



NATIONAL
ENDOWMENT
FOR THE
HUMANITIES

PERFORMANCE &
ACCOUNTABILITY REPORT
FISCAL YEAR 2025

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Message from the Acting Chairman

I am pleased to present the Performance and Accountability Report for the National Endowment for the Humanities for the fiscal year 2025. The report sets forth the agency's goals, objectives and results for the fiscal year just concluded. The report provides communication on the Endowment's performance, operations, and financial information.

The Endowment's grant programs received over 4000 applications in fiscal year 2025. 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 FY2025, NEH awarded more than \$32 million in direct grant funding through 373 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.

The financial and performance data contained in this report are, to the best of my knowledge, reliable, accurate, and complete. NEH's fiscal year 2025 financial statement audit yielded another of many consecutive unmodified (clean) audit opinions. Enterprise Risk Management has been identified as an area for continued progress, and NEH continues to mature our established program, which is discussed further in this report. The agency is fully committed to continuous process and operational improvements.



Michael P. McDonald, Acting Chairman

I. Management's Discussion and Analysis

Mission, Vision, and Core Values¹

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 an independent 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.

NEH is 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. NEH is directed by a Chair, who is appointed by the President of the United States and confirmed by the U.S. Senate for a term of four years. President Trump

¹ FY2022-2026 NEH Strategic Plan Framework

appointed Mr. Michael P. McDonald as Acting Chairman in March of 2025.

Advising the Endowment's Chairman is the National Council on the Humanities, a board of 26 distinguished private citizens who are appointed by the President and confirmed by the Senate. National Council members serve staggered six-year terms. The National Council on the Humanities meets at least three times annually to advise the NEH Chairman. The Chairman considers the advice provided by the review process and, by law, makes all funding decisions.

The agency's programmatic operations are divided into seven divisions that conduct grant making on behalf of major agency programs and initiatives. These divisions and offices include Federal/State Partnership, Public Programs, Preservation & Access, Research, Education Programs, Digital Humanities and Challenge Grants. The program divisions are supported by several administrative offices, which are reflected in the organization chart below.

Organizational Chart



Organizational Summary

The Office of Federal/State Partnership is the liaison between NEH 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 education, lifelong learning, and public humanities programming to communities across the country. This partnership also serves to advance public understanding of the humanities, while enhancing public awareness of, access to, and support for the humanities on a local, grassroots level.

The Division of Public Programs supports a wide range of public humanities programming that reaches large and diverse public audiences and makes use of a variety of formats including exhibits, public programs, film, radio, and digital media. Supported projects include those that bring the ideas and insights of the humanities to life for general audiences as well as interpret and analyze humanities content in primarily digital platforms and formats, such as websites, mobile applications and tours, interactive touch screens and kiosks, games, and virtual environments.

The Division of Preservation and Access supports projects that preserve and create intellectual access to collections and cultural heritage resources of importance for research, education, and public programming in the humanities. This division supports projects that preserve cultural and heritage materials in diverse formats of materials that are threatened by factors inherent in their physical structures or by the environments in which they are housed.

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 are made to scholars, including individuals, collaborative teams, and institutions working on research projects that advance knowledge and understanding of the humanities.

The Division of Education Programs supports projects that strengthen teaching and learning in the humanities through innovative curricular programs and professional development for K-12 and higher education faculty. Projects supported include intensive reading and discussion summer programs featuring recognized scholars, programs that support broad institutional endeavors and integrative curricular projects at two- and four-year post-secondary institutions between various disciplines, and a veterans-centered program supporting institutions exploring experiences of war and military service.

The Office of Digital Humanities supports projects advancing development of and training in digital tools, methods, and best practices for humanities research, teaching and learning, public engagement, and scholarly communications. Another major goal of ODH is to increase the capacity of the humanities in applying digital methods. The office also works closely with the scholarly community and other funding agencies in the United States and abroad to encourage collaboration across national and disciplinary boundaries.

The Office of Challenge Programs supports projects that transform and strengthen humanities institutions and organizations through federal matching grants to fund construction and improvements to facilities and equipment. Supported projects include building and renovating structures such as museums and libraries and comprehensive organizational assessments to reduce operational costs, increase resilience, and support organizational health.

Treasury Matching Funds are utilized to match nonfederal contributions in support of humanities projects. These funds are 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 aims 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 the published review criteria and in compliance with federal ethics and conflicts of interest requirements. Peer reviewers come from various disciplinary, institutional and regional backgrounds. They are experts in their respective fields with relevant knowledge and expertise in the types of project activities identified in the grant funding applications submitted to the agency. Based on the peer review and their individual experience, NEH staff provide comments and make recommendations for funding to the National Council on the Humanities and the Chair of NEH. The National Council on the Humanities provides recommendations to the Chair, who makes the final funding decisions.

The Annual Performance Report is due in February of each fiscal year and will be 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 highlighted in achieving the agency's mission through results. The topics further discussed in subsequent sections attempt to integrate elements of enterprise risk management as well as provide insight into how each goal is defined and structured to the mission of the agency.

The agency continues to evolve its Enterprise Risk Management (ERM) program implementation and the integration of data to support evidenced-based decision

making. In the current year, NEH has made tremendous progress in addressing its risks, its data infrastructure and how results are measured and presented.

Risk

In spring 2021, NEH initiated implementation of an Enterprise Risk Management (ERM) program. Since that time, the agency created a Chief Risk Officer (CRO) position; established a governance structure; adopted a governance charter and administrative directive; created the agency's risk appetite statement; and developed a comprehensive risk register that aligns to the agency's strategic framework and documents mitigation efforts.

During the development of the risk register, the agency identified several risks related to its outdated financial system such as (1) the procurement system for requisitions and the agency's financial system are not linked; (2) manual processes for payments, accruals, and travel; (3) data is compiled outside of the financial system for reporting; and (4) non-compliance with federal requirements set by the U.S. Treasury and Office of Management and Budget. To mitigate these risks, NEH worked with the Department of Treasury's Administrative Resource Center (ARC) to transition NEH to their shared service platform. The agency successfully transitioned to the Treasury ARC shared service platform at the beginning of FY 2025 which automated legacy manual processes and remediated some of NEH's risks.

With respect to hiring a full-time Senior Risk Analyst, continuing resolutions and uncertainty about full-year agency appropriations contributed to hiring delays at the beginning of FY 2025. The agency's efforts to on-board a full-time Senior Risk Analyst were cancelled when the government-wide hiring freeze was implemented in late January 2025. Additionally, the Administration initiated an agency-wide Reduction-In-Force (RIF) of close to 70% of NEH's staff. The Senior Risk Analyst would have been responsible for working with the CRO to sustain the ERM program, maintain work products, and collaborate across the agency to integrate ERM, strategic planning, internal controls, and performance. In the second half of FY 2025, at the direction of the Administration, NEH terminated approximately 1,477 open grant awards. These terminations resulted in several ongoing legal cases. As a result, NEH is currently legally enjoined from de-obligating funds related to the terminated awards

Financial Statements Overview & Analysis

The audited financial statements are prepared to report the financial position, financial condition and results of operations of the National Endowment for the Humanities (Endowment), pursuant to the requirements of 31 U.S.C. § 3515(b). The financial statements are prepared from records of the agency in accordance with federal, generally accepted accounting principles (GAAP) and Federal Accounting Standards Advisory Board (FASAB) as per the formats prescribed by OMB A-136 Financial Reporting Requirements. Reports used to monitor and control budgetary

resources are prepared from the same records. The financial statements users should be advised the agency statements are a component of the U.S. Government. The following is a summary of the financial statements and dollar amounts represent millions (M) unless otherwise stated.

The Endowment receives annual congressional no-year appropriation to support the agency's mission. NEH continued to provide emergency relief to organizations working in the humanities affected by the coronavirus pandemic through disbursing existing obligations of supplemental appropriations from the American Rescue Plan Act of 2021 (ARP)².

In July of FY2025, NEH received a supplemental appropriation of \$40M from the passage of PL 119-21 for the procurement and building of the National Garden of American Heroes and celebrating America's birthday.

During the fiscal year, the Administration terminated approximately 1477 of existing grant award obligations. Currently, various legal claims and activities have resulted in preliminary injunction from deobligating funds regarding terminated awards as the legal process continues.

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, 2025.

Total assets are \$340.7M for FY2025. The most significant asset is the Fund Balance with the U.S. Treasury (FBWT) which represents grant funds to be disbursed in future years. The increase is primarily driven by the additional \$40M appropriation NEH received from the passage of PL 119-21.

Total liabilities are \$29.9M for FY2025. The majority of NEH's Other than-intragovernmental liability is due to the estimated grant liability (accrual). The accrual expense decreased to \$26.6M in the current year primarily due to changes in the accrual methodology and decreases in the total of unliquidated obligations as a driver for methodology calculations.

Statement of Budgetary Resources (SBR)

The Statement of Budgetary Resources displays how budgetary resources were made available to the Endowment and the status of resources at the end of the reporting period. NEH budgetary resources are derived primarily from no year funds appropriated by the U.S. Congress. Total budgetary resources for NEH for FY25 are \$311.4M, an increase primarily driven by the additional \$40M appropriated funds NEH received from the passage of PL 119-21.

² NEH has approximately \$101, 575 of open obligations remaining from the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES)

Statement of Net Cost (SNC)

The Statement of Net Cost presents cost information by responsibility segment, namely, the program divisions within NEH. The net cost of operations represents gross cost incurred less any revenue earned. Disclosures of gross and net cost provide information which correlates to program activity outputs. For fiscal year 2025, net cost of operations was \$192.7M.

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. For fiscal year 2025, net position was \$310.8M, an increase from prior year primarily driven by the additional \$40M appropriation NEH received from the passage of PL 119-21.

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, 2025.

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 provided in the Other Accompanying Information section of this report.

There are no other component or subsidiary entities that are combined or consolidated for presentation in this document. Through sustained effort, NEH is committed to maintaining compliance with applicable laws.

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



Michael P. McDonald, Acting Chairman

II. Performance Information

Introduction

NEH's discussion of general operational process cycles provides context into how goals and objectives are structured and how goals can be achieved. The agency operates within three general procedural concepts:

- NEH grant programs and award cycles cross multiple fiscal years. Agency award cycles occurs approximately three times per year in March, July, and November. Additional cycles can be added to support supplemental funding awarded to the agency. NEH cycles and periods of performance do not align with the financial fiscal year so they may not currently demonstrate full performance results. Therefore, the data disclosed in this report may not present the full scope of previously established programmatic activity.
- The volume of applications received by NEH typically fluctuates year over year. This is dependent on many factors, including but not limited to, the availability of appropriations, administrative and operational priorities and the number of available grant programs.
- Grant applications are evaluated through a highly competitive peer-review panel process and a review by the National Council on the Humanities. These recommendations are presented to the agency Chair, who weighs the recommendations and information provided and ultimately makes final funding decisions. Due to this rigorous selection 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 are further discussed in subsequent sections of this report.

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

NEH strives to present a forum in which the role of the humanities continues to expand its footprint. NEH recognizes its ongoing responsibility to ensure the public benefit from the expanded reach of what the humanities can and will provide to society, now and in the future.

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 forward 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 defined as 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 thought knowledge, leadership, and internal and external relationships.) Capacity focuses on our potential, capability refers to existing and future personnel, ensuring tools are available 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. As NEH continues to fully implement its data infrastructure, future performance measures will be adapted and matured for continued alignment across NEH's statutory reporting requirements.

NEH's total net administrative costs of \$23M are associated with all four major 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 and do not include the 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 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 FY2025, the net cost of Strategic Goal 1 represented \$154.7M inclusive of all the programmatic division activities. These costs represent multiple grant line programs including costs for special initiatives programs like the agency wide A More Perfect Union³. NEH continues to mature and monitor its data hierarchy and infrastructure to refine future metrics and measures.

Outcomes for Strategic Goal 2: Increase Access to NEH Funding

In FY2025, NEH continued its work to remove barriers to participation in the agency’s programs and opportunities. NEH did this in several ways, including:

- Exploring ways to simplify the agency’s grant application processes and funding opportunity notices.
- Reaching 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. For example, in compliance with Executive Order 14189 (Celebrating America’s 250th Birthday) and Executive Order 13978 (Building the Garden of American Heroes), NEH has undertaken its single largest project – the commissioning of 250 life-size statues of great individuals from America’s past who have contributed to the Nation’s cultural, scientific, economic, and political heritage.

In FY2025, the net cost of Strategic Goal 2 represented \$1.9M. inclusive of all the programmatic division activities. These costs represent multiple grant line programs including costs for special initiatives programs like the agency wide A More Perfect Union. NEH continues to mature and monitor its data hierarchy and infrastructure to refine future metrics and measures.

³ NEH funds humanities projects that, engage the public in American history, preserve and provide access to the nation’s heritage, build secure and sustainable cultural resources for future generations, strengthen teaching and learning about American history, advance scholarly research on American history and leverage technology to explore America’s past.

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

In FY2025, the net cost of Strategic Goal 3 represented \$3.8M 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 Treasurys, Administrative Resource Center (ARC) shared services solution. This upgrade allowed NEH to have an expanded number of line of accounting segments and more robust reporting tools providing more capability for increased visibility and integration of strategical goals, financial data and analytical outputs.

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

In 2025, NEH continued implementation of the ERM program through various activities which included:

- Holding meetings of the NEH Enterprise Risk Management Board where information was shared and cross-functional topics were discussed;
- Incorporating more robust performance data into the FY 2025 Performance and Accountability Report; and
- Establishing mapping of the NEH Strategic Plan goals within the financial system to enable transactions to correspond 1-1 to strategic goals.

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

In FY2025, the net cost of Strategic Goal 4 represented \$32.3M across various agency offices and divisions.

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

During FY 2025 NEH implemented several targeted initiatives to strengthen workforce performance, leadership capability, and employee engagement in alignment with its commitment to cultivating a high performing organization.

To enhance leadership effectiveness, NEH hosted a 360- Degree Assessment Workshop for supervisors and managers. This workshop provided leaders with comprehensive feedback from peers, subordinates, and senior leadership, helping them to identify strengths and areas for growth while promoting self-awareness and inclusive leadership

practices. This workshop also included a leadership coaching component.

NEH also made significant progress in improving timely completion of performance appraisals, successfully reducing the backlog of outstanding evaluations. This improvement ensures employees receive timely feedback, recognition, and performance-based opportunities, contributing to a culture of accountability and continuous improvement.

To support workforce planning and employee well-being, NEH hosted a Retirement Readiness Seminar for employees eligible to retire within the next ten years. These sessions provided critical information on retirement benefits (i.e., FERS, CSRS), financial planning, and transitional resources reinforcing the NEH's commitment to supporting employees throughout their career lifecycles.

In addition, NEH reviewed and updated various administrative directives to ensure policies and procedures remained current and aligned with federal regulations and agency requirements.

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 FY2025, 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 were analyzed to identify areas for improvement and guide leadership decisions ensuring that employee feedback was heard and considered.

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, whose members outreached to the agency regarding CFC.

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. This event reinforced a culture of appreciation, collaboration, and shared accountability and impact.

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

In FY25, NEH implemented upgrades to its financial management system to a shared services system and service platform with the U.S. Department of Treasury's Administrative Resource Center (ARC). This historic modernization of the agency's financial system, travel system, and acquisition system allowed for automation of outdated and manual processes across the agency. NEH has been within an operational stabilization period where staff have been adjusting to the new system and processes.

In 2025, the Office of Information Technology (OIT) has progressed NEH in the modernization its information technology (IT) and cybersecurity by prioritizing adoption of solutions made available by the CISA Continuous Diagnostics and Monitoring (CDM) program that are aligned with the Zero-Trust Maturity Model. OIT gave CDM access to an accurate asset inventory and provided CDM endpoint detection and response data to mature its Devices pillar. Additional maturity in Zero Trust was gained by preparation to adopt fully automated patch management tools.

By leveraging CDM tools, OIT moves toward a single point of reference with CDM dashboards and increases the value of CDM-provided monitoring and alerts. NEH also successfully implemented the secure practices for cloud services mandated by BOD 25-01 and enhanced encryption of sensitive agency data. Additional modernization efforts focused on adoption of software to manage the agency's IT governance, compliance, and risk management, along with preparation for the safe and secure rollout of AI tools.

III. Financial Information

A Message from the Director, Office of Accounting

On behalf of the National Endowment for the Humanities (Endowment), I present the agency's audited financial statements for fiscal year 2025. The independent auditor, Williams Adley, LLP has rendered an unmodified (clean) opinion on the agency financial statements. The Endowment has obtained an unmodified opinion on the agency's financial statements for many consecutive years, indicating the Endowment'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 and federal financial reporting goals within from their strategic plan, 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 began operationally stabilizing the agency's processes, post implementation of Treasury's Administrative Resource Center (ARC) shared services solutions. This entails our financial management system of systems, financial management processes and the underlying infrastructure inclusive of data relationships. This period has been defined by agency staff adjusting to the new systems, processes, procedures and to begin planning of fully integrating new process into formal policy and procedures within the challenges of the staffing reductions agency wide.

The contribution and efforts of the Accounting Staff and all NEH colleagues to receive an unmodified opinion, supports the Endowment's financial statements are fairly presented and demonstrate steadfast commitment to responsible execution of fiduciary responsibilities.



Cora Shepherd

Audited Financial Statements
Fiscal Year 2025

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

	2025
Assets	
Intragovernmental Assets	
Fund Balance with Treasury (Note 2)	\$ 337,898,132
Advances and Prepayments	2,225,432
Total Intragovernmental Assets	340,123,564
Other than Intragovernmental Assets	
Accounts Receivable, Net (Note 3)	99,006
Property, Plant, and Equipment, Net (Note 4)	116,573
Advances and Prepayments	406,539
Total Other than Intragovernmental Assets	622,118
Total Assets	\$ 340,745,682
Liabilities (Note 5)	
Intragovernmental Liabilities	
Accounts Payable	\$ 366,386
Advances from Others and Deferred Revenue	219,413
Other Liabilities (Note 6)	
Other Liabilities	107,939
Total Intragovernmental Liabilities	693,738
Other than Intragovernmental Liabilities	
Accounts Payable	358,633
Federal Employee Salary, Leave, and Benefits Payable	1,332,245
Pensions, Other Post-Employment, and Veterans Benefits Payable	91,099
Other Liabilities	
Other Liabilities (Note 6)	877,388
Accrued Grant Liabilities (Note 7)	26,564,890
Total Other than Intragovernmental Liabilities	29,224,255
Total Liabilities	\$ 29,917,993
Commitments and Contingencies (Note 9)	
Net Position	
Unexpended Appropriations	
Funds from Other than Dedicated Collections	\$ 311,383,358
Cumulative Results of Operations	
Funds From Dedicated Collections (Note 10)	369,845
Funds from Other than Dedicated Collections	(925,514)
Total Cumulative Results of Operations (Consolidated)	(555,669)
Total Net Position	\$ 310,827,689
Total Liabilities and Net Position	\$ 340,745,682

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

**NATIONAL ENDOWMENT FOR THE HUMANITIES
STATEMENT OF NET COST
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(In Dollars)**

	2025
Office of Assistant Chair for Programs	
Gross Costs	\$ 1,648,469
Net Program Costs	1,648,469
Division of Preservation and Access	
Gross Costs	26,169,049
Net Program Costs	26,169,049
Office of Federal-State Partnership	
Gross Costs	55,552,068
Net Program Costs	55,552,068
Division of Education Programs	
Gross Costs	15,161,671
Net Program Costs	15,161,671
Office of Digital Humanities	
Gross Costs	7,886,152
Less Earned Revenue	(295,369)
Net Program Costs	7,590,783
Division of Research Programs	
Gross Costs	20,240,638
Less Earned Revenue	(142,786)
Net Program Costs	20,097,852
Division of Public Programs	
Gross Costs	26,693,523
Net Program Costs	26,693,523
Division of Challenge Programs	
Gross Costs	17,077,934
Net Program Costs	17,077,934
Administrative Costs	
Gross Costs	23,305,101
Less Earned Revenue	(627,820)
Net Program Costs	22,677,281
Net Cost of Operations	\$ 192,668,630

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

**NATIONAL ENDOWMENT FOR THE HUMANITIES
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(In Dollars)**

	Funds from Dedicated Collections	Funds from Other than Dedicated Collections	Consolidated Total
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
STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(In Dollars)**

	2025
Budgetary Resources	
Unobligated Balance From Prior Year Budget Authority, Net (Note 12)	\$ 46,577,677
Appropriations	247,029,867
Spending Authority From Offsetting Collections	17,754,516
Total Budgetary Resources	\$ 311,362,060
Status of Budgetary Resources	
New Obligations and Upward Adjustments (Total) (Note 13)	\$ 109,789,565
Unobligated Balance, End of Year	
Apportioned, Unexpired Accounts	179,308,457
Exempt From Apportionment, Unexpired Accounts	152,562
Unapportioned, Unexpired Accounts	21,703,676
Unexpired, Unobligated Balance, End of Year	201,164,695
Expired, Unobligated Balance, End of Year	407,800
Unobligated Balance, End of Year (Total)	201,572,495
Total Budgetary Resources	\$ 311,362,060
Outlays, Net and Disbursements, Net	
Outlays, Net (Total)	\$ 197,483,027
Distributed Offsetting Receipts	(40,665)
Agency Outlays, Net	\$ 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 understanding 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, except for the Statement of Budgetary Resources, are different from financial management reports, also prepared pursuant to OMB directives, which 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 otherwise noted, all amounts are presented in dollars.

As per OMB Circular A-136 Financial Reporting Requirements revisions dated July 14, 2025, the NEH financial statements are shown in single fiscal year presentation format.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting 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 facilitates the control and monitoring of federal funds including compliance with legal requirements on the use of those funds.

D. Fund Balance with Treasury (FBWT) & Funds from Dedicated Collections

Fund Balance with Treasury is an asset of a reporting entity and a liability of the General Fund. It contains the aggregate amount of NEH's funds with Treasury in expenditure, receipt, revolving, 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 FBWT 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. Currency payments are made by Treasury and are reported by 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 9.

E. Accounts Receivable

Accounts receivable consists of amounts owed to NEH by other federal agencies and the general public. Amounts due from federal agencies are considered fully collectible. NEH uses the specific identification method to recognize an allowance for uncollectible accounts receivable and related bad debt expenses.

F. Property, Plant, and Equipment

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:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	10
Office Equipment	5
Software	3

G. Advances and Prepayments

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 the NEH as a result of transactions or events which 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 covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by current appropriation or other funding source and 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. Additional information is provided In Note 7: Grant Liability Accrual.

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and accruals reduced as leave is taken. Balances in the accrued leave account are 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 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 a Civil Service Retirement System (CSRS)-covered employees are 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 agencies annually as its claims are paid, but payment of 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 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

The NEH's employees participate in either CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the 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 NEH matches any employee contribution up to an additional four percent of pay. For FERS participants, 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 the NEH for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. NEH recognizes 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 are eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGGLIP) may continue to participate in these programs after their retirement. OPM has provided NEH with certain cost factors estimating the true cost of providing the post-retirement benefits to current employees. The NEH recognizes current cost for these and Other Retirement Benefits (ORB) at the time the employees' services are rendered. The ORB expense is financed by OPM and offset by the NEH through the recognition of an imputed financing source.

M. Use of Estimates and 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. The NEH recognizes contingent liabilities in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. The 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. Classified Activities

Accounting standards require all reporting entities to disclose that 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.

P. Suborganization Program Costs

Program Grants – The Statement of Net Costs presents costs associated with specific NEH program divisions. The amounts shown represent both programmatic and administrative gross costs, less earned revenue for each program office. Special initiative costs are not assigned to a specific program office and are further explained below.

Matching Grants – Challenge Fund Grants are matching awards entailing 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.

Q. Revenue and Other Financing Sources

NEH receives funding through annual Congressional appropriations from the budget of the United States under a no year appropriation, and previously a multi-year appropriation from the Coronavirus Aid, Relief and Economic Security Act (CARES Act) Public Law 116-136, enacted on March 27, 2020, and the no year American Rescue Plan (ARP) Public Law 117-2, enacted on March 11, 2021. The multi-year appropriation for COVID-19 emergency response funds was used for grant programs only. The no year appropriation for COVID-19 emergency funds was used for grant program and administrative costs. In July 2025, NEH received a supplemental appropriation of \$40M from the passage of PL 119-21 for the procurement and building of the National Garden of American Heroes and celebrating America's birthday

NEH was founded with the authority to receive donations and to invest in interest-bearing accounts. Accounts are maintained for restricted and unrestricted funding and observe federal guidelines for the appropriate use and apportionment of donated funds. This authority also allows the Chair to incur representation and reception expenses.

NEH also earns revenue by providing cost sharing or reimbursable services to other Federal agencies through interagency agreements. NEH sets prices to recover the full costs incurred unless otherwise noted in the interagency agreement when providing goods and services. Imputed financing represents benefit costs to OPM.

R. Budgetary Terms

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with the law. The

following budget terms are commonly used from OMB Circular A-11, Section 20.3 (whitehouse.gov):

Appropriation means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

Budgetary resources mean amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Gross outlays are disbursements, and net outlays are disbursements (net of refunds) minus reimbursements collected.

Offsetting collections mean payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.

Offsetting receipts mean payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually, they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.

Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few

cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending.

NOTE 2. FUND BALANCE WITH TREASURY

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

	2025
Status of Fund Balance With Treasury	
Unobligated Balance	\$ 201,572,495
Obligated Balance Not Yet Disbursed	136,325,637
Total Fund Balance With Treasury	\$ 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

Historical experience has indicated most receivables are collectible and no material uncollectible accounts exist as of this reporting period. NEH uses the specific identification method to recognize an allowance for uncollectible accounts receivable and related bad debt expenses. Accounts receivable balances as of September 30, 2025, were:

	2025
Other than Intragovernmental	
Accounts Receivable	\$ 99,006
Total Other than Intragovernmental Accounts Receivable	\$ 99,006
Total Accounts Receivable	\$ 99,006

NOTE 4. PROPERTY, PLANT, AND EQUIPMENT, NET

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

	Acquisition Cost	Accumulated Depreciation and Amortization	Net Book Value
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 NEH as of September 30, 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.

	2025
Intragovernmental-Unemployment Insurance	\$ 9,657
Unfunded Leave	978,920
Actuarial FECA	91,099
Total Liabilities Not Covered by Budgetary Resources	\$ 1,079,676
Total Liabilities Covered by Budgetary Resources	28,837,676
Liabilities Not Requiring Budgetary Resources	641
Total Liabilities	\$ 29,917,993

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on the NEH's behalf and payable to the DOL. The 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, 2025 were:

	Current	Non-Current	Total
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 Liabilities	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 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).

In April 2025, the Administration terminated a significant population, approximately 1477, of the agency's unliquidated grant award obligations. NEH initiated the review and approval of disbursements related to unreimbursed expenses and termination costs for these awards as of the date of termination. Currently, there are several legal claims in process regarding the grant terminations.

Based on these events, significant changes were made to the grant liability estimation methodology based on either historical behavior such as patterns of disbursement data or based on assumed behavior of a specific population. These populations are determined to be (1) a new standard liability accrual, (2) terminated awards with payment requests pending review and approval, (3) terminated awards for which payment has not been requested, and (4) terminated awards approved for payment but not yet disbursed.

Changes include separate calculations methodologies and split entries for each distinct population of obligated grant awards. For the new standard liability estimation methodology, NEH used a ratio average of actual liability to unliquidated obligations using three years of historical summary financial data. For both terminated awards with payment requests pending review and approval and terminated awards for which payment has not been requested, averages of ratio calculations using data from processed payments were leveraged. Specifically, the amount approved for payment was divided by the remaining balance of the obligation and averaged to apply to remaining open obligation balances for awards requiring accrual. Most terminated awards with payment requests under review had periods of performance toward the end of their grant life cycle, resulting in a higher average percentage ratio of expected disbursement. Terminated awards for which payment had not yet been requested generally were terminated either prior to the beginning of or early within the life cycle of the period of performance, therefore had lower average percentage ratios of expected disbursement. Finally, NEH accrued terminated award amounts approved for payment but not yet disbursed, using specific identification to post amounts for accrual.

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 does include prepayment of rent. The current lease agreement expires in February 2039. NEH was in a rent-free period for FY2025.

An intragovernmental lease is a contract or agreement occurring within a consolidation entity or between two or more consolidation entities as defined in SFFAS 47 whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration. Any lease that meets the definition of an intragovernmental lease should recognize lease payments, including lease-related operating costs (for example, maintenance, utilities, taxes, etc.) paid to the lessor, as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts.

The estimate for the annual lease costs for future fiscal years is as follows:

Fiscal Year	
2026	1,421,438
2027	2,833,958
2028	2,833,958
2029	2,833,958
2030	2,833,958
2031-2035	14,169,791
2036-2039	8,974,201
Total	\$35,901,264

NOTE 9. COMMITMENTS AND CONTINGENCIES

During the fiscal year, the Administration terminated approximately 1477 of existing grant award obligations. Currently, eight legal cases are in process and some of the activities have resulted in preliminary injunction from deobligating funds of terminated awards as the legal process continues. An estimate of potential loss cannot be made at this time.

NOTE 10. FUNDS FROM DEDICATED COLLECTIONS

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."

Funds from Dedicated Collections as of September 30, 2025 were:

Total Funds from Dedicated Collections	
BALANCE SHEET	
Assets	
Intragovernmental Assets	
Fund Balance with Treasury	\$ 393,023
Total Intragovernmental Assets	\$ 393,023
Total Assets	\$ 393,023
Liabilities	
Other than Intragovernmental Liabilities	
Accounts Payable	\$ 23,178
Total Other than Intragovernmental Liabilities	\$ 23,178
Total Liabilities	\$ 23,178
Cumulative Results of Operations	\$ 369,845
Total Liabilities and Net Position	\$ 393,023
STATEMENT OF NET COST	
Gross Program Costs	\$ 193,583
Net Program Costs	\$ 193,583
Net Cost of Operations	\$ 193,583
STATEMENT OF CHANGES IN NET POSITION	
Cumulative Results of Operations	
Beginning Balance	\$ 533,561
Donations and Forfeitures of Cash and Cash Equivalents	29,867
Net Cost of Operations	(193,583)
Net Change in Cumulative Results of Operations	\$ (163,716)
Total Cumulative Results of Operations	369,845
Net Position, End of Period	\$ 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 Judgement 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 fiscal year ended September 30, 2025, inter-entity costs were as follows:

	2025
Office of Personnel Management	\$ 2,795,099
Total Imputed Financing Sources	\$ 2,795,099

NOTE 12. NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD, OCTOBER 1

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

	2025
Unobligated Balance Brought Forward from Prior Year, October 1	\$ 40,420,113
Recoveries of Prior Year Obligations	6,157,564
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	\$ 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 2025 consisted of the following:

	2025
Direct Obligations, Category B	\$ 109,311,625
Direct Obligations, Category E	64,086
Reimbursable Obligations, Category B	413,854
Total New Obligations and Upward Adjustments	\$ 109,789,565

NOTE 14. UNDELIVERED ORDERS AT THE END OF THE PERIOD

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

	Intragovernmental	Other than Intragovernmental	Total
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 2025 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2026 and is found at the OMB website: <http://www.whitehouse.gov/omb/>. The Fiscal Year 2026 Budget of the United States Government, with the "Actual" column completed for 2024, has been reconciled to the Statement of Budgetary Resources and there were no material differences. The below is represented in millions.

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 251	\$ 211	\$ -	\$ 206
Spending Authority from Offsetting Collections	1	-	-	-
Budget of the U.S. Government	\$ 250	\$ 211	\$ -	\$ 206

NOTE 16. CUSTODIAL REVENUES

The NEH's custodial collection primarily consists of program income generated from NEH-funded projects, on behalf of the federal government. These collections are not available for NEH use and must be returned to the U.S. Department of Treasury at the end of the fiscal year. Additional, minimal amounts of these revenues consists of fine, penalties, and administrative fees. While these collections are considered custodial, they are neither primary to the mission of the NEH nor material to the overall financial statements. The NEH total custodial collections are \$11,439 for the year ended September 30, 2025.

NOTE 17: RECONCILIATION OF NET OPERATING COST & NET BUDGETARY 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, 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)	-	(29,867)	(29,867)
Custodial/Non-Exchange Revenue	11,439	(11,439)	-
Appropriated Receipts for Trust/Special Funds	-	29,867	29,867
Total Other Reconciling Items	\$ 11,439	\$ (11,439)	\$ -
Total Net Outlays (Calculated Total)	\$ 5,650,552	\$ 191,802,608	\$ 197,453,160
Budgetary Agency Outlays, net			\$ 197,453,160

Audit Report Fiscal Year 2025



Independent Auditor's Report

Mr. Michael McDonald
Acting Chairman
National Endowment for the Humanities

Ms. Laura Davis
Inspector General
National Endowment for the Humanities

In our audit of the fiscal year 2025 financial statements of the National Endowment of the Humanities (NEH), we found:

- NEH's financial statements as of and for the fiscal year ended September 30, 2025, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed¹; and
- no reportable noncompliance for fiscal year 2025 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 single-year presentation, a section on required supplementary information (RSI)² and a section on other information included with the financial statements³; (2) our report on internal control over financial reporting; and (3) 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 sheet as of September 30, 2025, the related statements of net cost, changes in net position,

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.

and budgetary resources for the fiscal year 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, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Emphasis-of-Matter

As discussed in Note 1 – Summary of Significant Accounting Policies to the financial statements, the NEH implemented the revised financial reporting framework as required by OMB Circular A-136, Financial Reporting Requirements, for fiscal year 2025. The revised framework required a single year financial statements presentation of current fiscal year financial data, rather than comparative financial statements as presented in the prior fiscal year. 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. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in NEH's Performance and Accountability Report and ensuring the consistency of that information with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

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

Other Information

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 Performance and Accountability Report. The other information comprises the Message from the Acting Chairman and the information included within Section IV of the Performance and Accountability Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audit 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 deficiencies⁴ 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 2025 audit, we identified two deficiencies in the NEH's internal control over financial reporting that we do not consider to be a material weakness or significant deficiency. 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 guidance⁵.

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, 2025, 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. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

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

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of 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 audit of NEH's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2025 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.

Williams, Adley & Company-DC, LLP

Washington, District of Columbia
November 14, 2025

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 FY2025.

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, 2025

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, 2025

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. In the current year, NEH did not progress as intended on established implementation plans primarily due to the government wide hiring freeze in January 2025 and the Senior Risk Analyst position elimination in April 2025 from the Administration initiated staffing reductions for NEH.

NEH looks to continue implementation goals of the Enterprise Risk Management (ERM) program in future years. In September 2025, the Office of Personnel Management and Office of Management & Budget approved the hiring of a risk analyst position, however, the current lapse in appropriations and shutdown posture have further delayed progress in hiring in the current FY. NEH is committed to continued implementation and maturity of its ERM program Inclusive of its integration with internal controls and strategic planning, aiming to align risk, internal controls and strategic planning through evidence-based decision making.

Agency Information Systems and Other Infrastructure

The NEH financial management system is a Oracle Financial Systems (OFS) platform, which is supported by the US. Department of Treasury's Administrative Resource Center (ARC) platform and offered through their shared services solution via an annual interagency agreement. OFS is a part of ARC'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 ARC system. These systems are the source information, system controls and interface data which record

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

During the fiscal year, NEH has been stabilizing processes, data and interfaces with ARC system environment post go live of sole ARC system use effective 1 October 2024. This transition upgraded NEH's financial management system of systems environment to strengthen data infrastructure, 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)

Throughout the fiscal year, NEH continued implementation of its ERM program and made progress in incorporating performance metrics and data into agency processes, including strategic planning and ERM. The NEH strategic planning framework highlights the specific ERM Strategic Goal 3: Fortify the management of NEH Resources, Strategic Objective 3: Further integrate risk analysis into NEH's decision making process and FY 2025 results are discussed in Section II: Performance Information of this document.

In the current year, NEH did not progress as intended on established implementation plans primarily due to the government wide hiring freeze in January 2025 and the Senior Risk Analyst position elimination in April 2025 from the Administration initiated staffing reductions for NEH.

Office of Inspector General (OIG) Management Challenges Report

The OIG identified challenge areas for management to address with respect to Information Security and Enterprise Risk Management. The Acting Chairman addresses recommendations and emphasizes agency commitment to resolution and mitigations through other responses in this report.

NEH Inspector General's Summary of Management Challenges



NATIONAL ENDOWMENT FOR THE HUMANITIES

OFFICE OF INSPECTOR GENERAL

November 5, 2025

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

Dear Acting 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 am submitting the annual statement summarizing what the Office of Inspector General (OIG) considers to be the most serious management and performance challenges 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 two management and performance challenges for inclusion in the NEH Fiscal Year 2025 Performance and Accountability Report (PAR).

1. Information Security
2. Enterprise Risk Management

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 17, 2025.

A handwritten signature in cursive script that reads "Laura Davis".

Laura Davis
Inspector General

Attachment

cc: Pranita Raghavan, Assistant Chair for Planning and Operations

400 7th STREET, SW, WASHINGTON, DC 20506 | P 202.606.8350 | www.neh.gov/about/oig
OIG HOTLINE: 202.606.8423

Management and Performance Challenges for the

National Endowment for the Humanities

Fiscal Year 2025

Information Security

The National Endowment for the Humanities (NEH) relies on information management systems to carry out the agency's mission and operations, and to process, maintain, and report essential information. As a small, independent agency, the NEH faces ongoing challenges in maintaining a robust information security program and cybersecurity posture. NEH leadership must effectively manage risks associated with constantly changing technology, cybersecurity compliance expectations, the increasing complexity and frequency of cyber threats, and technology supply chain integrity. Despite demonstrating dedication to information security over the years, recent staffing reductions and limited budgetary resources effect a strain on the agency's ability to fully address evolving cybersecurity demands while supporting the information technology infrastructure and needs of the agency. 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 the effectiveness of the agency's information security practices and program.

Enterprise Risk Management

Enterprise Risk Management (ERM) is an effective agency-wide approach which enables Federal managers to identify, prioritize, and mitigate the impact of uncertainty on an agency's overall strategic goals and objectives. ERM programs emphasize risks and opportunities that could have negative or positive impacts to the agency's reputation, its ability to achieve mission objectives, and the public trust in government. ERM practices support decision making processes, such as policy and program development and implementation (including information security programs), program performance reviews, strategic and tactical planning, human capital planning, capital investment planning, and budget formulation. Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires agencies to implement an ERM capability coordinated with the strategic planning and strategic review processes established by the *Government Performance and Results Act Modernization Act of 2010*, and the internal control processes required by the *Federal Managers' Financial Integrity Act of 1982* and the

Standards for Internal Control in the Federal Government, as issued by the Comptroller General of the United States. Agency management must sustain an integrated governance structure to effectively direct and oversee implementation of OMB Circular A-123 and all provisions of a robust process of risk management and internal control.

Since 2020, NEH leadership has undertaken efforts to design and formalize a sustainable ERM program. Key and foundational risk determinations have been completed and documented. To ensure consistent integration of ERM objectives across agency programs and operations, NEH leadership must maintain the commitment to support and engage in recurring risk assessment and risk management activities, thereby maturing the NEH risk awareness culture. A fully functional and integrated ERM program aptly informs risk-aware decisions that impact prioritization, performance, and resource allocation.

Acting Chairman's Response to Inspector General Management Challenges

Date: November 14, 2025

To: Laura Davis, Inspector General

From: Michael P. McDonald, Acting Chairn 

Thank you for your assessments of the management challenges facing NEH in fiscal year 2025. Responses to your specific concerns are detailed below.

Enterprise Risk Management (ERM)

NEH agrees that without a dedicated ERM program, the agency will not be able to adequately identify risks to the agency and determine the effectiveness of operations and the control environment. Agency leadership is committed to continuing their commitment to support and engage in recurring risk assessment and risk management activities, thereby evolving and maturing the NEH risk culture.

Since the ERM program began in early 2021, the agency has evolved its implementation strategy to internalize the functional work from an external contractor to a full-time federal resource. The agency's initial effort to hire and on board a federal Senior Risk Analyst was cancelled when the government-wide hiring freeze was implemented in late January 2025. However, the agency recently received permission from the Office of Personnel Management and the Office of Management and Budget to hire this position, and the hiring process will resume upon conclusion of the current government shutdown. The federal Senior Risk Analyst will support the Chief Risk Officer in the maintenance of risk-based documentation (i.e. risk register, risk appetite statement), and the integration of risk management with strategic planning, budget, performance, and internal controls.

Due to the agency-wide RIF that occurred in the second half of FY 2025, the ERM governance board will be re-established with new members and an updated charter. The purpose of the board will remain the same – to guide the ERM implementation process, advise on sustainment activities, and provide direct support to agency leadership on the mitigation of identified risks to the agency. Other existing ERM documents will also be reviewed and updated given the changes at the agency in FY 2025.

Information Security

The National Endowment for the Humanities (NEH) agrees that leadership must continue to focus on strengthening the effectiveness of the agency's information security program. In 2025, NEH endeavored to mature its implementation of CISA's Zero-Trust Maturity Model and to address the range of FISMA security domains though progress was impacted by significant reductions in Information Technology staff. With reduced staff, NEH prioritized stability and identified progress to be gained through its partnership with the Cybersecurity Information Security Agency (CISA). The Continuous Diagnostics and Monitoring program (CDM) was leveraged to improve oversight of the agency network while staff made improvements through adopting modernized encryption algorithms, review of network access and user controls, implementing a cloud-based backup solution, and upgrading network equipment.

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 GAO¹ are: “Any payment that should not have been made or made in an incorrect amount”. Further defined by OMB and U.S. Department of Treasury²: “...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 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.paymentaccuracy.gov.

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 supplemental 2-year appropriation from the CARES Act in FY2020 and supplemental no-year appropriation ARP 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 risk of significant improper payments for each fund 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 (CRO), 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

¹ [Government Accountability Office-Improper Payments](#)

² [Payment Accuracy.gov](http://www.paymentaccuracy.gov)

support the program's stated goals of integrating risk with existing agency processes.

The agency does not perform 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

The majority of NEH administrative program costs consist of payroll representing approximately \$29.4M in outlays or 84.3% of the administrative budget primarily personnel compensation. 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 \$5.4M in outlays or 15.7% of total administrative costs comprised of non-payroll related activities such as: vendor and intragovernmental payments, employee travel and other employee reimbursements, panelists for peer review, and government purchase card transactions. These costs fall below policy thresholds for determination of being susceptible to significant improper payments.

Grant Program Funds

NEH's recurring annual appropriation are grant programs reported in this fund. Annual outlays were identified as \$142.4M in FY 2025. For sampling of payments over \$50 thousand or greater, 764 payments representing \$98M were identified and 73 were audited representing a total of \$8.4M. No issues were noted in sample audits and NEH has deemed this program as not susceptible to significant improper payments.

Challenge Grant Program Funds

Challenge Program annual outlays for FY2025 were \$17.9M For sampling of payments over \$50 thousand or greater, 86 payments representing \$16.8M were identified and 8 were audited representing a total of \$1.3M. No issues were noted in audits samples and NEH has deemed this program as not susceptible to significant improper payments.

Summary

The NEH risk assessments resulted in a FY 2025 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 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 improve 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 the similar controls process for all non-payroll payments made by the agency. For all agency 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 before a banking record can be created.

NEH's transition to ARC shared services allowed for automation of agency payment processes, implementing additional system access controls for payment submissions, data validation and funds controls. NEH performs outlay analysis and random transaction sampling for payment integrity reporting and improper payment susceptibility for all funds 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, 40 instances were identified totaling \$1.35M. Of these, one instance in the amount of \$1000 (thousand) is established as an agency receivable. The remaining 39 were fully recovered, root cause analysis and additional data reconciliations were performed to ensure data integrity, mitigating potential future occurrence. Most of the occurrences (99%) were due to system data conversion efforts during the transition to ARC shared services and were a one-time occurrence. There are no active corrective action plans at this time due to the low amounts of improper payments risk for all funds and the 100% recovery policy for improper payments identified. Post-payment reviews and recapture audits would not be needed nor would be cost effective for the agency. NEH reporting results are reported via www.paymentaccuracy.gov.

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](#).

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)
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)

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 2025, the Office of Grant Management (OGM) closed 930 awards, a notable accomplishment given the extraordinary staffing challenges encountered midyear. On April 16, 2025, Administration implemented a reduction in force (RIF) that eliminated most of OGM's staff positions. Since that date, OGM has not been authorized to backfill any vacancies, significantly constraining its capacity to perform closeout activities. Of the 930 awards closed this year, 910 (98%) were completed prior to the April 16th RIFs, underscoring the impact of the staffing loss on OGM's operational capacity for the remainder of the fiscal year.

OGM has continued to monitor expired awards. As of September 30, 2025, 330 awards remain to be closed, totaling \$6.77 million in undisbursed balances. Of these, the majority (78%) have periods of performance that ended within the past three years, indicating that NEH's remaining closeout workload is primarily concentrated among more recently expired awards.

These numbers do not reflect the approximate 1,477 awards, administratively terminated early by Administration in April 2025 and NEH has not yet closed these

awards. The closeout of these early-terminated awards is a multi-phased process requiring several factors, including the payment of outstanding liabilities, reconciliation of financial accounts, coordination across multiple offices, and ongoing legal considerations related to a preliminary court injunction.

Staffing constraints remain the most significant barrier to accelerating close out progress. The loss of experienced personnel hindered the OGM's ability to perform detailed financial reconciliation and coordinate with program offices to resolve outstanding issues.

NEH anticipates 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	3-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	0	0	0
Number of Grants/Cooperative Agreements with Undisbursed Balances	257	67	6
Total Amount of Undisbursed Balances⁶	\$5,944,525.91	\$784,554.28	\$37,614.69

Fraud Reduction Report

Each federal agency must include a report on its fraud reduction efforts undertaken in FY 2025. 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 (Pub. L. 114-186, 32 U.S.C. §3321 note), (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.

⁶ Excludes negative balances of 3 awards.

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 2025, NEH had no ADA violations to report.