



NATIONAL ENDOWMENT FOR THE

Humanities

(www.neh.gov)

PERFORMANCE & ACCOUNTABILITY REPORT

FISCAL YEAR 2017

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NATIONAL ENDOWMENT FOR THE

Humanities

THE CHAIRMAN

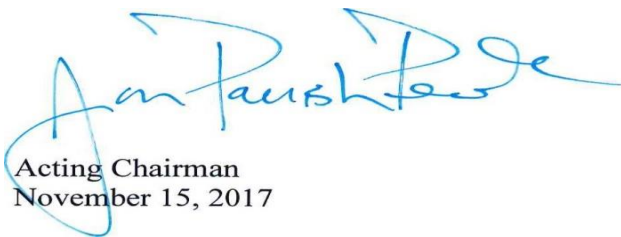
Message from the Acting Chairman

I am pleased to present the Performance and Accountability Report for the National Endowment for the Humanities (NEH) for fiscal year (FY) 2017. The report sets forth the agency's goals and objectives and summarizes our related accomplishments for the fiscal year just concluded. Also included in the report is information on the Endowment's finances and operations during the year.

NEH is an independent federal agency created by an act of Congress in 1965. The Endowment's overarching goal is to advance knowledge and understanding in the humanities in the United States. We are also committed to providing national leadership in promoting the humanities in American life. We do this by provide grants that encourage and support excellence in scholarship, education, and public programming in the humanities.

NEH's grant programs received more than 5,000 grant applications in FY 2017. These applications underwent a rigorous review process conducted by knowledgeable persons outside NEH who were asked for their judgments about the quality and significance of the proposed projects. Guided by the results of this review process, NEH awarded grants to more than 750 humanities projects FY 2017. The information contained in this report provides preliminary information about the work being undertaken by these grantees. This information in turn provides evidence of the value and importance of our programs for the American people.

The financial and performance data contained in this report are, to the best of my knowledge, reliable and complete. I can also state that the National Endowment for the Humanities is in compliance with the requirements of the Federal Managers' Financial Integrity Act of 1982. There are no material weaknesses to report.



Acting Chairman
November 15, 2017

Jon Parrish Peede

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PERFORMANCE AND ACCOUNTABILITY REPORT

Fiscal Year 2017

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

Mission and Organizational Structure

The National Endowment for the Humanities serves and strengthens our nation by supporting high quality projects and programs in the humanities and by making the humanities available to all Americans.

--NEH Mission Statement

In the 1965 legislation that established the National Endowment for the Humanities (NEH), the Congress of the United States declared that "encouragement and support of national progress . . . in the humanities . . . , while primarily a matter of private and local initiative, is also an appropriate matter of concern to the Federal Government." Acknowledging the federal government's interest in "promoting progress in the humanities," Congress expressed this interest in a single, powerful observation: "Democracy demands wisdom and vision in its citizens." The Endowment helps Americans develop "wisdom and vision" by supporting humanities projects and programs that expand knowledge of history, thought, and culture. NEH provides grants to the nation's museums, archives, libraries, colleges, universities, and public television and radio stations, as well as other educational and cultural institutions. The agency also provides grants to individuals to undertake advanced research and scholarship in the humanities.

The agency's grant programs are organized into four divisions (Education Programs, Preservation and Access, Public Programs, and Research Programs) and three offices (Federal/State Partnership, Digital Humanities, and Challenge Grants).

NEH is directed by a Chairman, who is appointed by the President of the United States and confirmed by the U.S. Senate for a term of four years. William D. Adams, who was nominated by President Obama in April of 2014 and confirmed by the Senate in July of that year, served as NEH's chairman until his resignation in May of 2017. President Trump subsequently appointed Jon Parrish Peede as NEH's Acting Chairman in July. Mr. Peede will continue his service as Acting Chairman until a successor is nominated by the President and confirmed by the Senate.

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.

NEH's grant programs received more than 5,000 applications in FY 2017. These applications were evaluated by knowledgeable persons outside NEH who were asked for their judgments about the quality and significance of the proposed projects. More than 1,000 scholars, teachers, librarians and archivists, museum curators, documentary filmmakers, and other humanities professionals and experts served on the more than 250 panels NEH convened in FY 2017. Panelists represent a diversity of disciplinary, institutional, regional, and cultural backgrounds.

NEH staff assembles panelists' evaluations of the merits of grant applications and comment on matters of fact or significant issues that would otherwise be missing from the review. The materials are then presented to the National Council on the Humanities, which meets three times each year to advise the Chairman of NEH. The Chairman takes into account all of the advice provided via the review process and, by law, is authorized to make the final decision about funding. In total, more than 750 humanities projects received direct funding from NEH in fiscal year 2017.

Highlights of Important Performance Goals and Results

Because FY 2017 has only just concluded, NEH cannot report actual outcomes related to most of our grant-making activity during the year. This is because the vast majority of projects supported in any given year will not result in tangible outcomes by the completion of the grant period. For example, fellowships and stipends awarded to scholars to conduct advanced research in the humanities typically will not result in the publication of books or articles until five or more years after the grant period has ended. The outcomes of these grants will thus need to be accounted for in future performance and accountability reports.

For performance measuring purposes, we have been adapting elements of the new Performance Progress Report (PPR) format—a framework for grant-making agencies that was developed by a committee of the National Science and Technology Council under the supervision of the National Science Foundation. In FY 2016 and FY 2017, the Endowment established the PPR format in most of its grant categories. In the coming years, this report will help us capture richer performance information from our grantees and import that information directly into our grants management system. We have also developed an in-house system for collecting information on the products and prizes that result from NEH grants. This system is helping the agency better understand the impact of our programs and initiatives.

Some of NEH's notable recent accomplishments include:

- In FY 2017, the Endowment awarded more than \$123 million to more than 750 humanities projects in every state of the nation and U.S. territorial jurisdictions. These projects are advancing knowledge and understanding in the humanities and bringing this knowledge to millions of Americans.
- Fiscal year 2017 marked the third year of the Endowment's special initiative, *Standing Together: The Humanities and the Experience of War*. Over this three-year period, NEH has awarded nearly \$8 million for humanities projects that serve veterans or chronicle their experiences. NEH grants support veterans as they transition to civilian life, provide the public with insights into veterans' experiences, assist veterans and their families as they process the traumas of war, and honor veterans' service by recording their stories for posterity. Several such projects merit particular mention:
 - The Warrior Scholar Project is a program that offers an "academic boot camp" for vets entering or returning to college. Begun at Yale University, with NEH support it has now expanded to 12 campuses across the country—including Texas A&M

University, the University of Oklahoma, and the University of Arizona—and has helped more than 500 enlisted veterans enroll and succeed in college.

- The Endowment also created a new program specifically concerned with veterans and active service members called “Dialogues on the Experience of War.” This program provides funding of up to \$100,000 for projects that prepare discussion leaders and conduct discussion sessions on significant issues related to war and military service. Discussion groups can be made up exclusively of military veterans, but can also include men and women in active service, military families, and interested members of the public.
- The Endowment provided major funding to acclaimed documentary filmmaker Ken Burns for his monumental ten-part series on “The Vietnam War,” which aired recently on PBS.
- The Endowment also provided support for more than 30 public screenings and discussion panels nationwide focused on the documentary film, “Debt of Honor: Disabled Veterans in American History.” The film, which was broadcast nationally on Veterans Day 2015, was also screened at sites carefully selected to include localities with significant veteran and military populations.
- A new “Humanities Initiatives at Community Colleges” program was launched to support projects focused on a core topic or set of themes in humanities education at community colleges. The program has received a robust response from the field and the Endowment made a number of notable awards, including, for example, a grant to Sitting Bull College in North Dakota to record and preserve interviews with native speakers of the Lakota/Dakota language for use in language classes at this tribal college.
- NEH created a “Public Scholar Program” to encourage and promote humanities research and writing for a wide and diverse reading public, provide easy access to humanities ideas, and make a lasting impact on public understanding of important topics. Among the projects supported in the first two grant competitions are a book—published to critical acclaim in 2016 by Little, Brown, and Company—on the building of One World Trade Center on the site of the former Twin Towers, and forthcoming works on the cultural history of the Star-Spangled Banner and the life and times of NASA engineer Wernher von Braun, as seen through the prism of postwar and Cold War America.
- A new NEH program, “Common Heritage,” is supporting local community events in cities and towns devoted to digitizing cultural heritage materials such as photographic materials, maps, films, and letters, and then making these historical materials available for exhibition, study, discussion, and preservation. NEH received more than 300 applications from nearly every state at its first two deadlines and has made 63 awards.
- NEH’s new “Humanities Open Book” program, in partnership with the Andrew W. Mellon Foundation, is designed to make out-of-print humanities books available electronically, and free of charge, to the American people. The Mellon Foundation has committed \$1,500,000 to the program over three years.

Brief Analysis of Financial Statements/Financial Overview

The principal financial statements have been prepared to report the financial position and the results of operations of the National Endowment for the Humanities (Endowment), pursuant to the requirements of 31 U.S.C. 3515 (b). These statements are included in the Financial Section of the Performance and Accountability Report.

While the statements have been prepared from the books and records of the Endowment in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that the Endowment is a component of the United States Government, a sovereign entity.

The following is a brief summary of the principal statements. The amounts shown are in millions of dollars.

Balance Sheet

On the balance sheet, the Endowment's most significant asset is the fund balance with the U.S. Treasury. This balance principally represents funds to be paid in future years for grants. For fiscal years 2017 and 2016, the Endowment had a fund balance with the U.S. Treasury of \$153.1Million (M) and \$150.5M, respectively. A higher appropriation for FY 2017 accounts for this increase. The FY 2017 amount of \$153.1M comprises \$152.2M of appropriated no-year funds and \$.9M of trust no-year funds.

Of the \$23.1M in total liabilities for FY 2017, the Endowment's principal liability is the estimated grant liability. This liability represents an accrual for the amount of estimated unreimbursed grantee expenses, as of September 30, 2017. For fiscal years 2017 and 2016, the Endowment had grant liabilities of \$21.0M and \$22.9M, respectively. The decrease is due to a reduction in grant obligations for FY 2017. The reduction of awards made during the year reduced the liability compared to FY 2016.

The Endowment's net position consists primarily of unexpended appropriations. The unexpended appropriations include the portion of the Endowment's appropriation represented by undelivered orders and unobligated balances. As required by OMB Circular A-136, the balance sheet shows the portion of cumulative results of operations and unexpended appropriations for dedicated collections separately from all other funds on the face of the balance sheet. For fiscal years 2017 and 2016, the Endowment had unexpended balances of \$134.6M and \$129.2M, respectively. The increase is due to the net effect of a larger appropriation received and reduced net costs in FY 2017 compared to the previous year.

Statement of Net Cost

The net cost of operations represents the gross cost incurred by the Endowment less any exchange revenue earned from its activities. By disclosing the gross and net cost of the

Endowment's programs, the statement of net cost provides information that can be related to the outputs and outcomes of the Endowment's programs and activities. For fiscal years 2017 and 2016, the Endowment had net cost of operations of \$146.0M and \$148.8M, respectively. This is due largely to reduced expenses in the Endowment's grant programs.

Statement of Changes in Net Position

The statement of changes in net position is designed to display the components of the unexpended appropriations and cumulative results of operations separately to enable the stakeholders to better understand the nature of this statement. For fiscal years 2017 and 2016, the Endowment had net positions of \$134.6M and \$129.2M, respectively. The increase is due to a larger unexpended appropriations balance in FY 2017.

Statement of Budgetary Resources

The statement of budgetary resources provides information about how budgetary resources were made available to the Endowment as well as their status at the end of the period. It is the only financial statement primarily derived from the Endowment's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal Government. The budgetary resources are mostly from funds appropriated by the U.S. Congress. For fiscal years 2017 and 2016, the Endowment had \$159.6M and \$159.1M in budgetary resources, respectively. The change is due primarily to an increased appropriation and reduced obligations for FY 2017. For fiscal years 2017 and 2016, the Endowment had net outlays of \$147.2M and \$145.5M, respectively.

Required Supplementary Stewardship Information

Stewardship Investments - Investment in Non-Federal Physical Property

The National Endowment for the Humanities (NEH) provides a long term benefit to the public by maintaining its commitment to investing in non-Federal physical property. Non-Federal physical property refers to expenses incurred by the Federal government for the purchase, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets.

NEH's investment in non-Federal physical property currently includes facilities, structures, and equipment.

Management Assurances

The NEH management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. The 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*¹. Based on the results of the assessment, NEH can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2017.

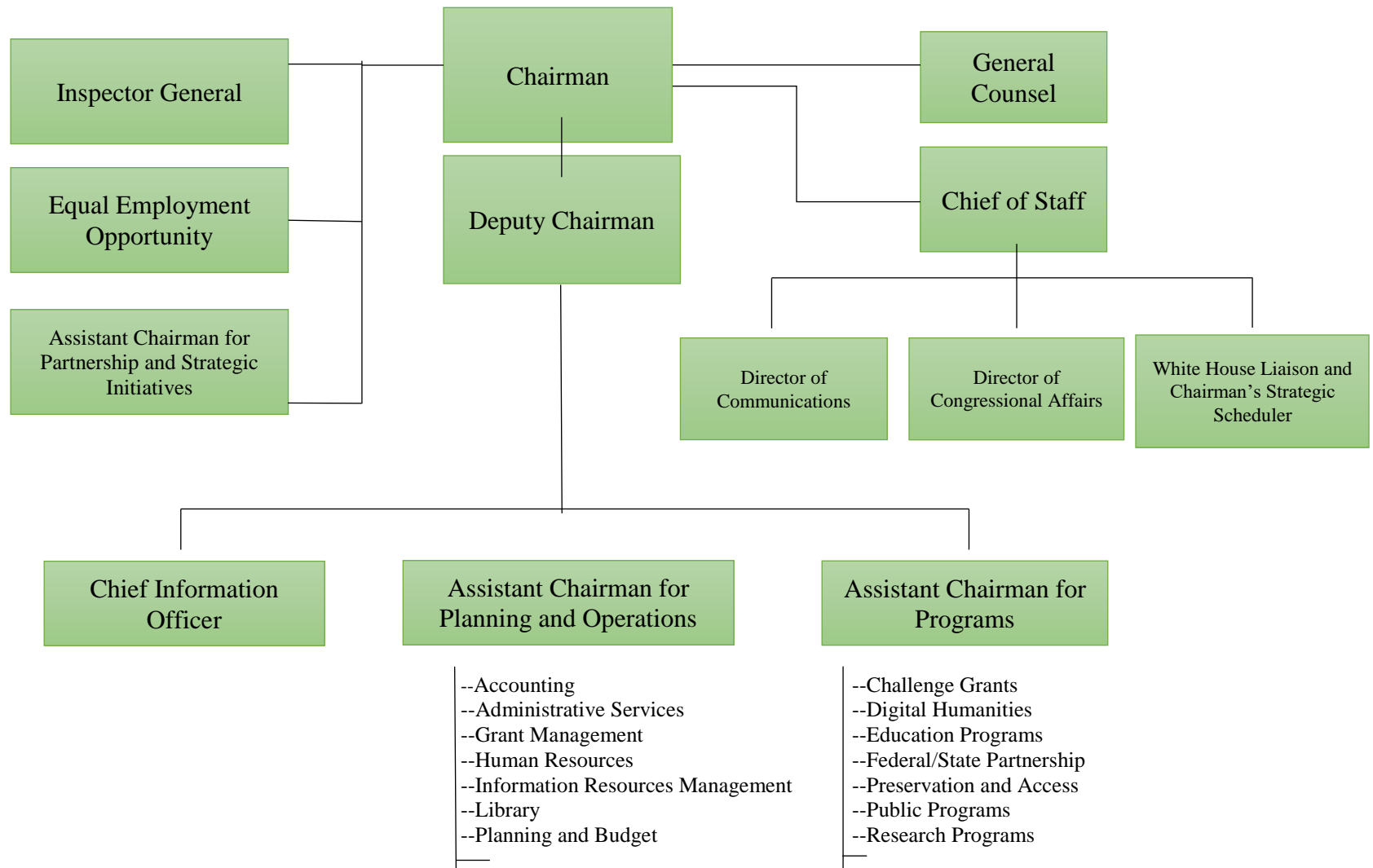
Jon Parrish Peede
Acting Chairman, NEH

Organizational Structure

The following page shows NEH's organizational structure.

¹ OMB Circular A-123 contains guidance on the implementation and use of Enterprise Risk Management (ERM) as part of an agency's internal control system. In the spring of 2017, NEH learned that the President's budget request to Congress for fiscal year 2018 would include only enough funding to execute an orderly shutdown of the Endowment. Upon learning this, NEH management, in consultation with the Office of Management and Budget, determined that moving forward with certain ambitious, forward-looking initiatives such as ERM would not be prudent given the uncertainty of the agency's future. Consequently, NEH management continued to monitor and assess the agency's internal control effectiveness using existing tools and processes for conducting such assessments.

National Endowment for the Humanities



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Fiscal Year 2017 Performance Report:

II. PERFORMANCE INFORMATION

Fiscal Year 2017 Performance Report and Data from Three Previous Fiscal Years

INTRODUCTION

We are pleased to present the Performance and Impact section of our Performance and Accountability Report (PAR) for fiscal year 2017. The purpose of this section of the report is to compare performance levels anticipated for fiscal year 2017 in the annual NEH Performance Plan with the performance outcomes that were actually achieved during that year. FY 2017 goals and indicators relate to the FY 2013-2017 NEH Strategic Plan. Because the goals and indicators of the NEH Performance Plan are tied directly to and closely parallel the general goals and objectives in the Endowment's multi-year strategic plan, this report will also serve as a measure of the agency's progress in achieving its long-term strategic goals.

The results projected in the NEH Performance Plan may accrue over many years. In those cases, measured outcomes of FY 2017 will be reported as partial results and revised in subsequent annual PARs. The projected performance outcomes cited below are those embodied in the NEH Performance Plan and relate to funding allocations at the levels of the final, enacted budget of each year. In what follows, projected performance indicators are shown in *italics*; measured performance outcomes in **bold**. Performance results that as of this writing remain incomplete are enclosed in parenthesis.

[Note: The volume of applications to NEH's discrete programs and grant categories typically fluctuates from year to year. In addition, because grants are awarded through a highly competitive—and necessarily contingent—application review process, the numbers of grants actually awarded during a given year (in **bold**) may differ significantly from the numbers of awards (in *italics*) projected for the year.]

PERFORMANCE GOALS:

A: To facilitate basic research and original scholarship in the humanities.

PERFORMANCE INDICATORS:

1) Provide support for fellowships and stipends that enable scholars—both those affiliated with educational institutions and those working independently—to devote a concentrated period of time to research and writing on significant subjects in all fields of the humanities.

- FY 2017: Support was provided for *195/195* individual scholars to make significant progress on important humanities research projects through fellowships and stipends.
 - FY 2016: Support was provided for *210/195* individual scholars to make significant progress on important humanities research projects through fellowships and stipends.
 - FY 2015: Support was provided for *190/190* individual scholars to make significant progress on important humanities research projects through fellowships and stipends.
 - FY 2014: Support was provided for *161/161* individual scholars to make significant progress on important humanities research projects through fellowships and stipends.
- 2) Support collaborative research projects on significant subjects in the humanities.
- FY 2017: Support was provided for *34/34* important long-term collaborative projects in the humanities such as scholarly editions, translations, archaeological excavations and analyses and other complex, large-scale undertakings. In addition, *26/21* previously awarded grants received ongoing support through NEH matching funds.
 - FY 2016: Support was provided for *28/34* important long-term collaborative projects in the humanities such as scholarly editions, translations, archaeological excavations and analyses and other complex, large-scale undertakings. In addition, *26/26* previously awarded grants received ongoing support through NEH matching funds.
 - FY 2015: Support was provided for *33/33* important long-term collaborative projects in the humanities such as scholarly editions, translations, archaeological excavations and analyses and other complex, large-scale undertakings. In addition, *24/24* previously awarded grants received ongoing support through NEH matching funds.
 - FY 2014: Support was provided for *45/45* important long-term collaborative projects in the humanities such as scholarly editions, translations, archaeological excavations and analyses and other complex, large-scale undertakings. In addition, *24/24* previously awarded grants received ongoing support through NEH matching funds.
- 3) Encourage international scholarly collaboration in the humanities.

- FY 2017: Awards for 24/**24** humanities fellowship programs at independent research institutions are supporting the work of 72/**60** humanities scholars who are making significant contributions to scholarship in the humanities.
- FY 2016: Awards for 23/**24** humanities fellowship programs at independent research institutions are supporting the work of 72/**72** humanities scholars who are making significant contributions to scholarship in the humanities.
- FY 2015: Awards for 23/**23** humanities fellowship programs at independent research institutions are supporting the work of 72/**72** humanities scholars who are making significant contributions to scholarship in the humanities.
- FY 2014: Awards for 24/**24** humanities fellowship programs at independent research institutions supported the work of 76/**76** humanities scholars who are making significant contributions to scholarship in the humanities.

4) Encourage the use of digital technologies in scholarly research and the dissemination of research findings. (New indicator in FY 2015.)

- FY 2017: Applicants were encouraged to harness the vast potential of advanced digital technology in the conduct and dissemination of their research.
- FY 2016: Applicants were encouraged to harness the vast potential of advanced digital technology in the conduct and dissemination of their research.
- FY 2015: Applicants were encouraged to harness the vast potential of advanced digital technology in the conduct and dissemination of their research.

5) Work in partnership with the National Science Foundation to support projects to record, document, and archive endangered languages worldwide, with a special emphasis on endangered Native American languages. (New indicator in FY 2015.)

- FY 2017: 5/**5** projects were supported through the Endowment's multi-year funding partnership with the National Science Foundation to provide awards to scholars engaged in recording and archiving key languages before they become extinct.
- FY 2016: 10/**5** projects were supported through the Endowment's multi-year funding partnership with the National Science Foundation to provide awards to scholars engaged in recording and archiving key languages before they become extinct.

- FY 2015: 10/10 projects were supported through the Endowment's multi-year funding partnership with the National Science Foundation to provide awards to scholars engaged in recording and archiving key languages before they become extinct.

6) Support humanities scholarship and related course development by faculty at Historically Black Colleges and Universities, Hispanic-Serving Institutions, and Tribal Colleges and Universities.

- FY 2017: Support was provided to 10/12 individual scholars who teach at historically black colleges and universities, at Hispanic-serving institutions, and at tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.
- FY 2016: Support was provided to 6/10 individual scholars who teach at historically black colleges and universities, at Hispanic-serving institutions, and at tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.
- FY 2015: Support was provided to 9/9 individual scholars who teach at historically black colleges and universities, at Hispanic-serving institutions, and at tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.
- FY 2014: Support enabled 10/10 individual scholars who teach at historically black colleges and universities, at Hispanic-serving institutions, and at tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.

ANALYSIS:

Availability of data. The scholars who received NEH funding during FY 2017 undertook projects of varying length, from the three months of independent research and writing supported by a summer stipend to multi-year research collaborations. In the coming months and years, these projects will come to fruition in the form of journal articles, books, and scholarly editions. Increasingly, the Endowment's Grants Management System (GMS) database will facilitate the aggregation of data about products, such as books and articles that result from activities supported by specific NEH grants. As well, current and past grantees can now input data about such additional project outcomes journal articles, websites, documentary films, museum exhibitions, conferences, workshops, computer software, and academic prizes, or about media coverage, such as a book review, newspaper article, or radio interview.

FY 2017 accomplishments. The Endowment supports research by individual scholars; long- term, complex projects carried out by teams of scholars; and focused, individual projects that draw upon the collections and expertise of leading humanities institutions and overseas research centers. Support for humanities research is a long-term investment, and the full impact of NEH grants is often realized well after grant funds are spent. The awards made in FY 2017 will help to shape the understanding of scholars and the larger public for years to come.

[**Indicator 1**] NEH Fellowships and Summer Stipends provide opportunities for individual scholars and teachers to undertake advanced research in the humanities. Since the first years of the Endowment, these programs have proven to be an effective and efficient means of supporting humanities research, resulting in the publication of approximately 8,500 books. While books (including books in electronic format) and scholarly articles are most often the goal of those applying for NEH awards, grantees report that their scholarly publications often help them broaden their reach, allowing them to publish with popular presses, make presentations to both specialized and general audiences, and draw on their research to enrich their teaching.

Many NEH-supported publications win academic, scholarly, and literary prizes. For example, David A. Chang of the University of Minnesota was recognized in FY2017 by the American Historical Association for his book *The World and All the Things Upon It: Native Hawaiian Geographies of Exploration*. Chang's book, which he wrote with the support of a 2014 NEH Fellowship, won the Albert J. Beveridge Award, given for the best book on the history of the U.S., Latin America, or Canada, from 1492 to the present. James T. Kloppenberg's *Toward Democracy: The Struggle for Self-Rule in European and American Thought* (supported by an NEH Fellowship in 2000) won the 2017 George L. Mosse Prize of the American Historical Association for the best book in the intellectual and cultural history of Europe since 1500. David Wheat's book *Atlantic Africa and the Spanish Caribbean, 1570-1640*, won the 2017 Harriet Tubman Prize from the Lapidus Center for the Historical Analysis of Transatlantic Slavery at the Schomburg Center for Research in Black Culture. This prize is awarded to the best nonfiction book published in the United States on the slave trade, slavery, and antislavery in the Atlantic World. Wheat, a faculty member at Michigan State University, held an NEH Fellowship in 2012-13 to support his work on this project.

In FY 2015, NEH introduced the Public Scholar Program, which encourages books in the humanities that are based on rigorous research but are also written in an accessible style that will appeal to any curious general reader. In FY 2017 this program made 28 awards. For example, Kimberly Hamlin, a historian at Miami University in Oxford, Ohio, received an award to support her research on the history of the women's suffrage movement in America. Hamlin's book will focus on an unsung hero of the movement, Helen Hamilton Gardener (1835-1925), who was the suffragists' lead negotiator to Congress and to President Woodrow Wilson. Hamlin expects to publish her book by 2020, to coincide with the 100th anniversary of women's suffrage. The books published in FY2017 with the support of this program include independent scholar Wendy Lesser's biography of the American Architect Louis Kahn (1901-1974), titled *You Say to Brick*.

Lesser's biography has been reviewed favorably in many widely-read newspapers and magazines targeting a general readership.

[Indicator 2] Modern scholarly endeavors increasingly require collaboration among many researchers working across different specialties or intellectual exchange among scholars working together in research centers and archives. The Endowment nurtures such collaborative efforts through three programs—Scholarly Editions and Translations, Collaborative Research, and Fellowship Programs at Independent Research Institutions.

Scholarly Editions and Translations grants support the preparation of important texts and documents of enduring value that otherwise would be relatively inaccessible to scholars and the public. Scholarly editions projects involve significant literary, philosophical, and historical materials, with the majority being in U.S. history and literature. Most are produced in print editions but increasingly also in a variety of digital formats. Recent grants have supported, for example, editions of the papers of such major political figures as George Washington, John Adams, James Madison, James Monroe, and James Polk; important cultural figures such as early 20th-century inventor Thomas Edison and entertainer William F. “Buffalo Bill” Cody; and such literary figures as Mark Twain, Walt Whitman, and Robert and Elizabeth Barrett Browning.

Translation projects make important literary and historical material accessible to English-speaking scholars and readers. Scholars at the University of Illinois, Urbana-Champaign, for example, worked with NEH support during FY2017 to translate the recently rediscovered journal of Johann Peter Oettinger (1666-1746), a barber-surgeon who traveled across Germany and the Netherlands and sailed on Dutch and Brandenburg slave ships to the Caribbean and Africa. Oettinger's richly detailed journal will be a vital resource to historians of medicine, race, and the Atlantic world. Scholars at the University of California, Los Angeles, received an NEH grant to support the definitive translation into English of the most important work of famed Russian psychologist Ivan Pavlov (1849-1936).

Collaborative Research grants support teams of researchers involved in a variety of large-scale domestic and international projects, including archaeological excavation and interpretation, scholarly conferences, and wide-ranging original and synthetic research that significantly adds to our understanding of historical issues and cultural concerns. In 2017, for example, the University of Utah received a grant to support archaeological fieldwork in Peru that will shed new light on the expansion and collapse of the ancient Inca and Wari civilizations, based on examination of road networks and surrounding territory in the Andes. The project will yield journal articles, a monograph, an open-access database, and a website, all of which will help scholars understand the rise and fall not only of these empires, but also of empires in other times and places.

[Indicator 3] Fellowship Programs at Independent Research Institutions support residential fellowships offered by U.S. research centers located at home and abroad, and fellowships awarded under the auspices of U.S. organizations that facilitate international research. The American Institute for Indian Studies, for example, which maintains an office in Delhi, India, received continuing NEH support in FY 2017 to aid U.S.-based scholars conducting research in India. The

Institute provides these scholars with fellowships, arranges the required affiliation with Indian universities, helps them find housing, and sponsors conferences, workshops, and other special programs. Fellows at NEH-supported centers produce a wide range of published scholarship. For example, Lawrence Nees, a professor of art history at the University of Delaware, held a fellowship through the National Humanities Center in North Carolina, which received ongoing NEH support in FY 2017. With his award, Nees completed *Perspectives on Early Islamic Art in Jerusalem* (2016). Focusing on the Temple Mount, the book interprets architectural details of the Dome of the Rock and the nearby Dome of the Chain, yielding a deeper understanding of Islamic thought and of the history behind the earliest mosque in Jerusalem.

[Indicator 4] The Endowment has long encouraged applicants to harness the vast potential of advanced digital technology in the conduct and dissemination of their research. For example, a continuing grant to the University of Virginia supports the use of database technology to re-create the political and social history of two Kentucky counties during the late-19th century. Both counties recorded the voice votes of citizens, allowing researchers to follow black and white voters across multiple elections, revealing the political effects of network and neighborhood during the early post-Civil War era.

[Indicator 5] The Endowment has forged a number of strategic partnerships that allow it to share its expertise in grant-making and stretch the agency's dollars. For example, NEH conducts the evaluation of applications to the Library of Congress's John W. Kluge Fellows Program. This program provides stipends to junior scholars from the U.S. and abroad to conduct research in the Library's rich collections in the humanities. The Endowment also collaborates with the Japan-United States Friendship Commission to encourage American scholars' research on Japan and U.S.-Japan relations. In FY 2016, the Endowment began a new financial partnership with the Mellon Foundation to support research leading to scholarly publications that exploit the full potential of digital media to engage and communicate ideas to readers. The Endowment also continues its multi-year funding partnership with the National Science Foundation in support of Documenting Endangered Languages, a program to provide NEH awards to scholars engaged in recording and preserving key languages before they become extinct. For example, in FY 2017 one of these awards supported linguist Craig Kopris's work on a dictionary of Wyandot, a Northern Iroquoian language once used by tribal communities mainly in Oklahoma, Kansas, and Michigan. The dictionary will be valuable to linguists, but Kopris is also working closely with the Wyandotte Nation of Oklahoma in its efforts to bring the language back to life among its members.

[Indicator 6] As part of the agency's efforts to extend the reach of its grants, the Endowment offers Awards for Faculty at Historically Black Colleges and Universities, Hispanic-Serving Institutions, and Tribal Colleges and Universities. The Awards for Faculty program provides flexible grants to better serve the unique needs of faculty members at these institutions, who often struggle to maintain their credentials as scholars while teaching under the most challenging of conditions. In FY 2017, for example, Tyler Dunsdon Parry, a professor at California State University, Fullerton, received Awards for

Faculty funding for a book on the history of marriage practices among slave communities in the United States and the British West Indies during the 18th and 19th centuries.

B: Strengthen teaching and learning in the humanities in elementary and secondary schools and institutions of higher education.

PERFORMANCE INDICATORS:

1) Provide professional development opportunities for teachers at all levels of the nation's educational system to renew and deepen their knowledge of the humanities.

- FY 2017: Support for 40/41 NEH summer seminars and institutes will enable 455/444 college teachers and 455/905 school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2017 will reach approximately 79,625/77,700 students annually; school teacher participants will reach approximately 56,875/113,125 annually.

The "Landmarks of American History and Culture" program was temporarily suspended for FY 2017; it will be reintroduced for FY 2018, to support workshops taking place in the summer of 2019.

FY 2017: Support for 12/16 awards in its new program, Dialogues on the Experience of War, which is specifically concerned with veterans and active service members.

- FY 2016: Support for 49/46 NEH summer seminars and institutes will enable 521/(489) college teachers and 578/(543) school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2017 will reach approximately 91,175/(85,593) students annually; school teacher participants will reach approximately 72,250/(67,827) annually.

Support for 22/20 "Landmarks of American History and Culture" workshops to take place in the summer of 2017 would enable approximately 1,548/(1,440) school teachers to revitalize their knowledge and teaching of American history, particularly as it relates to the relationship between specific sites and the episodes in history, the writers, and/or the artists associated with that location. These teachers would annually reach approximately 198,000/(180,000) students.

Support for 26/20 Enduring Questions projects is enabling faculty members to develop a new course at the undergraduate level to grapple with the most fundamental concerns of the humanities, and to join with their students in deep, sustained programs of reading in order to encounter influential thinkers over the centuries and into the present day. Each participating faculty member will conduct the newly created course at least twice, with each iteration reaching approximately 25 students. FY 2016 was the last grant competition for this program, which has been discontinued.

In FY 2016, made 17 awards in its new program, the Dialogues on the Experience of War, which is specifically concerned with veterans and active service members.

- FY 2015: Support for 50/50 NEH summer seminars and institutes enabled 535/535 college teachers and 535/535 school teachers to revitalize their knowledge and teaching of the humanities. College teachers who participated in seminars and institutes during the summer of 2016 will reach approximately 93,625/93,625 students annually; school teacher participants will reach approximately 66,875/66,875 annually.

Support for 22/22 “Landmarks of American History and Culture” workshops during the summer of 2016 enabled approximately 1,584/1,584 school teachers to revitalize their knowledge and teaching of American history, particularly as it relates to the relationship between specific sites and the episodes in history, the writers, and/or the artists associated with that location. These teachers would annually reach approximately 198,000/198,000 students.

Support for 26/26 Enduring Questions projects is enabling faculty members to develop new courses at the undergraduate level to grapple with the most fundamental concerns of the humanities, and to join with their students in deep, sustained programs of reading in order to encounter influential thinkers over the centuries and into the present day. Each participating faculty member will conduct the newly created course at least twice, with each iteration reaching approximately 25 students.

- FY 2014: Support for 50/48 NEH summer seminars and institutes enabled 508/511 college teachers and 517/544 school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2015 will reach approximately 88,900/89,425 students annually; school teacher participants would reach approximately 64,625/68,000 annually.

Support for *18/21* “Landmarks of American History and Culture” workshops in the summer of 2015 enabled approximately 1,296/**1,512** school teachers to revitalize their knowledge and teaching of American history, particularly as it relates to the relationship between specific sites and the episodes in history, the writers, and/or the artists associated with that location. These teachers will annually reach approximately 162,000/**189,000** students.

Support for *21/20* Enduring Questions projects will enable faculty members to develop a new course at the undergraduate level to grapple with the most fundamental concerns of the humanities, and to join with their students in deep, sustained programs of reading in order to encounter influential thinkers over the centuries and into the present day. Each participating faculty member will conduct the newly created course at least twice, with each iteration reaching approximately 25 students.

2) Strengthen efforts to enhance the availability and quality of undergraduate humanities teaching and learning in the nation’s community colleges, colleges, and universities, especially the study of diverse cultures and historical perspectives and the importance of the humanities to diverse fields and disciplines.

- FY 2017: Support for *10/8* Humanities Initiatives at Community Colleges projects are supporting community colleges’ commitment to educating students on a variety of educational and career paths. This program funds curricular and faculty development projects that help strengthen humanities programs and/or incorporate humanistic approaches in fields outside the humanities.

Support for *20/18* Humanities Connections projects are enabling faculty at community colleges, colleges, and universities to enhance undergraduate humanities education, to forge links between the humanities and other fields, and to engage undergraduate students in expanded experiential education opportunities. This newly introduced program funds curricular enhancement projects that help strengthen connections among humanities programs and fields outside the humanities.

- FY 2016: Support for *10/12* Humanities Initiatives at Community Colleges projects are supporting community colleges’ commitment to educating students on a variety of educational and career paths. This newly introduced program funds curricular and faculty development projects that help strengthen humanities programs and/or incorporate humanistic approaches in fields outside the humanities.
- FY 2015: Support for *3/3* NEH Bridging Cultures at Community Colleges projects are enabling community college faculty and administrators to participate in sustained programs of faculty and curriculum development. They will work with leading scholars to develop new curricula and courses, participating in a sustained program of study and guidance, exchanging ideas

through digital technology, and will present products such as syllabi and research products at a concluding conference. Community college faculty participating in these projects will each reach approximately 190/190 students annually.

- FY 2014: Support for 3/3 NEH Bridging Cultures at Community Colleges projects enabled community college faculty and administrators to participate in sustained programs of faculty and curriculum development. They will work with leading scholars to develop new curricula and courses, participating in a sustained program of study and guidance, exchanging ideas through digital technology, and will present products such as syllabi and research products at a concluding conference. Community college faculty participating in these projects will each reach approximately 190/190 students annually.

3) Support efforts of faculty at Historically Black Colleges and Universities, Hispanic- Serving Institutions, and Tribal Colleges and Universities to deepen their knowledge in the humanities and strengthen their humanities offerings.

- FY 2017: Humanities Initiatives at Presidentially Designated Institutions provided 10/13 grants to support faculty professional development activities for improvement in humanities instruction, as well as other capacity building activities at these institutions.
- FY 2016: Humanities Initiatives at Presidentially Designated Institutions provided 10/9 grants to support faculty professional development activities for improvement in humanities instruction, as well as other capacity building activities at these institutions.
- FY 2015: Humanities Initiatives at Presidentially Designated Institutions provided 9/9 grants to support faculty professional development activities for improvement in humanities instruction, as well as other capacity building activities at these institutions.
- FY 2014: Humanities Initiatives at Presidentially Designated Institutions provided 10/10 grants to support faculty professional development activities for improvement in humanities instruction, as well as other capacity building activities at these institutions.

4) Develop and support NEH's EDSITEment web portal as a means of enriching online teaching and learning resources available to teachers, students, and parents. (New indicator in FY 2015.)

- FY 2017: Special encouragement was provided for projects that will produce materials for inclusion on EDSITEment, the Endowment's nationally recognized website for K-12 teachers seeking rich humanities resources on the Internet.

- FY 2016: Special encouragement was provided for projects that will produce materials for inclusion on EDSITEment, the Endowment's nationally recognized website for K-12 teachers seeking rich humanities resources on the Internet.
- FY 2015: Special encouragement was provided for projects that will produce materials for inclusion on EDSITEment, the Endowment's nationally recognized website for K-12 teachers seeking rich humanities resources on the Internet.

ANALYSIS:

Availability of data. Because few of the above education projects supported by the Endowment during FY 2017 had concluded at the time this report was prepared, data are not yet available on the numbers of participating teachers and the numbers of students each teacher may be expected to affect annually. Most of the missing data on project outcomes will be supplied in the coming year as project personnel submit their regularly scheduled progress reports. We anticipate that we will be able to provide nearly complete data on the FY 2017 performance indicators in the FY 2018 PAR.

FY 2017 accomplishments. [Indicator 1] NEH Summer Seminars and Institutes have for more than four decades been one of the nation's premier forms of professional development in the humanities for college and university teachers and elementary and secondary school teachers. NEH offers these teachers opportunities to pursue serious intellectual inquiry in fields such as history, literature, religion, philosophy, foreign languages, and government and civics. Working with distinguished scholars, participants deepen their knowledge of the subjects they teach and develop effective ways of bringing this understanding to their students. Increasingly, both seminars and institutes have been relying on digitized materials in addition to traditional printed books and articles.

In NEH Summer Institutes, participants undertake an intensive program of study with teams of humanities scholars who present a range of perspectives on a given topic. Well-suited to larger groups (as many as thirty-six), institutes are an effective forum for breaking new ground in an emerging field and for redirecting the teaching of various subjects in the pre-collegiate or undergraduate classroom. NEH Summer Seminars enable sixteen participants to study under the guidance of a senior scholar. The principal goal is to equip teachers with deep understanding of their subject areas, to engage them in scholarly research and discussion, and to improve their teaching.

NEH annually supports Summer Seminars and Institutes on a range of topics in the humanities. During the summer of 2017, for example, pre-collegiate teachers studied such topics as American Women at War; The Immigrant Experience in California through Literature and Theatre; Teaching Shakespeare's Plays; and Muslim American Identities: Past and Present. For 2017, college-level faculty studied, among other topics, the poetry and life of Elizabeth Bishop; literature and culture in twentieth-century Chicago; Islam in Asia; and transcendentalism and reform in the mid-nineteenth century.

The Landmarks of American History and Culture program supports summer workshops to educate K-12 teachers in the use of historical and cultural sites in teaching central themes

and topics in American history. The program also encourages staff at the sites to improve their professional development programs. Landmarks workshops are held at or near presidential residences and libraries, colonial-era settlements and missions, forts and battlefields, industrial centers, and sites associated with notable writers, architects, and artists. The workshops are academically rigorous, involve leading scholars, and help participants develop new teaching resources. Projects accommodate thirty-six teachers at one-week sessions, which are offered twice during the summer. Although the division has temporarily suspended funding for workshops next summer, during the summer of 2017, school teachers studied such topics as African Americans in the Making of Early New England; Grand Coulee Dam: The Intersection of Modernity and Indigenous Cultures; Manifest Destiny Reconsidered: The Utah Experience; and The Transcontinental Railroad: Transforming California and the Nation.

Introduced in FY 2016, the Dialogues on the Experience of War program supports the study and discussion of important humanities sources about war, in the belief that these sources can help U.S. military veterans and others to think more deeply about the issues raised by war and military service. The humanities sources are drawn from history, philosophy, literature, and film—and they are typically supplemented by testimonials from those who have served. The discussions are intended to promote serious exploration of important questions about the nature of duty, heroism, suffering, loyalty, and patriotism. This grant program is a part of the agency's *Standing Together* initiative, which emphasizes the innovative ways in which the humanities can engage military veterans and communities. Sixteen awards were made in the most recent round of this grant competition, including grants to fund a semester-long humanities course at Valencia College (FL) for veterans with three related public events; a preparatory seminar for student veterans at St. John Fisher College (NY); and a preparatory training program at East Carolina University (NC) followed by a discussion series on the island of Saipan, focusing on the seventeenth-century Spanish-Chamorro Wars and the World War II Battle of Saipan.

[Indicator 2] Introduced in FY 2016, Humanities Initiatives at Community Colleges support community colleges' commitment to educating students on a variety of educational and career paths. The program funds curricular and faculty development projects that help strengthen humanities programs and/or incorporate humanistic approaches in fields outside the humanities. In its second year, this new programs supported twelve projects, including, for example, a project at Missoula College (MT) to develop a veterans studies program; Holyoke Community College's (MA) inter-institutional learning communities project, which will strengthen ties with nearby 4-year institutions; and Dean College's (MA) history of science project, incorporating hands-on labs into the history of science curriculum.

In FY 2017, the Division of Education Programs established the Humanities Connections grant, designed to expand the role of the humanities in undergraduate education at two- and four-year institutions. Grants support innovative curricular approaches that foster productive partnerships among humanities faculty and their counterparts in the social and natural sciences and in pre-service or professional programs (such as business, engineering, health sciences, law, computer science, and other technology-driven fields). In its initial year, this grant program funded eighteen projects at such institutions as Worcester

Polytechnic Institute (MA), Fontbonne University (MO), Berea College (KY), and Oakton Community College (IL).

[Indicator 3] Awards made in the Humanities Initiatives at Historically Black, Hispanic-Serving, and Tribal Colleges and Universities category may be used to enhance the humanities content of existing programs; to develop new humanities programs, such as foreign language programs, new humanities minors, first-year seminars, or summer bridge programs for high school students; to build ties among faculty at several institutions; and to take advantage of underused humanities resources, particularly as they pertain to the professions, such as medicine, law, business, or economics. Each project is organized around a core topic or set of themes.

In FY 2017, NEH funded a total of thirteen Humanities Initiatives at Minority-Serving Institutions. Institutions used these awards to fund a variety of projects. For instance, Bethune-Cookman University (FL) used its Humanities Initiatives at Historically Black Colleges and Universities award to fund a two-year project that would establish a center for historic preservation at the university and enhance its program in public history. Little Big Horn College (MT) received a Humanities Initiatives at Tribal Colleges and Universities award to fund a three-year project to collect oral histories of the post-World War II generation of Crow tribal members, develop humanities courses modules based on the interviews, and train students in oral history methods. The University of Texas, Rio Grande Valley (TX) received an award to fund a twenty-month program of scholar-led workshops as well as faculty retreats to revise the Gender and Women's Studies Program at the institution.

[Indicator 4] In FY 2017, the Division of Education Programs welcomed NEH's EDSITEment project a website for K-12 educators and students into the division after a four-year residency in the Chairman's Office. Now approaching its twentieth anniversary, this award-winning site brings a well-respected, robust means of digital outreach to the K-12 community that includes over 500 lesson plans and scores of student interactives and professional and classroom development resources. During FY 2017, EDSITEment's ca. 2.5 million viewers garnered over four million page views. Among the site's most popular pages were lesson plans for teaching topics related to the role of Native Americans in the American Revolution; the Statue of Liberty; Advanced Placement poetry; and the meaning of Woodrow Wilson's foreign policy.

C: To preserve and increase the availability of cultural and intellectual resources essential to the American people.

PERFORMANCE INDICATORS:

1) Support is provided to preserve and create intellectual access to humanities collections and resources. Supported activities include digitizing collections; arranging and describing archival and manuscript collections; cataloging collections of printed works, photographs, recorded sound, moving image, art, and material culture; preservation reformatting; preserving and improving access to humanities resources in "born digital"

form; creating research tools and reference works; and developing technical standards, best practices, and tools for preserving and enhancing access to humanities collections.

- FY 2017: 39 projects will preserve and/or provide access to 13,000 hours of recorded sound and video collections; 1,070 linear feet of archival documents; and 750,000 manuscripts, broadsides, oversize volumes, and other non-print materials.
- FY 2016: 30/30 projects will preserve and/or provide access to 6,800/(6,800) hours of recorded sound and video collections; 2,900/(2,900) linear feet of archival documents; and 3.5 million/(3.5 million) manuscripts, broadsides, oversize volumes, and other non-print materials.
- FY 2015: 27/27 projects will preserve and/or provide access to 1,000/(1,000) hours of recorded sound and video collections; 2,000/(2,000) linear feet of archival documents; and 1,500,000/(1,500,000) manuscripts, broadsides, oversize volumes, and other non-print materials.
- FY 2014: 26/26 projects are preserving and/or providing access to 927/(927) hours of recorded sound and video collections; 1,630/(1,630) linear feet of archival documents; and 2,205,502/(2,205,502) manuscripts, broadsides, oversize volumes, and other non-print materials.

2) Work in partnership with other institutions, such as the Library of Congress, to digitize and make more accessible historic U.S. newspapers, including newspapers printed in languages other than English.

- FY 2017: Supported projects will digitize 4.5 million pages of microfilm pages of historic newspapers.
- FY 2016: Supported projects are digitizing hundreds of thousands of microfilm pages of historic newspapers.
- FY 2015: Supported projects are digitizing hundreds of thousands of microfilm pages of historic newspapers.
- FY 2014: Cooperative agreements are digitizing hundreds of thousands of microfilm pages of historic newspapers.

3) Support the creation of research tools and reference works of major importance to the humanities.

- FY 2017: Grants were made to 6 projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.

- FY 2016: Grants were made to 12/12 projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.
- FY 2015: Grants were made to 10/10 projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.
- FY 2014: Grants were be made to 10/10 projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.

4) Work in partnership with the National Science Foundation to support projects to record, document, and archive endangered languages worldwide, with a special emphasis on endangered Native American languages. (New indicator in FY 2015.)

- FY 2017: 3 projects were supported for the creation of tools—such as bilingual dictionaries, grammars, and text collections—that document languages threatened with extinction.
- FY 2016: 3/2 projects were supported for the creation of tools—such as bilingual dictionaries, grammars, and text collections—that document languages threatened with extinction.
- FY 2015: 4/4 projects were supported for the creation of tools—such as bilingual dictionaries, grammars, and text collections—that document languages threatened with extinction.

5) Support research that leads to new digital tools, technologies, national standards, best practices, and other methodologies for the preservation of collections and cultural resources.

- FY 2017: 5 are supporting the creation of new digital tools, technologies, national standards, best practices, and other methodologies for the preservation of collections and cultural resources.
- FY 2016: 8/8 are supporting the creation of new digital tools, technologies, national standards, best practices, and other methodologies for the preservation of collections and cultural resources.
- FY 2015: Support was provided for 4/4 awards for the creation of new digital tools, technologies, national standards, best practices, and other methodologies for the preservation of collections and cultural resources.

- FY 2014: Support was provided for 3/3 research and development projects concerned with standards and procedures.

6) Support the training of staff from the nation's cultural repositories in the appropriate procedures for preserving and enhancing access to humanities collections.

- FY 2017: 7 awards were made for regional and national education programs that are providing training for 590,000 people in U.S. museums, libraries, archives, and historical organizations.
- FY 2016: 6/8 awards were made for regional and national education programs that are providing training for 414,364/(552,485) people in U.S. museums, libraries, archives, and historical organizations.
- FY 2015: 4/4 awards were made for regional and national education programs that are providing training for 309,226/(309,226) people in U.S. museums, libraries, archives, and historical organizations.
- FY 2014: 4/4 awards were made for regional and national education programs that provided training for approximately 300,000/(300,000) people in U.S. museums, libraries, archives, and historical organizations.

7) Provide support for basic preservation activities to small and mid-sized libraries, archives, museums, and historical organizations.

- FY 2017: Projects supported are assisting in preserving collections at 75 institutions in 33 states. Approximately 39 percent of the awards will go to first-time NEH grantees.
- FY 2016: Projects supported are assisting in preserving collections at 80/80 institutions in 30/30 states. Approximately 30 percent of the awards went to first-time NEH grantees.
- FY 2015: Projects supported are assisting in preserving collections at 80/80 institutions in 32/32 states. Approximately 35 percent of the awards went to first-time NEH grantees.
- FY 2014: Projects supported assisted in preserving collections at 70/70 institutions in 30/30 states. Approximately 20 percent of the awards went to first-time NEH grantees.

ANALYSIS:

Availability of data. Accurate data on the performance of the preservation, access, research tools, and reference works projects that received NEH support during FY 2017 will be provided by the respective project directors in their regularly scheduled

progress reports. To the extent partial data on FY 2017 activities are available, they are shown in parenthesis above. We expect to be able to report more complete FY 2017 data in the FY 2018 PAR.

FY 2017 accomplishments.

[Indicator 1] The Endowment's Humanities Collections and Reference Resources program provides grants to projects that preserve and create intellectual access to collections that, because of their intellectual content or value as cultural artifacts, are considered highly important to the humanities. Grants support the digitization of collections to enhance their accessibility, as well as the creation of significant reference works. They also support preservation reformatting of humanities collections; arranging and describing archival and manuscript collections; and cataloging collections of printed works, photographs, recorded sound, moving images, and other materials important for humanities research and education.

Furthermore, Humanities Collections and Reference Resources Foundations grants support the formative stages of planning, assessment, and pilot activities for initiatives to preserve and create access to humanities collections or to produce reference resources. Drawing upon the cooperation of humanities scholars and technical specialists, such projects can help cultural institutions prepare for establishing intellectual control of collections, develop plans and priorities for digitizing collections, solidify collaborative frameworks and strategic plans for complex digital reference resources, or produce preliminary versions of online collections or resources. A Foundations grant recently made to the University of Houston supports planning for the creation of an online guide to collections of small libraries, archives, museums and historical societies in the Southwest that hold documents related to Hispanic history and culture.

The Endowment also encourages efforts to preserve and create access to significant humanities collections, among them sound recordings and moving images—an indispensable source of information on the history of the 20th century. In FY 2017, support was provided to the Go For Broke National Education Center in Los Angeles, to digitize and make freely available 800 interviews of veterans of Japanese American military units in World War II. Another project focused on the history of war is now underway at the Ohio Historical Society, which received a grant to digitize 5,000 photographs, letters, diaries, government records, posters, and other materials from repositories across the state, documenting Ohio's experiences during World War I. This is one of several projects funded by NEH to commemorate the centennial of America's entry in that conflict.

America's cultural heritage is preserved not only in libraries, museums, and archives, but also in all of our homes, family histories, and life stories. The Common Heritage program captures this vitally important part of our country's heritage and preserves it for future generations. For example, support was recently provided for three community digitization events sponsored by the Athens Regional Library focused on African American residents of that Georgia community. The project will help build collections that tell the stories of blacks in Athens and the surrounding region and also facilitate

stewardship of important family records, such as photographs, scrapbooks, funeral pamphlets, church bulletins, and other memorabilia. A public lecture series and tours of historic sites will round out the project.

The Endowment's Sustaining Cultural Heritage Collections program helps cultural repositories nationwide to ensure the preservation of books and manuscripts, photographs, sound recordings and moving images, archaeological and ethnographic artifacts, art, and historical objects. In FY 2017, for example, the University of Minnesota received a grant to purchase and install shelving and fire suppression and security equipment as part of the relocation of the James Ford Bell Library. Included in this special collection are maps and archival materials dating from the Middle Ages to the present and rare books in fields such as British literature, religious studies, philosophy, and the history of printing.

[Indicator 2] With digital technology, there is now a means of providing full-text searching of newspaper content. In pursuit of this objective, NEH and the Library of Congress signed a memorandum of understanding in 2004, renewed in 2009 and in 2014, establishing a partnership to create the National Digital Newspaper Program (NDNP). Under the terms of this partnership, the Endowment will provide grants to an institution or organization in each state and territory to digitize titles published between 1690 and 1963 and to prepare fully searchable files that the Library of Congress will maintain permanently online.

The National Digital Newspaper Program is a complex undertaking that will be implemented in successive phases. To date, the NEH has provided support under this grant category for forty-five state projects, each of which is contributing at least 300,000 pages of digitized newspapers. Recently, NEH welcomed two new state partners: Arkansas and Georgia. Thus far, more than 12 million pages of historic American newspapers have been digitized through NDNP, with many millions more to follow. The selected pages, along with title essays and a directory of all newspapers published in the United States from 1690 to the present, are publicly accessible online through the *Chronicling America* website <http://chroniclingamerica.loc.gov/>. Many projects are now also digitizing U.S. newspapers published in French, German, Italian, Polish, Spanish, and other languages, thus providing access to the nation's vibrant ethnic and immigrant press.

[Indicator 3] In FY 2017, the Humanities Collections and Reference Resources program provided support to continue work on the *History of Cartography*. Produced by an international group of scholars, this seminal reference resource includes maps and explanatory information covering most continents from prehistory through the 20th century. This most recent NEH award supports the writing, editing, design, and verification for volumes, in both print and digital form, pertaining to the history of mapmaking during the era of the European Enlightenment and the 19th century.

[Indicator 4] The Endowment supports the creation of tools—such as bilingual dictionaries, grammars, and text collections—that document languages threatened with extinction. Of the 6,000 to 7,000 currently spoken languages, at least 3,000 are endangered, including hundreds of American Indian languages, which are our highest

priority. In 2005, NEH and the National Science Foundation established a joint, multi-year special initiative, “Documenting Endangered Languages,” to support linguistic projects that exploit digital technology. Grants support fieldwork and other activities relevant to recording, documenting, and archiving endangered languages, including the preparation of lexicons, grammars, text samples, audio recordings, and databases. For example, in FY 2017 the Konkow Wailaki Maidu Indian Cultural Preservation Association, received support to complete a linguistic database and to prepare related educational resources related to Konkow, a language of Northern California for which no native speakers remain.

[Indicator 5] Preservation and Access Research and Development awards support efforts to formulate new ways to preserve materials of critical importance to the nation’s cultural heritage—from fragile artifacts and manuscripts to analog recordings and digital assets subject to technological obsolescence—as well as to develop advanced modes of discovering and using such materials. Research and Development planning and implementation grants are helping, for example, to devise innovative ways to protect and slow the deterioration of humanities collections through the use of sustainable preservation strategies; develop technical standards, best practices, and tools for preserving humanities materials that are “born digital”; and ensure that collections of recorded sound and moving images that represent a major part of the record of the twentieth century will remain accessible to future generations.

[Indicator 6] Complementing the Endowment's support for preserving and establishing access to a variety of cultural resources are its grants for projects to increase the ability of the nation's libraries, archival repositories, and museums to care for their collections. NEH supports academic programs that train the next generation of conservators responsible for the protection of the nation’s cultural heritage in museums, libraries, and archives across the country. It also assists regional preservation field services provide smaller cultural institutions across the country with the advice and knowledge they need to preserve their collections. For example, the Northeast Document Conservation Center in Massachusetts recently received an NEH grant to provide preservation services, training workshops, and preservation assessments for cultural heritage institutions around the country with a special emphasis on New England.

[Indicator 7] Smaller cultural repositories constitute the large majority of collecting institutions in the United States. These organizations often lack the resources to address the preservation needs of their collections. The Endowment’s Preservation Assistance Grants provide small and mid-sized libraries, archives, museums, and historical organizations with awards of up to \$6,000. Funds support on-site consultation by a preservation professional, enable staff to attend preservation training workshops, and help purchase preservation supplies and equipment. In the sixteen years since the program began, 1,951 grants have been made to institutions in all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. More than 40 percent of these Preservation Assistance Grants represent a first award from the Endowment, good evidence that this grant program effectively reaches institutions not previously served by NEH.

D: To provide opportunities for Americans to engage in lifelong learning in the humanities.

PERFORMANCE INDICATORS:

1) Support efforts by museums and historical organizations to produce interpretive exhibitions and educational materials that convey significant humanities themes and topics.

- FY 2017: 50/**27** grants are supporting exhibitions, web-based programs, and other public education programs that will employ various delivery mechanisms at museums and historical organizations across the country.
- FY 2016: 50/**33** grants are supporting exhibitions, web-based programs, and other public education programs that will employ various delivery mechanisms at museums and historical organizations across the country.
- FY 2015: 30/**30** grants are supporting exhibitions, web-based programs, and other public education programs will employ various delivery mechanisms at museums and historical organizations across the country.
- FY 2014: 30/**30** exhibitions, reading, viewing, and discussion programs, web-based programs, and other public education programs employed various delivery mechanisms at venues across the country.

2) Support substantive documentary films, radio programs, and online media presentations that advance public understanding of the humanities and promote citizen engagement in consideration of humanities issues and themes.

- FY 2017: 16/**21** grants for television/radio projects will produce 50/(**72**) broadcast hours and draw a cumulative audience of approximately 25/(**70**) million people.
- FY 2016: 16/**27** grants for television/radio projects will produce 52/(88) broadcast hours and draw a cumulative audience of approximately 20/(88) million people.
- FY 2015: 30/**30** grants for television/radio projects will produce 105/(105) broadcast hours and draw a cumulative audience of approximately 35.5/(35.5) million people.
- FY 2014: 30/**30** television/radio projects will produce 105/(30) broadcast hours and draw a cumulative audience of approximately 35.5/(35.5) million people.

3) Support high quality interpretative panel exhibitions and public programs that interpret the humanities at selected libraries, museums, and cultural organization across the nation through small grants.

- FY 2017: 30/21 grants were made to libraries, museums and cultural organizations that receive smaller versions of NEH-funded exhibitions through the NEH on the Road cooperative agreement to be used for additional public programming.
- FY 2016: 30/30 grants were made to libraries, museums and cultural organizations that receive smaller versions of NEH-funded exhibitions through the NEH on the Road cooperative agreement to be used for additional public programming.
- FY 2015: 29/29 grants were made to libraries, museums and cultural organizations that receive smaller versions of NEH-funded exhibitions through the NEH on the Road cooperative agreement to be used for additional public programming.
- FY 2014: 29/29 grants were made to museums that receive smaller versions of NEH-funded exhibitions through the NEH on the Road cooperative agreement to be used for additional public programming. *Twenty-five/25* grants were made through the American Library Association (ALA) for the exhibition project *Dust, Drought, and Dreams Gone Dry: A Traveling Exhibit*, and 50 grants were made through an interagency agreement with the Smithsonian Institution to humanities organizations that are hosting the traveling exhibition, *Changing America*.

4) Support humanities projects that make creative use of new technologies to enhance the quality and reach of public humanities programming. (New indicator in FY 2015.)

- FY 2017: 10/13 digital projects are producing online and mobile games and virtual environments, innovative interpretive websites, mobile applications, virtual tours, and other digital formats to engage citizens in thoughtful reflection on culture, identity, and history.
- FY 2016: 10/5 digital projects are producing online and mobile games and virtual environments, innovative interpretive websites, mobile applications, virtual tours, and other digital formats to engage citizens in thoughtful reflection on culture, identity, and history.
- FY 2015: 6/6 digital projects are producing online and mobile games and virtual environments, innovative interpretive websites, mobile applications, virtual tours, and other digital formats to engage citizens in thoughtful reflection on culture, identity, and history.

ANALYSIS:

Availability of data. The time that elapses between an initial NEH project grant and the appearance of a completed film, exhibition, or library program may extend from six months to many years. Most of the public programs that received NEH support during FY 2017 are currently in development, and data for the associated performance indicators are not available, even in partial form. However, a more complete picture of the results of these projects will emerge cumulatively in subsequent editions of the NEH PAR. Increasingly, the Endowment's Grants Management System (GMS) database will facilitate the aggregation of data about the products, such as films and exhibitions that result from activities supported by specific NEH grants. Current and past grantees can now input data about such additional project as outcomes, journal articles, websites, documentary films, museum exhibitions, conferences, workshops, computer software, new buildings or equipment, and academic prizes, or about media coverage, such as a book review, newspaper article, or radio interview.

FY 2017 accomplishments.

[Indicator 1] The Endowment is a major source of support for substantive humanities programs in the nation's historical and cultural institutions, such as museums, libraries and archives, historic sites, and community centers. These projects include exhibitions of artistic, cultural, and historical artifacts; the interpretation of American historic sites; reading and film discussion series in the nation's libraries; lecture series; and other lifelong learning activities. Exhibitions supported by the Endowment also encourage civic engagement at museums in thousands of communities across the nation, connecting audiences to their community's heritage and to each other.

At any time, hundreds of NEH-sponsored exhibitions are on view at large and small museums and historical sites throughout the country, enabling Americans to learn more about their nation and the world through the humanities. In FY 2017, the Fowler Museum received NEH funding for a national touring exhibition, *Striking Iron: The Art of African Blacksmiths*. This exhibition explores the history of innovation in the craft of ironwork and technology in sub-Saharan Africa, demonstrating its use as a medium of utility, honor, spiritual power, and artistic and personal expression. Plimoth Plantation also received NEH support in FY 2017 for a major site reinterpretation offering a more nuanced understanding of our nation's colonial period by highlighting the diversity among Native New England cultures, as well as the varied political and commercial motivations of Plymouth's European settlers. New programs include an orientation film, an exhibition, an archeology lab offering public demonstrations, and living history performances.

Created Equal: America's Civil Rights Struggle, an Endowment initiative, encourages public conversations about the changing meanings of race, equality, and freedom in American civic life. Launched in 2013 to coincide with the 150th anniversary of the Emancipation Proclamation, *Created Equal* provides a packaged set of NEH-funded films on Civil Rights history to 473 communities across the nation. Five powerful documentary films (*The Abolitionists*, *Slavery by Another Name*, *Freedom Riders*, *The Loving Story*, and *Freedom Summer*) are accompanied by a website (www.createdequal.neh.gov) offering

curriculum resources for teachers as well as guides for community discussions. As part of the *Created Equal* project, a traveling Smithsonian exhibition, *Changing America: The Emancipation Proclamation, 1863*, and *The March on Washington, 1963* opened in February 2014 in Peoria, Illinois and Yanceyville, North Carolina. The exhibition is currently traveling to fifty museum and public library venues across the nation. Small grants from NEH are supporting scholar-led public discussions at the exhibition sites. Many of the Endowment's projects in museums and libraries have made a profound difference in vulnerable communities—for example, discussion programs for incarcerated teens; family reading programs that help break the cycle of illiteracy by encouraging parents and children to read together; and museum exhibits that involve senior citizens in cross-generational dialogues. NEH support enables museums, libraries, and cultural organizations to reach underserved groups and to engage them in thoughtful consideration of humanities ideas. One recent example is the Great Stories Club project run through the American Library Association. One initiative in this project supported programs using literature to discuss teen suicide with at-risk youth at 75 libraries across the country. The grant made available to each library training for discussion leaders that included special preparation for addressing mental health concerns, discussion guides for working with reluctant readers, and copies of books for all participants.

In FY 2017, the Endowment completed a multi-year study of the reach and impact of NEH-funded public humanities projects. Surveys conducted for this study provide evidence that NEH projects spark public curiosity, equip educators with more effective ways of teaching, and inspire individuals to draw personal connections to the larger human story. The results also demonstrate many long-term impacts that NEH funding has on institutions, for example fostering lasting partnerships and new audiences, increasing the ability to leverage additional funds, and heightening visibility, credibility, and trust. These enduring benefits of NEH support help to anchor humanities institutions more deeply in their communities.

[Indicator 2] NEH supports media projects—principally film documentaries and radio series—that explore significant figures and events in the humanities and examine the history and culture of the United States. The Endowment encourages projects to include public engagement and educational resources that extend the value of the content years beyond the initial broadcast. Public engagement strategies often include screening and discussion events, websites, classroom curriculum and activities, and other creative approaches that provide for further exploration of the humanities content and expand the reach of television and radio programs in the humanities. To ensure that humanities themes and questions are well conceived, the agency requires that projects draw their content from humanities scholarship and engage a team of scholars who are knowledgeable in the subject matter and represent broad and diverse range of perspectives and areas of expertise appropriate to the themes explored.

In September, PBS broadcast *The Vietnam War*, a film by Ken Burns and Lynn Novick, a ten-part, 18-hour documentary that explores the war from American and Vietnamese perspectives and includes commentary by leading scholars who served in or reported on the war. The series includes a vast array of archival material and was accompanied by a community engagement campaign held in local communities across the country, and

resources for educators. When it premiered, the series garnered attention in most major publications. An NEH-funded radio series, Public Radio International's *LBJ's War*, exploring the history of the Vietnam War, also premiered in September. Through narration, on-air contributions by scholars, and the archive of President Johnson's conversations, the series provides a new perspective on Johnson's behind-the-scenes war strategies.

Endowment-supported media projects continue to be recognized with awards for excellence. The "Between the Waters" website, produced by South Carolina ETV, was awarded a 2017 American Association for State and Local History Leadership in History Award of Merit. The site explores Hobcaw Barony, a 16,000-acre reserve in South Carolina and its rich layers of human history through maps, virtual tours, interviews with descendants, short videos with scholarly commentary. Laurie Coyle's film, *Adios Amor: The Search for Maria Moreno* was a finalist for the 2017 American Historical Association's O'Conner Award for exploring the unknown history of a migrant farm worker and mother who became a leading activist for farm labor rights.

[Indicator 3] The Endowment is committed to extending the reach of high quality educational exhibitions to audiences throughout the country. Since 2005, *NEH on the Road* has achieved this objective by circulating scaled-down versions of previously funded exhibitions to mid-sized museums throughout the country. The program extends the life of funded exhibitions by several years and also brings excellent humanities projects to rural and underserved regions of the nation. NEH provides support to each host site, awarding small grants of \$1,000 for local public programming and scholarly activities. NEH on the Road is particularly interested in reaching museums that have annual operating budgets of between \$250,000 and \$1,000,000 and are located in communities of fewer than 300,000 people.

[Indicator 4] *Digital Projects for the Public* grants support the development and production of games, mobile applications, and other interactive platforms that provide opportunities for public engagement with humanities content. The Endowment funds projects that employ the creative use of digital technologies in bringing humanities content to the public, grant products in this category often result in vital tools for educators. Like all NEH-supported public projects, projects funded in this grant line must include a team of subject area experts who can speak to the scholarship of the topic, as well as a team of media experts who can help to integrate and execute these ideas. In 2017, the program funded *Walden, a game*, from the University of Southern California, won the prestigious Games for Change Most Significant Impact and Game of the Year awards. This interactive game creates an immersive environment where players walk in the virtual footsteps of Thoreau, read excerpts from his journals, and experience the physical and visual details of his 1845 experiment in self-reliance.

In FY 2017, Window to the World Communications, Inc., was awarded \$400,000 to produce the *Studs Terkel Radio Archive*, an interpretive website that catalogs over 5,000 interviews culled from Terkel's daily radio show from 1952 to 1997. Organized around sixty searchable themes such as literature, African-American history, music, urban life, and World War II, the project will feature podcasts, interpretive essays, and public

programming. Partnerships with the BBC and the WFMT Radio Network in Chicago will allow for newly-produced documentaries on the iconic Terkel and supplemental educational materials are being developed for teachers and students.

Historic Hudson Valley was also awarded \$400,000 for *People as Property: Stories of Northern Colonial Enslavement*, an immersive, online interactive documentary composed of short videos, primary documents, audio clips, maps, and other artifacts. The project allows audiences to explore the often overlooked history of slavery in the colonial North with a focus on the individual stories of twenty-three enslaved people at Philipsburg Manor, an 18th-century historic plantation site.

E: Maintain and strengthen partnerships with the state humanities councils.

PERFORMANCE INDICATORS:

1) Support state council efforts to develop locally initiated humanities programs for the people in each state.

- **FY 2017:** Support for the programs and operations of the state humanities councils is making possible high quality locally initiated humanities programs throughout the nation, including 3875/(2,837) reading and discussion programs, 625/(555) exhibitions, 1,100/(841) literacy programs, 975/(987) speakers bureau presentations, 1,300/(315) teacher institutes and workshops, 1,300/(585) conferences and symposia, 400/(362) Chautauqua events, 2,750/(863) media program events, 2,500/(723) technology projects, 115/(46) preservation projects, and 1,125/(396) local history projects.
- **FY 2016:** Support for the programs and operations of the state humanities councils is making possible high quality locally initiated humanities programs throughout the nation, including 4,000/(4,000) reading and discussion programs, 625/(625) exhibitions, 1,100/(1,100) literacy programs, 1,100/(1,100) speakers bureau presentations, 725/(725) teacher institutes and workshops, 1,325/(1,325) conferences and symposia, 400/(400) Chautauqua events, 3,250/(3,250) media program events, 400/(400) technology projects, 190/(190) preservation projects, and 1,350/(1,350) local history projects.
- **FY 2015:** Support for the programs and operations of the state humanities councils is making possible high quality locally initiated humanities programs throughout the nation, including 4,000/(4,000) reading and discussion programs, 625/(625) exhibitions, 1,100/(1,100) literacy programs, 1,100/(1,100) speakers bureau presentations, 775/(725) teacher institutes and workshops, 1,375/(1,375) conferences and symposia, 400/(400) Chautauqua events, 3,250/(3,250) media program events, 400/(400) technology projects, 188/(188) preservation projects and 1,350/(1,350) local history projects.
- **FY 2014:** Support for the programs and operations of 56 state humanities councils will make possible high quality state and local humanities projects

throughout the nation, including 17,900/(17,900) reading and discussion programs, 2,500/(2,500) exhibitions, 5,200/(5,200) literacy programs, 4,200/(4,200) speakers bureau presentations, 3,000/(3,000) teacher institutes and workshops, 5,700/(5,700) conferences and symposia, 1,850/(1,850) Chautauqua events, 6,000/(6,000) media program events, 1,500/(15,000) technology projects, 790/(790) preservation projects and 5,000/(5,000) local history projects.

2) Encourage high quality council-conducted humanities programs in the various states. (New indicator in FY 2015.)

- FY 2017: Support for the programs and operations of the state humanities councils is making possible high quality council-conducted humanities programs throughout the nation, including 11,625/(**8513**) reading and discussion programs, 1,875/(**1666**) exhibitions, 3,300/(**2,523**) literacy programs, 2,925/**2,961** speakers bureau presentations, 2,025/(**946**) teacher institutes and workshops, 3,900/(**1755**) conferences and symposia, 1,200/(**1088**) Chautauqua events, 8,250/(**2,589**) media program events, 7,500/(**2,169**) technology projects, 335/(**138**) preservation projects and 3,375/(**1,188**) local history projects.
- FY 2016: Support for the programs and operations of the state humanities councils is making possible high quality council-conducted humanities programs throughout the nation, including 12,000/(12,000) reading and discussion programs, 1,875/(1,875) exhibitions, 3,300/(3,300) literacy programs, 3,300/3,000 speakers bureau presentations, 2,325/(2,325) teacher institutes and workshops, 4,125/(4,125) conferences and symposia, 1,200/(1,200) Chautauqua events, 9,750/(9,750) media program events, 1,200/(1,200) technology projects, 560/(560) preservation projects and 4,050/(4,050) local history projects.
- FY 2015: Support for the programs and operations of the state humanities councils is making possible high quality council-conducted humanities programs throughout the nation, including 12,000/(12,000) reading and discussion programs, 1,875/(1,875) exhibitions, 3,300/(3,300) literacy programs, 3,300/3,000 speakers bureau presentations, 2,325/(2,325) teacher institutes and workshops, 4,125/(4,125) conferences and symposia, 1,200/(1,200) Chautauqua events, 9,750/(9,750) media program events, 1,200/(1,200) technology projects, 562/(562) preservation projects and 4,050/(4,050) local history projects.

3) Encourage state humanities councils in their efforts to create and support humanities-rich websites and digital projects. (New indicator in FY 2015.)

- FY 2017: Support for the programs and operations of the state humanities councils is making possible 1,500/(**6,345**) high technology projects.

- FY 2016: Support for the programs and operations of the state humanities councils is making possible 1,500/(1,500) high technology projects.
- FY 2015: Support for the programs and operations of the state humanities councils is making possible 1,000/(1,000) high technology projects.

4) Support state humanities councils in ongoing collaborations with colleges and universities, museums, libraries, historical societies, and other institutions.

- FY 2017: 5,500/(8,222) collaborations with colleges and universities, museums, libraries, historical societies, and other institutions were conducted.
- FY 2016: 5,200/(5,200) collaborations with colleges and universities, museums, libraries, historical societies, and other institutions were conducted.
- FY 2015: 5,000/(5,000) collaborations with colleges and universities, museums, libraries, historical societies, and other institutions were conducted.

5) Recognize and encourage council activities that promote civil discussion, particularly of issues that divide Americans. (New indicator in FY 2015.)

- FY 2017: 5,500/(8,513) programs to promote civil discussion will be conducted.
- FY 2016: 5,500/(5,500) programs to promote civil discussion will be conducted.
- FY 2015: 5,000/(5,000) programs to promote civil discussion were conducted.

ANALYSIS:

Availability of data. The above performance data about programmatic activities undertaken by the state humanities councils as a result of funding awarded by the Endowment in FY 2016 are preliminary. Final data will be provided by the councils via a newly instituted electronic submission system.

FY 2017 accomplishments. State humanities councils are nonprofit 501(c)(3) organizations governed by volunteer boards of directors. They operate in each of the fifty states as well as in the District of Columbia, Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, and Amerika Samoa. In FY 2017, the Endowment also supported a workshop and training sessions to develop a new humanities council in the U.S. Virgin Islands. The councils were established to fulfill the requirement in the agency's enabling legislation—National Foundation on the Arts and the Humanities Act of

1965, as amended—that the Endowment support humanities programs “in each of the several states.”

State councils receive funds each year from the NEH appropriation according to a statutory formula. In accordance with the federal mandate, every NEH dollar that a council receives is matched by local contributions of cash, goods, or services. As federally mandated, every NEH dollar a council receives is matched by local contributions of cash, goods, or services. In fact, councils leverage \$5.00 for every federal dollar awarded in NEH grants to them. They work with more than 9,340 partner organizations and conduct programs in nearly 6,110 communities nationwide. State humanities councils may grant a portion of their funds on a competitive basis to locally initiated programs; they may also develop and carry out their own programs. In their grant making role, they act as foundations from which eligible organizations and individuals seek funding; in their program-generating role, they are nonprofit service providers drawing on their own resources and looking to the public to support the benefits they offer.

[Indicator 1] Thousands of humanities projects and programs reach millions of Americans in rural areas, urban neighborhoods, and suburban communities every year. With funds provided through the NEH Federal/State Partnership, the councils provide support for reading and discussion programs for children, families, and the newly literate that take place in libraries and other community centers; for state and local book festivals, as well as the participation of 10-12 councils in the annual National Book Festival sponsored by the Library of Congress’s Center for the Book; for professional development in the humanities for elementary and secondary school teachers; for scholarship and stories about state and local history and culture, such as thematically focused magazines and comprehensive online state encyclopedias; for exhibitions at museums, libraries, and historical sites; and for radio, television, and film projects about human experience and history. They carry out an ever-increasing amount of programming and communications electronically using social networking, podcasting, and RSS feeds in addition to websites and electronic newsletters. A number of councils post videos about their activities on YouTube, and council activities are featured regularly on the NEH website and in its acclaimed journal, *Humanities*.

[Indicator 2] Examples of council-conducted programs include the Talking Service Program, a reading and discussion program that allows veterans to reflect on their service as well as the challenges and opportunities of transitioning from active duty to civilian life. Together with the Great Books Foundation, the New York Council gained permissions to reprint numerous excerpts of war-themed literature, ranging from notable classics like Tim O’Brien’s *The Things They Carried* to acclaimed work by more recent veterans, including National Book Award Winner Phil Klay, award-winning poet Brian Turner, and Purple-Heart recipient Benjamin Bush. The collection, *Standing Down: From Warrior to Civilian*, is proving to be invaluable psychological and intellectual “equipment” for veterans. The councils in Florida, Georgia, Kentucky, Montana, New Mexico, New York, Tennessee, Virginia, and Washington are now sponsoring Talking Service programs. In addition, NEH awarded the Maine Humanities Council \$150,000 to expand its council-conducted project, *Literature & Medicine for Veterans* program, which is working directly with officials of the Department of Veterans Affairs to support small-

group veteran reading and discussion programs at VA facilities. Humanities councils in Alaska, Alabama, Arizona, California, Illinois, Indiana, Maine, Maryland, North Carolina, Oregon, South Dakota, Vermont, and Wyoming are also participating in this program.

[Indicator 3] The state councils are aggressively exploiting the new digital media to deliver humanities-rich programs to a broad public in the communities where they live. The Kansas Humanities Council, for example, recently co-hosted two days of interviews for the national oral history project StoryCorps, and created Shared Stories of the Civil War, which presents scripts about events in Kansas that can be followed on Twitter. The Rhode Island Council for the Humanities launched its pilot Rhode Tour historic tourism smartphone app in collaboration with Brown University, and Humanities Nebraska provides information about its annual Chautauqua program by means of a free smartphone app.

[Indicator 4] Schools, libraries, historical societies, museums, literacy programs, filmmakers, teachers, researchers, writers, and storytellers are among the many types of individuals and cultural organizations with which the state humanities councils work. Councils also successfully collaborate with other partners such as these to bring the humanities to a wide range of community activities, especially in the areas of public policy, literacy, and social service. Councils routinely collaborate, for example, with businesses, educational institutions, museums, community leadership groups, state libraries, historical societies, local government archives, farm bureaus, and state fairs. By leveraging the strength of their partnership with the NEH, state councils gain both material support and additional partnership opportunities at the local level—all in the service of bringing funds, resources, expertise, networks, and leadership to the communities and organizations they serve.

[Indicator 5] State-based humanities councils strengthen the bonds of community by making it possible for citizens to come together in neutral surroundings to address such issues as the economy, healthcare, demographics, energy, and education through discussions informed by history and literature. These in-depth explorations of critical and potentially divisive issues not only encourage citizens to be more thoughtful and better informed. They also increase citizen engagement in public life and bring people together to work toward common goals in shaping the future of their community and nation. Several councils host programs in restaurants, cafes, and bars that attract a younger demographic to participate in scholar-led discussions about such important topics as marriage and family life (Oregon), African-Americans and American Indians in film (Washington), the intricacies of living in a networked world (Maine), and dialects and vocabulary in Washington, DC. These programs are vitally important to strengthening communities and fostering understanding. In that way, they are related to one of the most successful programs in NEH history, Prime Time Family Reading Time, begun in 1991 by the Louisiana Endowment for the Humanities. Prime Time, which continues to thrive and spread across the country, is an award-winning program that has produced substantial improvements in literacy and student achievement. The significant humanities impact of Prime Time is measurable in terms of student outcomes (as shown in the 10-year longitudinal study, “Stemming the Tide of Intergenerational Illiteracy,” published in 2010), but its impact in terms of strengthening communal and familial bonds is inestimable.

F: Provide a focal point for development of the digital humanities.

PERFORMANCE INDICATORS:

1) Provide national leadership in spurring innovation and best practices in the digital humanities. (New indicator in FY 2015.)

- FY 2017: 20/22 Digital Humanities Advancement Grant (Level I & II) projects and 5/5 Digital Humanities Advancement Grant (Level III) projects are setting the pace for innovation within humanities research and education. These projects will receive extensive media coverage and have a national and international impact on how new scholarship is conducted.
- FY 2016: 16/18 Digital Start-Up projects and 6/8 Digital Implementation projects are setting the pace for innovation within humanities research and education. These projects will receive extensive media coverage and have a national and international impact on how new scholarship is conducted.
- FY 2015: 20/17 Digital Start-Up projects and 6/6 Digital Implementation projects are setting the pace for innovation within humanities research and education. These projects will receive extensive media coverage and have a national and international impact on how new scholarship is conducted.

2) Encourage and support innovative digital projects and programs that will enhance the way humanities research is conducted and the way the humanities are studied, taught, and presented in the United States. (New indicator in FY 2015.)

- FY 2017: 4/4 national summer institutes training American scholars on digital methods for humanities research were supported. These methods, including geospatial analysis, data mining, sound analysis, information retrieval and visualization, and others, will lead to new research across humanities domains.
- FY 2016: 4/4 national summer institutes training American scholars on digital methods for humanities research were supported. These methods, including geospatial analysis, data mining, sound analysis, information retrieval and visualization, and others, will lead to new research across humanities domains.
- FY 2015: 5/3 national summer institutes training American scholars on digital methods for humanities research were supported. These methods, including geospatial analysis, data mining, sound analysis, information retrieval and visualization, and others, will lead to new research across humanities domains.

ANALYSIS:

Availability of data. Accurate data on the performance of the digital humanities projects that received NEH support during FY 2017 will be provided by the respective project directors in their regularly scheduled progress reports. To the extent partial data on FY 2017 activities are available, they are shown in parenthesis above. We expect to be able to report more complete FY 2017 data in the FY 2018 PAR.

FY 2017 accomplishments. Just as astronomers need telescopes to view distant stars and chemists need mass spectrometers to analyze laboratory samples, humanities scholars in the digital age need tools, methods, and infrastructure to perform their work. The very objects that scholars study on a daily basis – books, music, newspapers, images, ancient artefacts – are increasingly available in digital form and this alters the fundamental methods of humanities scholarship.

Over the years, the NEH has been an important funder of humanities tools and infrastructure. Some major examples might include an infrastructure project like the Perseus Digital Library (a digital platform used by nearly every classics professor or student in the world); a technique-based project like Livingstone Online (which developed new techniques in spectral analysis that are now widely used to uncover hidden manuscript texts like the diary of David Livingstone or religious manuscripts at St. Catherine’s Monastery in the Sinai); or a methods-based project like Topic Modeling for Humanities Research (a workshop that helped bring a new text analysis technique into wide use within the humanities).

The Office of Digital Humanities is the NEH office that focuses on funding humanities tools and infrastructure and over the past ten years has emerged as an international leader in developing the digital humanities.

[Indicator 1] The Digital Humanities Advancement Grant (DHAG) program allows applicants to experiment, to build, and to deploy new methods, tools, and infrastructure for the humanities.

In addition to funding new research into such infrastructure, the DHAG program can also provide funding to revitalize or sustain existing infrastructure projects that have already demonstrated an important impact to the humanities. This addresses a key problem for the agency: how to *sustain* digital projects we have funded in the past, particularly those that are continuing to provide critical services to the field.

The DHAG program is relatively new (this is the second deadline), and it combines the features of two previous long-standing programs: The Digital Humanities Start-Up Grant program and the Digital Humanities Implementation Grant program.

In FY 2017, the University of California, Los Angeles received a DHAG grant in support of the *Cuneiform Digital Library Initiative Framework Update*. This is a major infrastructure update to the Cuneiform Digital Library Initiative (CDLI), which is a 20-year strong international digital humanities project curating data and maintaining the largest database of artifacts inscribed with cuneiform writing from ancient Iraq and adjacent

regions. The CDLI Framework Update is a consolidation project aimed at ensuring both the longevity of the CDLI data and interface, and at increasing access, usability, and accessibility to the information it curates.

[Indicator 2] In FY 2016, the Humanities Open Book was introduced to make outstanding, out-of-print humanities books available to a wide audience. By taking advantage of low-cost “e-book” technology, this program will allow teachers, students, scholars, and the public to read thousands of humanities books. Most humanities books sell only a small number of copies, primarily to academic libraries, and then quickly go out of print. Thus, the vast majority of humanities scholarship funded by NEH or other sources is found in books that are now out of print and largely out of reach to scholars and general readers. With this new grant program, NEH, along with our partners at the Mellon Foundation, will award grants to publishers to turn thousands of high-quality, peer reviewed humanities books into free-to-download e-books that can be read on any computer, e-reader, or smartphone. These books will be a rich resource for teachers, students, academics, scientists, and general readers and will cover a vast range of topics, from American and world history to literature, philosophy, archeology, the history of science, and many others.

In FY2017, Cornell University Press received a Humanities Open Book grant to make 57 books available, including titles in anthropology, classics, political science, and literary theory. The books are being distributed at no charge via numerous platforms, including Cornell Open, JSTOR, Amazon, Project MUSE, and HathiTrust. Thus far, 22 of the books have been released and have already received over 60,000 downloads.

[Indicator 3] The Institutes for Advanced Topics in the Digital Humanities program encourages the sharing of best technology practices among humanities practitioners. The program sponsors training workshops that allow scholars and students to learn about these new, advanced technologies, tools, and techniques in the digital humanities.

In FY2017, an Institutes grant was awarded to Louisiana State University and A&M College in partnership with Mississippi State University. The grant will fund a one-week in-person institute hosted at Mississippi State on approaches to computational textual analysis and how these techniques may be incorporated into the classroom. This institute will be followed by a series of virtual sessions focused on digital pedagogy and the humanities.

G: Strengthen the institutional base of the humanities through financial incentives provided by matching challenge grants.

PERFORMANCE INDICATORS:

1) Encourage efforts of cultural and educational institutions to attract and increase nonfederal contributions to their humanities resources and activities.

- FY 2017: By FY 2021, NEH Challenge Grants awarded in FY 2017 will generate more than \$26/(\$25) million in nonfederal donations to recipient institutions in support of their humanities activities.

- FY 2016: By FY 2020, NEH Challenge Grants awarded in FY 2016 will generate at least an equivalent amount in nonfederal donations to recipient institutions in support of their humanities activities.
- FY 2015: By FY 2019, NEH Challenge Grants awarded in FY 2015 will generate more than \$32/(\$32) million in nonfederal donations to recipient institutions in support of their humanities activities.
- FY 2014: By FY 2018, NEH Challenge Grants awarded in FY 2014 will generate more than \$20/(\$20) million in nonfederal donations to recipient institutions in support of their humanities activities.

2) Support the efforts of cultural and educational institutions to use digital technologies, where appropriate, in their humanities activities. (New indicator in FY 2015.)

- FY 2017: The efforts of cultural and educational institutions to use digital technologies will be encouraged.
- FY 2016: The efforts of cultural and educational institutions to use digital technologies will be encouraged.
- FY 2015: The efforts of cultural and educational institutions to use digital technologies will be encouraged.

3) Encourage Historically Black Colleges and Universities, Hispanic-Serving Institutions, Tribal Colleges and Universities, and two-year colleges to take advantage of special Challenge grant opportunities designed with these institutions in mind. (New indicator in FY 2015.)

- FY 2017: Humanities Access grants are introduced to help support capacity building for existing humanities programs that benefit one or more of the following group: children, family and young adults.
- FY 2016: Humanities Access grants are introduced to help support capacity building for humanities programs that benefit one or more of the following group: youth, communities of color, and economically disadvantaged populations. The first awards will be made in FY 2017.
- FY 2015: Two/7 Special Initiatives Challenge Grants were awarded to Presidentially-designated minority-serving institutions and two-year colleges. When completed, these challenges will leverage \$2/(\$0.7) million in third-party support for these vital institutions.

ANALYSIS:

Availability of data. By FY 2021, NEH Challenge Grants awarded in FY 2017 would generate at least an equivalent amount in nonfederal donations to recipient institutions in support of their humanities activities. Because such campaigns may require years to reach their goal, the sums above represent a snapshot of current progress toward the recipients' multi- year fund-raising goals.

FY 2017 accomplishments. The National Endowment for the Humanities is an important source of assistance for strengthening the capacity of organizations to undertake and sustain significant humanities activities.

[Indicator 1] Since its inception in 1977, the NEH Challenge Grants program has generated more than \$2 billion in nonfederal funds for the humanities. (Adjusted for inflation, the amount generated equals more than \$4 billion.) A wide array of nonprofit organizations throughout the U.S., including museums, tribal centers, libraries, colleges and universities, scholarly research organizations, state humanities councils, public radio and television stations, and historical societies and sites, have taken up the NEH “challenge” to match federal support with nonfederal dollars as a means of strengthening their capacity for excellence in the humanities.

In FY 2016, the city of Cornelius, Oregon was awarded a \$500,000 Challenge Grant that will leverage an additional \$1.5 million in non-federal giving to support construction of a new public library. One of the only humanities providers in the area, the library offers services in Spanish and English, but has outgrown its current home. In an innovative mixed-use design, the City of Cornelius plans to construct a new building consisting of the ground-floor library with two floors of low-income senior housing above it. In addition to more space for expanded bilingual collections, there will be a community meeting room to host events, including programs held in partnership with Oregon Humanities.

[Indicator 2] In FY 2016, NEH Challenge Grants provided support for the institutional capacity that makes sustained use of advanced technology possible. For example, NEH awarded the San Francisco Museum of Modern Art \$500,000 to support digital engagement programs in the new Photography Interpretive Center. Endowed funds from an NEH Challenge Grant will support operating costs of the Center: software/hardware and supplies for the ongoing maintenance and refinement of rotating digital interpretive exhibits and essential staff costs.

[Indicator 3] The University of Texas, El Paso, a Hispanic-serving institution, was awarded a Next Generation Humanities Ph.D. planning grant to develop activities that will prepare humanities doctoral students for alternative career paths. Among other things, the project will stimulate collaboration among programs and students across disciplines; identify humanities alumni to participate in advising and mentoring programs; and partner with nonacademic institutions.

H: Stimulate third-party support for humanities projects and programs.

PERFORMANCE INDICATORS:

1) Encourage and support efforts of educational and cultural organizations to secure nonfederal sources of funding in support of humanities projects and programs. (New indicator in FY 2015.)

- FY 2017: Fund-raising by recipients of an NEH matching award generated more than \$2.2/**2.2** million in third-party support for humanities projects.
- FY 2016: Fund-raising by recipients of an NEH matching award generated more than \$2.4/**2.1** million in third-party support for humanities projects.
- FY 2015: Fund-raising by recipients of an NEH matching award generated more than \$2.4/**2.3** million in third-party support for humanities projects.

2) Leverage the private sector contributions of the nation's businesses, foundations, and philanthropic-minded individuals on behalf of humanities projects and programs. (New indicator in FY 2015.)

- FY 2017: NEH partnerships with the private-sector will generate support for exemplary activities in the humanities.
- FY 2016: NEH partnerships with the private-sector will generate support for exemplary activities in the humanities.
- FY 2015: NEH partnerships with the private-sector will generate support for exemplary activities in the humanities.

ANALYSIS:

Availability of data. As a condition of their award, recipients of an NEH matching or Challenge grant must provide this agency regular reports as to the progress of their fund-raising efforts. As well, NEH collaborates closely with its partner organizations in public/private efforts such as those described below. The terms of this information sharing relationship are stipulated in a formal cooperative agreement.

FY 2017 accomplishments.

[Indicator 1] Fund-raising by recipients of an NEH matching award generated more than \$2.29 million in third-party support for discrete humanities projects. Recipients of an NEH Challenge Grant leveraged an additional \$26 million in nonfederal donations in support of the long-term institutional goals of humanities organizations.

[Indicator 2] NEH has entered into formal partnership arrangements with several of its fellow agencies and with private foundations in order to collaborate on specific projects.

Currently, the NEH administers the review and evaluation of applications to the Library of Congress's John W. Kluge Fellows Program, which provides stipends to junior scholars from the U.S. and abroad to conduct research in the Library's humanities collections; and, in collaboration with the Japan-United States Friendship Commission, it conducts the evaluation of applications and serves as fiscal agent for a program to encourage American scholars' research on Japan. The Endowment maintains "Cultural Diplomacy" partnerships that include an ongoing series of academic conferences, co-sponsored by the Ministry of Culture of the People's Republic of China, that bring together Chinese and American scholars to discuss common interests in the humanities, and a joint grant program with the German Research Foundation (Deutsche Forschungsgemeinschaft e.V., DFG) to develop and implement digital infrastructures and services for humanities research.

NEH is also cooperating with the Arts and Humanities Research Council, the Economic and Social Research Council, and the Joint Information Systems Committee of the United Kingdom; the Netherlands Organization for Scientific Research; and the Social Sciences and Humanities Research Council of Canada—as well as the Institute for Museum and Library Services and the National Science Foundation in the United States—in the Digging into Data Challenge, a jointly sponsored grant program supporting the development of new research methods in the digital humanities.

The Endowment has entered into two other federal partnerships in conjunction with agency-wide initiatives. NEH and the Library of Congress signed a memorandum of understanding establishing a partnership to create the National Digital Newspaper Program. Over a period of approximately 20 years, the Endowment will provide grants to institutions and organizations in each state of the nation to digitize titles published between 1836 and 1922 and to prepare fully searchable files that the Library of Congress will permanently maintain on the World Wide Web. And, the Endowment continues its multi-year funding partnership with the National Science Foundation in support of Documenting Endangered Languages, a program to provide NEH awards to scholars engaged in recording and preserving key languages before they become extinct.

The Endowment has also been alert to opportunities to pool NEH and private-sector resources in ways that make the most of each. One noteworthy example of this collaboration is EDSITEment, a nationally recognized destination for teachers seeking rich humanities resources on the Internet. EDSITEment is a partnership between the NEH and the National Trust for the Humanities, a non-profit charitable corporation formed in 1996 to support and extend the programs of the National Endowment for the Humanities. The website, EDSITEment, now contains over 500 scholar- and teacher-developed lesson plans for the K-12 classroom and links to more than 400 peer-reviewed sites selected for their high quality humanities content and interactive design. More than 2,700,000 visitors—teachers, students, and parents—avail themselves of EDSITEment's rich resources each year.

III. FINANCIAL INFORMATION

A Message from the Director of the Accounting Office

On behalf of the National Endowment for the Humanities (Endowment), it is my pleasure to present the agency's audited financial statements for fiscal year 2017. I am happy to report that our independent auditor, Leon Snead and Company, P.C., has rendered an unmodified opinion on these statements. The Endowment has obtained an unmodified (clean) opinion on the agency's consolidated financial statements for the eleventh consecutive year, indicating the Endowment's continued responsible stewardship of the taxpayer dollars to which it has been entrusted.

The Accounting Office implemented a major reporting requirement this fiscal year and continued to improve the efficiency of its operations. During this reporting period, we also coordinated the linking of the agency's financial, grant, and procurement data to USAspending.gov, meeting the reporting deadlines of the DATA Act. Additionally, we implemented an automated financial reporting process that saves many hours of manual preparation and reduced the risk of calculation errors.

In fiscal year 2018, our office will continue to seek out opportunities to further improve and streamline accounting operations by exploring electronic invoicing options. We believe these options will continue to offer additional efficiencies and customer service to our payees.

Under the requirements of the Federal Managers' Financial Integrity Act of 1982, the NEH's management conducted its annual assessment and concluded that the system of internal controls, taken as a whole, complies with the internal control standards prescribed by Government Accountability Office (GAO) and provides reasonable assurance that the agency's goals and objectives are being met.

Receiving an unmodified opinion verifies that the Endowment's financial statements are fairly presented and demonstrates accountability in the execution of our fiduciary responsibilities. I want to express my sincere appreciation to all of the NEH staff members whose effort and dedication made the FY 2017 unmodified opinion possible.

Sean Doss
Director, Accounting Office

November 2, 2017

National Endowment for the Humanities

Audit of Financial Statements

**As of and for the Years Ended
September 30, 2017 and 2016**

Submitted By

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



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Independent Auditor's Report

Inspector General, National Endowment for the Humanities
Acting Chairman, National Endowment for the Humanities

We have audited the accompanying balance sheets of the National Endowment for the Humanities (NEH), as of September 30, 2017 and 2016, and the related statements of net cost, changes in net position, and budgetary resources (the financial statements) for the years then ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the NEH's internal control over financial reporting and tested the NEH's compliance with certain provisions of applicable laws, regulations, contracts and grant agreements that could have a direct and material effect on its financial statements.

SUMMARY

As stated in our opinion on the financial statements, we found that the NEH's financial statements as of and for the years ended September 30, 2017 and 2016, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of NEH, which comprise the balance sheets as of September 30, 2017 and 2016, and the related statements of net cost, statements of changes in net position, and statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NEH as of September 30, 2017 and 2016, and the related net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and pertinent provisions of OMB Bulletin 17-03, *Audit Requirements for Federal Financial Statements* (the OMB audit bulletin). Those standards and the OMB audit bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments in a Federal

agency, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the NEH's internal control or its compliance with laws, regulations, and significant provisions of contracts and grant agreements. An audit also includes evaluating the appropriateness of accounting policies used and the

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

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

REQUIRED SUPPLEMENTARY INFORMATION AND REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

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

OTHER ACCOMPANYING INFORMATION

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The performance measures, Summary of Management Challenges, Summary of Financial Statement Audit and Management Assurances, and reporting details related to the Improper Payments Improvement Act, as amended by the Improper Payments Elimination and Recovery Act, are presented for the purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

OTHER AUDITOR REPORTING REQUIREMENTS

Report on Internal Control

In planning and performing our audit of the financial statements of NEH as of and for the years ended September 30, 2017 and 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the NEH's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NEH's internal control. Accordingly, we do not express an opinion on the effectiveness of the NEH's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

Report on Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that NEH failed to comply with applicable laws, regulations, or significant provisions of laws,

regulations, contracts, and grant agreements that have a material effect on the financial statements insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the NEH's noncompliance with applicable laws, regulations, or significant provisions of laws, regulations, contracts, and grant agreements insofar as they relate to accounting matters.

Restricted Use Relating to Reports on Internal Control and Compliance

The purpose of the communication included in the sections identified as “Report on Internal Control” and “Report on Compliance” is solely to describe the scope of our testing of internal control over financial reporting and compliance, and to describe any material weaknesses, significant deficiencies, or instances of noncompliance we noted as a result of that testing. Our objective was not to provide an opinion on the design or effectiveness of the NEH’s internal control over financial reporting or its compliance with laws, regulations, or provisions of contracts or grant agreements. The two sections of the report referred to above are integral parts of an audit performed in accordance with *Government Auditing Standards* in considering the NEH’s internal control over financial reporting and compliance. Accordingly, those sections of the report are not suitable for any other purpose.

Agency Comments and Auditor Evaluation

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

A handwritten signature in cursive script that reads "Leon Snead & Company, P.C.".

Leon Snead & Company, P.C.
November 13, 2017
Rockville, MD



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF THE CHAIRMAN

November 6, 2017

Sue Chen
Audit Manager
Leon Snead & Company, P.C.
416 Hungerford Drive, Suite 400
Rockville, MD 20850

Dear Ms. Chen:

Thank you for the opportunity to comment on the draft audit report of the National Endowment for the Humanities (NEH) for fiscal year 2017.

We concur with the facts and conclusions of your report. We are pleased to learn of the unmodified opinion on NEH's financial statements.

We would like to express our appreciation for the hard work of you and your team of auditors throughout this year's audit cycle. The collegiality and professionalism of the audit team were instrumental in our efforts to prepare and submit all of the required information.

Sincerely,

Jeffrey Thomas

cc: Laura Davis
Sean Doss



NATIONAL ENDOWMENT FOR THE

Humanities

Audited Financial Statements

As of and for the Years Ended September 30, 2017 and 2016



NATIONAL ENDOWMENT FOR THE HUMANITIES

BALANCE SHEET

As of September 30, 2017 and 2016

(in US Dollars)

ASSETS

Intragovernmental:

	2017	2016
Cash & fund balances w/ U.S. Treasury (Note 2)	\$ 153,089,074	\$ 150,458,128
Receivables and advances (Note 3)	1,114,222	692,817
Total intragovernmental	154,203,296	151,150,945
Receivables and advances (Note 3)	2,634,554	2,570,240
Property and equipment, net (Note 4)	826,266	808,240
TOTAL ASSETS	157,664,116	154,529,425

LIABILITIES

Intragovernmental:

Accounts payable and accrued expenses (Note 5 & 8)	207,967	173,127
Total intragovernmental	207,967	173,127
Accounts payable and accrued expenses (Note 5 & 8)	21,578,969	23,682,755
Unfunded FECA actuarial liability (Notes 5 & 8)	241,338	225,738
Unfunded annual leave (Notes 5 & 8)	1,043,290	1,229,894
TOTAL LIABILITIES	23,071,564	25,311,514
Commitments and contingencies (Note 1)		
Unexpended appropriations - other funds	134,064,375	129,143,671
Cumulative results operations - other funds	(392,634)	(516,459)
Cumulative results operations - funds from dedicated collections (Note 11)	920,811	590,699
TOTAL NET POSITION	134,592,552	129,217,911
TOTAL LIABILITIES AND NET POSITION	\$ 157,664,116	\$ 154,529,425

NET POSITION

The accompanying notes are an integral part of these statements.



NATIONAL ENDOWMENT FOR THE HUMANITIES

STATEMENT OF NET COST
For the Years Ended September 30, 2017 and 2016
(in US Dollars)

	2017	2016
PROGRAM COSTS (Notes 1, 12, 13, 15, & 17)		
Bridging Cultures		
Gross costs	\$ 1,649,230	\$ 3,221,407
Less: earned revenue	(5,793)	(9,105)
Net costs	1,643,437	3,212,302
Challenge Grants		
Gross costs	8,347,776	7,955,152
Less: earned revenue	(29,167)	(22,344)
Net costs	8,318,609	7,932,808
Common Good		
Gross costs	3,739,073	1,724,931
Less: earned revenue	(13,134)	(4,875)
Net costs	3,725,939	1,720,056
Digital Humanities		
Gross costs	5,292,374	5,703,443
Less: earned revenue	(18,355)	(15,898)
Net costs	5,274,019	5,687,545
Education		
Gross costs	15,647,434	18,191,152
Less: earned revenue	(54,345)	(50,673)
Net costs	15,593,089	18,140,479
Federal/State Partnership		
Gross costs	50,463,887	50,605,131
Less: earned revenue	(177,086)	(142,883)
Net costs	50,286,801	50,462,248
Preservation and Access		
Gross costs	19,650,440	20,090,698
Less: earned revenue	(69,920)	(63,019)
Net costs	19,580,520	20,027,679
Program Development		
Gross costs	693,519	544,602
Less: earned revenue	(152,436)	(1,539)
Net costs	541,083	543,063
Public		
Gross costs	18,932,700	17,238,558
Less: earned revenue	(65,871)	(48,066)
Net costs	18,866,829	17,190,492
Research		
Gross costs	19,200,462	21,152,294
Less: earned revenue	(178,038)	(185,481)
Net costs	19,022,424	20,966,813
Treasury Funds		
Gross costs	2,831,897	2,237,308
Less: earned revenue	(9,948)	(6,323)
Net costs	2,821,949	2,230,985
We the People		
Gross costs	312,237	731,258
Less: earned revenue	(1,097)	(2,067)
Net costs	311,140	729,191
TOTAL PROGRAMS		
Gross costs (Note 18)	146,761,029	149,395,934
Less: earned revenue	(775,190)	(552,273)
NET COST OF OPERATIONS	\$ 145,985,839	\$ 148,843,661

The accompanying notes are an integral part of these statements.



STATEMENT OF CHANGES IN NET POSITION
For the Years Ended September 30, 2017 and 2016
(in US Dollars)

	2017			2016		
	Funds from Dedicated Collections (Note 11)	All Other Funds	Total	Funds from Dedicated Collections (Note 11)	All Other Funds	Total
CUMULATIVE RESULTS OF OPERATIONS						
Beginning balances	\$ 590,699	\$ (516,459)	\$ 74,240	\$ 341,790	\$ (419,182)	\$ (77,392)
Beginning balances, as adjusted	590,699	(516,459)	74,240	341,790	(419,182)	(77,392)
Budgetary financing sources:						
Donations	598,413	-	598,413	448,129	-	448,129
Appropriations used	-	144,927,298	144,927,298	-	147,374,801	147,374,801
Other financing resources:						
Imputed financing from costs absorbed by others (Notes 1 & 13)	-	914,065	914,065	-	1,172,363	1,172,363
Total financing sources	598,413	145,841,363	146,439,776	448,129	148,547,164	148,995,293
Net cost of operations (Notes 12 & 13)	(268,301)	(145,717,538)	(145,985,839)	(199,220)	(148,644,441)	(148,843,661)
Net change	330,112	123,825	453,937	248,909	(97,277)	151,632
Cumulative Results of Operations	920,811	(392,634)	528,177	590,699	(516,459)	74,240
UNEXPENDED APPROPRIATIONS						
Beginning balances	-	129,143,671	129,143,671	-	128,576,472	128,576,472
Beginning balances, as adjusted	-	129,143,671	129,143,671	-	128,576,472	128,576,472
Budgetary financing sources:						
Appropriations received (current period)	-	149,848,000	149,848,000	-	147,942,000	147,942,000
Appropriations used	-	(144,927,298)	(144,927,298)	-	(147,374,801)	(147,374,801)
Total budgetary financing sources	-	4,920,704	4,920,704	-	567,199	567,199
Total Unexpended Appropriations	-	134,064,375	134,064,375	-	129,143,671	129,143,671
NET POSITION	\$ 920,811	\$ 133,671,741	\$ 134,592,552	\$ 590,699	\$ 128,627,212	\$ 129,217,911

The accompanying notes are an integral part of these statements.



STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2017 and 2016
(in US Dollars)

	2017	2016
Budgetary Resources:		
Unobligated balance brought forward, October 1	\$ 6,160,580	\$ 6,309,887
Unobligated balance brought forward, October 1, as adjusted	6,160,580	6,309,887
Recoveries of prior year unpaid obligations	1,677,782	2,782,113
Other changes in unobligated balance (+or-)	125,060	833,309
Unobligated balance from prior year budget authority, net	7,963,422	9,925,309
Appropriations (discretionary and mandatory)	150,446,413	148,390,129
Spending authority from offsetting collections (discretionary and mandatory)	1,214,485	759,660
Total budgetary resources	159,624,320	159,075,098
Status of Budgetary Resources:		
New obligations and upward adjustments (Note 14)	150,585,532	152,914,518
Unobligated balance, end of year:		
Apportioned, unexpired accounts	9,038,788	6,160,580
Unexpired unobligated balance, end of year	9,038,788	6,160,580
Total unobligated balance, end of year	9,038,788	6,160,580
Total budgetary resources	159,624,320	159,075,098
Change in Obligated Balance:		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	144,541,339	141,767,742
New obligations and upward adjustments	150,585,532	152,914,518
Outlays (gross) (-)	(148,740,917)	(147,358,808)
Recoveries of prior year unpaid obligations (-)	(1,677,782)	(2,782,113)
Unpaid obligations, end of year	144,708,172	144,541,339
Uncollected Payments:		
Uncollected pymts, Fed sources, brought forward, Oct 1 (-)	(243,790)	(16,460)
Change in uncollected pymts, Fed sources (+/-)	(414,095)	(227,331)
Uncollected pymts, Fed sources, end of year(-)	(657,885)	(243,791)
Memorandum (non-add) entries:		
Obligated balance, start of year	144,297,548	141,751,282
Obligated balance, end of year (Note 16)	144,050,287	144,297,548
Budget Authority and Outlays, Net:		
Budget authority, gross (discretionary and mandatory)	151,660,898	149,149,789
Actual offsetting collections (discretionary and mandatory) (-)	(925,449)	(1,365,638)
Change in uncollected customer payments from		
Federal sources (discretionary/mandatory) (+or-)	(414,095)	(227,331)
Recoveries of prior year paid obligations (discretionary and mandatory)	125,059	833,308
Budget authority, net (discretionary and mandatory)	150,446,413	148,390,128
Outlays, gross (discretionary and mandatory)	148,740,917	147,358,808
Actual offsetting collections (discretionary and mandatory)(-)	(925,449)	(1,365,638)
Outlays, net (discretionary and mandatory)	147,815,468	145,993,170
Distributed offsetting receipts (-)	(625,776)	(519,076)
Agency outlays, net (discretionary and mandatory)	\$ 147,189,692	\$ 145,474,094

Note: NEH does not have a non-budgetary credit reform financing account

The accompanying notes are an integral part of these statements.

National Endowment for the Humanities
Notes to the Financial Statements
As of and for the Years Ended
September 30, 2017 and 2016
(In Dollars)

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National Endowment for the Humanities
Notes to the Financial Statements
As of and for the Years Ended
September 30, 2017 and 2016
(In Dollars)

The following Notes include the disclosure requirements contained in the Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements" and the Federal Accounting Standards Advisory Board (FASAB) "Statements of Federal Financial Accounting Standards" (SFFAS).

Note 1 – Significant Accounting Policies

A. Reporting Entity

The National Endowment for the Humanities (NEH) is an independent grant-making agency of the United States government dedicated to supporting research, education, preservation, and public programs in the humanities. NEH was established by the National Foundation on the Arts and the Humanities Act of 1965.

B. Basis of Presentation

The financial statements are provided to meet the requirements of the Accountability of Tax Dollars Act of 2002. The statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources.

C. Basis of Accounting

Transactions are generally recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Each year, Congress provides NEH appropriations to incur obligations in support of agency programs. Budgetary accounting is the means of recording these appropriations and measuring the consumption of budget authority and other budgetary resources.

D. Revenues and Other Financing Sources

NEH receives funding through annual Congressional appropriations from the budget of the United States. No-year appropriations are used, within statutory limits, for operations and capital expenditures for essential personal property. Appropriations are recognized as revenues at the time that the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are recognized as expenses when assets are consumed in operations.

National Endowment for the Humanities
Notes to the Financial Statements
As of and for the Years Ended
September 30, 2017 and 2016
(In Dollars)

Note 1 – Significant Accounting Policies (continued)

The National Foundation on the Arts and the Humanities Act granted NEH the authority to receive donations and to invest in interest-bearing accounts. Accounts are maintained for restricted as well as unrestricted funding and NEH observes the same guidelines for the appropriate use of donated funds as for appropriated funds. This authority allows the Chairman to incur representation and reception expenses.

E. Fund Balance with Treasury

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

F. Advances and Prepayments

NEH records grant payments for work not yet performed at year-end as advances. The advances are recorded as expenses in subsequent fiscal years.

G. General Property, Plant and Equipment

NEH policy is to depreciate property, plant and equipment over the estimated useful life of the asset. The capitalization threshold is \$50,000 for individual purchases and \$50,000 for bulk purchases with a minimum of \$10,000 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. Service lives are listed below:

<u>Description</u>	<u>Estimated Useful Life</u>
Leasehold Improvements	Shorter of Lease Term or Improvement
Capital Leases	Term of Lease
Office Furniture	7 years
Computer Equipment and Software	3 years
Office Equipment	5 years

H. Liabilities

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Note 1 – Significant Accounting Policies (continued)

Liabilities represent transactions or events that have already occurred for which NEH will likely pay. No liability can be paid, however, absent an appropriation, or in some cases donated funds. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources, because there is no absolute certainty that the appropriation will be enacted. Also, liabilities can be abrogated by the Government acting in its sovereign capacity.

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Note 1 – Significant Accounting Policies (continued)

I. Accounts Payable

Accounts payable consists of amounts owed to other federal agencies, commercial vendors, and grantees. Accounts payable to commercial vendors are expenses for goods and services received but not yet paid by NEH. Grant liabilities are grantee expenses not yet funded or reimbursed by NEH. At fiscal year-end, NEH calculates and records an accrual for the amount of estimated unreimbursed grantee expenses.

In estimating grant accruals, NEH followed the guidelines in the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Technical Release (TR) 12, *Accrual Estimates for Grant Programs*. The purpose of TR 12 is to provide a cost-effective framework for developing reasonable estimates of accrued grant liabilities. TR 12 addresses materiality considerations, risk assessment, and procedures for estimating accruals for grant programs, including acceptable procedures until sufficient relevant and reliable historical data is available for new grant programs or changes to existing programs.

J. Accounts Receivable

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

K. Annual, Sick, and Other Leave

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

L. Retirement Plans

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

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Note 1 – Significant Accounting Policies (continued)

All employees are eligible to contribute to the Thrift Saving Plan (TSP). For those employees participating in FERS, a TSP account is automatically established and NEH makes a mandatory one percent contribution to this account. In addition, NEH makes matching contributions, ranging from one to four percent, for

FERS eligible employees, who contribute to their TSP accounts. Matching contributions are not made to TSP accounts established by CSRS employees.

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

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

M. Imputed Benefit Costs

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

N. Federal Employees' Compensation Act (FECA) Actuarial Liability

The FECA provides income and medical cost protection to covered federal civilian employees injured on the job, for those who have contracted a work-related occupational disease, and for beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under the FECA for NEH's employees are administered by the Department of Labor (DOL) and are ultimately paid by NEH.

DOL provides a computational model for estimating a FECA actuarial liability for any federal agency not specifically listed in the results of DOL's FECA actuarial model. This computational model is based on an extrapolation from the actual charges experienced recently by NEH. This procedure is not an allocation of a listed liability amount. It is, however, a way to calculate a reasonable actuarial liability for NEH.

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Note 1 – Significant Accounting Policies (continued)

The computational model takes the amount of benefit payments for the entity over the last 9 to 12 quarters, and calculates the annual average of payments for medical expenses and compensation. Both types of payments can be found in the chargeback reports that are issued quarterly by DOL. The average is then multiplied by the liability to benefits paid ratios (LBP). These ratios vary from year to year as a result of economic assumptions and other factors. The model calculates a liability approximately 11 times the annual payments.

O. Use of Estimates

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

P. Commitments and Contingencies

There are no commitments or contingencies that require disclosure.

Q. Intragovernmental Activity

Throughout these financial statements, intragovernmental assets, liabilities, revenues, and costs have been classified according to the type of entity associated with the transactions. Intragovernmental assets and liabilities are those from or to other Federal entities. Intragovernmental earned revenues are collections or accruals of revenue earned from other Federal entities and intragovernmental costs are payments or accruals to other Federal entities.

R. Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. For the National Endowment for the Humanities, such investments are measured in terms of expenses incurred for federally-financed but not federally-owned physical property (investment in non-federal physical property).

S. Rounding

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Note 1 – Significant Accounting Policies (continued)

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

National Endowment for the Humanities
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Note 2 – Fund Balance with Treasury

Fund balance with Treasury:	<u>2017</u>	<u>2016</u>
Appropriated funds	\$ 152,149,369	\$ 149,869,754
Trust funds	<u>939,705</u>	<u>588,374</u>
Total	<u><u>153,089,074</u></u>	<u><u>150,458,128</u></u>

Status of fund balance with Treasury:

Unobligated balance - available	9,038,788	6,160,580
Unfilled customer orders without advance	(657,885)	(243,790)
Obligated balance not yet disbursed	<u>144,708,171</u>	<u>144,541,338</u>
Total	<u><u>\$ 153,089,074</u></u>	<u><u>\$ 150,458,128</u></u>

Fund Balance with Treasury is the aggregate amount of NEH's accounts with the U.S. Treasury from which NEH is authorized to make expenditures and pay liabilities. The trust fund includes amounts donated to NEH. Some of these funds are restricted for intended purposes.

Note 3 – Accounts Receivable and Advances

	<u>2017</u>	<u>2016</u>
Gross receivables	<u>Current</u>	<u>Current</u>
Receivables from services to federal agencies:		
Advances to federal agencies	\$ 1,114,222	\$ 692,817
Receivables from the public:		
Advances to grantees	2,458,392	2,383,911
Other receivables	176,162	186,329
Allowance for uncollectable accounts	<u>-</u>	<u>-</u>
Net receivables	<u><u>\$ 3,748,776</u></u>	<u><u>\$ 3,263,057</u></u>

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Note 4 – General Property, Plant and Equipment, Net

NEH policy is to depreciate property, plant and equipment over the estimated useful life of the asset. The capitalization threshold is \$50,000 for individual purchases and \$50,000 for bulk purchases with a minimum of \$10,000 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 and equipment, net, consists of the following:

Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	<u>2017</u> Net Book Value	<u>2016</u> Net Book Value
Leasehold Improvements	10 years/Straight	\$ 168,722	\$ (54,835)	\$ 113,887	\$ 130,760
Office Equipment	5 years/Straight	117,753	(49,195)	68,558	92,063
Software - Internal Use	3 years/Straight	1,851,660	(1,207,839)	643,821	510,186
Software - In Development	Not Applicable	-	-	-	75,231
Total Property, Plant & Equipment		\$2,138,135	\$ (1,311,869)	\$ 826,266	\$ 808,240

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Note 5 – Liabilities

	2017	2016
Intragovernmental:	<u>Current</u>	<u>Current</u>
Accrued Unfunded FECA	\$ 45,221	\$ 44,903
Advances from others	29,400	4,200
Employee contributions & payroll taxes payable	112,728	124,024
Accrued liabilities due to federal agencies	<u>20,618</u>	<u>-</u>
Total Intragovernmental	207,967	173,127
With the Public:		
Accounts Payable	29,838	142,681
Accrued funded payroll	598,869	662,897
Actuarial FECA liability	241,338	225,738
Accrued unfunded leave	1,043,290	1,229,893
Accrued liabilities due - non-Government	<u>20,950,262</u>	<u>22,877,178</u>
Total Liabilities with the Public	22,863,597	25,138,387
Total Liabilities	<u>\$ 23,071,564</u>	<u>\$ 25,311,514</u>

National Endowment for the Humanities
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Note 6 – Leases

Occupancy Agreement:

Office Space: The National Endowment for the Humanities (NEH) occupies office space in the Constitution Center Building at 400 7th Street in the District of Columbia under an occupancy agreement with the General Services Administration (GSA). The occupancy agreement is accounted for as an operating lease. The estimate for the annual lease costs for NEH's office space for future fiscal years are below:

<u>Fiscal Year 2017</u>	<u>Office Space</u>
<u>Future payments due:</u>	
Fiscal year 2018	\$ 3,087,742
Fiscal year 2019	3,211,776
Fiscal year 2020	3,311,704
Fiscal year 2021	3,349,784
Fiscal year 2022	3,389,007
Fiscal year 2023	<u>3,429,406</u>
Total Future Lease Payments	\$ 19,779,419

Note 7 – Incidental Custodial Collections

Custodial collections made by NEH are deposited and reported into a designated miscellaneous receipt account. At fiscal year-end, all custodial collections are returned to the U.S. Treasury.

	<u>2017</u>	<u>2016</u>
Collections for NEH projects funded in previous years	\$ 27,363	\$ 70,947
Total cash collections	27,363	70,947
Disposition of collections:		
Return to Treasury (general fund)	27,363	70,947

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Retained by NEH	<u>-</u>	<u>-</u>
Net custodial collection activity	<u>\$ 27,363</u>	<u>\$ 70,947</u>

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Note 8 – Liabilities Not Covered by Budgetary Resources

	<u>2017</u>	<u>2016</u>
Intragovernmental		
Accrued unfunded FECA	\$ 45,221	\$ 44,903
Total intragovernmental	45,221	44,903
Actuarial FECA	241,338	225,738
Accrued unfunded leave	<u>1,043,290</u>	<u>1,229,893</u>
Total liabilities not covered by budgetary resources	1,329,849	1,500,534
Total liabilities covered by budgetary resources	21,741,715	23,810,980
Total Liabilities	<u>\$ 23,071,564</u>	<u>\$ 25,311,514</u>

Note 9 – Explanation of Differences between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods

Components that comprise liabilities not covered by budgetary resources represent the cumulative balance of the liability. By contrast, components requiring or generating resources in future periods included in Note 13 – Reconciliation of Net Cost of Operations to Budget – represent the change in the liability created in the current year.

Note 10 – Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The President's Budget which includes actual numbers for fiscal year 2017 has not been published. Actual numbers for fiscal year 2017 will be included in the President's Budget for fiscal year 2019, which will be published in February 2018 and will be available at <http://www.whitehouse.gov/omb/>.

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There are no material differences between the amounts reported in the FY 2016 Statement of Budgetary Resources and the 2016 actual amounts reported in the Budget of the United States Government. Any differences in the table below are due to the rounding of the amounts in the Budget of the United States Government.

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Note 10 (continued)

FY 2017 (in millions of dollars)	Budgetary Resources Available for Obligation	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Budget of the US Government	\$ 158	\$ 152	\$ -	\$ 145
Statement of Budgetary Resources	159	153		145
Differences (due to rounding)	\$ 1	\$ 1	\$ -	\$ -

Note 11 – Funds from Dedicated Collections

The Statement of Federal Financial Accounting Standards 43: *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds SFFAS No. 27, Identifying and Reporting Earmarked Funds*, changed the term "earmarked funds" to "funds from dedicated collections." SFFAS 43 also amended the definition as follows. Generally, funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing 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 must be accounted for separately from the government's general revenues.

Pursuant to authority set forth in its authorizing statute, at 20 U.S.C. 959(a)(2), and at P.L. 106-113, Sec. 319, the NEH is authorized to solicit, accept and invest money and other property donated to the agency. Section 959(a)(2) authorizes the Chairman of the 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." There are two types of donations accepted by the Endowment: unrestricted and restricted gifts. An unrestricted gift is one made to the Endowment with no limitations on how the gift is to be used. A restricted gift explicitly states how the gift is to be used.

Donations to the Endowment must be used for a purpose consistent with the agency's mission and authorizing legislation. The general authority of the Chairman to carry out the functions of the Endowment is enumerated in 20 U.S.C. 956(c).

National Endowment for the Humanities

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Note 11 – Funds from Dedicated Collections – (continued)

	2017				2016		
Balance Sheet, as of September 30th	Funds from Dedicated Collections Donations & Gifts	Eliminations	Total Funds from Dedicated Collections		Funds from Dedicated Collections Donations & Gifts	Eliminations	Total Funds from Dedicated Collections
Assets							
Fund Balance with Treasury	\$ 939,705	\$ -	\$ 939,705		\$ 588,374	\$ -	\$ 588,374
Other Assets - Intragov't Advances	52,333	-	52,333		2,325	-	2,325
Total Assets	992,038	-	992,038		590,699	-	590,699
Liabilities	71,227	-	71,227		-	-	-
Cumulative Results of Operations	920,811	-	920,811		590,699	-	590,699
Total Liabilities and Net Position	992,038	-	992,038		590,699	-	590,699
Statement of Net Cost, for the year ended September 30th							
Gross Program Costs	268,301	-	268,301		199,220	-	199,220
Less Earned Revenues	-	-	-		-	-	-
Net Program Costs	268,301	-	268,301		199,220	-	199,220
Costs not Attributable to Program Costs	-	-	-		-	-	-
Less Earned Revenues not Attributable to Program Costs	-	-	-		-	-	-
Net Cost of Operations	268,301	-	268,301		199,220	-	199,220
Statement of Changes in Net Position, for the year ended September 30th							
Net Position, Beginning of Period	590,699	-	590,699		341,790	-	341,790
Non-Exchange Revenue	598,413	-	598,413		448,129	-	448,129
Other Financing Sources	-	-	-		-	-	-
Net Cost of Operations	268,301	-	268,301		199,220	-	199,220
Change in Net Position	330,112	-	330,112		248,909	-	248,909
Net Position, End of Period	\$ 920,811	\$ -	\$ 920,811		\$ 590,699	\$ -	\$ 590,699

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Note 12 – Intragovernmental Costs and Exchange Revenue

OMB Circular A-136 has changed the disclosure requirements for transactions with other Federal entities and the public. Under the revised guidance, NEH will present costs associated with Federal agencies, as well as costs associated with the public. The following amounts present NEH's earned revenues for sales of goods and services to Federal agencies and the public, gross costs associated with sales of goods and services to Federal agencies and the public, and net cost of operations by program.

FY 2017 Programs	Intragovernmental Costs	Public Costs	Total Costs	Intragovernmental Earned Revenue	Public Earned Revenue	Total Earned Revenue	Net Costs
Bridging Cultures	\$ 111,469	\$ 1,537,761	\$ 1,649,230	\$ (5,793)	\$ -	\$ (5,793)	\$ 1,643,437
Challenge Grants	442,952	7,904,824	8,347,776	(29,167)	-	(29,167)	8,318,609
Common Good	146,847	3,592,226	3,739,073	(13,134)	-	(13,134)	3,725,939
Digital Humanities	378,455	4,913,919	5,292,374	(18,355)	-	(18,355)	5,274,019
Education	1,120,558	14,526,876	15,647,434	(54,345)	-	(54,345)	15,593,089
Federal/State Partnership	2,114,224	48,349,663	50,463,887	(177,086)	-	(177,086)	50,286,801
Preservation and Access	1,174,497	18,475,943	19,650,440	(69,920)	-	(69,920)	19,580,520
Program Development	123,862	569,657	693,519	(152,436)	-	(152,436)	541,083
Public	1,473,617	17,459,083	18,932,700	(65,871)	-	(65,871)	18,866,829
Research	1,400,174	17,800,288	19,200,462	(178,038)	-	(178,038)	19,022,424
Treasury Funds	111,219	2,720,678	2,831,897	(9,948)	-	(9,948)	2,821,949
We the People	12,263	299,974	312,237	(1,097)	-	(1,097)	311,140
2017 Total	\$ 8,610,137	\$ 138,150,892	\$ 146,761,029	\$ (775,190)	\$ -	\$ (775,190)	\$ 145,985,839
FY 2016 Programs	Intragovernmental Costs	Public Costs	Total Costs	Intragovernmental Earned Revenue	Public Earned Revenue	Total Earned Revenue	Net Costs
Bridging Cultures	\$ 627,415	\$ 2,593,992	\$ 3,221,407	\$ (9,105)	\$ -	\$ (9,105)	\$ 3,212,302
Challenge Grants	442,195	7,512,957	7,955,152	(22,344)	-	(22,344)	7,932,808
Common Good	71,593	1,653,338	1,724,931	(4,875)	-	(4,875)	1,720,056
Digital Humanities	414,285	5,289,158	5,703,443	(15,898)	-	(15,898)	5,687,545
Education	1,400,146	16,791,006	18,191,152	(50,673)	-	(50,673)	18,140,479
Federal/State Partnership	2,213,740	48,391,391	50,605,131	(142,883)	-	(142,883)	50,462,248
Preservation and Access	1,311,645	18,779,053	20,090,698	(63,019)	-	(63,019)	20,027,679
Program Development	58,419	486,183	544,602	(1,539)	-	(1,539)	543,063
Public	1,337,275	15,901,283	17,238,558	(48,066)	-	(48,066)	17,190,492
Research	1,573,247	19,579,047	21,152,294	(185,481)	-	(185,481)	20,966,813
Treasury Funds	92,859	2,144,449	2,237,308	(6,323)	-	(6,323)	2,230,985
We the People	137,504	593,754	731,258	(2,067)	-	(2,067)	729,191
2016 Total	\$ 9,680,323	\$ 139,715,611	\$ 149,395,934	\$ (552,273)	\$ -	\$ (552,273)	\$ 148,843,661

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Note 13 – Reconciliation of Net Cost of Operations to Budget

	<u>2017</u>	<u>2016</u>
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
New Obligations and upward adjustments	\$ 150,585,532	\$ 152,914,518
Less: Spending authority from offsetting collections, recoveries, and changes in unobligated balance	<u>3,017,327</u>	<u>4,375,082</u>
Obligations net of offsetting collections, recoveries, and changes in unobligated balance	147,568,205	148,539,436
Less: Offsetting receipts	<u>625,776</u>	<u>519,076</u>
Net Obligations	146,942,429	148,020,360
Other Resources		
Imputed financing from costs absorbed by others	<u>914,065</u>	<u>1,172,363</u>
<i>Total resources used to finance activities</i>	<u>147,856,494</u>	<u>149,192,723</u>
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS:		
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided	(2,317,889)	(937,745)
Budgetary offsetting collections and receipts that do not affect net cost of operations	625,776	519,076
Resources that fund expenses and recognized in prior periods	(186,604)	(43,496)
Resources that finance acquisition of assets	<u>(372,033)</u>	<u>(281,675)</u>
<i>Total resources used to finance items not part of the net cost of operations</i>	(2,250,750)	(743,840)
<i>Total resources used to finance the net cost of operations</i>	<u>145,605,744</u>	<u>148,448,883</u>
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD:		
Components requiring or generating resources in future periods:		
Other	<u>26,089</u>	<u>35,613</u>
	26,089	35,613
<i>Total components of Net Cost of Operations that will require or generate resources in future periods</i>		
Components not requiring or generating resources:		
Depreciation and amortization	354,006	359,165
<i>Total components of Net Cost of Operations that will require or generate resources</i>	354,006	359,165
<i>Total components of the net cost of operations that will not require or generate resources in the current period</i>	<u>380,095</u>	<u>394,778</u>
NET COST OF OPERATIONS	<u>\$ 145,985,839</u>	<u>\$ 148,843,661</u>

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**Note 14 – Apportionment Categories of Obligations Incurred:
Direct vs. Reimbursable Obligations**

Obligations Incurred	<u>2017</u>	<u>2016</u>
Direct:		
1. Category A total, direct obligations	\$ -	\$ -
2. Category B total, direct obligations	149,278,694	152,149,599
3. Exempt from apportionment	-	-
Reimbursable:		
1. Category A total, direct obligations	-	-
2. Category B total, direct obligations	1,306,838	764,919
3. Exempt from apportionment	-	-
Total direct and reimbursable	<u>\$ 150,585,532</u>	<u>\$ 152,914,518</u>

Note 15 – Exchange Revenues for Reimbursable Services Activities

Pricing policy – Generally, when providing products and services, NEH sets prices to recover the full costs incurred unless otherwise noted in the interagency agreement.

Note 16 – Undelivered Orders at the End of the Period

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

	<u>2017</u>	<u>2016</u>
Unpaid obligations		
Undelivered orders	\$ 122,995,857	\$ 120,734,558
Accounts payable	21,712,315	23,806,780
Less: uncollected customers payments from federal sources	<u>(657,885)</u>	<u>(243,790)</u>
Total, unpaid obligated balance, net, end of period	<u>\$ 144,050,287</u>	<u>\$ 144,297,548</u>

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Note 17 – Statement of Net Cost

Matching Grants - Challenge Grants and Treasury Fund Grants

Matching grants are awarded in most programs of the Endowment. A matching award entails an offer of NEH funding that is conditioned on an equivalent amount of fund-raising by the recipient. The Endowment uses two types of matching grants: Challenge Grants and Treasury Fund Grants.

Challenge grants are used to assist organizations in developing long-term sources of support for humanities programs, activities and resources. Some examples include the establishment of endowment funds, the purchase of capital equipment, the retirement of debt, and the renovation or construction of facilities. Recipients of a challenge grant must match every federal dollar with three nonfederal dollars in gifts to the grant recipients.

Treasury Fund grants are appropriated funds used to match nonfederal contributions in support of humanities projects. Treasury matching grants, which match nonfederal donations on a one-to-one basis, have proven to be an effective mechanism for leveraging the contributions of businesses, foundations, and individuals on behalf of the humanities.

Note 18 – Correction of Error

In our fiscal year 2016 presentation of Note 2 – Fund Balance with Treasury, the amounts reported for Unobligated balance – available and Obligated balance not yet disbursed were overstated and understated by \$360,000, respectively. The corrected fiscal year 2016 amounts appear in this year's presentation. There is no overall impact to the total status of fund balance with Treasury.

Required Supplementary Stewardship Information Stewardship
Investments
(Unaudited)
As of September 30, 2017

Investment in Non-Federal Physical Property

The National Endowment for the Humanities (NEH) provides a long term benefit to the public by maintaining its commitment to investing in non-Federal physical property. Non-Federal physical property refers to expenses incurred by the Federal government for the purchase, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets.

NEH's investment in non-Federal physical property currently includes facilities, structures, and equipment. The principal program funding this investment is Challenge Grants. This program is best understood as a lasting partnership between the community of humanities institutions and NEH. Through this program, NEH invested funding in historic buildings, conservation centers, museums, and libraries. For example, NEH grants funded: the restoration of buildings at the Historic Dyess Colony, Arkansas; the construction of the humanities portion of the public library in Lake County, Oregon; the expansion of the conservation facility at SUNY Buffalo State College; and the renovation of the historic Hilton Mansion House, Baltimore, Maryland.

The following exhibit shows the National Endowment for the Humanities investment in non-Federal physical property displayed in four major categories for FY 2017 and the previous four fiscal years.

Type of Property	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Historic Home/Building	\$684,809	\$300,000	\$225,000	-	-
Conservation Center	-	-	-	-	-
Museum/Library	150,000	500,606	548,906	457,597	100,000
Research/Lab Center	652,981	335,000	120,000	-	267,933
Total	\$1,487,790	\$1,135,606	\$893,906	\$457,597	\$367,933

IV. Other Accompanying Information

NEH Inspector General's Summary of Management Challenges

November 1, 2017

Jon Parrish Peede, Acting Chairman

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

Dear Acting Chairman Peede 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 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 the Agency's operations.

The OIG has identified two management and performance challenges for inclusion in the NEH's

FY 2017 Performance and Accountability Report (PAR).

1. Information Technology Security
2. Continuity of Operations Planning

The Reports Consolidation Act of 2000 permits agency comment on the Inspector General's statements. Agency comments, if applicable, are to be included in the final version of the PAR that is due by November 15, 2017.



Laura Davis
Inspector General

Attachment

cc: Jeff Thomas, Office of the Chairman

Management and Performance Challenges for the National Endowment for the Humanities

FY 2017

Information Technology Security

The NEH relies on information management systems to carry out the Agency's mission and operations, and to process, maintain, and report essential information. Such dependence makes the Agency's critical systems potentially vulnerable to an evolving number of cyber-based threats.

The *Federal Information Security Management Act of 2002* (FISMA 2002) and its successor, the *Federal Information Security Modernization Act of 2014* (FISMA 2014) require 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. FISMA also states that the agency head is to delegate authority to ensure compliance with the law to the Chief Information Officer (CIO), who in turn is to designate a senior agency information security officer to carry out the CIO's responsibilities under the law. This official is often referred to as the CISO and must (i) possess professional qualifications, including training and experience, required to administer the functions required by the law; (ii) primarily have information security duties; and (iii) head an office with the mission and resources to assist in ensuring agency compliance with the law.

To further enhance the security of Federal information and information systems, the Office of Management and Budget (OMB), in coordination with the National Security Council (NSC), Department of Defense, and Department of Homeland Security identified cybersecurity as a Cross Agency Priority (CAP) goal for FY 2015 through FY 2017. Rather than enforcing a static, point-in-time reauthorization process, Federal agencies are required to assess information security risks on an ongoing basis¹. The cybersecurity CAP goal emphasizes ongoing observation, assessment, analysis, and diagnosis of the agency's cybersecurity (Information Security Continuous Monitoring); implementation of a set of capabilities that ensure users authenticate to Federal IT resources and have access to only those resources that are required for their job function (Identity, Credential, and Access Management/Strong Authentication); and implementation of technologies, processes, and training that reduce the risk of malware introduced through email and malicious or compromised web sites (Anti-Phishing and Malware Defense).

Over the years, the NEH has realized steady progress in the development of information security policies and procedures consistent with FISMA and National

Institute of Standards and Technology (NIST) requirements. However, full implementation of an effective information security program represents an ongoing challenge for the NEH. Specifically, the NEH has not fully implemented information security continuous monitoring as anticipated by the cybersecurity CAP goal.

OMB Memorandum M-14-03, *Enhancing the Security of Federal Information and Information Systems*

Information Security Continuous Monitoring

The NEH *Security Program and Risk Management Policy*, issued during FY 2012, defines the required components of a continuous monitoring program and mandates the development of continuous monitoring plans (CMPs) for each major information management system. While the Agency has instituted many of the fundamental components of information security continuous monitoring, budget constraints have delayed the completion and compliance testing of individual CMPs for core information management systems, as prescribed by the NEH *Security Program and Risk Management Policy*. Risk assessment is the foundational tool used to facilitate thoughtful and purposeful cyber defense strategies. Documented continuous monitoring plans will provide management with the necessary blueprint to assess the Agency's adherence to defined continuous monitoring procedures and will assist with ongoing awareness and assessment of information security vulnerabilities, and threats to NEH systems and information.

Continuity of Operations Planning

In order to ensure the preservation of our form of Government under all conditions, it is the policy of the United States to maintain a comprehensive and effective continuity capability composed of Continuity of Operations (COOP) and Continuity of Government (COG) programs. Continuity planning is the good business practice of ensuring the seamless and immediate execution of essential functions through all circumstances, so that critical government functions and services remain available to the Nation's citizens. Further, Agency information management systems are vulnerable to a variety of disruptions, ranging from mild (e.g., short-term power outage, disk drive failure) to severe (e.g., equipment destruction, fire). Vulnerability may be minimized or eliminated through

management, operational, or technical controls as part of the Agency's resiliency effort. The NEH has a documented business continuity and disaster recovery policy that generally provides sufficient direction and guidance to reduce confusion and potential impact from a disruptive event or disaster. However, limited activity has been extended to the testing and evaluation of the Agency's disaster recovery plan over the past few years. A "table-top" exercise was executed in June 2017, which

resulted in the identification of areas for improvement concerning NEH continuity planning to be further addressed by senior Agency officials. This represents a recurring management challenge.

An effective test, training, and exercise (TT&E) program is necessary to assist in the preparation and validation of an organization's continuity capabilities and program. Training familiarizes leadership and staff with the procedures and tasks they must perform when executing continuity plans. Tests and exercises serve to assess and validate all components of continuity plans, policies, procedures, systems, and facilities used to respond to and recover from an emergency situation, and identify issues for subsequent improvement. The last comprehensive exercise to evaluate NEH emergency response procedures was conducted in July 2012.

NEH Acting Chairman's Response to Inspector General's Summary of Management Challenges

MEMORANDUM

Date: November 6, 2017

To: Laura Davis
Inspector General

From: Jon Parrish Peede
Acting Chairman

Thank you for your thoughtful assessment of the most significant management challenges facing NEH as we enter fiscal year 2018. Our responses to your specific concerns are detailed below.

Information Technology Security

We share your concerns about the agency's lack of a CISO (Chief Information Security Officer). Indeed, in his response to OMB M-17-25, "Reporting Guidance for Executive Order on Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure," the NEH's Chief Information Officer identified the lack of a dedicated cybersecurity staff member as one of the agency's key cybersecurity risks.

In this context, it merits mentioning that during FY 2017, at the urging of the NEH CIO, the agency appointed an attorney from the Office of the General Counsel to serve as the Senior Agency Official for Privacy. Having a privacy expert on staff who is tasked with creating and maintaining NEH's privacy-related policies has already proven to be a major benefit to the agency. In a similar vein, we believe that having a dedicated CISO, with expertise in government cybersecurity policy, would also prove extremely valuable to the agency, particularly as it seems clear that we will continue to see an increase in the number of required cybersecurity-related policies and procedures going forward. To this end, management proposes to explore hiring an appropriate cybersecurity professional into a new CISO position in FY 2018.

This past year NEH has made significant progress in meeting the Cross Agency Priority (CAP) goals that you mention in your memorandum. We signed a memorandum of understanding and attended a kick-off meeting to adopt Department of Homeland Security's Continuous Monitoring and Diagnostics (CDM) program, which will include sensors and dashboards that will automate security and monitoring. We are currently awaiting the installation of the system, which we expect to happen in the second quarter of FY 2018. The CDM program will roll out in phases. The first phase will focus on asset, configuration, and vulnerability management. The second phase will then incorporate and improve least-privilege and infrastructure integrity. The final phase includes boundary protection and event management. All these phases are designed to help NEH and other agencies meet the CAP goals.

In addition to the CDM program, we have worked independently to improve IT security in other areas associated with the CAP goals. We are actively working toward better multifactor remote access to email and grants systems, which will improve Identity, Credential, and Access Management/Strong Authentication. We have also instituted a new anti-phishing program and adopted DHS's Einstein E3A, which improves malware defense. Lastly, we developed a continuous monitoring plan that can be used as a template for all the IT systems. In the coming year, NEH will focus on the development of plans for each of our systems.

Continuity of Operations Planning

We acknowledge the need to test our Continuity of Operations Plan (COOP) on a regular basis. As you mention in your memorandum, we conducted a "table-top" exercise in June of this year, which led to the identification of various shortcomings in our current COOP policies and procedures. As a next step, later this month we are planning a two-hour meeting of the agency's senior officials with COOP-related responsibilities. At this meeting we will address the changes needed in our current plan, and we will then begin planning for NEH's participation in next year's government-wide "Eagle Horizon" COOP exercise.

Other Information

Table 1 - Summary of Financial Statement Audit for the Year Ending September 30, 2017

Audit Opinion	Unqualified				
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, 2017

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

Conformance with Financial management system requirements (FMFIA § 4)						
Statement of Assurance		Systems conform 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 Federal Financial Management Improvement Act (FFMIA)						
*Not Applicable to Non-CFO Act Agencies per OMB Circular A-127 Sec. 8D						
	Agency			Auditor		
Overall Substantial Compliance	Not Applicable*			Not Applicable*		
1. System Requirements			Not Applicable*			
2. Accounting Standards			Not Applicable*			
3. USSGL at Transaction Level			Not Applicable*			

Payment Integrity

The Improper Payments Information Act of 2002 (IPIA) requires each agency to assess its programs and identify which, if any programs may be subject to high risk with respect to improper payments, and take corrective measures, as necessary. OMB has established specific reporting requirements for agencies with programs that possess a significant risk of erroneous payments and for reporting on results of recovery auditing activities.

On July 22, 2010, the President signed into law the Improper Payments Elimination and Recovery Act (IPERA, Public Law 111-204), which amends the IPIA Act, generally repeals the Recovery Auditing Act (RAA, Section 831 of the FY 2002 Defense Authorization Act, Public Law 107-107), and significantly increases agency payment recapture efforts — by expanding the types of payments that can be reviewed and lowering the threshold of annual outlays that requires agencies to conduct payment recapture audit programs.

A subsequent statute, the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA, Public Law 112-248), was signed into law on January 10, 2013. IPERIA mandates that agencies to improve the quality of oversight for high-dollar and high risk programs, and it requires agencies to share data regarding recipient eligibility and payment amounts.

IPERA defined a significant erroneous payment as an annual erroneous payment in a program that (1) exceeds both 2.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the fiscal year reported or (2) \$100,000,000 (regardless of the improper payment percentage of total program outlays). The new law establishes a 2.5 percent improper payment rate threshold to determine risk susceptible programs (in addition to the monetary threshold identified above). OMB has determined as a policy matter that, beginning with fiscal year 2013 reporting, agencies should instead apply a 1.5 percent improper payment rate (with other aspects of the above definition unchanged). IPERIA defines "payment" as payments made to Federal employees as well as non-Federal persons or entities. As a result, agencies are not obligated to review payments to other Federal agencies.

On October 20, 2014, the Office of Management and Budget (OMB) issued government-wide guidance on the Improper Payments Elimination and Recovery Act (IPERA) in OMB Memorandum M-15-02: *Appendix C to OMB Circular A-123, Requirements for Effective Estimation and Remediation of Improper Payments*. Federal agencies are required to follow the steps in the revised A-123 to determine whether the risk of improper payments is significant and to provide valid annual estimates of improper payments.

For more detailed information on improper payments and to view information previously reported in the NEH Performance and Accountability Report that is not found in the FY 2017, go to <https://paymentaccuracy.gov/>.

NEH Payment Reporting

Estimated Amount of Payments Properly and Improperly Paid (in thousands of dollars)

Fund	Total Outlays	Proper Payments		Improper Payments	
		Dollars	Rate	Dollars	Rate
Definite Grant Fund	\$121,199	\$121,060	99.9%	\$137	0.1%

Estimated Ratio of Underpayments and Overpayments for Identified Improper Payments (in thousands of dollars)

Fund	Total Estimated Improper Payments	Underpayments		Overpayments	
		Dollars	Rate	Dollars	Rate
Definite Grant Fund	\$137	\$0	0%	\$137	100%

Estimated Amount of Improper Payments Originating from the Federal Government vs. Recipients of Federal Funds (in thousands of dollars)

Fund	Total Estimated Improper Payments	Originating Directly from Federal Government	Originating from Recipients of Federal Funds
Definite Grant Fund	\$137	\$137	\$0

**Improper Payment Root Cause Category Matrix
(in thousands of Dollars)**

Reason for Improper Payment	Definite Program Fund	
	Overpayments	Underpayments
Program Design or Structural Issue	\$0	\$0
Inability to Authenticate Eligibility	\$0	\$0
Death Data	\$0	\$0
Financial Data	\$0	\$0
Failure to Verify Excluded Party Data	\$0	\$0
Prisoner Data	\$0	\$0
Other Eligibility Data	\$0	\$0
Federal Agency	\$137	\$0
Administrative or Process Error Made by: State or Local Agency	\$0	\$0
Other Party	\$0	\$0
Medical Necessity	\$0	\$0
Insufficient Documentation to Determine	\$0	\$0
Other	\$0	\$0

Corrective Action Plans to Reduce Improper Payments

An additional review performed outside of the scope of the risk assessment during the fiscal year identified three duplicate payments to three different grantees totaling \$137,365. All of the duplicate payments were recovered from the grantees through their own initiative when they identified that they had been paid twice. We did further testing of this fiscal year's payments to ensure that there were no other duplicate payments made for which recapture efforts were required and identified no other instances. NEH immediately investigated the cause of these duplicate payments and a modification to our business process was implemented in July of this fiscal year to prevent future occurrences. Testing this additional step with current payments, including those payments that were duplicated, confirmed that this action would have alerted staff to the possibility of a duplicate payment and initiated additional review actions. This additional review is now part of the NEH operational procedures for grant payment review. This review has historically included, and will continue to include, a 100 percent review of all NEH non-payroll payments. Through the newly implemented action and its additional review, NEH has set a goal to have no identified improper payments for FY 2018 and future years for our Definite Grant Fund program.

RECOVERY OF IMPROPER PAYMENT AND RECAPTURE AUDITS

NEH has not identified any grant program that constitutes a high-risk for improper payments. Therefore, NEH considers all of its payments to fall within the realm of low-risk. As described previously, for those conditions for which duplicate payments were identified, a full review of payments under the Definite Grant Fund program were analyzed. Potential duplicate payments were individually reviewed and no additional instances of duplicate payments were found. Because of the results of sampling and additional review, conducting post-payment reviews or recapture audits would not be cost effective.

For administrative programs, the majority of NEH administrative costs are payroll costs related to personnel compensation. Outlays of payroll funds must follow strict payroll policies, procedures, and system controls maintained by our payroll service provider, who disburses funds to agency employees on behalf of NEH. Because of the strength of controls surrounding payroll outlays, and the relatively small size and volume of non-payroll disbursements, post-payment reviews and recapture audits would not be cost effective for this program.

NEH USE OF THE DO NOT PAY SYSTEM

NEH uses the continuous monitoring feature of the Do Not Pay system, which notifies NEH staff of any existing vendors, grantees, or employees that have a potential match against several databases including the Social Security Death Master File, the General Services Administration Excluded Parties List System, the Department of the Treasury's Debt Check Database, among others. These potential matches are investigated to determine payment eligibility and may prevent improper payments. Of those potential matches that were investigated, it was determined that none of the payments made were improper. NEH continues its strenuous review of authoritative systems as part of its contract and grant award and payment process, including use of the System for Award Management (SAM), which reports payees who have expired registration and delinquent federal debt. Given that payment sample testing has yielded zero improper payments over the past several years, this system will further enhance and ensure a minimal amount of improper payments. NEH expects that the continuous monitoring feature within the Do Not Pay system will continue to assist with data validation and serve as an aid to ensure data quality.

MANAGEMENT ACCOUNTABILITY

Existing control processes and the implementation of the revised OMB Circular A-123 requirements continue to ensure that NEH's internal controls over financial reporting and systems are documented, sufficiently tested, and properly assessed. In turn, improved internal controls enhance safeguards against improper payments, fraud, waste, and abuse better ensure that the taxpayer dollars continue to be used effectively and efficiently to meet NEH's program objectives.

Agency Information Systems and Other Infrastructure

NEH believes that its current internal control, human capital, information systems and other infrastructure resources are sufficient to maintain the goal of zero improper payments. As always, the agency believes that continued reviews and strengthening of internal controls are

necessary to address new and evolving risks that emerge with disbursement of taxpayer resources.

Sampling and Estimation

THE CRITERIA FOR THE RISK ASSESSMENT

At the National Endowment for the Humanities (NEH), risk assessments are currently performed on an annual basis, although a three-year rotation is an option. These risk assessments cover the agency's payroll payments, and its definite grant program. The risk assessments help determine the risk of significant improper payments for each category by asking questions about identification of improper payment risk factors, mechanisms to identify those risks, management's analysis of the effect of any identified risks, and the controls developed to address any identified risks. NEH management followed the steps in the revised OMB Circular A-123, Appendix C, Part I, to determine whether the risk of erroneous payments is significant. OMB's guidance states "when calculating a program's annual improper payment amount, agencies should only utilize the amount paid improperly."

For this year, only the definite grant program was determined to have a risk of significant improper payments. Using the following systematic process, NEH conducted a quantitative review of its grant program payments of the definite grant program. For each selected grant payment, the NEH verified the:

- a. existence of a properly approved grant award document;
- b. properly signed request for payment from the grantee;
- c. payment was made to the correct grantee's banking information on record;
- d. accuracy of the payment; and
- e. payment was charged to the correct grant obligation in the NEH accounting system.

NEH identified no programs or activities susceptible to significant improper payments, and consequently determined that no annual estimated amount of improper payments was necessary.

Results of FY 2017 testing for improper payments (in thousands of dollars)

Fund	Population Outlays	Tested Outlay Amount	Population Insufficient Documentation		Population Improper Payment Error	
			Dollars	Rate	Dollars	Rate
Definite Grant Fund	\$71,467	\$2,464	-0-	0.0%	-0-	0.0%

PROGRAMS NOT INCLUDED IN THE RISK ASSESSMENT

The agency's non-payroll administrative payments, as well as its Treasury Fund grant program were reviewed during FY 2017 and did not meet the criteria specified in Circular A-123, Appendix

C for significant improper payments. Because of this, a quantitative review of these other programs were not performed. However, NEH maintains the same payment certification process for all payments made by the agency. For these programs, potential payments are reviewed to ensure that:

- a. an approved obligation exists in the agency's accounting system
- b. invoices are properly signed and approved
- c. payment is being sent to the correct vendor and bank account
- d. payment amount is accurate
- e. payment was charged to the correct obligation in the NEH accounting system

Because all non-payroll payments follow the same policy and procedures as our direct grant programs, NEH believes that the risk of improper payments in these programs is low.

IMPROPER PAYMENT REDUCTION OUTLOOK

The result of the sampling was an error rate of zero percent for FY 2017 IPIA reporting.

Improper payment reduction outlook: FY 2015 - FY 2019 (in thousands of dollars)

Program	FY 2015			FY 2016			FY 2017			FY 2018*			FY 2019*		
	Outlays	%	\$	Outlays	%	\$	Outlays	%	\$	Est Outlays	%	\$	Est Outlays	%	\$
Grant Program	\$117,276	0.0	-0-	\$119,505	0.0	-0-	\$121,199	0.1	137	\$119,327	0.0	-0-	\$119,327	0.0	-0-

*this grant program is aggregated among other grant programs and is not reflected specifically in the estimated outlays as shown on the President's Budget, which combines outlay totals for both administrative and grant programs. Therefore, an average of the past three years' actual outlays for this program, rounded to the nearest thousand was used to project future outlays.

RISK ASSESSMENT AND OVERSIGHT BENEFITS

The NEH assessment resulted in a FY 2017 IPIA reporting error rate of zero percent, demonstrating that overall, NEH has adequate internal controls over its payment process. To maintain a zero percent testing error rate, NEH continues to improve internal controls, conduct continuous internal monitoring of possible improper payments, use centralization of accounting functions, and improve communication and follow-up prior to payment authorization to reduce the potential for error.

Fraud Reduction Report

As a steward of taxpayer resources, the NEH takes a variety of steps to both address and prevent fraud, waste and abuse. During FY 2017, the NEH continued the use of its existing policies and procedures to perform risk assessments for significant improper payments, including those under IPIA, IPERIA, and OMB Circular A-123, Appendix C. Though NEH reports only on significant improper payments in this report, NEH reviews all sources of payments as part of its overall improper payment risk assessment and considers fraud among the variety of contributing risk factors. During FY 2017, the NEH worked with the Department of Treasury's Do Not Pay

system to analyze several years' worth of payment data as part of an overall payment analysis. The report provided information on payment data quality, anomaly detection, pattern and trend analysis, and other areas. The results of the report indicated that NEH had a high quality of payment data and did not communicate any results that were of concern to NEH management. The report provided details regarding payment patterns and frequency and recommended further review. Upon further review of this report, NEH determined that the questioned payment patterns and frequency were legitimate based on the nature of the agency's grant programs. This report provides useful information and points of emphasis for NEH to develop additional methods to address the risk of fraud going forward and further strengthen our controls over taxpayer resources.

Grants Oversight & New Efficiency (GONE) Act Requirements

As of October 31, 2017, NEH has a total of five grants older than two years which are still awaiting final close-out actions. A combination of staff turnover at both the NEH and these grant institutions at the appropriate SF-425 reporting dates contributed to these grants issues and caused for the slight outstanding balances currently remaining. In order to correct these situations from re-occurring NEH endeavors to stay abreast of these reporting requirements and also to enact a more streamlined review process of all applicable FFRs (Federal Financial Reports) as they are submitted for internal review.

Category	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	TWO	ZERO	ZERO
Number of Grants/Cooperative Agreements with Undisbursed Balances	TWO	ONE	ZERO
Total Amount of Undisbursed Balances	\$383	\$2	\$0

