles:	-	-
Net Receivables	\$ 161,800	\$ 31,250

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

<u>Class of Property</u>	<b>September 30, 2013</b>			<b>September 30, 2012</b>		
	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 205,675	\$ 39,176	\$ 166,499	\$ 205,675	\$ 9,794	\$ 195,881
Total	\$ 205,675	\$ 39,176	\$ 166,499	\$ 205,675	\$ 9,794	\$ 195,881

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 6: Other Assets**

	September 30, 2013	September 30, 2012
Intragovernmental Advances:		
Institute of Museum and Library Services (1)	\$ -	\$ 55,510
Department of Commerce (2)	220,000	334,000
Open World Leadership Center (3)	-	20,882
Department of Transportation (4)	65,337	39,725
Total Intragovernmental	\$ 285,337	\$ 450,117
With the Public:		
Advances to Vendors (5)	\$ 44,306	\$ 2,750
Total Other Assets	\$ 329,683	\$ 452,867

Other Information:

1. Support for the National Student Poets Program.
2. Advance to Census Bureau to provide Census statistics to the agency.
3. The Open World Program enables emerging leaders from Russia and other Eurasian countries to experience American democracy and civil society in action.
4. Advance to the Department of Transportation for the purchase of Metrochecks and accounting system hosting.
5. Advances to various contractors for services to be provided in future periods.

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 7: Liabilities Not Covered By Budgetary Resources**

	September 30, 2013	September 30, 2012
Intragovernmental:		
Unfunded FECA Liability	\$ 5,071	\$ 7,960
Custodial Liability	161,250	31,250
Total Intragovernmental	\$ 166,321	\$ 39,210
Accrued Unfunded Leave	\$ 1,374,580	\$ 1,349,813
Actuarial FECA Liability	28,986	17,673
Total Liabilities Not Covered by Budgetary Resources	\$ 1,569,887	\$ 1,406,696
Total Liabilities Covered by Budgetary Resources (Note 8)	\$ 38,850,345	\$ 50,713,578
<b>Total Liabilities</b>	<b>\$ 40,420,232</b>	<b>\$ 52,120,274</b>

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

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 8: Other Liabilities**

	September 30, 2013			September 30, 2012		
	Non-Current	Current	Total	Non-Current	Current	Total
<b>Intragovernmental:</b>						
Custodial Liability	\$ -	\$ 161,250	\$ 161,250	\$ -	\$ 31,250	\$ 31,250
Employer Contributions	-	88,444	88,444	-	222,813	222,813
Unfunded FECA Liability	-	5,071	5,071	-	7,960	7,960
Advances from Other Government Agencies	-	332,500	332,500		763,902	763,902
<b>Total Intragovernmental Liabilities</b>	\$ -	\$ 587,265	\$ 587,265	\$ -	\$ 1,025,925	\$ 1,025,925
<b>With the Public:</b>						
Accrued Payables - Invoices	\$ -	\$ 237,446	\$ 237,446	\$ -	\$ 42,172	\$ 42,172
Accrued Funded Payroll	-	387,385	387,385	-	908,291	908,291
TSP Employer Contributions	-	14,434	14,434	-	36,391	36,391
Actuarial FECA Liability	-	28,986	28,986	-	17,673	17,673
Accrued Unfunded Leave	-	1,374,580	1,374,580	-	1,349,814	1,349,814
Total Other Liabilities	-	\$ 2,042,831	\$ 2,042,831		\$ 2,354,341	\$ 2,354,341
Accrued Liabilities	-	37,790,136	37,790,136	-	48,740,008	48,470,008
<b>Total Liabilities with the Public</b>	\$ -	\$ 39,832,967	\$ 39,832,967	\$ -	\$ 51,094,349	\$ 51,094,349
<b>Total Liabilities</b>	\$ -	\$ 40,420,232	\$ 40,420,232	\$ -	\$ 52,120,274	\$ 52,120,274

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 9: Leases**

**Brief Description of Occupancy Agreement:**

The current annual occupancy agreement includes rental of the Old Post Office (OPO) building office space and one surface parking space with estimates for FY 2013. The agreement can be terminated upon four months' notice. The Agency's financial obligations for years beyond the current year do not mature until the later year(s) are reached. The obligation to pay rent in future years is subject to the availability of funds. The Endowment anticipates moving to the Constitution Center in Washington, DC in February 2014. As of September 30, 2013, no occupancy agreement has been signed, but the current draft estimates costs for the upcoming lease term as follows:

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Annual Rental	\$2,870,768	\$2,881,632	\$2,892,831	\$2,914,169	\$2,946,954

**Brief Description of Copier Lease:**

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

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
\$167,304	\$169,519	\$169,687	\$163,480	\$154,263

**NOTE 10: Commitments and Contingencies**

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

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 11: Funds from Dedicated Collections (Combined Total)**

**Gifts and Donations**

<b>Balance Sheet</b>	<b>September 30, 2013</b>	<b>September 30, 2012</b>
<b>ASSETS</b>		
Fund Balance with Treasury	\$ 1,280,921	\$ 2,505,426
Investments	1,111,296	-
Other Assets - Advances	-	55,510
Total Assets	<u>\$ 2,392,217</u>	<u>\$ 2,560,936</u>
<b>LIABILITIES</b>		
Accrued Expenses	\$ 43,780	\$ 59,464
Total Liabilities	<u>\$ 43,780</u>	<u>\$ 59,464</u>
<b>NET POSITION</b>		
Cumulative Results of Operations	<u>\$ 2,348,437</u>	<u>\$ 2,501,472</u>
Total Liabilities and Net Position	<u>\$ 2,392,217</u>	<u>\$ 2,560,936</u>
<b>Statement of Net Cost</b>		
Gross Program Costs	\$ 550,956	\$ 492,652
Less Earned Revenue	-	-
Net Cost of Operations	<u>\$ 550,956</u>	<u>\$ 492,652</u>
<b>Statement of Changes in Net Position</b>		
Net Position Beginning of Period	\$ 2,501,472	\$ 2,370,396
Non-Exchange Revenue	257	420
Cash Donations	397,664	623,308
Less: Net Cost of Operations	<u>(550,956)</u>	<u>(492,652)</u>
Change in Net Position	<u>\$ (153,035)</u>	<u>\$ 131,076</u>
Net Position End of Period	<u>\$ 2,348,437</u>	<u>\$ 2,501,472</u>



**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 12: Intragovernmental Costs and Exchange Revenue**

	FY 2013			FY 2012		
	Intragovern- mental	With the Public	Total	Intragovern- mental	With the Public	Total
<b>Access to Artistic Excellence:</b>						
Program Costs	\$ 96,209	\$ 3,890,775	\$ 3,986,984	\$ 445,758	\$ 37,049,388	\$ 37,495,146
Earned Revenue	(844,300)	-	(844,300)	(1,518,231)	-	(1,518,231)
Net Costs - Access to Artistic Excellence	\$ (748,091)	\$ 3,890,775	\$ 3,142,684	\$ (1,072,473)	\$ 37,049,388	\$ 35,976,915
<b>Learning in the Arts:</b>						
Program Costs	\$ 11,869	\$ 115,465	\$ 127,291	\$ 13,445	\$ 9,898,840	\$ 9,912,285
Earned Revenue	(404,006)	-	(404,006)	(462,965)	-	(462,965)
Net Costs - Learning in the Arts	\$ (392,180)	\$ 115,465	\$ (276,715)	\$ (449,520)	\$ 9,898,840	\$ 9,449,320
<b>Partnerships for the Arts:</b>						
Program Costs	\$ 12,539	\$ 3,393,972	\$ 3,406,511	\$ 14,256	\$ 41,364,909	\$ 41,379,165
Earned Revenue	-	-	-	-	-	-
Net Costs - Partnerships for the Arts	\$ 12,539	\$ 3,393,972	\$ 3,406,511	\$ 14,256	\$ 41,364,909	\$ 41,379,165

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 12: Intragovernmental Costs and Exchange Revenue (continued)**

	FY 2013			FY 2012		
	Intragovern- mental	With the Public	Total	Intragovern- mental	With the Public	Total
<b>Arts Creation:</b>						
Program Costs	\$ 3,978,917	\$ 19,437,513	\$ 23,416,430	\$ 2,153,081	\$ 16,580,957	\$ 18,734,038
Earned Revenue	(49,993)	-	(49,993)	(26,950)	-	(26,950)
Net Costs - Arts Creation	\$ 3,928,924	\$ 19,437,513	\$ 23,366,437	\$ 2,126,131	\$ 16,580,957	\$ 18,707,088
<b>Engagement with the Arts:</b>						
Program Costs	\$ 5,778,507	\$ 58,870,840	\$ 64,649,347	\$ 3,618,750	\$ 38,298,858	\$ 41,917,608
Earned Revenue	(948,710)	-	(948,710)	(116,927)	-	(116,927)
Net Costs - Engagement with the Arts	\$ 4,829,797	\$ 58,870,840	\$ 63,700,637	\$ 3,501,823	\$ 38,298,858	\$ 41,800,681
<b>Contribution of the Arts:</b>						
Program Costs	\$ 2,225,920	\$ 43,654,882	\$ 45,880,802	\$ 76,486	\$ 12,532,192	\$ 12,608,678
Earned Revenue	(2,364)	-	(2,364)	(793)	-	(793)
Net Costs - Contribution of the Arts	\$ 2,223,556	\$ 43,654,882	\$ 45,878,438	\$ 75,693	\$ 12,532,192	\$ 12,607,885
<b>Total (including previous page):</b>						
Program Costs	\$ 12,103,918	\$ 129,363,447	\$ 141,467,365	\$ 6,321,776	\$ 155,725,144	\$ 162,046,920
Earned Revenue	(2,249,373)	-	(2,249,373)	(2,125,866)	-	(2,125,866)
Net Cost of Operations	\$ 9,854,545	\$ 129,363,447	\$ 139,217,992	\$ 4,195,910	\$ 155,725,144	\$ 159,921,054

The Arts Endowment receives funds from other Federal agencies that participate in the Arts Endowment's program awards. The Arts Endowment may also incur intragovernmental costs for its participation in program awards or activities of other Federal agencies. NEA adopted a new strategic plan beginning in FY 2012 creating Arts Creation, Engagement with the Arts, and Contribution of the Arts programs. As a result, these programs had no activity in FY 2011 and prior years. Costs for grants issued prior to FY 2012 are recorded to the Access to Artistic Excellence, Learning in the Arts, and Partnerships for the Arts programs.

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 13: Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations**

The NEA is provided with funding only under Category B.

Category B	Direct	Reimbursable	Total
Apportionments	\$ 138,786,889	\$ 904,940	\$ 139,691,829
Obligations	\$ 141,399,480	\$ 1,007,298	\$ 142,406,778

**NOTE 14: Undelivered Orders at the End of the Period**

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

Undelivered Orders:	<b>2013</b>	<b>2012</b>
Direct	\$ 87,467,148	\$ 86,732,758
Reimbursable	918,771	1,287,558
Undelivered Orders, net, end of period	\$ 88,385,919	\$ 88,020,316

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 15: Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government**

The differences between the FY 2012 Statement of Budgetary Resources and the FY 2012 actual numbers presented in the FY 2014 Budget of the United States Government (Budget) are summarized below.

The President's Fiscal Year 2015 Budget, which will include actual numbers for fiscal year 2013, has not yet been published. The FY 2015 Budget is expected to be published in February 2014 and to be available at <http://www.whitehouse.gov/omb/budget/>.

<b>FY 2012 (in \$ millions)</b>	<b>Budgetary Resources</b>	<b>Obligations Incurred</b>	<b>Distributed Offsetting Receipts</b>	<b>Net Outlays</b>
Combined Statement of Budgetary Resources	\$ 160	\$ 147	\$ 1	\$ 155
Difference (see above)	-	-	-	-
Budget of US Government	\$ 160	\$ 147	\$ 1	\$ 155

**NOTE 16: Explanation of Differences Between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods**

Components that comprise liabilities not covered by budgetary resources represent the cumulative balance of the liability. By contrast, components requiring or generating resources in future periods included in Note 19 - Reconciliation of Net Cost of Operations to Budget represent the change in the liability created in the current year.

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 17: Incidental Custodial Collections**

	<b>2013</b>	<b>2012</b>
Proprietary Receipts from the Public	\$ -	\$ -
Intrabudgetary Receipts Deducted by Agencies	5,000	5,000
	<hr/>	<hr/>
Total Custodial Collections	\$ 5,000	\$ 5,000

**NOTE 18: Fiduciary Activities**

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

National Endowment for the Arts  
**Schedule of Fiduciary Activity**  
For the Period Ended September 30, 2013 and 2012

	<b>September 30, 2013</b> Various Paintings	<b>September 30, 2012</b> Various Paintings
Fiduciary net assets, beginning of year	\$ 88,500	\$ 94,000
Contributions	16,000	-
Disposition of assets	(1,500)	(5,500)
	<hr/>	<hr/>
Increase/(Decrease) in fiduciary net assets	14,500	(5,500)
	<hr/>	<hr/>
Fiduciary net assets, end of period	\$ 103,000	\$ 88,500

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 18: Fiduciary Activities (continued)**

**Fiduciary Net Assets**  
As of September 30, 2013 and 2012

	<b>September 30, 2013</b>	<b>September 30, 2012</b>
<b>FIDUCIARY ASSETS</b>		
Other Assets (various paintings)	\$ 103,000	\$ 88,500
<b>FIDUCIARY LIABILITIES</b>		
Less: Liabilities	-	-
<b>Total Fiduciary net assets</b>	<u>\$ 103,000</u>	<u>\$ 88,500</u>

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

**NATIONAL ENDOWMENT FOR THE ARTS**  
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**NOTE 19: Reconciliation of Net Cost of Operations to Budget**

	<b>2013</b>	<b>2012</b>
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 142,406,778	\$ 147,249,891
Less: Spending Authority from offsetting collections and recoveries	(2,749,173)	(2,394,377)
Obligations net of offsetting collections and recoveries	\$ 139,657,605	\$ 144,855,514
Less: Offsetting receipts	(402,664)	(627,004)
Net Obligations	\$ 139,254,941	\$ 144,228,510
Other Resources		
Imputed financing from costs absorbed by others	\$ 1,210,572	\$ 1,234,934
Other Resources	-	-
Net Other Resources Used to Finance Activities	\$ 1,210,572	\$ 1,234,934
Total Resources Used to Finance Activities	\$ 140,465,513	\$ 145,463,444
 <b>Resources Used to Finance Items not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods and Services and Benefits Ordered but not received	\$ (1,710,035)	\$ 14,133,634
Resources that fund expenses recognized in prior periods	-	(120,337)
Budgetary offsetting collections and receipts that do not affect net cost of operations	402,664	627,004
Resources that Finance the Acquisition of Assets	-	(205,675)
Total Resources used to finance items not part of the Net Cost of Operations	\$ (1,307,371)	\$ 14,434,626
Total Resources Used to finance the Net Cost of Operations	\$ 139,158,142	\$ 159,898,070
 <b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>		
Components Requiring/Generating Resources in Future Periods (Note 16):		
Increase in Annual Leave Liability	\$ 24,767	\$ -
Other – Change in FECA Liability	11,313	7,045
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 36,080	\$ 7,045
Components not Requiring or Generating Resources:		
Depreciation and Amortization	\$ 29,382	\$ 9,794
Other not Requiring Outlay of Resources	(5,612)	6,145
Total components of Net Cost of Operations that will not require or generate resources	\$ 23,770	\$ 15,939
Total components of net cost of operations that will not require or generate resources in the current period	\$ 59,850	\$ 22,984
<b>Net Cost of Operations</b>	<b>\$ 139,217,992</b>	<b>\$ 159,921,054</b>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2013 and 2012**  
(In Dollars)

**NOTE 20: Donations In-Kind**

During FY 2013, NEA received in-kind gifts from several organizations. Gifts included payment of NEA staff travel, lodging, and meals, as well as payment of NEA staff registration fees to attend and/or participate in various arts related functions. The total value of these in-kind donations was \$25,175 in FY 2013 and \$51,910 in FY 2012.

**NOTE 21: Change in Presentation**

As of FY 2013, NEA changed the presentation of Note 12, Intragovernmental Costs and Exchange Revenue to align employee benefits with guidance provided by OMB Circular A-136. Additionally, the Circular also prescribes a new layout of the Statement of Budgetary Resources (SBR) for FY 2013 reporting. As a result, the SBR for FY 2013 and FY 2012 is presented with this new layout.

**NOTE 22: Correction of Error**

In FY 2012, a data entry error omitted two SGL accounts on a manual journal voucher that resulted in a \$186,666.59 overstatement on the Cumulative Results of Operations lines of the Balance Sheet and Statement of Changes in Net Position and an offsetting understatement of the Unexpended Appropriations line of the Balance Sheet and Statement of Net Position. This error was identified during the fourth quarter of FY 2013 and the corresponding adjustments are shown to the beginning balances of Cumulative Results of Operations and Unexpended Appropriations on the Statement of Changes in Net Position for the current fiscal year.