

NATIONAL ENDOWMENT FOR THE HUMANITIES

PERFORMANCE &

ACCOUNTABILITY REPORT

FISCAL YEAR 2026

Message from the Chairman

I am pleased to present the Performance and Accountability Report for the National Endowment for the Humanities for the fiscal year 2026. The report sets forth the agency's goals, objectives and results for the fiscal year just concluded. The report provides information on NEH's performance, operations, and financial information.

NEH's grant programs received over 2591 applications in fiscal year 2026. Each eligible application underwent a rigorous peer review process to evaluate the quality and significance of the proposed projects. The information contained in this report summarizes the agency's work on behalf of the taxpayer and the value of NEH's programs for the American people.

During FY2026, NEH awarded more than $179.2 million in direct grant funding through 478 grant awards to humanities organizations, institutions and individuals. This funding supported research, education, preservation, and public programs in history, literature, philosophy, languages, and other humanities fields. These peer-reviewed grants included $45.1 million in funding for 73 awards to the national network of state and jurisdictional humanities councils.

The financial and performance data contained in this report are, to the best of my knowledge, reliable, accurate, and complete. NEH's fiscal year 2026 financial statement audit resulted in an unmodified (clean) audit opinion.



Michael McDonald, J.D, Ph.D.
NEH Chairman

I. Management's Discussion and Analysis

Mission, Vision, and Core Values

NEH's vision is for "*a nation where the public has access to and can benefit from the Humanities*".

The agency's mission is to "*to serve and strengthen our nation by fostering an expanded role for the Humanities*".

Responsive: We provide high-quality support and advice to meet on-going needs.

Collaborative: We work respectfully through collaboration and open communications.

Reflective: We encourage critical, deep, and innovative thinking.

Integrity: We uphold public trust through honesty, fairness, and transparency.

Organization

The National Endowment for the Humanities (NEH) is a federal agency created in 1965. NEH serves the American public as the only federal agency dedicated to funding the humanities, which include history, philosophy, literature, language, ethics, law, archaeology, political theory, comparative religion, anthropology, sociology, and media and cultural studies. NEH supports the fundamental building blocks of American civil society, helping us to examine the human condition, understand our cultural heritage, develop media and information literacy, and promote civics education. Since its founding in 1965, NEH has awarded over $6.5 billion in grants to museums, historic sites, colleges, universities, K– 12 teaching, libraries, public television and radio stations, research institutions, independent scholars, and state and jurisdictional humanities councils nationwide— providing a critical lifeline to the nation's cultural and educational sectors and sustaining the United States' role as a global leader in the humanities.

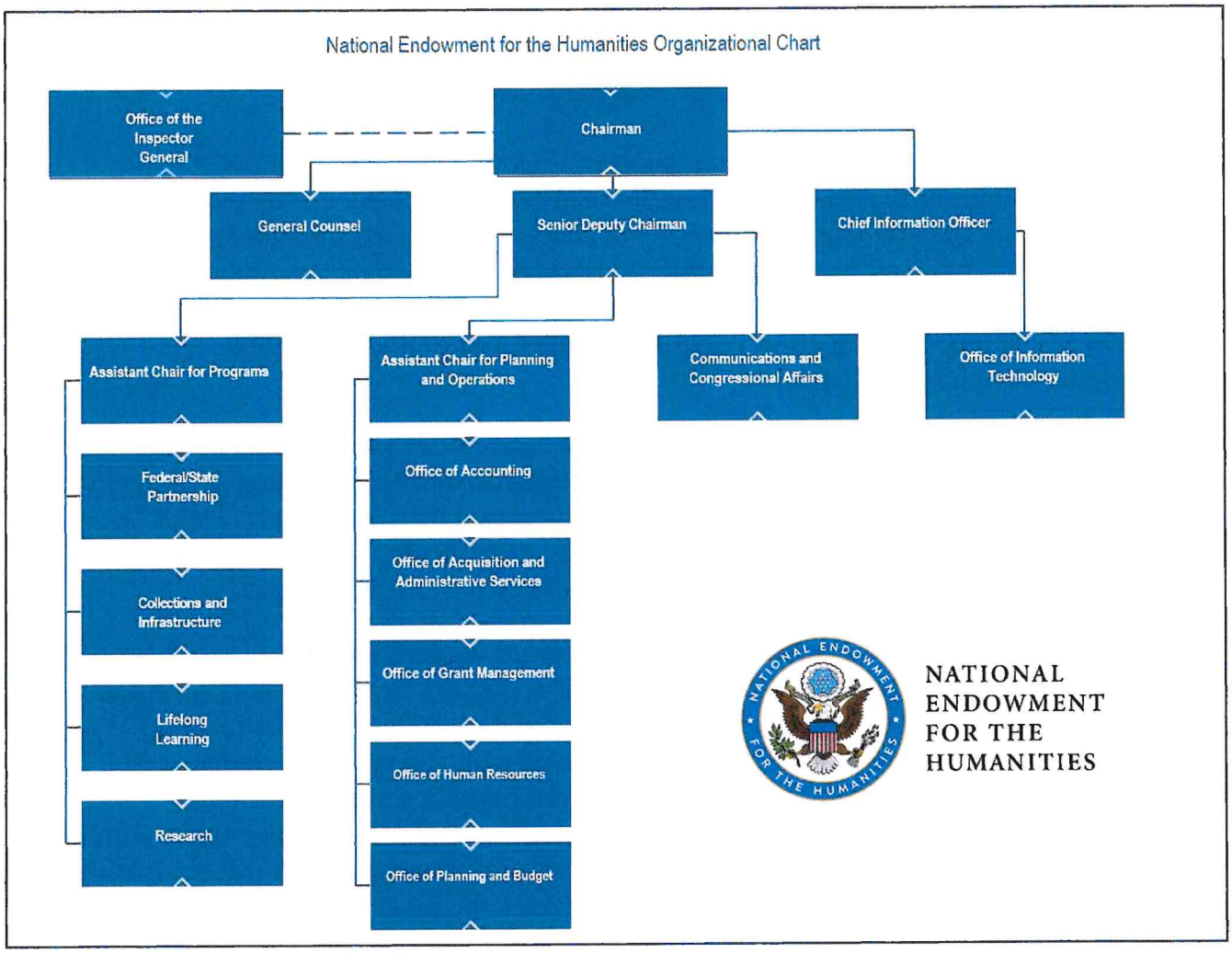
A presidentially appointed and U.S. Senate confirmed Chairman serves who serves a four-year term manages the agency.

President Trump nominated Michael McDonald to be the 13th Chairman of NEH on February 2026 and the U.S. Senate confirmed him to the position in August 2026.

The National Council on the Humanities, a board of 26 distinguished private citizens, appointed by the President and confirmed by the U.S. Senate, advises the

NEH Chairman. National Council members serve staggered six-year terms. The National Council on the Humanities meets several times annually to advise the NEH Chairman who considers the advice provided by the review process and, by law, makes all funding decisions.

Organizational Chart



Organizational Summary

The Division of Federal/State Partnership is the liaison between the National Endowment for the Humanities and the nonprofit network of state and jurisdictional humanities councils. This division provides general operating support awards to the states and jurisdictions to bring humanities programming to communities across the country.

The Division of Lifelong Learning supports a wide range of public humanities projects that reach large and diverse public audiences and funds a variety of formats including exhibits, public programs, film, radio, and digital media. NEH consolidated the previously existing grant portfolios of the former Divisions of Public Programs and Education into this Division.

The Division of Collections and Infrastructure supports projects that preserve and allow access to collections and cultural heritage resources of importance for research, education, and public programming in the humanities. NEH consolidated the previously existing grant portfolios of the former Division of Preservation & Access and the Office of Challenge Programs into this Division.

The Division of Research Programs supports scholarly research and writing in all disciplines of the humanities and humanistic social sciences. Through annual funding opportunities, awards to scholars, including individuals, collaborative teams, and institutions working on research projects that advance knowledge and understanding of the humanities. NEH consolidated the previously existing grant portfolios of the former Office of Digital Humanities into this Division.

Treasury Matching Funds match nonfederal contributions in support of humanities projects. Funds can be awarded in most programs, and NEH funding is conditioned on an equivalent ratio amount of funds being raised by the recipients. NEH Treasury matching funds aim to leverage the contributions of the nation's businesses, foundations, and individuals on behalf of the humanities.

Peer Panel Review is a hallmark of the NEH grant application review process. NEH instructs reviewers to evaluate applications according to published criteria and in compliance with federal ethics and conflicts of interest requirements. Peer reviewers are experts in their respective fields with relevant knowledge and expertise in the types of project activities identified in the grant funding applications. Peer review ratings and NEH staff comments comprise initial funding recommendations to the National Council on the Humanities and the Chairman. The National Council on the Humanities advises the Chairman, who makes the final funding decisions.

NEH's Annual Performance Report is due in February of each fiscal year and is available online at https://www.neh.gov/about/budget-performance.

Performance Goals, Objectives, and Results

NEH's strategic plan framework sets forth the structure for how the agency's goals, objectives, and measures are met. The topics discussed in subsequent sections provide insight into how each goal is defined and structured to meet the mission of the agency.

The agency continues to develop its Enterprise Risk Management (ERM) program implementation and data integration to demonstrate evidenced-based decision making.

Risk

NEH's Enterprise Risk Management (ERM) program has in the last five years; created a Chief Risk Officer (CRO) position; established a governance structure; adopted a governance charter and administrative directive to meet regulatory requirements.; In FY 2026, a Senior Risk Analyst was hired to support the CRO. The Senior Risk Analyst is responsible for leading ERM, internal controls, and business process mapping activities and developing tools to integrate these activities with strategic planning, budget, and performance.

The Senior Risk Analyst is also responsible for the development of a comprehensive project plan emphasizing early risk identification and mitigation strategies through ERM, internal controls, and business process mapping.

Significant Risks

NEH submitted a staffing plan to OMB for fiscal year 2027, with justifications adding staff to complete compliance reviews and implement process changes with sufficient administrative funds to cover costs. Investments in ERM, such as hiring dedicated federal resources for the program, have been made and Corrective Action Plans (CAPS) have been developed to address systemic and control weaknesses.

Financial Statements Overview & Analysis

The financial statements are prepared to report the overall financial position and results of operations, consistent with 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.

Agency statements are a component and a consolidation entity of the federal financial reports of the U.S. Government; however, the presentation of information

in this report is as its own entity. The following is a summary of the financial statements and dollar amounts represent millions (M) unless otherwise stated.

In the previous fiscal year, the Administration terminated approximately 1477 of existing grant award obligations. In FY2026, several ongoing legal cases resulted in reinstatement of terminated awards. Changes to the grant liability methodology assumptions because of reinstatements are in Note 7 on page 30.

Balance Sheet (BS)

The Balance Sheet presents the amounts of assets owned and liabilities of NEH for the current fiscal year and prior fiscal year. Their difference determines the net position as of September 30, 2026.

Total assets are $476.0M for 2026 and $340.7M for 2025. The most significant asset is the Fund Balance with the U.S. Treasury (FBWT) which represents funds to be disbursed in future years. The increase in FBWT is impacted by less grant disbursements because of grant terminations; advances and prepayments for a new interagency agreement with NARA and grant reinstatements for terminated fellowship grant awards.

Total liabilities for 2026 are $44.7M and $29.9M in 2025. The majority of NEH's Other than-Intragovernmental liability is the increase in the amount of estimated grant liability (accrual). The accrual expense increased in the current year are the reinstatements of terminated grant awards.

Statement of Budgetary Resources (SBR)

The Statement of Budgetary Resources displays how budgetary resources are available to NEH and the status of resources at the end of the reporting period. NEH budgetary resources are no year funds appropriated by U.S. Congress.

Total budgetary resources for NEH increased in FY26 to $419.0M when compared to FY25's $311.4M, attributed to increased unobligated balances because of the agency's prior year focus on grant terminations. Net outlays decreased to $73.2M in 2026 from $197.4M in 2025 caused by decreased grant payments due to award terminations. Increases in new obligations and upward adjustments represent shifts in agency focus from grant terminations to grant reinstatements.

Statement of Net Cost (SNC)

The Statement of Net Cost presents cost information by program divisions within NEH. The net cost of operations represents gross cost incurred less any exchange revenue activity earned. Disclosures of gross and net cost provide information which correlates to program activity outputs. For fiscal year 2026, net cost of operations was $87.2M decreasing from $192.7M in 2025 through decreased grant

expenditures as a result of terminated grant awards. Reduced payroll costs, $29.4M in 2025 to $15.3M in 2026 are a result of smaller staffing numbers.

Statement of Changes in Net Position (SNCP)

The Statement of Changes in Net Position displays the components of the unexpended appropriations and cumulative results of operations representative of comparative changes to balances. NEH's fiscal year 2026, net position rose to $431.3M, higher than $310.8M in 2025, due to higher beginning balance and lower appropriations used, from decreased grant payments to terminated awards recipients.

Analysis of Systems, Controls and Legal Compliance Management Assurances

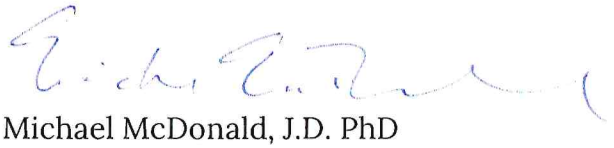
NEH management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). NEH conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, the agency can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2026.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that substantially comply with federal financial management system requirements, federal accounting standards and the United States General Ledger. NEH conducted its evaluation of financial management systems for compliance and based on assessment can provide reasonable assurance that financial management systems substantially comply with the FFMIA, Section 4. Detailed information is in the Other Accompanying Information section of this report.

NEH assessed the agency's compliance with applicable laws, regulations, contracts and grant agreements relevant to financial reporting and can provide reasonable assurance the agency has complied with relevant requirements.

There are no other component or subsidiary entities combined or consolidated for presentation in this document.

NEH is committed to and continues making progress toward the integration of risk management, internal controls, and strategic planning.



Michael McDonald, J.D. PhD

Chairman, NEH

II. Performance Information

Introduction

NEH operates within three general procedural concepts to meet its goals and objectives:

- The life cycle of NEH grant programs and awards cross multiple fiscal years. The Agency considers new applications two times per year - in June and November. NEH award periods of performance do not align with the financial fiscal year therefore, the data disclosed in this report will not present the full scope of programmatic activity.
- The volume of applications received by NEH fluctuates year over year. Determining factors, include but are not limited to, the availability of appropriations, administrative and operational priorities and the number of grant programs.
- Grant applications undergo a rigorous approval process. The numbers of grants awarded during a given year may differ significantly from the numbers of awards projected for the year or applications received.

Strategic Goals and Objectives

The goals and objectives outlined in this section align directly with the agency strategic plan framework. Measures and outcomes to these goals will be provided in subsequent sections of this report.

Strategic Goal 1: Preserve, advance, and expand awareness of the Humanities.

NEH recognizes its ongoing responsibility to ensure the public benefit from an expanded reach of what the humanities offer.

Strategic Objective 1: Strengthen the Role of and Institutional Base of the Humanities

- Provide national leadership in spurring innovation and encouraging best practices in the humanities.
- Broaden participation in the humanities.
- Enhance preservation of and access to humanities resources.

Strategic Objective 2: Strengthen the Nation's democracy through education and civic engagement.

- Strengthen civics and humanities education and learning.
- Provide increased opportunities for Americans to engage in lifelong learning in the humanities.

Strategic Objective 3: Bolster NEH's profile as a Research Agency

- Support robust humanities research.
- Increase collaboration with external partners on a variety of research and developmental opportunities.

Strategic Goal 2: Increase Access to NEH Funding

NEH is committed to advancing and enhancing opportunities for all, including populations who have not received NEH funding in the past. This commitment informs our work agency-wide, including our efforts to improve and simplify the grants application process.

Strategic Objective 1: Reduce barriers to NEH programs and funding.

- Simplify the grant application processes.
- Embed a culture of program and funding accessibility.
- Develop communication strategies that promote NEH programs and funding opportunities to communities who have not received funding previously.

Strategic Goal 3: Fortify the management of NEH Resources

NEH stakeholders contemplated how to best manage and carry out the agency mission within finite and limited resources (i.e., people, budget, etc.) and how to best allocate these resources. Planning and thought leadership are essential in bringing together ideas and best practices on effective and efficient operations. NEH recognizes the tremendous value each of our divisions and offices contribute to the accomplishment of our vision and mission and look capitalize these strengths as we move toward a future approach.

Strategic Objective 1: Increase NEH's data collection capacity and scope

- Develop an agency data-driven framework for Agency funding and operations.
- Establish a data driven evidence-based culture to support decision making.

Strategic Objective 2: Further integrate risk analysis into NEH's decision making process.

- Integrate ERM into organizational culture, process, and decision making.

Strategic Goal 4: Expand NEH's organizational capacity and capability.

At NEH, organizational capacity is our potential to ensure our growing and changing operations continue to be efficient, productive, and effective. NEH defines its assets from both a tangible perspective (i.e., financial and budgeting) and from an intangible perspective (i.e., institutional and intellectual property, leadership, internal and external relationships.) Capacity focuses on potential, capability refers to existing and future personnel, ensuring investment in tools to maximize roles and responsibilities at NEH.

Strategic Objective 1: Enhance cultivation of a high performing workforce.

- Continue to recruit, hire, and retain dynamic agency workforce.
- Expand NEH professional developmental opportunities.
- Support career paths for a new generation of humanities professionals.

Strategic Objective 2: Foster a culture of communication and collaboration.

- Provide collaborative leadership training and development opportunities for managers and supervisors.
- Capitalize on cross-unit collaboration.

Strategic Objective 3: Modernize NEH's operational systems and processes.

- Enhance integration of NEH systems and processes.
- Develop, monitor, and implement updated policies and procedures.

Performance Goals, Metrics and Measures

The purpose of this section is to present performance activity for the current fiscal year and discuss the outcomes achieved during the year. The data and narratives discussed below are in alignment with the strategic plan framework of the previous administration. NEH is developing a new strategic plan and goals which is currently in the approval process. Once finalized, NEH will apply its data infrastructure to developing future performance key measure measures reflect the current administration's priorities.

NEH's total costs of $87.2M support all its strategic goals. Administrative costs represent agency supporting activities, including staff salary and benefits, administrative services, travel, interagency agreements with federal partners, IT related expenses, training and conferences, panelist honoraria payments, supplies, invoice accruals, and depreciation. The program costs included within Strategic Goals below represent multiple divisions' grant activities inclusive of associated administrative costs.

Outcomes for Strategic Goal 1: Preserve, advance, and expand awareness of the Humanities.

As the only federal agency dedicated to funding the humanities, NEH recognizes its ongoing responsibility to ensure the public can benefit from the humanities. NEH plays a core role in advancing federally funded humanities research and development (R&D), preservation, and educational and public programming to foster a strong, resilient, and thriving society. NEH-supported projects bring the past into sharper focus, thereby bringing about, as its founding legislation affirms, "a better analysis of the present and a better view of the future."

In FY2026, the cost of Strategic Goal 1 represented $79.8M inclusive of all the

programmatic division activities. These costs represent multiple grant line programs including costs for special initiatives programs.

Outcomes for Strategic Goal 2: Increase Access to NEH Funding

In FY2026, NEH streamlined the application process for applicants, by removing barriers to participation in the agency's programs and opportunities. NEH did this primarily through:

- Simplification of the agency's grant application processes and funding opportunity notices.
- Outreach in areas new grantees that have never received NEH's funding in the past.
- Supporting awards and projects that are aligned with the Presidential and Administration priorities to include the planning work for the National Garden of American Heroes for the supplemental appropriations received.

In FY2026, the cost of Strategic Goal 2 represented $1M inclusive of all the programmatic division activities. These costs represent multiple grant line programs including costs for special initiatives programs.

Outcomes for Strategic Goal 3: Fortify the management of NEH Resources

In FY2026, the net cost of Strategic Goal 3 represented $2M across various agency offices and divisions.

Strategic Objective 1: Increase NEH's data collection capacity and scope

In October 2024, NEH transitioned its financial management system to the U.S. U.S. Department of Treasury, Center for Financial Management (CFM) formerly ARC, shared services solution. Since then, NEH continues to add more robust reporting tools and work products support operations and decision making by providing staff with the capability for further integration of strategic goals, financial data, grant systems data and analytical outputs.

Strategic Objective 2: Further integrate risk analysis into NEH's decision making process.

In 2026, NEH continued implementation of the ERM program through various activities which included:

- Onboarding a Senior Risk Analyst as a full-time dedicated federal resource to support the CRO and lead ERM, internal controls, and business process mapping

activities across the agency;

- Development of a SharePoint site connecting ERM, internal controls, business process mapping, strategic planning, budget, and performance information; and

- Developing training sessions and accompanying materials on ERM, internal controls, and business process mapping for delivery to staff as part of the agency's initiative to build a risk-aware culture.

Outcomes for Strategic Goal 4: Expand NEH's organizational capacity and capability.

In FY2026, the net cost of Strategic Goal 4 represented $4.3M across various agency offices and divisions.

Strategic Objective 1: Enhance cultivation of a high performing workforce.

Fiscal year 2026 was a transformative period in federal government workforce development. OPM has initiated changes to the hiring and performance evaluation criteria across the federal landscape. NEH as a result is updating its processes to comply with new guidance, requirements, and regulations.

NEH submitted a fiscal year 2027 staffing plan which aims to build upon 2026 efforts to add high performing individuals to the agency.

Strategic Objective 2: Foster a culture of communication and collaboration.

NEH continued to strengthen communication and collaboration across all levels of the organization through proactive engagement, transparency, and partnership.

During FY2026, to further strengthen employee engagement, the agency conducted agency-wide staff surveys to gather feedback on workforce changes, training needs, communication effectiveness, and policy implementation. Results from these surveys identified areas for improvement.

NEH also maintained cross-functional committees that focused on various areas of our work, including the Awards Committee, who advised on staff and manager award nominations throughout the year and the Combined Federal Campaign (CFC) Committee, as volunteer key workers solicited donation for charitable organizations of the donor's choice.

Individual units also facilitated regular working groups with other agency components for improved operations. For example, the Office of Accounting conducted recurring working groups with various agency offices such as the Office of Planning and Budget, Offices of Grants Management, Human Resources,

Acquisitions, and Information Technology. Similarly, Office of Grants Management held regular meetings with program divisions and offices to ensure compliance and alignment with agency priorities.

NEH also celebrated employee achievements and career milestones through an agency-wide Employee Recognition Ceremony, highlighting individual and team accomplishments that contributed to mission success.

Strategic Objective 3: Modernize NEH's operational systems and processes.

FY2026 was a transformative period in federal government workforce development. OPM revamped the hiring and performance evaluation criteria across the federal landscape. NEH as a result is updating its processes to comply with new guidance, requirements, and regulations.

Additionally, In August 2026, NEH implemented upgrades to its travel management system as part of the government wide requirement transitioning from Concur to GO.gov., managed by the General Services Administration (GSA). NEH has operationalized this system.

During FY 2026, the Office of Information Technology (OIT) advanced the modernization of agency operations and strengthened cybersecurity oversight through integrated platforms and automation. The systems operations team adopted automated patch management fully integrated with the CISA Continuous Diagnostics and Mitigation program, creating a single, unified view of vulnerability identification and flaw remediation and closing gaps in oversight.

OIT migrated to an integrated logging solution aggregating logs from all agency systems, identifies risks, and alerts technical staff and a governance, risk, and compliance software solution for managing cybersecurity compliance. In parallel, OIT migrated the agency's cybersecurity controls to the latest NIST SP 800-53 framework, an essential step in keeping those controls aligned with current cybersecurity risks.

Operational modernization extended to the eGMS platform, the agency's grants management system, where OIT introduced automation to support labor-intensive award reinstatement activities. OIT also securely deployed Microsoft Copilot as the agency's first AI tool, accompanied by AI use policies and training for all staff, and implemented mobile device management for agency government-furnished equipment mobile devices. In addition, the CIO and Office of Information Technology reestablished the agency's records management program by creating official repositories for permanent agency records and establishing processes for Capstone official records management, improving the security, consistency, and accountability of agency information management.

Cost Savings and Significant Opportunities

NEH efforts this fiscal year focused on streamlining processes where possible and continued investment in tools and systems to automate manual processes. Technology investments have resulted in significant savings in staff time; allowing staff to focus on other various administration and agency priorities.

NEH's restructuring, streamlined processes, and technology upgrades will result in significant opportunities to strengthen communication with internal and external stakeholders; enhance agency service delivery, and accountability to the American people. With improved efficiency we can eliminate waste and reduce bureaucracy. Data driven decision making will ensure agency funding contributes to public support for and confidence in the use of taxpayer funds.

III. Financial Information

A Message from the Director, Office of Accounting

On behalf of the National Endowment for the Humanities, I present the agency's audited financial statements for fiscal year 2026. The independent auditor, Williams Adley, LLP has rendered an unmodified (clean) opinion on the agency financial statements. NEH has obtained an unmodified opinion on the agency's financial statements for many consecutive years, indicating the agency's commitment to the careful stewardship of the taxpayer dollars.

The Office of Accounting operates within general government-wide challenges in the federal accounting and financial reporting compliance environment. As the U.S. Department of Treasury continues to implement their strategic plan and federal financial reporting goals, NEH continues to work to ensure the agency is prepared and maintains a future forward perspective to meet those objectives.

During this reporting period, the office continues to operationally stabilize the agency's processes, post implementation of U.S. Department of Treasury's Center for Financial Management shared services platform and General Services' Administration implementation of GO.gov travel management system.

This effort entails our integration of financial management system of systems, supporting processes, underlying data infrastructures and updating policy and procedures. This period has been defined by agency staff's continued adjustment to the new systems, processes, procedures within the challenges of the staffing reductions agency wide.

The contribution and efforts of the Accounting Staff and NEH colleagues to receiving an unmodified audit opinion, supports that financial statements are fairly presented and demonstrate steadfast commitment to responsible stewardship of fiduciary responsibilities.



Cora Shepherd

Audited Financial Statements
Fiscal Year 2026

NATIONAL ENDOWMENT FOR THE HUMANITIES
BALANCE SHEETS
AS OF SEPTEMBER 30, 2026 AND 2025
(In Dollars)

	2026	2025
Assets		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	$ 471,197,391	$ 337,898,132
Advances and Prepayments	3,068,071	2,225,432
Total Intragovernmental Assets	474,265,462	340,123,564
Other than Intragovernmental Assets		
Accounts Receivable, Net (Note 3)	77,652	99,006
Property, Plant, and Equipment, Net (Note 4)	109,829	116,573
Advances and Prepayments	1,553,684	406,539
Total Other than Intragovernmental Assets	1,741,165	622,118
Total Assets	**$ 476,006,627**	**$ 340,745,682**
Liabilities (Note 5)		
Intragovernmental Liabilities		
Accounts Payable	$ 794,449	$ 366,386
Advances from Others and Deferred Revenue	135,000	219,413
Other Liabilities (Note 6)	137,799	107,939
Total Intragovernmental Liabilities	1,067,248	693,738
Other than Intragovernmental Liabilities		
Accounts Payable	245,683	358,633
Federal Employee Salary, Leave, and Benefits Payable	1,201,225	1,332,245
Pensions, Other Post-Employment, and Veterans Benefits Payable	-	91,099
Other Liabilities		
Other Liabilities (Note 6)	12,463	877,388
Accrued Grant Liabilities (Note 7)	42,221,536	26,564,890
Total Other than Intragovernmental Liabilities	43,680,907	29,224,255
Total Liabilities	**$ 44,748,155**	**$ 29,917,993**
Commitments and Contingencies (Note 9)		
Net Position		
Unexpended Appropriations		
Funds from Other than Dedicated Collections	$ 431,827,055	$ 311,383,358
Cumulative Results of Operations		
Funds From Dedicated Collections (Note 10)	168,377	369,845
Funds from Other than Dedicated Collections	(736,960)	(925,514)
Total Cumulative Results of Operations (Consolidated)	(568,583)	(555,669)
Total Net Position	**$ 431,258,472**	**$ 310,827,689**
Total Liabilities and Net Position	**$ 476,006,627**	**$ 340,745,682**

The accompanying notes are an integral part of these financial statements.

NATIONAL ENDOWMENT FOR THE HUMANITIES
STATEMENTS OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2026 AND 2025
(In Dollars)

	2026	2025
Office of Assistant Chair for Programs		
Gross Costs	$ 5,191,321	$ 1,648,469
Net Program Costs	5,191,321	1,648,469
Division of Preservation and Access		
Gross Costs	6,713,532	26,169,049
Net Program Costs	6,713,532	26,169,049
Office of Federal-State Partnership		
Gross Costs	24,941,225	55,552,068
Net Program Costs	24,941,225	55,552,068
Division of Education Programs		
Gross Costs	6,008,282	15,161,671
Net Program Costs	6,008,282	15,161,671
Office of Digital Humanities		
Gross Costs	889,451	7,886,152
Less Earned Revenue	(5,694)	(295,369)
Net Program Costs	883,757	7,590,783
Division of Research Programs		
Gross Costs	13,864,670	20,240,638
Less Earned Revenue	(75,000)	(142,786)
Net Program Costs	13,789,670	20,097,852
Division of Public Programs		
Gross Costs	6,716,543	26,693,523
Net Program Costs	6,716,543	26,693,523
Division of Challenge Programs		
Gross Costs	4,237,354	17,077,934
Net Program Costs	4,237,354	17,077,934
Division of Collections and Infrastructure		
Gross Costs	1,089,518	-
Net Program Costs	1,089,518	-
Division of Lifelong Learning		
Gross Costs	1,890,258	-
Net Program Costs	1,890,258	-
Administrative Costs		
Gross Costs	16,152,762	23,305,101
Less Earned Revenue	(439,782)	(627,820)
Net Program Costs	15,712,980	22,677,281
Net Cost of Operations	**$ 87,174,440**	**$ 192,668,630**

The accompanying notes are an integral part of these financial statements.

NATIONAL ENDOWMENT FOR THE HUMANITIES
STATEMENTS OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2026 AND 2025
(In Dollars)

	Funds from Dedicated Collections	Funds from Other than Dedicated Collections	Consolidated Total
2026			
Unexpended Appropriations			
Beginning Balance	$ -	$ 311,383,358	$ 311,383,358
Appropriations Received	-	207,000,000	207,000,000
Other Adjustments	-	(509,375)	(509,375)
Appropriations Used	-	(86,046,928)	(86,046,928)
Net Change in Unexpended Appropriations	-	120,443,697	120,443,697
Total Unexpended Appropriations	**$ -**	**$ 431,827,055**	**$ 431,827,055**
Cumulative Results of Operations			
Beginning Balance	$ 369,845	$ (925,514)	$ (555,669)
Appropriations Used	-	86,046,928	86,046,928
Donations and Forfeitures of Cash and Cash Equivalents	41,498	-	41,498
Imputed Financing (Note 11)	-	1,073,100	1,073,100
Net Cost of Operations	(242,966)	(86,931,474)	(87,174,440)
Net Change in Cumulative Results of Operations	(201,468)	188,554	(12,914)
Total Cumulative Results of Operations	**$ 168,377**	**$ (736,960)**	**$ (568,583)**
Net Position	**$ 168,377**	**$ 431,090,095**	**$ 431,258,472**
2025			
Unexpended Appropriations			
Beginning Balance	$ -	$ 255,046,087	$ 255,046,087
Appropriations Received	-	247,000,000	247,000,000
Appropriations Used	-	(190,662,729)	(190,662,729)
Net Change in Unexpended Appropriations	-	56,337,271	56,337,271
Total Unexpended Appropriations	**$ -**	**$ 311,383,358**	**$ 311,383,358**
Cumulative Results of Operations			
Beginning Balance	$ 533,561	$ (1,908,295)	$ (1,374,734)
Appropriations Used	-	190,662,729	190,662,729
Donations and Forfeitures of Cash and Cash Equivalents	29,867	-	29,867
Imputed Financing (Note 11)	-	2,795,099	2,795,099
Net Cost of Operations	(193,583)	(192,475,047)	(192,668,630)
Net Change in Cumulative Results of Operations	(163,716)	982,781	819,065
Total Cumulative Results of Operations	**$ 369,845**	**$ (925,514)**	**$ (555,669)**
Net Position	**$ 369,845**	**$ 310,457,844**	**$ 310,827,689**

The accompanying notes are an integral part of these financial statements.

NATIONAL ENDOWMENT FOR THE HUMANITIES
STATEMENTS OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2026 AND 2025
(In Dollars)

	2026	2025
Budgetary Resources		
Unobligated Balance From Prior Year Budget Authority, Net (Note 12)	$ 211,721,176	$ 46,577,677
Appropriations	207,041,498	247,029,867
Spending Authority From Offsetting Collections	256,442	17,754,516
Total Budgetary Resources	**$ 419,019,116**	**$ 311,362,060**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total) (Note 13)	$ 211,344,648	$ 109,789,565
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	186,437,742	179,308,457
Exempt From Apportionment, Unexpired Accounts	29,472	152,562
Unapportioned, Unexpired Accounts	21,207,254	21,703,676
Unexpired, Unobligated Balance, End of Year	207,674,468	201,164,695
Expired, Unobligated Balance, End of Year	-	407,800
Unobligated Balance, End of Year (Total)	207,674,468	201,572,495
Total Budgetary Resources	**$ 419,019,116**	**$ 311,362,060**
Outlays, Net and Disbursements, Net		
Outlays, Net (Total)	$ 73,232,865	$ 197,483,027
Distributed Offsetting Receipts	(55,474)	(40,665)
Agency Outlays, Net	**$ 73,177,391**	**$ 197,442,362**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The National Endowment for the Humanities (NEH) was established as an independent agency by the National Foundation on the Arts and the Humanities Act of 1965 and is the largest funder of programs supporting cultural institutions, research and public programs in the humanities. NEH financial statements are defined as a component entity of the U.S. Government. For this reason, some of the assets and liabilities reported by NEH may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of NEH. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results. The Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of NEH in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, as amended, and NEH's accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control NEH's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars. NEH changed from single year presentation in FY 2025 to comparative presentation in FY 2026 in accordance with OMB Circular A-136.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates the control and monitoring of federal funds as well as the compliance with legal requirements on the use of those funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of NEH's funds with Treasury in expenditure, receipt, trust, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

NEH does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. When the reporting entity seeks to use Fund Balance with Treasury or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Funds are disbursed for the agency on demand. Foreign currency payments are made either by Treasury or the Department of State and are reported by the NEH in the U.S. dollar equivalents. Funds from Dedicated Collections for NEH primarily consist of donations and gifts from the general public. More detailed information is contained in Note 10.

E. Accounts Receivable

Accounts receivable consists of amounts owed to the NEH by other federal agencies and the general public. Amounts due from federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

F. Property, Equipment, and Software

Property, equipment, and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. NEH's capitalization threshold is $50,000 for individual purchases and $50,000 for bulk purchases with a minimum of $10,000 threshold per item. The capitalization threshold for leasehold improvements is $50,000 for individual items with a useful life of two years or more. The capitalization threshold for internal use software is $250,000 or above for aggregate costs. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

Description	Useful Life (years)
Leasehold Improvements	10
Office Equipment	5
Software	3

G. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received. NEH's advances primarily are payments to other Federal agencies for reimbursable agreements, recorded as an advance when funds are disbursed prior to expenditure, which is reduced as work is performed. Advances to the public, are payments to grantees while work is being performed and are recorded on a quarterly basis.

H. Liabilities

Liabilities represent the amount of funds likely to be disbursed by NEH as a result of transactions or events that have already occurred.

The NEH reports its liabilities under two categories, Intragovernmental and Other than Intragovernmental. Intragovernmental liabilities represent funds owed to another government agency. Liabilities other than intragovernmental represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, actuarial FECA, and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring or generating resources on the Reconciliation of Net Cost to Budget.

In April 2025, the Administration terminated a significant population, approximately 1477, of the agency's unliquidated grant award obligations. Based on these events, significant changes were made to the grant liability estimation methodology. Throughout FY2026, the outcomes of ongoing legal cases resulted in most of previously terminated grants being reinstated by court order with the largest groups occurring in August 2026. Additional information is provided in Note 7: Grant Liability Accrual and Note 9 Commitments and Contingencies.

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Balances in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave accrued but not taken by Civil Service Retirement System (CSRS)-covered employees is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

J. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by NEH's employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Employees NEH terminates without cause, may receive unemployment compensation benefits under the unemployment insurance program administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

K. Retirement Plans

NEH's employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of NEH's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the NEH matches any employee contribution up to an additional four percent of pay. For FERS participants, the NEH also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the NEH remits the employer's share of the required contribution.

NEH recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to NEH for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. NEH recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

NEH does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

L. Other Post-Employment Benefits

NEH's employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal

Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. OPM has provided NEH with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. NEH recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by NEH through the recognition of an imputed financing source.

M. Use of Estimates & Rounding

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates. Some totals or amounts reflected in the financial statements and notes may differ due to rounding.

N. Commitments and Contingencies

Liabilities are deemed contingent when the existence or amount of liability cannot be determined with certainty pending the outcome of future events. NEH recognizes contingent liabilities in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. NEH discloses contingent liabilities information in Note 9 to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote. NEH records commitments and contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated.

O. Changes in Entity Structure & Presentation

NEH restructured the programmatic divisions, consolidating from seven divisions down to four. The Office of Federal State Partnership, Division of Research Programs, Division of Collections and Infrastructure (C&I) and Division of Lifelong Learning (LLL). The current activity for C&I & LLL are presented separately within the Statement of Net Costs, however a 1 to 1 alignment of the new structure to budget submission is anticipated to occur in FY2027.

In Note 13, a new apportionment category "AB" for direct obligations is displayed to allow proper financial reporting in the agency's financial system. The changes was made due to the Office of Management and Budget's changes in the timing in which NEH receives apportionments for program and matching funds to a quarterly basis instead of lump sum.

P. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. NEH does not currently have classified activity in its financial statements.

Q. Suborganization Program Costs

Program Grants – The Statement of Net Costs presents costs of NEH programs associated with specific programmatic offices and divisions. The amounts shown represent both programmatic gross costs less earned revenue and administrative gross costs less earned revenue.

Matching Grants – Matching awards entails an offer of NEH funding conditioned on a recipient raising an equivalent amount of funds in ratios from one-to-one and up to one-to-four matching "gifts" in support of

humanities projects. These non-federal donations are a mechanism for leveraging the contributions of businesses, foundations, and individuals.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2026 and 2025, were:

	2026	2025
Status of Fund Balance With Treasury		
Unobligated Balance	$ 207,674,468	$ 201,572,495
Obligated Balance Not Yet Disbursed	263,522,923	136,325,637
Total Fund Balance With Treasury	**$ 471,197,391**	**$ 337,898,132**

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts. Unobligated balances may include amounts that are not available for current use and are restricted to future use. The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2026 and 2025, were:

	2026	2025
Other than Intragovernmental Accounts Receivable	$ 77,652	$ 99,006
Total Other than Intragovernmental Accounts Receivable	$ 77,652	$ 99,006
Total Accounts Receivable	**$ 77,652**	**$ 99,006**

The accounts receivable is primarily made up of amounts due from non-federal government departments and reimbursements due from employees. Historical experience has indicated that the majority of receivables are collectible. There are no material uncollectible accounts as of September 30, 2026 and 2025.

NOTE 4. PROPERTY, PLANT, AND EQUIPMENT, NET

Schedule of General Property, Plant, and Equipment, Net as of September 30, 2026 and 2025:

	Acquisition Cost	Accumulated Depreciation and Amortization	Net Book Value
2026			
Major Class:			
Leasehold Improvements	$ 168,722	$ 168,722	$ -
Furniture and Equipment	405,370	295,541	109,829
Software	3,546,783	3,546,783	-
Total	**$ 4,120,875**	**$ 4,011,046**	**$ 109,829**
2025			
Major Class:			
Leasehold Improvements	$ 168,722	$ 168,722	$ -
Furniture and Equipment	295,541	295,541	-
Software	3,546,783	3,430,210	116,573
Total	**$ 4,011,046**	**$ 3,894,473**	**$ 116,573**

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the NEH as of September 30, 2026 and 2025, include liabilities not covered by budgetary resources. Congressional action is required before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain appropriations will be enacted to fund these liabilities.

	2026	2025
Intragovernmental-Unemployment Insurance	$ 32,248	$ 9,657
Unfunded Leave	861,270	978,920
Actuarial FECA	-	91,099
Total Liabilities Not Covered by Budgetary Resources	$ 893,518	$ 1,079,676
Total Liabilities Covered by Budgetary Resources	43,853,346	28,837,676
Liabilities Not Requiring Budgetary Resources	1,291	641
Total Liabilities	**$ 44,748,155**	**$ 29,917,993**

Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on NEH's behalf and payable to the DOL. NEH also records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2026 and 2025, were:

	Current	Non-Current	Total
2026			
Intragovernmental Other Liabilities			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 23,765	$ -	$ 23,765
Custodial Liability (to the general fund)	1,291	-	1,291
Employer Contributions and Payroll Taxes Payable	80,495	-	80,495
Other Unfunded Employment Related Liability	32,248	-	32,248
Total Intragovernmental Other Liabilities	**$ 137,799**	**$ -**	**$ 137,799**
Other than Intragovernmental Other Liabilities			
Unpaid Terminated Awards	$ 12,463	-	$ 12,463
Accrued Grant Liability	42,221,536	-	42,221,536
Total Other than Intragovernmental Other Liabilities	**$ 42,233,999**	**$ -**	**$ 42,233,999**
Total Other Liabilities	**$ 42,371,798**	**$ -**	**$ 42,371,798**
2025			
Intragovernmental Other Liabilities			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 34,034	$ -	$ 34,034
Custodial Liability (to the general fund)	641	-	641
Employer Contributions and Payroll Taxes Payable	63,606	-	63,606
Other Unfunded Employment Related Liability	9,658	-	9,658
Total Intragovernmental Other Liabilities	**$ 107,939**	**$ -**	**$ 107,939**
Other than Intragovernmental Other Liabilities			
Unpaid Terminated Awards	$ 877,388	-	$ 877,388
Accrued Grant Liability	26,564,890	-	26,564,890
Total Other than Intragovernmental Other Liabilities	**$ 27,442,278**	**$ -**	**$ 27,442,278**
Total Other Liabilities	**$ 27,550,217**	**$ -**	**$ 27,550,217**

NOTE 7. GRANT ACCRUAL 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 Endowment's grants and cooperative agreements expenses are 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 as a request for reimbursement from agency. The Federal Accounting Standards Advisory Board (FASAB) Technical Release (TR12) "Accrual Estimates for Grant Programs" addresses preparation of accrual estimates for grant programs.

TR12's guidance on internal control procedures is to ensure the grant accrual estimates are reasonable, based on "comparing the estimates with subsequent grantee reporting."

Accrual adjustment postings are performed in Q4 of the current year and Q1 of the subsequent fiscal year using calculated rates generated on the lookback analysis inclusive of the current fiscal year payment data. If at any point in the fiscal year, payment requests were processed earlier than expected causing abnormal balances within general ledger accounts, we will reverse these entries to maintain Generally Accepted Accounting Principles (GAAP).

Due to ongoing nature of legal cases derived from the Administration's grant award terminations in 2025, reversals of termination statuses (reinstatements) of the majority of terminations in 2026, NEH will use the liability accrual method developed in the prior fiscal year to record grant accruals this fiscal year. NEH used a ratio average of actual liability to unliquidated obligations using 3 years of historical summary financial data.

NOTE 8. LEASES

NEH occupies office space in the Constitution Center Building at 400 7th Street in the District of Columbia. The occupancy agreement with the General Services Administration (GSA) is accounted for as a non-cancellable operating lease and the agency does not prepay rent. Leases are subject to tax escalation which may not be realized until within the operating fiscal year. The current lease agreement expires in February 2039 and estimated annual lease costs for future fiscal years are as follows:

Fiscal Year	Ending Balance
2027	$ 3,016,023
2028	3,016,023
2029	3,016,023
2030	3,016,023
2031	3,016,023
2032-2036	15,080,113
2037-2039	6,534,715
Total	**$ 36,694,943**

NOTE 9. COMMITMENTS AND CONTINGENCIES

Currently, several legal cases are in process due to the Administration's grant terminations in FY 2025. Some of the resulting legal opinions have resulted in preliminary injunctions from deobligating funds of terminated awards or reinstating awards as the legal process continues. In FY 2026, most previously terminated awards were legally reinstated by court order.

Management has assessed the likelihood of loss associated with these legal contingencies as reasonably possible. An estimate of potential loss or range of loss cannot be made at this time.

NOTE 10. FUNDS FROM DEDICATED COLLECTIONS

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment 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.

Funds from dedicated collections are comprised of specifically identified revenues, provided to the government by non-federal sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes and are accounted for separately from the government's general revenues.

There are two types of donations accepted by NEH: unrestricted and restricted gifts. An unrestricted gift is made with no limitations on how the gift is to be used whereas restricted gifts explicitly state how the gift is to be used. Donated funds must be used for a purpose consistent with the agency's mission and authorizing legislation. Eliminations represent zero balances for all lines, and those columns are not shown in presentation in the table below and SCNP.

Pursuant to authority set forth in its authorizing statute, NEH is authorized to solicit, accept and invest money and other property donated to the agency and it authorizes the Chair of NEH, with the recommendation of the National Council on the Humanities, to "receive money and other property donated, bequeathed, or devised to [the] Endowment with or without condition or restriction.

Schedule of Funds from Dedicated Collections as of September 30, 2026 and 2025:

		2026		2025
BALANCE SHEETS				
Assets				
Intragovernmental Assets				
Fund Balance with Treasury	$	191,832	$	393,023
Total Intragovernmental Assets		**191,832**		**393,023**
Total Assets	**$**	**191,832**	**$**	**393,023**
Liabilities				
Other than Intragovernmental Liabilities				
Accounts Payable	$	23,455	$	23,178
Total Other than Intragovernmental Liabilities		**23,455**		**23,178**
Total Liabilities	**$**	**23,455**	**$**	**23,178**
Cumulative Results of Operations		168,377		369,845
Total Liabilities and Net Position	**$**	**191,832**	**$**	**393,023**
STATEMENTS OF NET COST				
Gross Program Costs	$	242,966	$	193,583
Net Program Costs		**242,966**		**193,583**
Net Cost of Operations	**$**	**242,966**	**$**	**193,583**
STATEMENTS OF CHANGES IN NET POSITION				
Beginning Balance	$	369,845	$	533,561
Donations and Forfeitures of Cash and Cash Equivalents		41,498		29,867
Net Cost of Operations		(242,966)		(193,583)
Net Change in Cumulative Results of Operations	$	(201,468)	$	(163,716)
Total Cumulative Results of Operations		**168,377**		**369,845**
Net Position, End of Period	**$**	**168,377**	**$**	**369,845**

NOTE 11. INTER-ENTITY COSTS

NEH recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgment Fund. NEH recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees.

The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2026 and 2025, respectively, inter-entity costs were:

	2026	2025
Office of Personnel Management	$ 1,073,100	$ 2,795,099
Total Inter-Entity Costs	**$ 1,073,100**	**$ 2,795,099**

NOTE 12. UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2026 and 2025, consisted of the following:

	2026	2025
Unobligated Balance Brought Forward from Prior Year, October 1	$ 201,572,495	$ 40,420,113
Recoveries of Prior Year Obligations	10,658,056	6,157,564
Other Changes in Unobligated Balances	(509,375)	-
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	**$ 211,721,176**	**$ 46,577,677**

NOTE 13. APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS

New obligations and upward adjustments incurred and reported in the Statement of Budgetary Resources in 2026 and 2025 consisted of the following:

	2026	2025
Direct Obligations, Category B	$ 124,491,465	$ 109,311,625
Direct Obligations, Category AB	85,945,134	-
Direct Obligations, Category E	245,927	64,086
Reimbursable Obligations, Category B	662,122	413,854
Total New Obligations and Upward Adjustments	**$ 211,344,648**	**$ 109,789,565**

NOTE 14. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2026 and 2025 were:

	Intragovernmental	Other than Intragovernmental	Total
2026			
Paid Undelivered Orders	$ 3,068,071	$ 1,553,684	$ 4,621,755
Unpaid Undelivered Orders	5,208,838	274,019,926	279,228,764
Total Undelivered Orders	**$ 8,276,909**	**$ 275,573,610**	**$ 283,850,519**
2025			
Paid Undelivered Orders	$ 2,225,432	$ 406,539	$ 2,631,971
Unpaid Undelivered Orders	1,541,957	150,121,995	151,663,952
Total Undelivered Orders	**$ 3,767,389**	**$ 150,528,534**	**$ 154,295,923**

NOTE 15. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2026 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2027 and can be found at the OMB website: https://www.whitehouse.gov/omb/. The Fiscal Year 2027 Budget of the United States Government, with the "Actual" column completed for 2025, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

(In Millions)

	Total Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 311	$ 110	$ -	$ 197
Budget of the U.S. Government	**$ 311**	**$ 110**	**$ -**	**$ 197**

NOTE 16. CUSTODIAL REVENUES

NEH's custodial collection primarily consists of program income generated from NEH funded projects on behalf of the federal government. While these collections are considered custodial, they are neither primary to the mission of NEH nor material to the overall financial statements. NEH total custodial collections are $14,626 and $11,439 for the years ended September 30, 2026 and 2025, respectively.

NOTE 17. RECONCILIATION OF NET COST TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

The reconciliation of Net Cost to Net Outlays as of September 30, 2026:

	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 8,698,672**	**$ 78,475,768**	**$ 87,174,440**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(116,573)	(116,573)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	-	(22,003)	(22,003)
Advances and Prepayments	842,639	1,147,146	1,989,785
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	(428,063)	112,950	(315,113)
Federal Employee Salary, Leave, and Benefits Payable	-	131,019	131,019
Pension, Other Post-Employment, and Veterans Benefits Payable	-	91,099	91,099
Advances from Others and Deferred Revenue	84,413	-	84,413
Other Liabilities	(29,210)	(14,791,721)	(14,820,931)
Financing Sources:			
Imputed Cost	(1,073,100)	-	(1,073,100)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (603,321)**	**$ (13,448,083)**	**$ (14,051,404)**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	109,829	109,829
Financing Sources:			
Donated Revenue	-	(41,498)	(41,498)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ -**	**$ 68,331**	**$ 68,331**
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	-	(55,474)	(55,474)
Custodial/Non-Exchange Revenue	14,626	(14,626)	-
Appropriated Receipts for Trust/Special Funds	-	41,498	41,498
Total Other Reconciling Items	**$ 14,626**	**$ (28,602)**	**$ (13,976)**
Total Net Outlays (Calculated Total)	**$ 8,109,977**	**$ 65,067,414**	**$ 73,177,391**
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			**$ 73,177,391**

The reconciliation of Net Cost to Net Outlays as of September 30, 2025:

	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 12,038,560**	**$ 180,630,070**	**$ 192,668,630**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(204,983)	(204,983)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	-	28,110	28,110
Advances and Prepayments	(3,209,480)	(2,066,266)	(5,275,746)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	(366,386)	(320,862)	(687,248)
Federal Employee Salary, Leave, and Benefits Payable	-	1,347,431	1,347,431
Pension, Other Post-Employment, and Veterans Benefits Payable	-	34,907	34,907
Advances from Others and Deferred Revenue	(73,453)	-	(73,453)
Other Liabilities	44,971	12,395,507	12,440,478
Financing Sources:			
Imputed Cost	(2,795,099)	-	(2,795,099)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (6,399,447)**	**$ 11,213,844**	**$ 4,814,397**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Financing Sources:			
Donated Revenue	-	(29,867)	(29,867)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ -**	**$ (29,867)**	**$ (29,867)**
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	-	(40,665)	(40,665)
Custodial/Non-Exchange Revenue	11,439	(11,439)	-
Appropriated Receipts for Trust/Special Funds	-	29,867	29,867
Total Other Reconciling Items	**$ 11,439**	**$ (22,237)**	**$ (10,798)**
Total Net Outlays (Calculated Total)	**$ 5,650,552**	**$ 191,791,810**	**$ 197,442,362**
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			**$ 197,442,362**

Audit Report Fiscal Year 2026

WILLIAMS ADLEY

Independent Auditor's Report

Mr. Michael McDonald
Chairman
National Endowment for the Humanities

Ms. Laura Davis
Inspector General
National Endowment for the Humanities

In our audits of the fiscal years 2026 and 2025 financial statements of the National Endowment of the Humanities (NEH), we found:

- NEH's financial statements as of and for the fiscal years ended September 30, 2026 and 2025, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles (GAAP);
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed[1]; and
- no reportable noncompliance for fiscal year 2026 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 an emphasis-of-matter paragraph related to the two year presentation, a section on required supplementary information (RSI)[2] and a section on other information included with the financial statements[3]; (2) our report on internal control over financial reporting; (3) and our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

Opinion

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, we have audited NEH's financial statements. NEH's financial statements comprise the balance sheets as of September 30, 2026, and 2025, the related statements of net cost, changes in

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

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

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

net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, NEH's financial statements present fairly, in all material respects, NEH's financial position as of September 30, 2026, and 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. GAAP.

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 Audits of the Financial Statements section of our report. We are required to be independent of NEH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note 1 – Summary of Significant Accounting Policies to the financial statements, NEH implemented the revised financial reporting framework as required by OMB Circular A-136, *Financial Reporting Requirements*, for fiscal year 2026. The revised framework requires a two-year comparative financial statements presentation of current and prior fiscal year financial data, rather than the single-year financial statements presentation required for fiscal year 2025. Our opinion is not modified with respect to this matter

Responsibilities of Management for the Financial Statements

NEH management is responsible for:

- the preparation and fair presentation of these financial statements in accordance with U.S. GAAP;
- preparing, measuring, and presenting the RSI in accordance with U.S. GAAP;
- preparing and presenting other information included in NEH's Performance and Accountability Report (PAR) 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 Audits 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:

- Exercised professional judgment and maintained professional skepticism throughout the audits.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and design and performed audit procedures responsive to those risks. Such procedures included 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.
- Obtained 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 NEH's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Performed 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 audits, significant audit findings, and certain internal control–related matters that we identified during the financial statement audits.

Required Supplementary Information

The U.S. GAAP, issued by the Federal Accounting Standards Advisory Board (FASAB), require 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 audits 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

NEH'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 NEH's PAR. The other information comprises the Message from the Chairman and the information included within Section IV of the PAR 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 audits 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 NEH's financial statements, we considered NEH's internal control over financial reporting, consistent with our auditor 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[4] or to express an opinion on the effectiveness of NEH'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.

During our 2026 audit, we identified four deficiencies in NEH's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant NEH management's attention. We have communicated these matters to NEH management, separately in a management letter.

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

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

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

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

Responsibilities of Management for Internal Control over Financial Reporting
NEH 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 NEH's financial statements as of and for the fiscal year ended September 30, 2026, in accordance with U.S. generally accepted government auditing standards, we considered NEH'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 NEH's internal control over financial reporting. Accordingly, we do not express an opinion on NEH'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:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. GAAP, 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 NEH's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of NEH'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 NEH's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our responsibilities discussed below under Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements.

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 2026 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 NEH. 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
NEH management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to NEH.

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 NEH that have a direct effect on the determination of material amounts and disclosures in NEH'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 NEH. We caution that noncompliance may occur and not be detected by these tests.

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

Agency Comments

We provided a draft of this report to NEH management for review and comment. NEH management elected not to provide a written response to the report.

Williams, Adley & Company, DC-LLP

Washington, District of Columbia
November 16, 2026

IV. Other Accompanying Information

Summary of Financial Statement Audit and Management Assurances

The following provides a summary of the negative reports of material weaknesses and all items corrected for FY2026.

Management's Responsibility for Internal Control and Compliance

NEH's management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under FMFIA, (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, (3) ensuring NEH financial management systems are in substantial compliance with FFMIA requirements, and (4) ensuring compliance with other applicable laws, regulations, contracts, and grant agreements.

The Federal Financial Management Improvement Act (FFMIA) is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of Federal programs.

FFMIA requires that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles and standards. These systems must also comply with (1) Federal Financial Management System requirements, (2) applicable Federal accounting standards, and (3) the U.S. Standard General Ledger (USSGL) at the transaction level.

Material weaknesses and financial system conformance, as related to management's assurance for the Federal Managers' Financial Integrity Act (FMFIA) and the certification for the Federal Financial Management Improvement Act (FFMIA) are summarized below.

Table 1 - Summary of Financial Statement Audit for the Year Ending September 30, 2026

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
No items to report	0	-	-	-	0
Total Material Weaknesses	0	-	-	-	0

Table 2 - Summary of Management Assurances for the Year Ending September 30, 2026

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No items to report						
Total Material Weaknesses	0	-	-	-	-	0

Effectiveness of Internal Control over Operations (FMFIA § 2)	
Statement of Assurance	Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No items to report	0	-	-	-	-	0
Total Material Weaknesses	0	-	-	-	-	0

Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No items to report	0	-	-	-	-	0
Total Material Weaknesses	0	-	-	-	-	0

Compliance with Section 803 (a) Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. Federal Financial Management System Requirements	No lack of substantial compliance noted.	No lack of substantial compliance noted.
2. Applicable Accounting Standards	No lack of substantial compliance noted.	No lack of substantial compliance noted.
3. USSGL at Transaction Level	No lack of substantial compliance noted.	No lack of substantial compliance noted.

Management Accountability for Internal Controls

Existing internal control processes continue to ensure that NEH's internal controls over financial reporting and systems are effective. Improved internal controls enhance safeguards against improper payments, fraud, waste, and abuse better ensure proper stewardship of taxpayer dollars continue to be used effectively and efficiently to meet NEH's program objectives.

The current year financial statement audit yielded findings pertaining to internal controls over payroll processes, monitoring of unliquidated obligations and further integration of service organization controls within the agency's ERM program. The agency has been developing corrective action plans to address recommendations and strengthen internal controls.

Agency Information Systems and Other Infrastructure

The NEH financial management system is an Oracle Financial Systems (OFS) platform, which is supported by the US. Department of Treasury's Center for Financial Management (CFM) platform (formerly ARC) and offered through their shared services solution via an annual interagency agreement. OFS is a part of CFM's systems of systems supported by complimentary, internally developed systems such as eGMS for grant awards and peer review process management through systems interface to the CFM system. These systems are the source information, system controls and interface

data which record NEH's financial information, serving as the source system of financial transactions and records for compilation of the agency financial statements and reports.

NEH is stabilizing processes, data and interfaces with the CFM system environment post go live of sole CFM system use effective 1 October 2024. This transition upgraded NEH's financial management system of systems environment to strengthen data infrastructure, data integrity, internal and system controls and sustain current and future compliance requirements.

NEH believes its current internal control, human capital, information systems and other infrastructure resources are sufficient to maintain the goals of safeguarding personally identified information and maintain internal controls for financial operational processes.

Enterprise Risk Management (ERM)

Key highlights of ERM program implementation from the fiscal year include development of a comprehensive project plan to address ERM, internal controls, and business process mapping; initiation of the design and development of a SharePoint site that will establish an integrated, accessible management information capability; and development of training sessions and accompanying materials on ERM, internal controls, and business process mapping for delivery to staff to build a risk-aware culture at NEH.

Office of Inspector General (OIG) Management Challenges Report

The OIG identified Information Security as a challenge area for management to address. The Chairman addresses recommendations and emphasizes agency commitment to resolution and mitigations through his formal response in this report.

NEH Inspector General's Summary of Management Challenges

NATIONAL ENDOWMENT FOR THE HUMANITIES

OFFICE OF INSPECTOR GENERAL

November 10, 2026

Michael McDonald, Chairman
Members of the National Council on the Humanities
National Endowment for the Humanities
Washington, DC 20506

Dear Chairman McDonald and Members of the National Council on the Humanities:

In accordance with the *Reports Consolidation Act of 2000* (Public Law 106-531), I submit the annual statement summarizing what the Office of Inspector General (OIG) considers to be the most serious management and performance challenge facing the National Endowment for the Humanities (NEH). This assessment is based on OIG reviews and inspections, as well as a general knowledge of NEH operations.

The OIG has identified one management and performance challenge for inclusion in the NEH Fiscal Year 2026 Performance and Accountability Report (PAR) – Information Security

The *Reports Consolidation Act of 2000* permits agency comment on the Inspector General's statement. Agency comments, if applicable, are to be included in the final version of the PAR that is due by November 16, 2026.

Laura Davis

Laura Davis
Inspector General

Attachment

cc: Robert Straughter, Acting Assistant Chairman for Planning and Operations

Management and Performance Challenge for the

National Endowment for the Humanities

Fiscal Year 2026

Information Security

The National Endowment for the Humanities (NEH) relies on information technology systems to carry out the agency's mission and operations, and to process, maintain, and report essential information. The security of the agency's IT systems and systems maintained by NEH-engaged service providers is vital to protecting individual privacy, and the integrity and availability of the systems in support of NEH operations and processes. As a small, independent agency, NEH faces ongoing challenges in maintaining a robust information security program and cybersecurity posture. NEH leadership must effectively identify and manage risks associated with constantly changing technology, cybersecurity compliance expectations, the increasing sophistication and frequency of cybersecurity threats, and technology supply chain integrity. These conditions require sustained investment in technology infrastructure, periodic review and recalibration of risk management procedures for suitability and effectiveness, and workforce readiness (including hiring, training, and retention of cybersecurity and privacy workforces).

The *Federal Information Security Modernization Act of 2014* (FISMA) requires each Federal agency to develop, document, and implement an agency-wide program to provide information security and develop a comprehensive framework to protect the government's information, operations, and assets. Federal agencies are expected to achieve stringent maturity requirements across various FISMA security domains, including cybersecurity governance and risk management, supply chain risk management, continuous monitoring, and contingency planning. NEH leadership has committed to the maintenance of information security policies and procedures consistent with FISMA and National Institute of Standards and Technology (NIST) requirements and continues to undertake efforts to strengthen those policies and procedures to effectively support the agency's mission, goals, and objectives. Considering the sophisticated and malicious cyber campaigns that continue to threaten Federal agencies, implementation of a robust information security program that ensures alignment with "zero trust" cybersecurity principles and effectively addresses the evolving landscape of cybersecurity risks and expanding FISMA and NIST requirements will continue to be a challenge for the NEH. NEH leadership must continue to direct sufficient resources towards strengthening and ensuring the effectiveness of the agency's information security practices and program.

Chairman's Response to Inspector General Management Challenges

Date: November 16, 2026

To: Laura Davis, Inspector General

From: Michael McDonald, J.D, PhD

Thank you for your assessments of the management challenges facing NEH in fiscal year 2026. Responses to your specific concerns are detailed below.

Information Security

NEH agrees that leadership must continue to focus on strengthening the effectiveness of the agency's information security program. In 2026, NEH endeavored to mature its implementation of CISA's Zero-Trust Maturity Model and to address the range of FISMA security domains, though progress continues to be impacted by reductions in Information Technology staff amidst a rapidly changing cybersecurity landscape. With reduced staff, NEH increased its reliance on software and automated solutions to improve its cybersecurity program.

In collaboration with the Continuous Diagnostics and Mitigation (CDM) program at the Cybersecurity and Infrastructure Security Agency (CISA), NEH implemented automated patching and flaw remediation and expanded CDM visibility of its information technology resources. NEH invested in new software for robust centralized logging, aggregation, detection, and alerting that eliminated oversight gaps and significantly improved visibility into cybersecurity operations. In support of FISMA, NEH migrated manual cybersecurity policy and procedure documentation to a new governance, risk, and compliance (GRC) software solution and to the latest NIST 800-53 security control framework version.

Payment Integrity Information Act of 2019

The Payment Integrity Information Act of 2019 (PIIA) repealed and reorganized several existing improper payment statutes for reducing improper payments. The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012. PIIA requires federal agencies to review programs and activities, identify those most susceptible to significant improper payments, estimate amounts of improper payments and establish reporting requirements. For high-risk programs, agencies must estimate the amount of improper payments, establish reduction targets, and develop and implement corrective actions.

Improper payments are defined by GAO[1] are: "Any payment that should not have been made or made in an incorrect amount". Further defined by OMB and U.S. Department of Treasury[2]: "...consists of two main components (1) improper payments resulting in a monetary loss to the Government and (2) improper payments that do not result in a monetary loss to the Government. Monetary loss occurs when payments are made to the wrong recipient and/or in the wrong amount. Improper payments that do not result in a monetary loss include under-payments and payments made to the right recipient for the right amount, but the payment was not made in strict accordance with statute or regulation".

A program determined to be susceptible to significant improper payments is referred to as a high-risk phase 2 program within the agency having a 1.5 percent improper payment rate and at least $10 million in improper payments or exceeds $100 million in improper payments (regardless of rate). Readers can obtain more detailed information on improper payments and information published at www.payment accuracy.gov.

Executive Summary of Payment Integrity Activities

NEH conducts risk assessments for programs exceeding $10 million in annual outlays. Outlay analysis is performed for all programs annually. NEH was deemed compliant in the OIG's FY2026 Report PIIA assessment for 2025 activity. NEH only conducted 2 risk assessments for administrative funds and Federal State Partnership funds as the only programs exceeding $10 million in outlays for FY2026. These programs were determined at a low risk for significant improper payments. NEH maintains a 100% recovery rate and policy for any improper payments identified.

Payment Accuracy Reporting

While NEH performs recovery activities, NEH does not perform recovery audits. In the event NEH identifies that it has made an improper payment, NEH takes steps to recapture 100% of the improper payment identified.

In fiscal year 2026, NEH identified $9256 thousand in improper payments and recovered 100% of the balance. In FY2025, NEH identified it made improper payments

1 Government Accountability Office-Improper Payments
2 Paymentaccuracy.gov

totaling $1.36 million, due to a data migration and conversion issue during NEH's financial management system upgrade to the Administrative Resource Center (ARC) Shared Services Platform. NEH recovered 100% of the $1.36 million and reported this information in its FY2025 risk assessments and the performance and accountability report (PAR). However, NEH did not enter the correct data prompt in the dashboard that allows the figure to be presented visually to report the improper payments and the recovery activity on the FY2025 PIIA dashboard.

In FY 2026 NEH modified its outlay analysis methodology to reflect the current data input requirements of the payment accuracy dashboard. Previously, NEH performed analysis and sampling by fund however it now analyzes outlay and sampling data by assistance listing number (also known as federal assistance listing or FAL)

Do Not Pay

NEH screens recipients during the pre-award process before obligations are created and when payments are made. NEH's shared service provider performs weekly DNP review of all vendors; additionally, all bulk payment files are screened by the U.S. Department of Treasury's Payment Automation Manager (PAM) via the DNP portal interface. CFM provides screened results for agency review and subsequent action, when applicable.

Report Available for NEH on Paymentaccuracy.gov

1. The Annual Risk Assessment Report required under 31 U.S.C. § 3352(a)(3)(C);

Program Descriptions & Risk Assessment Summary

NEH typically receives no-year funding in its regular appropriation in which annual carry-over authority is granted by OMB. The agency received a supplemental 2-year appropriation from the CARES Act in FY2020 which cancels in FY2026 and a supplemental America Rescue Plan no-year appropriation in FY2021. In July of FY2025, NEH received a supplemental appropriation of $40M for the procurement and building of the National Garden of American Heroes and celebrating America's birthday

Risk assessments help determine the risk of significant improper payments for the administrative fund and assistance listing number category through identification of improper payment risk factors, mechanisms to identify risks, management's analysis of the risk effects, and the controls developed to address identified risks and to determine whether the risk of erroneous payments is significant. Dollar amounts represent millions (M) unless otherwise stated.

As the agency's ERM program evolves and matures, the Chief Risk Officer, in collaboration with relevant stakeholders across the agency, will work to integrate PIIA into the larger enterprise risk program. The inclusion of PIIA in the ERM program will support the program's stated goals of integrating risk with existing agency processes.

The agency does not perform standalone recovery audits because it maintains a 100% recovery policy should an improper payment be identified through the course of

operations, audits or for risk assessment, audit sampling or audit purposes.

Administrative Funds
NEH administrative costs consist of payroll, representing approximately $15.3M in outlays or 65.8% of the administrative budget. Outlays of payroll funds follow strict payroll policies, procedures, and system controls maintained by our payroll service provider, who disburses funds to agency employees on behalf of NEH. Agency processes, system access & roles controls along with a multi-layered segregation of duties across several offices are in place before outlays occur. NEH has deemed this program as not susceptible to improper payment risk.

Other administrative programs categories represent $7.9M in outlays or 34.2% of total administrative budget comprised of non-payroll activities such as: vendor and intragovernmental payments, employee travel and other employee reimbursements, panelists honorarium for peer review, and government purchase card transactions. These costs fall below policy thresholds for determination of being susceptible to significant improper payments.

Federal State Partnership Program (ALN 45.129)
This program provides general operating support grants to an established network of state-based humanities councils. Annual outlays were identified as $20.8M in FY 2026. For sampling of payments over $50 thousand or greater, 127 payments representing $19.1M were identified and 11 were audited representing a total of $1.3M. No issues were noted in audit sampling, and NEH has deemed this program as not susceptible to significant improper payments. While sampling yield no improper payments and none were identified during the fiscal year, this program has increased risk than other programs due to the sub-awarding component inherent in use of these grants.

Summary
The NEH risk assessments resulted in a FY 2026 PIIA reporting error rate of 0% for funds mentioned above, demonstrating NEH has sufficient internal controls over its payment processes. To maintain a zero percent testing and error rate, NEH continues to implement its ERM program and analyze internal controls through assessments, continuous monitoring and root cause analysis of possible improper payments, centralization of accounting functions and roles, and improvement of systems and processes for efficiency and compliance purposes. The Office of Inspector General's report assessing the agency's prior year submission determined NEH complied with requirements for prior year reporting.

Statistical Sampling Process

NEH maintains a similar controls process for all non-payroll payments made by the agency. For agency grant programs, potential payments are subject to the following system controls; (1) an approved obligation exists in the agency's accounting system; (2) funds are available on the existing obligation for which payment is requested; (3) payments can only be requested or submitted by a specific system access role granted by established delegation of authorities; (4) Institutional or commercial vendor banking records in the NEH financial system must match the banking information established in the TIN holders SAM.gov financial profile; and (5) banking information must match the TIN holder information before a banking record can be created.

NEH performs outlay analysis and random transaction sampling for payment integrity reporting and improper payment susceptibility for all fund and assistance listings meeting threshold requirements.

Summary, Root Causes & Drivers, Corrective Action Plans, Recovery of Improper Payments & Recapture Audits

NEH recovers 100% of funds of any identified improper payment. A root cause analysis and corrective action is performed for each instance. While sampling did not yield instances of improper payment, within the course of operational work, the financial statement audit yielded findings in payroll calculations, and a travel overpayment were identified totaling $9,256 thousand and the total was fully recovered. Corrective actions plans are being developed to address additional monitoring for payroll funds. Post-payment reviews and recapture audits would not be cost effective for the agency.

NEH reporting results are reported via www.paymentaccuracy.gov. Reports can be found by navigating from the home page to resources >Congressional Reports, then select the appropriate report from the drop-down menu.

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. Following are the civil penalties that NEH may impose, the authority for imposing the penalty, the year enacted, the dates of inflation adjustments, and the current monetary penalty amounts. These CMP adjustments are located at 89 FR 106607.

Per OMB Memorandum M-26-11 (April 17, 2026), the National Endowment for the Humanities' civil monetary penalty amounts did not increase for the 2026 calendar year.

Statutory Authority	Penalty Name/ Description	Year Enacted	Latest year of Adjustment (via statute or regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
31 U.S.C. 1352; 45 CFR 1168.400(a), (b), (e)	Penalty for certain violations of NEH's New Restrictions on Lobbying	1989	2025	Minimum: $25,132 Maximum: $251,322	Not Applicable	Federal Register; 89 FR 106607 (December 20, 2024); OMB Memorandum M-26-11 (April 17, 2026)
31 U.S.C. 3801-3812; 45 CFR 1174.3(a), (b)	Penalty for false, fictitious, or fraudulent claims under the Program Fraud Civil Remedies Act	1986	2025	$14,308	Not Applicable	Federal Register; 89 FR 106607 (December 20, 2024); OMB Memorandum M-26-11 (April 17, 2026).

Summary of Expired Federal Grants and Cooperative Agreements

NEH remains committed to the timely closure of awards to promote transparency and financial accountability. NEH staff review final performance and financial reports to ensure all administrative and fiscal requirements are satisfied before closing awards. Consistent with 2 CFR §200.344, financial closeout begins 120 days after the end of the period of performance.

In FY 2026, the Office of Grant Management (OGM) closed 1,574 awards, accomplished through two major unilateral closeouts[3], along with routine closeout of awards following normal agency procedure. FY 2026 closeouts increased by 69% over the 930 closeouts completed in FY 2025 because of the unilateral closeouts.

OGM has continued to monitor expired awards. As of September 30, 2026, 239 awards remain to be closed, totaling $1.479 million in undisbursed balances. Of these, 182 have zero-dollar balances and 57 have undisbursed funds. All 239 awards have periods of performance that ended within the last three years, as OGM has worked through the backlog of expired awards older than three years.

Staffing constraints remain the most significant barrier to accelerating the closeout progress. Significant staffing reductions have hindered OGM's ability to perform detailed financial reconciliation and coordinate with program offices to resolve outstanding issues.

NEH anticipates that once staffing levels return to normal levels, closeout activity will increase significantly. The agency remains committed to maintaining compliance with federal grant closeout standards and will continue to monitor progress closely.

CATEGORY	2-3 Years	4-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	182	0	0
Number of Grants/Cooperative Agreements with Undisbursed Balances	57	0	0
Total Undisbursed Balances	**$1,479,267.90**	**N/A**	**N/A**

[3] NEH conducted unilateral closeouts accounting for 1,387 of the closed awards.

Fraud Reduction Report

Each federal agency must include a report on its fraud reduction efforts undertaken in FY 2026. The report must include information on the agency's:

- Implementation of (1) financial and administrative controls established pursuant to the Fraud Reduction and Data Analytics Act of 2015, (2) the fraud risk principle in the Standards for Internal Control in the Government (the Green Book), and (3) Management's Responsibility for Enterprise Risk Management and Internal Control (OMB A- 123) with respect to leading practices for managing fraud risk;
- Identification of risks and vulnerabilities to fraud (including with respect to payroll, beneficiary payments, grants, large contracts, and purchase and travel cards); and
- Establishment of strategies, procedures, and other steps to curb fraud.

As required by the Office of Management and Budget and OMB A-123, the NEH continues to implement and mature fraud risk management into its ERM program and framework to effectively identify, assess, analyze, prioritize, document responses to, and monitor fraud risks of its operational and grant making processes and activity.

NEH is committed to its responsibility as a steward of taxpayer resources. Fraud can take many forms, such as:

- Intentional misstatement, misapplications or omissions in financial data, statements, notes, and other reports
- Theft of agency assets
- Illegal acts of agency staff, such as bribery
- Waste and abuse of agency resources or authority

Financial and Administrative Controls:

NEH has conducted implementation activities related to risk identification and an assessment of management internal control processes, to consolidate and analyze the types of threats to assets, projects, and stakeholders the agency faces. An entity wide risk appetite statement was developed and approved for the agency. Continued implementation activities will also enable evaluation of the agency's risk capacity, risk tolerance, and risks to support management decisions on to achieve planned goals.

- Fraud Risk Principle (Green Book): Principle 8 of GAO's Standards for Internal Control in the Federal Government requires the agency to consider the potential for fraud and types of fraud that can occur (including waste and abuse). These standards also require management to leverage fraud risk factors and to identify fraud risks to the agency. Each federal agency should analyze and respond to the identified fraud risks for effective mitigation. NEH is developing a comprehensive Fraud Risk Framework, which once implemented, will meet the Green Book fraud consideration requirements listed within Principle 8.

- Identification of risks and vulnerabilities to fraud: The NEH Fraud Risk

Framework, contains entity-level and process-level risk assessments capturing agency risks and vulnerabilities related to fraud through a 'top-down' and 'bottom-up' approach to identification.

- Establishment of strategies, procedures, and other steps to curb fraud: NEH established the Enterprise Risk Management Board as the governance body to: (1) oversee its ERM implementation efforts and eventual oversight (2) assess its fraud risk mitigation strategies; (3) provide entity wide ERM and Internal Controls guidance; and (4) advocate for the design and implementation of efforts to mitigate fraud risks.

OMB Circular A-123: NEH continues to develop a compliant future-state process at the entity, process, and transaction level for each of the appendices inclusive of the acquisition assessment. The agency previously facilitated a current-state assessment of its internal controls program and each appendix to serve as a roadmap to create tools to further strengthen the annual Statement of Assurance process.

Anti-deficiency Act (ADA)

Title 31 U.S. Code (U.S.C.) Section 1517 states that an officer or an employee of the United States Government may not make or authorize an expenditure or obligation exceeding an apportionment or an amount permitted by regulations as prescribed by Title 31 U.S.C. Section 1514. NEH continues to implement and mature ERM requirements inclusive of fraud risk into the overall agency risk framework and internal controls assessments. In FY 2026, NEH had no ADA violations to report.