



NATIONAL ENDOWMENT FOR THE

Humanities

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PERFORMANCE & ACCOUNTABILITY REPORT

FISCAL YEAR 2012

NATIONAL ENDOWMENT FOR THE HUMANITIES

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PERFORMANCE AND ACCOUNTABILITY REPORT

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NATIONAL ENDOWMENT FOR THE

Humanities

THE CHAIRMAN

A Message from the Chairman of the National Endowment for the Humanities

I am pleased to present the Performance and Accountability Report for the National Endowment for the Humanities (NEH) for fiscal year 2012. The report sets forth the agency's goals and objectives and highlights 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 that was 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 encouraging and supporting excellence in scholarship, education, and public programming in the humanities.

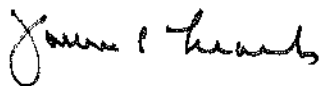
We believe that the data and information contained in this annual Performance and Accountability Report evidences the continuing value and importance of our programs and activities for the American people. Some of our notable accomplishments this past year include:

- FY 2012 marked the third year of the Endowment's special initiative, called *Bridging Cultures*, which is designed to help Americans gain a deeper understanding of our heritage as well as the history and culture of other nations. In 2010, we awarded grants for eight pilot projects at cultural and educational institutions around the country that brought together scholars, state humanities councils, and members of the public in discussions of two pressing national concerns—the role of civility in democracy and the need for a deeper understanding of the Muslim world. In the spring of 2011, these grantees hosted regional forums that were designed to share with members of the public the best of recent research on these topics. In the next stage of these projects, funded in 2012, participants are collaborating with educators and members of state humanities councils to produce books, videos, exhibitions, and other public programming and to disseminate this content to local, regional, and national audiences.
- Millions of Americans annually watch NEH-supported documentary films on television or listen to radio programs that make the humanities accessible and exciting. Some of these productions win the nation's most prestigious awards for content and artistic quality, and many become invaluable historical and cultural resources for use in classrooms. For example, *Prohibition*, a three-part documentary by filmmakers Ken Burns and Lynn Novick on the Eighteenth Amendment to the U.S. Constitution and the era it encompassed, received critical acclaim and was viewed by millions when it aired in

December 2011. The film received three nominations for 2012 Emmy awards. Other notable programs recently broadcast on PBS have included several films that portray the changing meanings of freedom and equality in the nation's history: *Slavery by Another Name*, a documentary on the rise of forced labor of African-American men in the South following the Civil War; *The Loving Story*, on the path-breaking Supreme Court case involving an interracial couple in Virginia in the 1950s and 1960s; and *Freedom Riders*, the story of the hundreds of civil rights activists who challenged segregation in interstate transportation in the American South during the spring and summer of 1961. *Freedom Riders* won three Emmy Awards and other prizes for excellence. Since its initial broadcast in the spring of 2011, the film and its complementary programming at museums, libraries, and historic sites have received an enthusiastic response across the nation. Beginning in 2013, NEH will package these three films, plus a fourth currently in production (*The Abolitionists*), as part of a new special initiative, *An American Journey: From Freedom Toward Equality*, that will reach 500 communities across the nation over the next three years.

- The Endowment's work in FY 2012 was complemented by the programs and projects in the state humanities councils, which are independent nonprofit organizations in each of the fifty states and in the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, the commonwealth of the Northern Marianas, and American Samoa. With their strong networks of cultural and educational institutions, the councils ensure that funds received through NEH, and the programs they support, reach citizens in every state and territory. The councils support reading and discussion programs for children and families; state and local book festivals; educational institutes for elementary and secondary school teachers; scholarship on state and local history; Chautauqua-style historical performances; radio and film projects on humanities themes; and special initiatives designed to bring humanities programming to patients at veterans hospitals throughout the country.

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 internal control weaknesses to report.



James A. Leach
November 15, 2012

NATIONAL ENDOWMENT FOR THE HUMANITIES
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PERFORMANCE AND ACCOUNTABILITY REPORT
Fiscal Year 2012

I. MANAGEMENT’S DISCUSSION AND ANALYSIS

Mission and Organizational Structure

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," the 89th Congress expressed this interest in a single, powerful observation: "Democracy demands wisdom and vision in its citizens." The agency’s authorizing legislation also encourages the Endowment to, among other things, promote “understanding of the nation’s rich cultural heritage,” foster “a mutual respect for the diverse beliefs and values of all persons and groups,” and “relate the humanities to the current conditions of national life."

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.

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. The current Chairman is James A. Leach. Before coming to the agency in 2009, Mr. Leach served for thirty years as a member of the U.S. House of Representatives, where he also co-founded and co-chaired the Congressional Humanities Caucus. Advising the NEH Chairman is the National Council on the Humanities, a board of 26 distinguished private citizens who are also appointed by the President and confirmed by the Senate. National Council members serve staggered six-year terms.

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). Complementing these divisions and offices is an agency-wide special initiative—called *Bridging Cultures*—that encourages humanities projects that illuminate the connections and commonalities in the human experience across diverse cultures and subcultures within America’s borders and around the globe.

NEH's grant programs received more than 5,000 applications in FY 2012. These applications were evaluated by knowledgeable persons outside NEH who were asked for their judgments about the quality and significance of the proposed projects. Approximately 1,000 scholars, teachers, librarians and archivists, museum curators, documentary filmmakers, and other humanities professionals and experts serve on the more than 200 panels NEH convenes annually. 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. Nearly 740 humanities projects received awards from NEH in fiscal year 2012.

Highlights of Important Performance Goals and Results

NEH works to fulfill its legislated mission through the pursuit of two broad strategic goals—to advance knowledge and understanding in the humanities in the United States and to broaden public awareness of, access to, participation in, and support for the humanities. A third, related goal is to enhance the quality of service and efficiency of our operations.

The first of these programmatic goals—to advance knowledge and understanding in the humanities in the United States—involves the pursuit of nine separate objectives:

1. Facilitate basic research and original scholarship in the humanities.
2. Strengthen teaching and learning in the humanities in U.S. schools and higher educational institutions.
3. Preserve and increase the availability of cultural and intellectual resources essential to the American people.
4. Provide opportunities for Americans to engage in lifelong learning in the humanities.
5. Strengthen the institutional base of the humanities.
6. Maintain and strengthen partnerships with the state humanities councils.
7. Enhance the teaching, study, and understanding of the nation's history, culture, and principles.
8. Develop collaborative partnerships with individuals and institutions in support of the humanities.
9. Stimulate third-party support for humanities projects and programs.

Performance indicators are in place for each of these objectives (see the Performance Information section of this report, beginning on page 12). The indicators help NEH assess the

outcomes of the humanities projects we support and the extent to which they advance the agency's long-term goals.

Because FY 2012 has only just concluded, we 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 reports.

For performance measuring purposes we have begun adapting elements of the new Research Performance Progress Report (RPPR) format, which was developed by a committee of the National Science and Technology Council and is under the supervision of the National Science Foundation. This report will help us capture richer performance information from our grantees and import that information directly into our grants management system. The Endowment will pilot the RPPR format in FY 2013 in a handful of grant categories.

We have also developed an in-house system for collecting information on the products and prizes that result from NEH grants. This system will help both the agency and the general public have a better understanding of the impact of our work.

In FY 2012 our new *Bridging Cultures* initiative as well as our ongoing grant programs offered ample evidence of their effectiveness in advancing the Endowment's goals and objectives. Notable achievements of the *Bridging Cultures* initiative included:

- In 2010, we awarded grants for eight pilot projects at cultural and educational institutions around the country that brought together scholars, state humanities councils, and members of the public in discussions of two pressing national concerns—the role of civility in democracy and the need for a deeper understanding of the Muslim world. In the spring of 2011, these grantees hosted regional forums that were designed to share with members of the public the best of recent research on these topics. In the next stage of these projects, funded in 2012, participants are collaborating with educators and members of state humanities councils to produce materials such as books, videos, exhibitions, and other public programming and to disseminate this content to local, regional, and national audiences.
- In FY 2011, the Endowment established a new grant category—*Bridging Cultures* through Films: International Topics— within its long-standing America's Media Makers program. This new category is supporting documentary films that examine critical issues in ethics, religion, or politics through an international lens. Some of the initial awards under this program were broadcast in FY 2012 and were extremely well received—for example, *Besa: The Promise*, a documentary film that tells the story of Albanian Muslims who saved Jews during the Holocaust and which premiered at the Holocaust Museum in Washington, DC. We have also entered into an innovative partnership with the Carnegie Corporation of New York to support a multi-year *Bridging Cultures* Bookshelf project. This project is using \$1.2 million of Carnegie's funds to provide a set of books on

Muslim history and culture to up to 1,000 libraries nationwide. In FY 2012, NEH worked with scholars, writers, and public programmers to select the books to be included on the bookshelf. The books will be delivered to the libraries in FY 2013.

- Another special grant opportunity is aimed at strengthening cross-cultural understanding through the humanities at America's two-year colleges. In response to a special "request for proposals" in FY 2012, the Endowment made five awards that will enhance the role of the humanities at community colleges through curriculum and faculty development. These projects are focused on diverse cultures and historical perspectives and will encourage students to develop a deeper understanding of America's role in the world and how they fit in the global economy. FY 2012 also was the second year of a special opportunity within the NEH Challenge Grants program that is aimed at strengthening the humanities on two-year college campuses.

NEH's other grant programs also continue to support important humanities projects that increase Americans' knowledge and understanding of history, thought, and culture. Some notable accomplishments included:

- Support for the programs and operations of 56 state humanities councils made available high quality state and local humanities projects to millions of citizens throughout the nation, including 16,600 reading and discussion programs, 2,000 exhibitions, 5,500 literacy programs, 3,600 speakers bureau presentations, 3,500 teacher institutes and workshops, 2,700 conferences and symposia, 1,800 Chautauqua events, 7,600 media programs, 600 technology projects, 650 preservation projects, and 3,500 local history projects.
- Rigorous summer institutes, seminars, and workshops helped thousands of school and college teachers deepen their knowledge of a broad range of important humanities subjects related to their teaching. In the summer of 2012, more than 3,000 teachers, college faculty, and humanities graduate students attended NEH-supported professional development programs.
- Historically and culturally important holdings of the nation's libraries, archives, and museums were preserved and made accessible to scholars, students, and the public. NEH-supported projects annually preserve the intellectual content of thousands of books and periodicals and catalog and preserve hundreds of thousands of archival documents, photographs, manuscripts, and objects of archaeological, ethnographic, and historical importance.
- NEH-supported scholarly research continues to provide intellectual nourishment to the American people. In the most recent fiscal year, for example, the Endowment supported several new studies of the Civil War. Projects were funded on the literacy and reading habits of Southern soldiers during the war, which will provide us with a rare glimpse of daily life in the Confederate army; on the importance of *The Christian Recorder*, a journal supported by the AME church as an outlet for the political and creative writing for newly freed African Americans; an investigation of the political and social challenges that faced the U.S. government as it considered how to best use its army to occupy

Southern states during reconstruction; and a number of editions of the papers of important Civil War-related figures, including Abraham Lincoln and Jefferson Davis. Of special importance has been the publication of Volume 32 of *The Papers of Ulysses S. Grant*. Established in 1962, the Papers of Ulysses S. Grant Project has now published all known papers and letters of the great Civil War general and President, thereby completing a lasting scholarly monument and resource for the study of Grant.

- Since 2005, NEH has partnered with the National Science Foundation in a special initiative, “Documenting Endangered Languages,” that is designed to support projects to create, enhance, and deepen our knowledge of the estimated 3,000 currently spoken languages that are threatened with extinction in the near future. NEH grants are provided for projects to record, document, and archive information relating to these languages, including the preparation of dictionaries, lexicons, and databases. The Endowment has awarded 92 grants to date, totaling approximately \$8,500,000. Scholars engaged in these projects are helping to record and document languages before they become extinct.
- The agency continues to be an effective agent for leveraging non-federal support for humanities projects and institutions. Through our Challenge Grants program and Treasury matching funds authority, NEH-supported projects annually receive nearly \$40 million in donations.

The Endowment uses a variety of methods to ensure that its programs and policies are effective in advancing the work of the humanities. Outside evaluators who serve in our application review system, for example, not only assess the merits of grant proposals but also help us monitor the goals and objectives of our programs. NEH also routinely collects performance information from grantees after they have concluded their projects. Grant recipients are required to submit final narrative reports, in which they are asked to provide specific information about the results of their project. This information in turn helps us to assess the impact of our grant-making efforts.

Another way the Endowment focuses on the outcomes of its awards is by requiring grantees in some of our programs to submit a “white paper” at the conclusion of their projects. Currently, there are ten programs that require the submission of such papers, and more than 140 grantees have posted extensive write-ups of the results of their grants. These reports, which are posted on the NEH website, document the work of the projects, including “lessons learned,” and help to make project outcomes more widely available to other scholars and institutions in the humanities. We think this exercise will help us to assess impact of these programs on the field.

The Endowment also from time to time conducts surveys and commissions evaluations to gauge the effectiveness of our programs and the projects they support. For example, NEH awarded a cooperative agreement to the Council on Library and Information Resources to evaluate one of the agency’s newest digital humanities programs, the “Digging into Data Challenge,” which made its initial awards in FY 2009. The strategic assessment of the program and the results of the first round of project grants are helping the Endowment and other funders involved in the program make informed decisions regarding the future of this grant competition.

In the past two years, NEH has also conducted comprehensive assessments of several of its grant programs. In FY 2012, for example, the Endowment completed the first large-scale evaluation of the NEH Fellowships program, focusing on outcomes and impacts of awards made from 2002 through 2004. It had been taken as an article of faith that the program—one of the agency’s original grant categories—creates significant new knowledge through support for research and writing, usually leading to major publications. To test this assumption, we analyzed the outcomes of 520 awards made between FY 2002 and FY 2004 and compared these results with a group of unfunded applicants during that same period, as well as with award winners from similar private-sector fellowships programs. To augment the quantitative analyses, 520 awardees were surveyed on a range of topics relating to their NEH funding.

The results of the evaluation are impressive. Within seven years of completing their awards, 96 percent of surveyed fellows reported publishing a book or article as a result of their grant, and over 70 percent of all awards resulted in major book-length publications. NEH fellows were more productive than fellows who received equivalent funding from private sources, and almost twice as likely to publish as those who did not receive funding. The study also yielded some unanticipated good news. For example, while awardees predictably completed their projects somewhat faster than those without funding, fellowship recipients reported overwhelmingly that their awards allowed them the time to conduct deeper, more meaningful research than would have otherwise been the case, and that their awards allowed them to take more time to write clearer, more accessible books and articles. Moreover, almost 80 percent of fellows reported that their NEH awards enabled them to leverage additional support from their employers or other grant-making institutions, and over half found that their NEH-supported research had a direct influence on their teaching.

Finally, the evaluation project made it clear that the Endowment’s system of peer review helps democratize government funding for the humanities. For independent scholars and teachers at smaller, more rural institutions of higher education, the opportunity afforded by NEH Fellowships is often a lifeline. For example, when independent scholar Daniel Sharfstein reflected back upon his application to NEH in 2004, he said “I thought of it as one last chance to realize my dream. If it did not work out, then I would move on with my life in legal practice. I will never forget the day the notification from the NEH arrived in the mail, just as I will never forget what the fellowship enabled me to do. I spent the year immersed in research... Even though I was an independent scholar, the fellowship opened up an entire world to me, a community of historians and legal scholars who embraced my work and gave me invaluable feedback during the years I spent researching and writing it. The fellowship led to additional funding opportunities, [and] an academic position at Vanderbilt [University].” In 2011, Mr. Sharfstein published *The Invisible Line: Three American Families and the Recent Journey from Black to White*, a study of the intersection of race, law, and everyday life, which has recently won two prestigious prizes and received reviews in publications as diverse as the *Yale Law Journal*, *New York Times*, and *The AARP Bulletin*.

While we continue to assess the implications of the Fellowships evaluation project, we are also moving ahead on the next project—an evaluation of the agency’s Summer Stipends Program.

Brief Overview of Financial Statements

The principal financial statements have been prepared to report the financial position and 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, FY 2011 and FY 2012, the Endowment had a fund balance with the U.S. Treasury of \$155.8 million and \$150.5 million, respectively. The FY 2012 amount of \$150.5 million is comprised of \$145.3 million obligated balance, \$4.6 million unobligated balance-available, and \$0.6 million unobligated-unavailable, as September 30, 2012.

Of the \$28.9 million in total liabilities for FY 2012, the Endowment's most significant liability is the estimated grant liability. This liability represents an accrual for the amount of estimated unreimbursed grantee expenses, as of September 30, 2012. For fiscal years, FY 2011 and FY 2012, the Endowment had a grant liability \$25.8 million and \$24.7 million, respectively. For comparative purposes, the change is insignificant.

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 earmarked funds separately from all other funds on the face of the balance sheet. For fiscal years, FY 2011 and FY 2012, the Endowment had an unexpended balance of \$128.4 million and \$124.8 million, respectively. For comparative purposes, the change is insignificant.

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, FY 2011

and FY 2012, the Endowment had net cost of operations of \$153.4 million and \$152.0 million, respectively.

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, FY 2011 and FY 2012, the Endowment had a net position of \$128.2 million and \$124.8 million, respectively.

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 2011 and 2012, the Endowment had \$166.5 million and \$154.6 million in budgetary resources, respectively. The decrease is mostly attributed to the FY 2012 decrease in the Endowment's appropriation. For fiscal years, FY 2011 and FY 2012, the Endowment had net outlays of \$150.1 million and 151.3 million, respectively.

Note: The Statement of Financing is not required as a principal statement after fiscal year 2006. The Office of Management and Budget now requires federal agencies to report this reconciliation of the net cost of operations to budget in the Notes to the Financial Statements. This data can be found in Note 13, "Reconciliation of Net Cost of Operations to Budget."

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.

Analysis of Systems, Controls, and Legal Compliance

In accordance with the Federal Manager's Financial Integrity Act of 1982, in FY 2012 NEH conducted its required review of the agency's operations and procedures to identify possible

deficiencies in management controls. This annual review enables the agency to provide reasonable assurance that it is in compliance with the requirements of the Integrity Act.

As a result of our FY 2012 review, NEH assures that its internal management controls are adequate and effective for controlling waste, fraud, abuse, and mismanagement of resources.

Possible Future Effects of Existing Events and Conditions

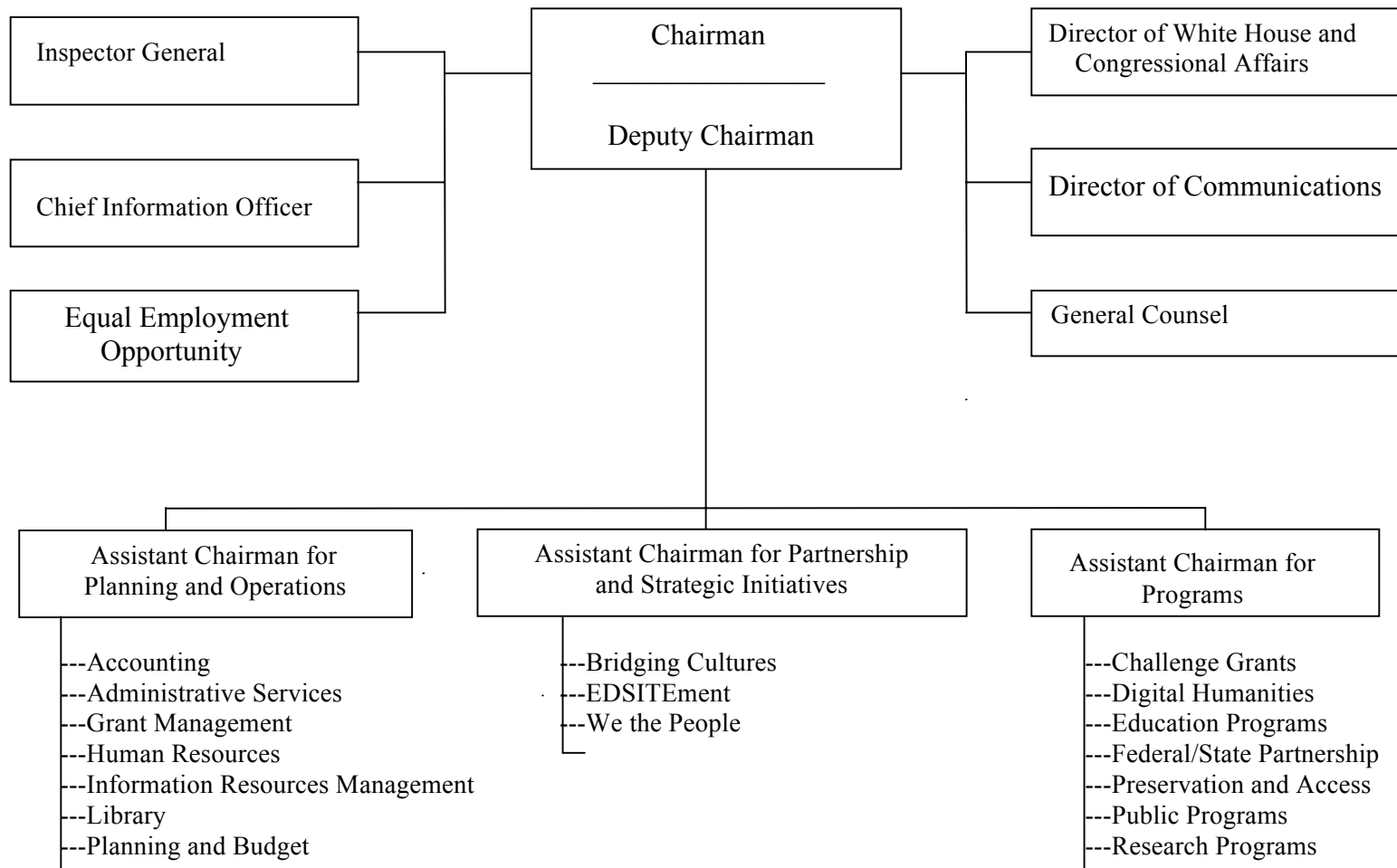
The Endowment, along with most other federal agencies, is confronting intensifying fiscal pressures as the federal government struggles to bring revenues and expenditures into balance. Moreover, the uncertainties of the annual Congressional appropriations process has made it difficult for the agency to plan its programmatic and administrative activities in an efficient and effective way.

NEH and its sister agency, the National Endowment for the Arts, have just reached agreement with OMB and GSA regarding the relocation of the agencies from our long-time home at the historic Old Post Office Building to a new building, the Constitution Center, in southwest Washington, DC. While the date of the move has yet to be determined, GSA has informed us that it could come as early as October or November of 2013 or as late as February or March of 2014. In NEH's FY 2013 budget justification to Congress, the Administration requested \$3 million to offset a substantial portion of the costs associated with relocating the agency. While we anticipate that most of these costs will be borne in FY 2013, it is probable that some expenses may not be incurred until FY 2014. But in any case, the fact that NEH's request for \$3 million to cover move-related costs has not yet been acted upon by Congress, and that the total requested may not cover all move-related costs, is presenting the agency with some significant planning challenges.

Organizational Structure

The following page shows NEH's current organizational structure.

National Endowment for the Humanities





NATIONAL ENDOWMENT FOR THE

Humanities

THE CHAIRMAN

Management Assurances Statement

The National Endowment for the Humanities has assessed the effectiveness of the internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations in accordance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA) Section 2 and OMB Circular A-123. Based on this assessment, the National Endowment for the Humanities can provide reasonable assurance for FY 2012 that its internal control over the effectiveness and efficiency of operations, financial reporting, and compliance with applicable laws and regulations was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

The National Endowment for the Humanities conducted its assessment of whether the financial management systems conform to government-wide financial systems requirements in accordance with FMFIA Section 4 and OMB Circular A-127, *Financial Management Systems*. Based on this assessment, the National Endowment for the Humanities can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA Section 4 and OMB Circular A-127 for FY 2012.

James A. Leach
Chairman
November 15, 2012

II. PERFORMANCE INFORMATION

FY 2012 Performance Highlights

NEH grants provide crucial incentives for scholars to explore important subjects in the humanities; colleges and universities to invest in the professional development of teachers and faculty; museums to develop educational exhibitions; archives, libraries, museums, and other repositories to preserve and increase the availability of books, periodicals, manuscripts, and other humanities resources; filmmakers to produce historical, biographical, and cultural documentaries that are grounded in excellent humanities scholarship; and state humanities councils to make cultural opportunities accessible in every community in the nation.

Among the tangible results of NEH grants awarded in FY 2012 are (or will be) the following:

- The Endowment's *Bridging Cultures* initiative harnessed the power of the humanities to promote understanding of and mutual respect for people with diverse histories, cultures, and perspectives within the United States and abroad.
- Nationally disseminated follow-up programs to previously funded *Bridging Cultures* forums and workshops focused on the role of civility in our democracy and on the history and culture of Muslim societies. These efforts included a collaboration of two public programming organizations, City Lore and Poet's House, that will bring a travelling exhibition and speaker series to libraries where audiences will learn about the role of poetry in the Muslim world.
- The American Library Association opened a national competition for "Muslim Journeys," the Bridging Cultures Bookshelf developed by NEH in partnership with the Carnegie Corporation of New York. One thousand winning libraries across the country will receive a collection of 25 books selected to help public audiences in the United States become more familiar with the people, places, history, faith, and cultures of Muslims around the world, including those within the U.S.
- New *Bridging Cultures* lesson plans were developed for EDSITEment, NEH's nationally recognized destination for teachers seeking rich humanities resources on the Internet, to help meet the needs of K-12 teachers who are asked to teach about cultures and geographies that may not have been covered in depth in their own educational preparation. These are in addition to the widely used resources to support teachers in marking Congressionally mandated months, such as Black History Month, that highlight the many contributions of diverse ethnic groups to this country. EDSITEment has also developed classroom resources to aid in teaching Spanish, as well as a special portal providing easy access to Spanish language materials for the study of the U.S. Constitution.

- The new *Bridging Cultures at Community Colleges* program made five awards for projects that will engage leading humanities organizations and local community college faculty in creating new and improved humanities courses that emphasize diverse cultures and historical perspectives. In addition, a special opportunity within the NEH Challenge Grants program is aimed at strengthening the humanities at America's two-year colleges. Building on this effort, the Endowment in FY 2012 invited proposals for projects that will advance the role of the humanities at community colleges through curriculum and faculty development focused on the theme of *Bridging Cultures*.
- Sponsoring or conducting a broad spectrum of cultural activities—including book programs, exhibitions, lectures, teacher workshops, and local history projects—the state humanities councils reached millions during the year and gave the humanities a local presence in every part of the United States.
- Projects supported in FY 2012 through the National Digital Newspaper Program, in partnership with the Library of Congress, are creating hundreds of thousands of digitized newspaper pages published between 1880 and 1910.
- The Endowment's Office of Digital Humanities provided encouragement and support for projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities. The Endowment's digital humanities programs foster the growth of digital humanities and support a wide variety of projects, including, for example, those that deploy digital technologies and methods to enhance our understanding of a topic or issue in the humanities; those that explore the ways in which technology changes how we read, write, think, and learn; and those that digitize important materials, thereby increasing the public's ability to search and access humanities information. During the past year, the Endowment awarded \$5.5 million for 43 projects in five digital grant categories.
- Books, journal articles, and conference presentations will be produced by nearly every one of the 215 recipients of an NEH research fellowship or stipend and the 80 scholars conducting sabbatical projects at an NEH-supported independent research center. Crucial support also was provided for the conclusion or continuation of efforts to create major reference works, such as *The First Federal Congress Project*, which is publishing the complete record of the First Federal Congress, 1789-1791, including unofficial records and primary material such as letters and diaries that document the actions, debates, and thoughts of that body and its members.
- Nine grants totaling \$1 million were supported through the NEH/NSF "Documenting Endangered Languages" initiative for projects to create, enhance, and deepen our knowledge of the estimated 3,000 currently spoken languages that are threatened with extinction in the near future.
- Projects for the general public begun during the year will produce high quality interpretive exhibitions in the humanities at museums and historical organizations, reading and discussion programs in libraries and other venues, the interpretive programs

at historic sites, television and radio documentaries, and history and literary programs for families. *Freedom Riders*, broadcast in 2011 on PBS's American Experience series, won three Emmy Awards. In 2012, *Freedom Riders* was also one of three NEH documentaries to be recognized with the prestigious George Foster Peabody award. The other two Peabody award recipients were *Charles and Ray Eames—The Architect and the Painter*, a portrait of the husband and wife design team and their impact on twentieth-century design, which was broadcast on the PBS series *American Masters*; and *My Perestroika*, a documentary that examines the dramatic social, cultural and economic changes that accompanied the fall of communism in the former Soviet Union.

Fiscal Year 2012 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 2012. The purpose of this section of the report is to compare performance levels anticipated for fiscal year 2012 in the annual NEH Performance Plan with the performance outcomes that were actually achieved during that year. Projected and actual performance data for fiscal years 2009 through 2011 are also provided. 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 2012 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) Support is provided that enables 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 2012: Support was provided for **190/176** individual scholars to make significant progress on important humanities research projects through fellowships and stipends.
- FY 2011: Support was provided for **215/215** individual scholars to make significant progress on important humanities research projects through fellowships and stipends.
- FY 2010: Support was provided for **222/227** individual scholars to make significant progress on important humanities research projects through fellowships and stipends.
- FY 2009: Support was provided for **155/154** individual scholars to make significant progress on important humanities research projects through fellowships and stipends.

2) Support is provided for collaborative research projects that develop significant intellectual advances and resources for scholars, teachers, students, and the general public.

- FY 2012: Support was provided for **33/42** 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, **18** previously awarded grants will receive ongoing support through NEH matching funds, in part through the use of We the People funding.
- FY 2011: Support was provided for **56/56** 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 2010: Support was provided for **52/59** 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, **20/20** previously awarded grants received ongoing support through NEH matching funds, in part through the use of *We the People* funding.
- FY 2009: Support was provided for **52/46** 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, **30/26** previously awarded grants received ongoing support through NEH matching funds, in part through the use of *We the People* funding.

3) Support is provided for overseas research in the humanities by American scholars and, where appropriate, encouragement offered for international collaboration in research on significant topics in the humanities.

- FY 2012: Awards for **25/25** humanities fellowship programs at independent research institutions supported the work of **80/80** humanities scholars who are making significant contributions to scholarship in the humanities.

- FY 2011: Awards for 25/25 humanities fellowship programs at independent research institutions supported the work of 80/80 humanities scholars who will make significant contributions to scholarship in the humanities.
- FY 2010: Awards to 25/25 humanities fellowship programs at independent research institutions supported the work of 80/80 humanities scholars who are making significant contributions to scholarship in the humanities.
- FY 2009: Awards to 25/25 humanities fellowship programs at independent research institutions supported the work of 77/80 humanities scholars who are making significant contributions to scholarship in the humanities.

4) Support is provided for humanities scholarship by faculty members at historically black, Hispanic-serving, and tribal colleges and universities.

- FY 2012: Support enabled 5/6 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 2011: 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.
- FY 2010: Support enabled 5/5 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 2009: Support enabled 2/2 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 2012 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. The annual submission of the NEH PAR provides an excellent occasion to monitor and record the productivity of research in the humanities supported by the Endowment during the preceding three years. 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. At present, it links information about more than 6,819 humanities research awards in the Endowment's grant information database to bibliographic information about the approximately 4,751 published books that these projects produced between 1980 and 2012.

FY 2012 accomplishments. The Endowment facilitates basic research and original scholarship in the humanities primarily through programs that support the work of individual scholars; that support long-term, complex projects carried out by teams of scholars; and that support focused, individual projects that draw upon the collections and expertise of leading humanities institutions and overseas research centers.

The results of humanities research are typically communicated through books and articles, and each year NEH-supported scholars produce hundreds of such publications, many with leading trade and academic publishers. Although print continues to be the principal means of disseminating humanities scholarship, NEH grantees increasingly are making the results of their research available in electronic formats accessible on the World Wide Web.

[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 awards have proven to be an extremely effective and efficient means of supporting excellent humanities research, resulting in the publication of approximately 7,500 books. Grants are awarded to a wide range of scholars in diverse settings, from colleges and universities to research institutes, and to independent scholars without teaching appointments. The Endowment has also forged a number of strategic partnerships that reinforce the impact of an NEH Fellowship. Currently, for example, the Research Programs division administers 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. Finally, 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. This collaboration is made urgent by the imminent demise of an estimated half of the 6,000 to 7,000 currently used languages worldwide. In FY 2012, nine joint fellowships were awarded.

Many NEH-supported projects have been published by major trade publishers who anticipated their broad appeal, including, most recently, Susan Reverby's *Examining Tuskegee: The Infamous Syphilis Study and Its Legacy*; Larry Stempel's *Showtime: A History of the Broadway Musical Theater*; and Pauline Maier's *Ratification: The People Debate the Constitution, 1787-1788*.

[Indicator 2] Advanced research in the humanities increasingly requires the collaboration of many scholars working across a wide range of specialties or scholars working alongside one another 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 historical figures as George Washington, Thomas Jefferson, Dolley Madison, Abraham Lincoln, Andrew Jackson, Dwight D. Eisenhower, and Thomas Edison; and such literary and cultural figures as Ralph Waldo Emerson, Virginia Woolf, William F. "Buffalo Bill" Cody, and Mark Twain.

Translation projects make important literary and historical material accessible to English-speaking scholars and readers. Recently, for example Maria Antonia Garcés of Cornell University and Diana de Armas Wilson of the University of Denver received an award to edit and translate *An Early Modern Dialogue with Islam: Antonio da Sosa's Topography of Algiers*. Da Sosa's work, first published in 1612, provides an important tool for further research and study of daily life in a trading center that was located at the crossroads of the Mediterranean and served as a melting pot for Christians, Jews, and Muslims.

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. For example, professor of history Don Doyle at the University of South Carolina received support to convene an international conference of historians, philosophers, legal scholars, and political scientists to examine global secession movements and the violence they often engender. The three-day conference resulted in *Secession as an International Phenomenon: From America's Civil War to Contemporary Separatist Movements*, a collection of essays by participants edited by Doyle. And with NEH support, Aaron Burke, professor of archaeology at the University of California, Los Angeles, is leading an international excavation of a Bronze Age Egyptian garrison located near modern-day Jaffa, Israel. The site reveals a thriving community of Canaanites, and the project will document the extent to which these inhabitants interacted with and resisted the Egyptian forces stationed there.

[Indicator 3] The Fellowship Programs at Independent Research Institutions (FPIRI) supports 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. NEH funds partially support the costs of fellowship stipends, while the partner institution covers such costs as meals, lodging, copying and library services, computer access, and, in the case of organizations supporting international research, assistance in securing the necessary visas and research permits. Fellows at NEH-supported centers produce a wide range of published scholarship. For example, Chad Williams of Hamilton College held an NEH fellowship at the Schomburg Center for Research in Black Culture at the New York Public Library. With his award, he conducted research in the Schomburg's extensive collections and

wrote *Torchbearers of Democracy: African American Soldiers in the World War I Era*. Rachel McDermott, associate professor of Asian cultures at Barnard College, received NEH support to conduct research at the American Institute for Indian Studies in New Delhi. During her term abroad, Professor McDermott researched and began writing *Revelry, Rivalry, and Longing for the Goddesses of Bengal: The Fortunes of Hindu Festivals*, the first English-language book to describe the elaborate ceremonies that are central to understanding Hindu culture on the Indian subcontinent.

[Indicator 4] As part of the agency's efforts to extend the reach of its grant opportunities, 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 scholars at these institutions who struggle to maintain their credentials as scholars while teaching under the most challenging conditions. The Awards for Faculty programs allows for a wide variety of research efforts leading to publication, classroom use, or public programs. In FY 2012, the Endowment provided thirteen Awards for Faculty.

B: To strengthen teaching and learning in the humanities in schools and colleges across the nation.

PERFORMANCE INDICATORS:

1) Teachers are provided opportunities to renew and deepen their knowledge of the humanities.

- FY 2012: Support for 40/(44) NEH summer seminars and institutes will enable 420(440) college teachers and 420(528) school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2013 will reach approximately 73,500(77,000) students annually; school teacher participants will reach approximately 52,500(66,000) students annually.

Support for 15(21) "Landmarks of American History and Culture" workshops to take place in the summer of 2013 will enable approximately 1,200(1,680) 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 150,000(210,000) students.

"Landmarks of American History and Culture for Community College Faculty" workshops were discontinued in FY 2012. A new competition to better address the needs of this constituency was created in FY 2012.

Teaching Development Fellowships were discontinued in FY 2012 due to a shift in the agency's educational programming priorities.

Support for 5/5 NEH Bridging Cultures at Community Colleges projects is enabling community college faculty and administrators to participate in sustained programs of faculty and curriculum development. They are working 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 reach approximately 38,675/(38,675) students annually.

Support for 21/22 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. These questions will include: What is the good life? What is justice? What is friendship? Is there a human nature, and, if so, what is it? Each participating faculty member will conduct the newly created course at least twice, with each iteration reaching approximately 25 students.

Picturing America School Collaboration Projects were discontinued in FY 2012 due to a shift in the agency's education programming priorities.

- FY 2011: Support for 41/(41) NEH summer seminars and institutes will enable 399/(399) college teachers and 462/(462) school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2012 will reach approximately 69,825/(69,825) students annually; school teacher participants will reach approximately 57,750/(57,750) students annually.

Support for 15/(15) "Landmarks of American History and Culture" workshops to take place in the summer of 2012 will enable approximately 1,200/(1,200) 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 150,000/(150,000) students.

Support for 6/(6) "Landmarks of American History and Culture for Community College Faculty" workshops to take place during the summer of 2012 will enable 300/(300) community college teachers to reach 52,500/(52,000) students annually with their revitalized knowledge, understanding, appreciation, 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 them.

Nine/9 Teaching Development Fellowships enabled recipients to pursue research aimed specifically at deepening their core knowledge in the humanities to improve their undergraduate teaching. These teachers would reach 1,575/(1,575) students annually.

Support to *16/16* Enduring Questions award recipients enabled individual 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. These questions would include: What is the good life? What is justice? What is friendship? Is there a human nature, and, if so, what is it? Each recipient conducted the newly created course at least twice, with each iteration reaching approximately 25 students.

Support for *8/8* Picturing America School Collaboration Projects enabled approximately *470/(470)* teachers in a local area or region to attend workshops to enhance their incorporation of Picturing America into core curriculums. These teachers will reach *58,750/(58,750)* students annually.

- FY 2010: Support for *65/56* NEH summer seminars and institutes enabled *500/(437)* college teachers and *750/(750)* school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2011 will reach approximately *87,500/(76,475)* students annually; school teacher participants will reach approximately *93,750/(93,750)* students annually.

Support for *22/20* “Landmarks of American History and Culture” workshops in the summer of 2011 enabled approximately *1,760/1,600* 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 *220,000/200,000* students. Through a partnership of NEH and the U.S. Department of State, selected “Landmarks” workshops invited participation by teachers from eighteen other nations.

Support for *12/10* “Landmarks of American History and Culture for Community College Faculty” workshops during the summer of 2011 is enabling *600/(500)* community college teachers to reach *105,000/(87,000)* students annually with their revitalized knowledge, understanding, appreciation, 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 them.

Eighteen/18 Teaching Development Fellowships enabled recipients to pursue research aimed specifically at deepening their core knowledge in the humanities to improve their undergraduate teaching. These teachers will reach *3,150/(3,150)* students annually.

Support to *18/17* Enduring Questions award recipients enabled individual 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. These questions would include: What is the good life? What is justice? What is friendship? Is there a human nature, and, if so, what is it?

Support for *11/11* Picturing America School Collaboration Projects enabled approximately *1,019/1,019* teachers in a local area or region to attend workshops that will enhance their incorporation of Picturing America into core curriculums. These teachers will reach *127,375/127,375* students annually.

- FY 2009: Support for *60/51* NEH summer seminars and institutes enabled *440/406* college teachers and *725/666* school teachers to revitalize their knowledge and teaching of the humanities. College teachers who participated in seminars and institutes during the summer of 2010 reach approximately *77,000/71,050* students annually; school teacher participants reach approximately *90,625/83,250* students annually.

Support for *21/22* “Landmarks of American History and Culture” workshops during the summer of 2010 enabled approximately *1,680/1,760* 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 *210,000/220,000* students. Through a partnership of NEH and the U.S. Department of State, selected “Landmarks” workshops invited participation by fifteen teachers from other nations.

Support for *6/10* “Landmarks of American History and Culture for Community College Faculty” workshops during the summer of 2010 is enabling *300/500* community college teachers to reach *52,500/87,500* students annually with their revitalized knowledge, understanding, appreciation, 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 them.

The inaugural competition for the Teaching Development Fellowships yielded 10 awards. These projects enabled the recipients to pursue research aimed specifically at deepening their core knowledge in the humanities to improve their undergraduate teaching. These teachers reach 1,750 students annually.

Support to *19/19* inaugural Enduring Questions award recipients enabled individual 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. These questions include: What is the good life? What is justice? What is friendship? Is there a human nature, and, if so, what is it? These teachers reach *3,325/3,325* students annually.

The inaugural competition for the Picturing America School Collaboration Projects yielded **3** awards. These workshops enabled **430** teachers to attend workshops that will enhance their incorporation of Picturing America into core curriculums. These teachers reach approximately **53,750** students annually.

2) Support is provided for humanities education programming in Historically Black, Hispanic-serving, and tribal colleges and universities across the country.

- FY 2012: Humanities Initiatives at Presidentially Designated Institutions provided *13/13* grants to support faculty professional development activities for improvement in humanities instruction, as well as other capacity building activities at these institutions.
- FY 2011: Humanities Initiatives at Presidentially Designated Institutions provided *13/13* grants to support faculty professional development activities for improvement in humanities instruction, as well as other capacity building activities at these institutions.
- FY 2010: No Humanities Initiatives at Presidentially Designated Institutions grants were made, owing to an adjustment in the application submission deadline.
- FY 2009: The Humanities Initiatives at Presidentially Designated Institutions (a modification of the Humanities Initiatives for Faculty) 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.

ANALYSIS:

Availability of data. Because few of the above education projects supported by the Endowment during FY 2012 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 2012 performance indicators in the FY 2013 PAR.

FY 2012 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 college and school teachers opportunities to pursue serious, substantive intellectual inquiry in fields such as history, foreign languages, literature, philosophy, and political science. Working with distinguished scholars, participants deepen their knowledge of the subjects they teach and explore effective ways of bringing this understanding to their students.

Summer Seminars enable sixteen school or college teachers to study for two to five weeks under the guidance of a senior scholar. The principal goal is to engage teachers in the scholarly

enterprise, thus equipping them for deeper understanding of their subject areas and more effective teaching. In Summer Institutes, school or college teachers participate in an intensive program of study with teams of humanities scholars who present a broad range of perspectives on a given topic. Well suited to larger groups (as many as thirty school teachers or twenty-five college teachers), institutes also last from two to five weeks and are a particularly appropriate mechanism for creating foreign language immersion opportunities, or for breaking new ground in an emerging field, or for redirecting the teaching of various subjects in the undergraduate classroom. NEH has recently revised the eligibility criteria for the Summer Seminars and Institutes program to create opportunities for humanities graduate students. In higher education programs, two spaces in Summer Seminars and three spaces in Summer Institutes are now reserved for graduate students, and in school teacher programs, the same numbers are made available for graduate students who intend to pursue K-12 teaching careers.

NEH annually supports summer seminars and institutes on a wide range of topics in the humanities. During the summer 2012, the University of South Carolina conducted a two-week institute for thirty school teachers on the history, literature, music, and art of the Great Migration of nearly two million African Americans from the South to Chicago, Detroit, New York, Philadelphia, and other northern cities from the 1890s through the 1930s. The University of Virginia conducted a three-week institute for twenty-five college and university faculty in Italy to explore the works of Leonardo da Vinci, a “versatile, canonical artist . . . who moved with equal ease among artistic, literary, intellectual, and scientific circles.” The institute made extensive use of the collections of the Uffizi Gallery, as well as international scholars of art history, literature, history of science, art restoration, and architectural history.

In FY 2012, the Endowment again conducted a competition for supplemental support of up to \$10,000 for Seminar and Institute project directors to extend the reach, duration, and impact of their summer programs through digital means. Eight projects received support. One project extension, for example, awarded to history professor Richard Newman for his summer seminar “The Abolitionist Movement: Fighting Slavery from the American Revolution to the Civil War,” will develop an “Abolitionism App”: a free digital application for computers, phones, and mobile devices.

In FY 2012, Landmarks of American History and Culture grants supported summer workshops for K-12 educators to train teaching professionals to employ historical sites as the basis for communicating central themes and issues of American history, to increase knowledge and appreciation of these sites, and to encourage staff at historical sites to develop greater capacity and scale for 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. They are academically rigorous, involve leading scholars, and help participants develop new teaching resources. Projects accommodate forty teachers at one-week sessions, which are offered twice during the summer.

The *Bridging Cultures at Community Colleges* program was introduced in FY 2012 to encourage and support large scale, multi-year projects to strengthen the quality of teaching and learning in the humanities at community colleges. The first five projects to receive support encompass a

variety of disciplines and provide faculty with opportunities to work closely and over an extended period of time with top scholars, to conduct individual scholarly research to be presented in the classroom and for publication, and also to work with community college colleagues—at their home institutions or from other campuses—on curricular issues of common concern. The American Historical Association (AHA), for example, is using its award to address the need to expand the scope of the ubiquitous United States history survey course by bringing together pairs of faculty from twelve community colleges to explore American political, economic, and cultural developments in the Atlantic World from 1450 to 1850 and in the Pacific Rim from 1600 to 1850. The AHA will convene week-long programs at the Huntington Library in California and the Library of Congress in Washington that will give participating faculty opportunities to collaborate with humanities scholars and delve into the collections on their own. The AHA will create a special section on its website to house sample syllabi, as well as podcasts of presentations and discussions of scholarship on the Pacific and Atlantic basins that can be integrated into community college classrooms.

Enduring Questions Course Grants provide opportunities for higher educational institutions to design a new course for undergraduate teaching and learning that promotes engagement with fundamental issues in the humanities. The purpose of this program is to encourage faculty and students at the undergraduate level to grapple with important humanities issues and to join together in deep, sustained programs of reading in order to encounter influential thinkers over the centuries and into the present day. Enduring Questions are questions that have more than one plausible answer, such as: What is the good life? What is justice? What is freedom?

[Indicator 2] 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, develop new programs, or lay the foundation for more extensive endeavors in the future. The objective of this program is to extend the reach of NEH’s grant opportunities to historically black colleges and universities, institutions with high Hispanic enrollments, and tribal colleges and universities. In FY 2012, the Endowment provided support for “Integrating Teaching and Learning about India in the Curriculum through the Humanities and Liberal Arts,” an effort by Winston-Salem State University to conduct a three-year series of faculty study workshops, guest lectures, and follow-up seminars providing an overview of India from historical and contemporary perspectives. Twelve of the university’s faculty members will focus on classical and modern Indian literature, the country’s diverse religious traditions, mainstream and alternative perspectives on Indian history, Indian art and musical traditions, languages in India, and women in India. The University of Puerto Rico, Rio Piedras, will conduct a three-year summer “bridge” program that will broaden the worldview and deepening the humanities knowledge of eighty students from neighboring secondary schools. A project at the Institute of American Indian Arts (IAIA), a degree-granting institution in Santa Fe, New Mexico, will develop two new interdisciplinary digital humanities courses and enable faculty members to use digital humanities resources to enhance their teaching. Under the guidance of expert faculty, a team of “Student Technology Scholars” will create high-definition 3-D scans of pottery, sculpture, and other material culture objects from the IAIA Collection (one of the largest collections of contemporary Native American art in the country) and create educational material contextualizing each scanned object, yielding an interactive online archive where scholars can view, manipulate, and learn about these Native American cultural objects.

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; de-acidification of collections; 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 2012: Grants were made to *11/11* projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.

Twenty-five/25 projects are preserving and/or providing access to *3,305/(3,305)* hours of recorded sound and video collections; *2,393/(2,393)* linear feet of archival documents; and *394,987/(394,987)* manuscripts, broadsides, oversize volumes, and other non-print materials.

Cooperative agreements supported in part through the *We the People* and *Bridging Cultures* programs are digitizing hundreds of thousands of microfilm pages of historic newspapers.

Support was provided for *2/2* research and development projects concerned with standards and procedures.

- FY 2011: Grants were made to *11/11* projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.

Twenty-four/24 projects are preserving and/or providing access to *1,145/(1,145)* hours of recorded sound and video collections; *3,685/(3,685)* linear feet of archival documents; and *631,401/(631,401)* manuscripts, broadsides, oversize volumes, and other non-print materials.

Cooperative agreements supported through the *We the People* program are digitizing hundreds of thousands of microfilm pages of historic newspapers.

Support was provided for *3/3* research and development projects concerned with standards and procedures.

- FY 2010: Grants were made to *14/14* projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.

Twenty-five/25 projects are preserving and/or providing access to *4,650/4,650* hours of recorded sound and video collections; *4,387/4,387* linear feet of archival documents; and *693,402/693,402* manuscripts, broadsides, oversize volumes, and other non-print materials.

Cooperative agreements supported in part through the *We the People* program are digitizing hundreds of thousands of microfilm pages of historic newspapers.

Support was provided for *3/3* research and development projects concerned with standards and procedures.

- FY 2009: Grants were made to *9/12* projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.

Twenty-five/22 projects are preserving and/or providing access to *3,553/4,762* hours of recorded sound and video collections; *6,178/6,178* linear feet of archival documents; and *359,592/344,892* manuscripts, broadsides, oversize volumes, and other non-print materials.

Cooperative agreements supported in part through the *We the People* program are digitizing hundreds of thousands of microfilm pages of historic newspapers.

Support was provided for *4/4* research and development projects concerned with standards and procedures.

2) Support is provided to train staff from the nation's cultural repositories in the appropriate procedures for preserving and enhancing access to the humanities collections for which they are responsible.

- FY 2012: Seven/*7* awards were made for regional and national education programs that are providing training for *301,286/(301,286)* people in U.S. museums, libraries, archives, and historical organizations.
- FY 2011: *Six/6* awards were made for regional and national education programs that provided training for *4,700/(4,700)* people in U.S. museums, libraries, archives, and historical organizations.
- FY 2010: *Six/10* awards were made for regional and national education programs that provided training for *13,110/21,860* people in U.S. museums, libraries, archives, and historical organizations.

- FY 2009: *Seven/7* awards were made for regional and national education programs that provided training for *15,300/15,300* people in U.S. museums, libraries, archives, and historical organizations.

3) Support is provided to extend the useful life of fragile collections held by American museums, libraries, archives, historical organizations, and other cultural institutions and develop sustainable strategies for their care.

- FY 2012: Projects supported are helping *20/18* cultural institutions preserve and ensure continued access to their humanities collections institutions through preventive conservation measures.
- FY 2011: Projects supported are helping *18/18* cultural institutions preserve and ensure continued access to their humanities collections institutions through preventive conservation measures.
- FY 2010: Projects supported are helping *16/23* cultural institutions preserve and ensure continued access to their humanities collections institutions through preventive conservation measures. The new Sustaining Cultural Heritage Collections made its first awards in FY 2010.

4) The Endowment extends its reach to institutions across the country by providing support for basic preservation activities to small and mid-sized libraries, archives, museums, and historical organizations.

- FY 2012: Projects supported are assisting in preserving collections at *62/62* institutions in twenty-seven states and the District of Columbia. Thirty-four percent/*34* of the awards went to first-time NEH grantees.
- FY 2011: Projects supported are assisting in preserving collections at *186/186* institutions in forty-six states, the District of Columbia, and the Virgin Islands. *Thirty-eight/38* percent of the awards went to first-time NEH grantees.
- FY 2010: Projects supported are assisting in preserving collections at *159/159* institutions in forty states, the District of Columbia, and Puerto Rico. Approximately *42/42* percent of the awards went to first-time NEH grantees.
- FY 2009: Projects supported assisted in preserving collections at *110/103* institutions in all fifty states and two U.S. Territories.

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 2012 will be provided by the respective project directors in their regularly scheduled progress reports. To the extent

partial data on FY 2012 activities are available, they are shown in parenthesis above. We expect to be able to report more complete FY 2012 data in the FY 2013 PAR.

In 2011, the Endowment undertook an assessment of grant outcomes and impact in its largest Preservation and Access grant program, Humanities Collections and Reference Resources (HCRR), through a quantitative and qualitative survey of project directors of the last ten years of awards in the program and an in-depth analysis of six representative projects by external specialists. This assessment, an electronic survey of 295 project directors of grants made between 2000 and 2010, confirmed that the program plays a critical role in advancing humanities scholarship at all levels—for researchers, educators, and students. It also revealed the high degree of use of grant products by the general public. Both through the respondents' own words and the detailed analysis of a sub-set of grants by external specialists, the evaluation demonstrated the long-term impact of these awards on all the audiences they serve, and on the grantee institutions' skills and infrastructure.

FY 2012 accomplishments. [Indicator 1] Humanities Collections and Reference Resources grants support the digitization of collections to enhance their accessibility, as well as the creation of significant reference works.

The Endowment has long supported the creation of reference works, recognizing that historical dictionaries and encyclopedias make research and teaching in specialized subjects possible. An award to the University of Alabama, Tuscaloosa, will create an online encyclopedia, a manuscript catalog, and other scholarly tools for Syriac studies. Syriac is a Middle Eastern language that for much of the first millennium C.E. served as a common language, bridging the cultures of the Mediterranean and the Near East and serving as the cultural meeting point between Christianity and Islam. The grantee will create an online portal to the reference works it will create, which will be essential for scholars in this field and also illuminate public understanding of the cultural and religious diversity of the region. A recent grant to the University of Michigan, Ann Arbor, will result in a digital encyclopedia on the great influenza epidemic of 1918 in the United States, focusing on the 50 most populous cities at that time. Although the influenza pandemic was the modern era's most devastating outbreak of disease, the diverse ways in which it was experienced in different locations remains unknown. The creation of a digital collection of 50,000 primary sources, with contextual essays, will provide an understanding of the American experience of this worldwide epidemic.

The Endowment 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. Humanities Collections and Reference Resources awards also support preservation reformatting and de-acidification 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. In FY 2012, an award to the Perkins School for the Blind in Watertown, Massachusetts, is supporting the processing of archival materials related to its history, from the 1830s to 1906. Noted figures whose correspondence with the School is contained in this collection include Ralph Waldo Emerson, Henry David Thoreau, Charles Dickens, Horace

Mann, Thomas Gallaudet, and Helen Keller. After the collection is accessible through an online finding aid, it will be highly significant for the burgeoning field of disability studies.

The Endowment also supports the creation of tools—such as bilingual dictionaries, grammars, and text collections—to document and preserve languages. In recent years, NEH has placed particular emphasis on documenting endangered languages. Of the 6,000 to 7,000 currently spoken languages, at least 3,000 are threatened with extinction, including hundreds of American Indian languages. 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, and databases. For example, at Miami University in Ohio, linguists and members of the Miami Tribe of Oklahoma are working together in a model program to revitalize the Miami-Illinois language, once spoken in the tribe’s homeland of present-day Illinois, Indiana, and western Ohio but with no first-language speakers remaining. Supported by NEH’s Documenting Endangered Languages program, the Miami-Illinois Dictionary Project will produce a searchable, digitized version of an early 18th-century bilingual (French and Miami-Illinois) dictionary that was compiled by Jesuit missionaries.

With the advent of digital technology, there is now a means of providing full text searching of newspaper content. With NEH support, a major effort is being made to digitize microfilmed pages of historically significant newspapers, rendering them searchable on a national database freely accessible via the Internet. In 2004, 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. To date, the NEH has provided support under this grant category for thirty-two state projects, each of which is contributing approximately 300,000 pages of digitized newspapers published between 1836 and 1922. The selected pages, along with title essays and a directory of papers published in the United States from 1690 to the present, are publicly accessible on-line through *Chronicling America*. Materials related to the American Civil War will soon become available on *Chronicling America*, in time for the sesquicentennial of the war. Also, awardees may now digitize U.S. newspapers published in English, French, Italian, or Spanish, thus providing access to the nation’s vibrant ethnic and immigrant press. More languages will be added in future years.

NEH-supported research and development projects are creating tools for preserving and enhancing access to humanities materials. Research and Development grants help, 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 20th century will remain accessible to future generations.

[Indicator 2] 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 regional services that reach thousands of cultural repositories with preservation information and education. NEH also supports academic programs that train the next generation of conservators responsible for the upkeep of the nation's humanities collections and provide for their continuing professional development by offering specialized education and training programs. In addition, NEH has helped museums, libraries, archives, and historical organizations improve their ability to plan and respond to disasters.

[Indicator 3] In FY 2012, the Endowment's Sustaining Cultural Heritage Collections program helped cultural repositories to implement preventive conservation measures, which typically encompass managing relative humidity, temperature, light and pollutants in collection spaces; providing protective storage enclosures and systems for collections; or safeguarding collections from theft and from natural and man-made disasters. A growing body of research suggests that institutions can develop effective, energy-efficient, and environmentally sensitive preservation measures, particularly for managing the environmental conditions under which collections are stored or exhibited.

[Indicator 4] 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 program of Preservation Assistance Grants provides small and mid-sized libraries, archives, museums, and historical organizations with grants of up to \$6,000. Funds support on-site consultation by a preservation professional, enable staff to attend preservation training workshops or other events, and help purchase preservation supplies and equipment. In the twelve years since the program began, 1,587 grants have been made to institutions in all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. More than 40% 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) Substantive media presentations, exhibitions, reading and discussion programs, and other public projects advance public understanding of the humanities.

- *FY 2012: Thirty/21* television/radio projects will produce *88/(88)* broadcast hours and draw a cumulative audience of approximately *35/(35)* million people.

Thirty-one/30 exhibitions, reading, viewing, and discussion programs, web-based programs, and other public education programs will employ various delivery mechanisms at venues across the country.

- FY 2011: *Thirty-two/32* television/radio projects will produce *110/(110)* broadcast hours and draw a cumulative audience of approximately *37/(37)* million people.

Thirty-four/34 exhibitions, reading, viewing, and discussion programs, web-based programs, and other public education programs will employ various delivery mechanisms at venues across the country.

(The Endowment's Interpreting America's Historic Places program concluded in FY 2010. In FY 2011, projects in historic sites were supported in the new America's Historical and Cultural Organizations program.)

- FY 2010: *Twenty-nine/24* television/radio projects are producing *98/(88)* broadcast hours and will draw a cumulative audience of approximately *50/(35)* million people.

Thirty-four/33 exhibitions, reading, viewing, and discussion programs, web-based programs, and other public education programs are employing various delivery mechanisms at venues across the country.

Five/10 historic site-specific interpretations and programming are attracting over *1,000,000/(1,000,000)* people.

FY 2009: *Fourteen/18* television/radio projects are producing *54/(62)* broadcast hours that will draw a cumulative audience of approximately *35/(39)* million people.

Twenty-one/37 exhibitions, reading, viewing, and discussion programs, web-based programs, and other public education programs are employing various delivery mechanisms at venues across the country.

Eight/8 historic site-specific interpretations and programming are attracting over 1.5 million people.

2) High quality interpretative panel exhibitions and public programs are circulated to libraries through Small Grants to Libraries, and selected sites that receive smaller versions of NEH-funded exhibitions through the NEH on the Road cooperative agreement receive funds for additional public programming.

- FY 2012: *Thirty/34* NEH on the Road grants were made to museums, and *80/(50)* Small Grants to Libraries were awarded.
- FY 2011: *Eighty/80* NEH on the Road grants were made to museums, and *70/70* Small Grants to Libraries were awarded. In addition, through the *We the People* office, support was provided for projects focusing on the Lincoln bicentennial celebration.
- FY 2010: *Sixty/28* NEH on the Road grants were made to museums, and *80/25* Small Grants to Libraries were awarded. In addition, through the *We the People* office,

small grants for the *We the People* Bookshelf and the Picturing America project and for projects focusing on the Lincoln bicentennial celebration were made.

- FY 2009: *Thirty-five/33* NEH on the Road grants were made to museums, and *105/78* Small Grants to Libraries were awarded. In addition, through the *We the People* office, small grants for the *We the People* Bookshelf and the Picturing America project and for projects focusing on the Lincoln bicentennial celebration were made.

ANALYSIS:

Availability of data. By awarding project development funding for such varied purposes as consultation, planning, scripting, and production, the Endowment helps ensure public access to enriching humanities programs on television and in museums, libraries, and other cultural institutions. 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 2012 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.

The Endowment recently undertook a study to assess the public reach and impact of NEH-funded films in a changing media landscape in which audiences expect to view and interact with content through a variety of vehicles. Data was compiled on all documentary films that received Production Grants and premiered in 2008 or 2009. During the period, NEH-supported documentaries attracting more than 51 million viewers served as springboards for many other forms of creative public engagement—through websites, social media, public film screenings, and discussion programs. The fifteen films broadcast in 2008 and 2009, for example, were accompanied by 875 public discussion programs and screenings across the country.

FY 2012 accomplishments. The Endowment supports activities that engage millions of Americans in the study and interpretation of significant humanities works, ideas, and events, providing opportunities for people to engage in lifelong learning in history, literature, comparative religion, philosophy, and other fields of the humanities.

[Indicator 1] 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 America and other nations. Programs present fresh approaches to interpreting the humanities and provide stimulating and substantive educational opportunities for Americans of all ages. The Endowment also encourages and supports creative approaches—especially those that use new digital technologies—that expand the content and 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 use a team of scholars who are knowledgeable in the subject matter and represent diverse perspectives and approaches.

Endowment-supported media projects continue to garner national recognition and awards for excellence. For example, the film *Freedom Riders* recently received three Emmy Awards—a rare achievement for a documentary film. Broadcast on PBS's *American Experience* series, the two-hour documentary chronicles the experiences of more than 400 Americans, both black and white, who risked their lives and endured violence and in some cases, imprisonment, to challenge segregated transportation in the American South in 1961. *Freedom Riders* was one of three NEH documentaries to be recognized in 2012 with the prestigious George Foster Peabody award. The other two Peabody award recipients were *Charles and Ray Eames—The Architect and the Painter*, a portrait of the husband and wife design team and their impact on twentieth-century design, which was broadcast on the PBS series *American Masters*; and *My Perestroika*, a documentary that examines the dramatic social, cultural, and economic changes that accompanied the fall of communism in the former Soviet Union.

Bridging Cultures Through Film: International Topics, launched in 2010, provides support for documentaries that examine a critical issue in ethics, religion, or politics through an international lens; the life of a world leader, writer, or historical figure; or the history and culture of a specific region of the world. *Women, War and Peace: I Came to Testify*, the first *Bridging Cultures through Film* project to be broadcast, examined the impact on women of ethnic violence in the Balkans, documenting the first international tribunal to define sexual violence as a war crime. The initial broadcast reached over 3.6 million viewers, and the website and social media campaigns continue deeply to engage audiences across the nation.

NEH also supports radio programs that examine the lives of important individuals, significant events, notable developments in the humanities, and the critical analysis of themes or genre. Recent projects include the *Audio History Project*, which has uncovered little-known chapters of twentieth-century American history and brought the past to life on public radio. Reaching 12 million listeners with a series of historical documentaries to be broadcast on NPR's *All Things Considered*, this program examines the broad themes of history and memory and history as news, with stories that echo the news of the day.

The Endowment is a major source of support for substantive humanities projects and programs in the nation's historical and cultural institutions and organizations including museums, libraries and archives, historic sites, and community centers. These projects, all grounded in sound humanities scholarship, include exhibitions of artistic, cultural, and historical artifacts; the interpretation of American historic sites; reading and film discussion programs in the nation's libraries; traveling exhibitions; lecture series; and other lifelong learning activities. The Endowment also encourages collaborations among community libraries and museums, school systems and home schooling groups, parent-teacher organizations, television and radio stations, and literacy coalitions.

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 2012, more than 200 permanent and traveling exhibitions were offered in 47 states, Mexico, and Qatar. For example, *S'abadeb—The Gifts: Pacific Coast Salish Art and Artists*, which opened recently at the Seattle Museum of Art, was

the first major exhibition to examine the unique artistry and culture of Salish First Peoples of Washington State and British Columbia. The exhibition featured more than 175 works of art from collections around the world that offered a glimpse into the daily and ceremonial lives of the 39 sovereign Salish Nations. In Texas, the Bob Bullock Texas State History Museum mounted *Forgotten Gateway: Coming to America through Galveston Island*. Eclipsed by Ellis Island in the popular imagination, the port of Galveston was, at the end of the 19th century, one of the top ten immigrant ports of entry for transoceanic travel. This exhibition, which draws on historic artifacts, memoirs and archival materials to tell the story of the immigrants who came to America through Galveston, was viewed by nearly 1.5 million visitors during its five-city tour.

The Endowment continues to foster the use of new digital technologies to deliver humanities content to the public. For example, the *Museum Without Walls* in Philadelphia offers public audiences a multiplatform interpretation of 36 outdoor sculptures in the city's collection, which spans two centuries and is the largest in scale of any American city. Illustrating the potential of mobile applications, the interpretation (by art historians and curators) is available to tourists with smart phones as well as on the web.

Delivery mechanisms also include innovative collaborations among multiple cultural organizations. For example, a grant to the Pacific Symphony in Los Angeles, is supporting a joint effort of four symphony orchestras that links the humanities to the performing arts. *Music Unwound* will bring multimedia performances of Dvorak's *New World Symphony* and the music of Aaron Copland to audiences in four cities. At each venue, live concerts will be enhanced by public programs, lectures, and museum exhibitions placing these composers and their music in a historical context.

[Indicator 2] The Small Grants to Libraries program provides support for libraries and other cultural institutions to receive traveling panel exhibitions or pre-packaged reading and film discussion programs. For example, the Folger Shakespeare Library received a grant in partnership with Oxford University's Bodleian Library, for a major exhibition to mark the 400th anniversary of the publication of the King James Bible, the most frequently printed and one of the most widely read books in the English language. *Manifold Greatness: The Creation and Afterlife of the King James Bible*, opened in Oxford and will subsequently travel to the Folger Library and the Harry Ransom Center in Austin. From 2011 through 2013, the Folger is partnering with the American Library Association to tour a 14-panel version of *Manifold Greatness* to 40 selected libraries and community centers throughout the U.S. Each venue receives a small grant from the NEH to mount public programs related to the exhibit, such as lectures by scholars or reading and discussion groups.

NEH on the Road sends scaled-down versions of major NEH-funded exhibitions to cultural organizations at sites across America. The program extends the life of funded exhibitions by several years, and also brings excellent humanities exhibitions to rural and underserved regions of the nation. The Endowment provides support to each host site, awarding small grants for local public programming and scholarly activities. Since 2005, 12 exhibitions have traveled to approximately 200 venues in 40 states, bringing intellectually engaging humanities programs to communities that are typically not served by other NEH grants.

E: To create new program initiatives that respond to needs and opportunities in American society.

1) New initiatives and programs that address important concerns and opportunities in the humanities are established.

- FY 2012: *Bridging Cultures*, supported a variety of activities to enhance Americans' understanding of their own rich cultural heritage, as well as the cultural complexity of the world in which we live, including: 1) the dissemination of follow-up programs to the previously funded *Bridging Cultures* forums and workshops on the role of civility in our democracy and on the history and culture of Muslim societies; 2) distribution of the *Bridging Cultures* Bookshelf, developed in partnership with the Carnegie Corporation of New York; 3) development of new *Bridging Cultures* lesson plans for EDSITEment to help meet the needs of K-12 teachers who are asked to teach about cultures and geographies that may not have been covered in depth in their own educational preparation; 4) new globally-focused humanities programs in America's community colleges; 5) documentary films that explore cultures outside of the United States in the new *Bridging Cultures* through Film: International Topics category; and 6) a portfolio of international collaborations that facilitate humanities research and beneficial exchange of ideas with scholars around the world.

Funding was provided through the Digital Humanities program to support projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities: 1) Digging into Data Challenge, an international collaboration among six research teams in Canada, Europe, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship; 2) Digital Start-Up Grants to encourage innovative work at the nexus of information technology and the humanities; 3) Digital Humanities Implementation Grants to support projects that have already demonstrated a successful beginning phase and that have a clear plan for moving towards full implementation; 4) Institutes for Advanced Topics in the Digital Humanities to encourage the sharing of best practices among humanities scholars; 5) DFG/NEH Bilateral Digital Humanities Programs jointly supported by NEH and the German Research Foundation (DFG) to encourage collaborative digital humanities projects between American and German institutions.

- FY 2011: A special initiative, *Bridging Cultures*, introduced support for a variety of activities to enhance Americans' understanding of their own rich cultural heritage, as well as the cultural complexity of the world in which we live. The initiative sponsored a series of eight forums and workshops across the nation that enabled scholars and members of the public to discuss issues that divide us as Americans and that have helped us understand the history, heritage, and cultures of peoples in countries around the world. In addition, the Endowment encouraged scholars, educators, museums, libraries, and other individuals and institutions to develop humanities projects and programs that address the goals and objectives of the

initiative. We also made creative use of social and digital media to foster dialogue among people of diverse cultures in the United States and abroad.

Funding was provided through *We the People* to support a variety of new programmatic initiatives: 1) “Landmarks of American History and Culture” workshops for K-12 teachers and community college faculty, several of which invite participation by teachers from other nations; 2) Picturing America School Collaboration Projects, which encourage scholars in American art history, American history, and American studies to develop summer seminars, institutes, and workshops for school teachers related to the Picturing America collection of iconic works; 3) additional awards through the NEH/Library of Congress National Digital Newspaper Program; 4) special NEH Challenge Grants for educational and cultural institutions working to advance knowledge of the founding principles of the United States; and 5) an Endowment-wide effort to contribute to national observance of the sesquicentennial of the Civil War in 2011-2015. Additional humanities projects supported by NEH core programs received *We the People* grants. The state humanities councils also received additional funding to support projects and programs related to the initiative.

Funding was provided through a major Digital Humanities program to support projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities. Digital Humanities supported a variety of new funding categories or programmatic emphases: 1) Digital Start-Up Grants to encourage innovative work at the nexus of information technology and the humanities; 2) Institutes for Advanced Topics in the Digital Humanities to encourage the sharing of best practices among humanities scholars; and 3) DFG/NEH Bilateral Digital Humanities Programs jointly supported by NEH and the German Research Foundation (DFG) to encourage collaborative digital humanities projects between American and German institutions.

- FY 2010: Funding was provided through *We the People* to support a variety of new programmatic initiatives: 1) *We the People* Bookshelf grants for thousands of public and school libraries; 2) “Landmarks of American History and Culture” workshops for K-12 teachers and community college faculty, several of which invite participation by teachers from other nations; 3) Picturing America, a special program that provides educational materials on key works of American art ultimately to 77,000 school and public libraries; 4) public programs supported through “America’s Historic Places;” 5) additional awards through the NEH/Library of Congress National Digital Newspaper Program; 6) special NEH Challenge Grants for educational and cultural institutions working to advance knowledge of the founding principles of the United States; and 7) an Endowment-wide effort to contribute to national planning for the sesquicentennial of the Civil War in 2011-2015. Additional humanities projects supported by NEH core programs received *We the People* grants. The state humanities councils also received significant funding to support projects and programs related to the initiative.

Funding was provided through a major Digital Humanities program to support projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities. Digital Humanities supported a variety of new funding categories or programmatic emphases: 1) Digital Start-Up Grants to encourage innovative work at the nexus of information technology and the humanities; 2) Institutes for Advanced Topics in the Digital Humanities to encourage the sharing of best practices among humanities scholars; 3) Bilateral Symposia and Workshops jointly supported by NEH and the German Research Foundation to encourage collaborative digital humanities projects; and 4) Digging into Data Challenge, an international collaboration among research teams in Canada, England or Wales in the United Kingdom, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship. Enhanced funding was also provided for humanities projects supported by NEH core programs.

- FY 2009: Significant funding was provided through *We the People* to support a variety of programmatic initiatives: 1) *We the People* Bookshelf grants for up to 3,000 public and school libraries; 2) “Landmarks of American History and Culture” workshops for K-12 teachers and community college faculty, several of which will invite participation by teachers from other nations; 3) Picturing America, a special program that provided educational materials on key works of American art to 77,000 school and public libraries; 4) public programs supported through the new “America’s Historic Places” and “Family and Youth Programs in American History” categories; 5) additional awards through the NEH/Library of Congress National Digital Newspaper Program; 6) special NEH Challenge Grants for educational and cultural institutions working to advance knowledge of the founding principles of the United States; and 7) an Endowment-wide effort to contribute to the celebration of the Abraham Lincoln Bicentennial in 2009. Additional humanities projects supported by NEH program divisions received *We the People* grants. The state humanities councils also received significant funding to support projects and programs related to the initiative.

Funding was provided through a major Digital Humanities program to support projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities. Digital Humanities supported a variety of new funding categories or programmatic emphases: 1) Digital Start-Up Grants to encourage innovative work at the nexus of information technology and the humanities; 2) Institutes for Advanced Topics in the Digital Humanities, a new program to encourage the sharing of best practices among humanities scholars; 3) Transatlantic Collaboration Grants supported jointly by NEH and the Higher Education Funding Council for England; 4) Bilateral Symposia and Workshops jointly supported by NEH and the German Research Foundation to encourage collaborative digital humanities projects; 5) Digging into Data Challenge, an international collaboration among research teams in Canada, England or Wales in the United Kingdom, and the United States to explore how vast libraries of digitized

books, newspapers, art, and music can be used for advanced scholarship; and 6) an effort to support digital projects by the state humanities councils.

2) Agency-wide initiatives are developed in selected humanities areas.

- FY 2012: Nine awards were be made through the NEH/NSF “Documenting Endangered Languages” special initiative.
- FY 2011: Twelve awards were made through the NEH/NSF “Documenting Endangered Languages” special initiative.
- FY 2010: “Rediscovering Afghanistan,” invited proposals for research, education, and public programs about Afghanistan and encouraged U.S. institutions to assist that country in its effort to preserve and document its cultural resources. Twelve awards were be made through the NEH/NSF “Documenting Endangered Languages” special initiative.
- FY 2009: “Rediscovering Afghanistan,” promoted research, education, and public programs about Afghanistan and encouraged U.S. institutions to assist that country in its effort to preserve and document its cultural resources. Five awards were made through the NEH/NSF “Documenting Endangered Languages” special initiative.

ANALYSIS:

FY 2012 accomplishments. [Indicator 1] The Endowment’s *Bridging Cultures* initiative engages the power of the humanities to promote understanding of and mutual respect for people with diverse histories, cultures, and perspectives within the United States and abroad. In FY 2012, *Bridging Cultures* highlights and accomplishments included the following:

- Dissemination of follow-up programs to the previously funded *Bridging Cultures* forums and workshops focused on the role of civility in our democracy and on the history and culture of Muslim societies. For example, funding was awarded to The American Bar Association to create a national series of online and community dialogues on civility and free expression; and funding was awarded to a collaboration of two public programming organizations, City Lore and Poet’s House, that will bring a travelling exhibition and speaker series to libraries where audiences will learn about the role of poetry in the Muslim world.
- A grant competition for “Muslim Journeys,” the *Bridging Cultures* Bookshelf developed in partnership with the Carnegie Corporation of New York. The “Muslim Journeys” Bookshelf will make available to the nation’s libraries—and to their patrons—a selection of resources chosen especially for public audiences, based on the advice of scholars, librarians, and other humanities educators and program experts.
- Development of new *Bridging Cultures* lesson plans for EDSITEment to help meet the needs of K-12 teachers who are asked to teach about cultures and geographies that may not have been covered in depth in their own educational preparation. In addition to its popular award-

winning lesson plans in American history, EDSITEment has developed widely used resources to support teachers in marking Congressionally mandated months, such as Black History Month, that highlight the many contributions of diverse ethnic groups to this country. EDSITEment has also developed classroom resources to aid in teaching Spanish, as well as a special portal providing easy access to Spanish language materials for the study of the U.S. Constitution.

- Initial awards in the *Bridging Cultures at Community Colleges* program, which are supporting five projects that will engage leading humanities organizations and local community college faculty in creating new and improved humanities courses that emphasize diverse cultures and historical perspectives. The American Historical Association, for example, is using its award to address the need to expand the scope of the ubiquitous United States history survey course by bringing together pairs of faculty from twelve community colleges to explore American political, economic, and cultural developments in the Atlantic World from 1450 to 1850 and in the Pacific Rim from 1600 to 1850.
- Additional awards for documentary films that explore cultures outside of the United States through the new *Bridging Cultures through Film: International Topics* category. *Besa*, a *Bridging Cultures through Film* project, tells the powerful and little-known story of Albanian Muslims who sheltered Jews during the Holocaust. When it premiered at the 2012 San Francisco Jewish Film Festival, CNN called the film “a lesson in interfaith cooperation.”
- Support for a portfolio of international collaborations that facilitate humanities research and beneficial exchange of ideas with scholars around the world. For example, through the Endowment’s Digging into Data partnership with NSF, the Institute of Museum and Library Services (IMLS), and five international funders, we are supporting cutting-edge digital projects that draw upon multiple disciplines to explore, for example, how patterns of communication in newspapers during the 1918 influenza pandemic affected the spread of disease.

In FY 2012, the Endowment’s Office of Digital Humanities supported a number of projects that utilize or study the impact of digital technology.

- Digging into Data Challenge is an international collaboration among six research teams in Canada, Europe, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship. With a grant awarded in FY 2012, a team from Virginia Tech University and the University of Toronto in Canada are seeking to harness the power of data mining techniques with the interpretive analytics of the humanities and social sciences to learn more about how information flows during a pandemic. The group will be studying the archives of over 100 different newspaper titles that covered the 1918 influenza outbreak. Their goal is to apply the latest in computational techniques to learn how information about a pandemic spreads, with the hope that this can also teach us valuable lessons for disease control today.
- Digital Start-Up Grants is a “seed grant” program that is designed to spur innovative research and education projects in the digital humanities. In 1871, while traveling in the Congo, the

Scottish explorer David Livingstone witnessed a massacre of hundreds of Africans by Arab slave traders. Livingstone, in ill health and almost out of supplies, including paper and ink, used an old newspaper and ink made from berries to keep a diary of what he saw. This diary was recently rediscovered, but the ink had almost completely faded, making it unreadable. With Start-Up grant funding from NEH, an international team of scholars and scientists at UCLA made headlines around the world recently after they successfully used high-tech, multi-spectral imaging technology to reveal Livingstone's words, shedding new light on one of the most important historical figures of the 19th century.

- Digital Humanities Implementation Grants were introduced to support projects that have already demonstrated a successful beginning phase and that have a clear plan for moving towards full implementation. At the University of Virginia, a group of historians and scientists will be working to further develop MapScholar, an online interactive tool that allows humanities scholars, students, and teachers to combine digitized historic maps from various collections to generate dynamic visualizations for use in publications and in classrooms.
- Institutes for Advanced Topics in the Digital Humanities encourage the sharing of best technology practices among humanities scholars. In FY 2012, NEH supported a four-day institute at the University of Texas at Austin, with a follow-up workshop for humanities scholars, librarians, archivists, and advanced graduate students, on the use of analytical tools to study digital audio collections of the spoken word. Our nation's libraries have enormous archives of audio material and this institute explores how this material can be studied and preserved in a digital age.
- NEH/German Research Foundation Bilateral Digital Humanities Programs are co-sponsoring programs to encourage collaborative digital humanities projects between American and German institutions. In FY 2012, support was provided for the Yemen Manuscript Digitization Initiative, a collaboration between Princeton University Library and the *Freie Universität* Berlin. The project will digitally preserve a total of 236 manuscripts held in three private libraries in the capital city of Sana'a. These digitized sources will then be virtually conjoined to twelve manuscripts in the rare book collections of the *Staatsbibliothek zu Berlin* and the Princeton University Library, creating a freely accessible repository of Islamic manuscripts whose scope is unparalleled in the world.

[Indicator 2] Other agency-wide initiatives were also supported in FY 2010.

The Endowment joined with the National Science Foundation to support an agency-wide initiative on "Documenting Endangered Languages." For example, at Miami University in Ohio, linguists and members of the Miami Tribe of Oklahoma are working together in a model program to revitalize the Miami-Illinois language, once spoken in the tribe's homeland of present-day Illinois, Indiana, and western Ohio but with no first-language speakers remaining. Supported by NEH's Documenting Endangered Languages program, the Miami-Illinois Dictionary Project will produce a searchable, digitized version of an early 18th-century bilingual (French and Miami-Illinois) dictionary that was compiled by Jesuit missionaries.

F: To strengthen the institutional base of the humanities.

PERFORMANCE INDICATORS:

Support is provided for institutions to increase nonfederal contributions for their humanities activities and enhance their resources over the long term.

- FY 2012: By FY 2016, NEH Challenge Grants awarded in FY 2012 will generate more than \$28/(\$28) million in nonfederal donations to recipient institutions in support of their humanities activities.
- FY 2011: By FY 2015, NEH Challenge Grants awarded in FY 2011 will generate more than \$30/(\$37) million in nonfederal donations to recipient institutions in support of their humanities activities.
- FY 2010: By FY 2014, NEH Challenge Grants awarded in FY 2010 will generate more than \$32/(\$33) million in nonfederal donations to recipient institutions in support of their humanities activities.
- FY 2009: By FY 2013, NEH Challenge Grants awarded in FY 2009 will generate more than \$35/(\$34) million in nonfederal donations to recipient institutions in support of their humanities activities.

ANALYSIS:

Availability of data. By FY 2016, NEH Challenge Grants awarded in FY 2012 will have generated approximately \$28 million in nonfederal donations to recipient institutions in support of their humanities activities. Challenge Grants are designed to encourage humanities organizations to undertake a capital fund-raising campaign. 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 2012 accomplishments. NEH Challenge Grants help local, state, and national institutions secure their humanities resources and activities for the long term. Crucial to achieving this goal is the "multiplier effect": Recipients of a challenge grant must match every federal dollar with three nonfederal dollars, and recipients of subsequent awards must raise four nonfederal dollars for every federal dollar.

Both the NEH challenge funds and the matched nonfederal funds can be used for a variety of long-term institutional purposes. The money may be used to purchase capital equipment and upgrade technology, renovate or construct facilities, and add to library holdings or museum collections. Challenge grants can also augment or establish endowments or spend-down funds that support basic humanities needs such as staff and programming. A wide array of nonprofit organizations have taken up the NEH "challenge," including museums, tribal centers, libraries, colleges and universities, scholarly research organizations, state humanities councils, public radio and television stations, and historical societies and historic sites.

In accord with a key element of the Endowment's strategic plan, the NEH Challenge Grants program helps strengthen humanities teaching and learning across the nation. For example, Swarthmore College received a \$600,000 challenge grant (to match \$2,400,000 in nonfederal funds) for teaching positions in Modern Standard Arabic. The college currently has substantial enrollments in Islamic and Middle Eastern Studies, and it seeks to address a national need by offering instruction in first- and second-year Arabic in a tri-college consortium with Haverford College and Bryn Mawr College. The consortium seeks to integrate language and cultural study and to encourage participation by its students in overseas residential programs. The grant will support a full-time faculty position at Swarthmore, a part-time faculty position to be shared with Haverford and Bryn Mawr, and Arabic language drill instructors.

Recognizing that the greater part of postsecondary education in the humanities takes place at two-year colleges, the Endowment in 2010 initiated a special Challenge Grant competition designed to encourage two-year colleges to plan for ways to strengthen their activities, programs, capital resources, and endowments that support the humanities. Encouragement for a category of institutions that have been reluctant to apply for challenge grants includes a lower matching ratio (2-to-1 instead of 3-to-1) and an extended grant period (six years instead of five) to allow increased time to meet the NEH fundraising challenge. The Endowment particularly encourages applications from two-year colleges that respond to the agency-wide *Bridging Cultures* emphasis. For example, as a result of the first round of the initiative, the Endowment has offered a challenge grant of \$200,000 (to match \$400,000 in nonfederal gifts) to Owensboro Community and Technical College in Kentucky to support an endowment fund that will enhance the college's ability to conduct humanities programs such as a lecture series, seminars and workshops on international and cross-cultural subjects; the endowment will also allow the college to dedicate faculty time and effort to developing advanced programming, including the incorporation of technology into humanities courses. The challenge grant will provide the college with a fund dedicated to the humanities and will allow the college to serve as a forum for exploration of cultural issues that, in turn, will enhance public understanding of the crucial role of diverse cultures in our increasingly interdependent global world.

Challenge grant applications require evidence of careful strategic planning for the long-term strength of the humanities. NEH recently offered a challenge grant to Pilgrim Hall Museum, in Plymouth, Massachusetts, whose historic 1824 facility lacked adequate climate control, imperiling the museum's invaluable collection of early American artifacts. The collection includes William Bradford's Geneva Bible and the only portrait made of a Pilgrim from life. The museum successfully raised the \$900,000 required for matching \$300,000 in federal funds, and it used the \$1,200,000 in total challenge funds to install a state-of-the-art HVAC system; to construct new exhibition space; and to make other capital improvements necessary to protect the collection and better serve an increased number of visitors.

NEH supports scholarly research in the humanities at a variety of types of institutions, from large universities to small colleges, from major history museums to historic sites. The Endowment recently offered Emory university in Atlanta a challenge grant of \$500,000 in federal funds (to match \$2,000,000 in non-federal gifts) to endow the Bill and Carol Fox Center for Humanistic Inquiry (FCHI). In addition to supporting key postdoctoral fellowships in poetics, faculty

research, and a variety of other programs, including a Great Works seminar open to the community, the challenge grant has enhanced Emory's place as an emerging international center for the study of poetry.

As well, the Challenge Grants program builds long-term institutional capacity to preserve manuscripts, art works, artifacts, documents, and other collections important to our cultural heritage. The North Haven Historical Society, which serves the community on a small island off the coast of Maine, used a \$60,000 challenge grant (matched by \$180,000 in nonfederal gifts) to construct an archives building that now houses important documents and materials from the region's past. According to the project director, the challenge offer "was just the incentive the Society needed and a clear indication to our potential donors that we ... meant to provide an archival safe haven for all that we had been given, for future acquisitions, and an enticement for community members (especially students) to explore their heritage."

An excellent example of the important role local historical societies play in providing opportunities for lifelong learning in the humanities can be seen in the challenge grant of \$300,000 awarded to the Paul Revere Memorial Association, located in Boston's North End. The Paul Revere House is the most visited historic home in Massachusetts and the tenth most visited historic home in the country. The grant provides for renovation of an 1835 abutting structure to create an Education and Visitor Center and endowment of humanities programming. The visitor center will enhance interpretation and programming at the site and, most significantly, will provide space for interpretation of 19th and 20th century Boston—telling the stories of immigration over time. Scholars and other visitors will experience improved access to research resources and interpretive themes that are unique to the property yet relevant to our understanding of not only Paul Revere and the Revere House, but also of the founding era and the history of Boston.

As part of the Endowment's recent emphasis on digital technology and applications, Challenge Grants are enhancing the institutional infrastructure that makes sustained use of advanced technology possible. For example, NEH awarded George Mason University \$750,000 (to match \$2.25 million in non-federal funds) for the Center for History and New Media. The goal of the Center is to move technological competency in the humanities beyond the "early adopters" into the mainstream. The challenge grant, which will provide endowment funds for post-doctoral fellowships, graduate assistantships, faculty fellows, and software acquisitions, will allow the Center to bring a new generation of scholars to its pioneering inquiries and multimedia projects, while developing programs and Web sites, such as *History Matters*, that promise to have a broad impact on higher education and K-12 humanities teaching nationally.

G: To maintain and strengthen partnerships with the state humanities councils.

PERFORMANCE INDICATORS:

Support is provided to the councils to encourage locally initiated, substantive humanities programs for the people in each state.

- FY 2012: Support for the programs and operations of 56 state humanities councils made possible high quality state and local humanities projects throughout the nation, including 16,600/(16,600) reading and discussion programs, 2,000/(2,000) exhibitions, 5,500/(5,500) literacy programs, 3,600/(3,600) speakers bureau presentations, 3,500 (3,500) teacher institutes and workshops, 2,700 (2,700) conferences and symposia, 1,800 (1,800) Chautauqua events, 7,600 (7,600) media program events, 600 (600) technology projects, 650 (650) preservation projects and 3,500/(3,500) local history projects.
- FY 2011: Support for the programs and operations of 56 state humanities councils made possible high quality state and local humanities projects throughout the nation, including 16,600/**16,600** reading and discussion programs, 2,300/**2,300** exhibitions, 6,200/**6,200** literacy programs, 4,000/**4,000** speakers bureau presentations, 4,300/**4,300** teacher institutes and workshops, 5,100/**5,100** conferences and symposia, 2,000/**2,000** Chautauqua events, 7,600/**7,600** media program events, 700/**700** technology projects, 720/**720** preservation projects and 4,200/**4,200** local history projects.
- FY 2010: Support for the programs and operations of 56 state humanities councils made possible high quality state and local humanities projects throughout the nation, including 17,700/**17,700** reading and discussion programs, 4,600/**4,600** exhibitions, 5,700/**5,700** literacy programs, 5,800/**5,800** speakers bureau presentations, 3,700/(3,700) teacher institutes and workshops, 5,800/**5,800** conferences and symposia, 2,300/**2,300** Chautauqua events, 7,120/ **7,120** media program events, 660/**660** technology projects, 700/**700** preservation projects and 6,300/**6,300** local history projects.
- FY 2009: Support for the programs and operations of 56 state humanities councils made possible high quality state and local humanities projects throughout the nation, including 16,400/**15,886** reading and discussion programs, 4,350/**3,072** exhibitions, 5,280/**5,222** literacy programs, 5,400/**4,803** speakers bureau presentations, 3,460/**3,190** teacher institutes and workshops, 5,800/**5,638** conferences and symposia, 2,600/**2,419** Chautauqua events, 6,660/**7,088** media program events, 560/**1,144** technology projects, 650/**1,176** preservation projects and 5,850/**5,191** local history projects.

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 2012 are preliminary. Final data will be provided by the councils via a newly instituted electronic submission system.

FY 2012 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, the U.S. Virgin Islands, Guam, the Commonwealth of the

Northern Mariana Islands, and Amerika Samoa. 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. In recent years councils annually attracted nonfederal contributions well in excess of the required 1:1 match. 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.

The councils support thousands of humanities projects and programs every year that reach millions of Americans in rural areas, urban neighborhoods, and suburban communities. With funds provided through the NEH Federal/Partnership, the councils support reading and discussion programs for children, families, and the newly literate that take place in libraries and other civic places; state and local book festivals, as well as the participation of a number of councils in the annual National Book Festival sponsored by the Library of Congress’s Center for the Book; educational institutes and seminars for elementary and secondary school teachers; scholarship on state and local history and culture, such as comprehensive online state encyclopedias; exhibitions at museums, libraries, and historical sites; and radio, television, and film projects on humanities themes. They carry out an increasing amount of programming and communications electronically, using websites, electronic newsletters, social networking, podcasting, and RSS feeds. A number of councils also post videos on the popular YouTube website.

With their strong networks of cultural and educational institutions, state humanities councils are especially well-positioned to ensure that NEH’s *Bridging Cultures* initiative has a broad reach. The California Council for the Humanities, the Illinois Humanities Council, the Virginia Foundation for the Humanities, and Humanities Washington have been directly involved in major NEH *Bridging Cultures* grants. For many councils, bridging cultures is a daily activity because they address the diverse cultures in their states through programming directed to such groups as native peoples and immigrant populations, both historic and contemporary. For example, the New York Council on the Humanities’ “Speakers in the Humanities” program sends highly qualified humanists throughout the state to speak to cultural and community organizations. One major category of speakers deals with issues of philosophy, ethics, and religion that include issues of anti-Semitism, Native American cosmology and belief, understanding Islam, and the blend of Catholicism and folkloric tradition that makes Italian and Italian American religious devotion unique.

State humanities councils across the country make it possible for citizens to come together to address issues related to the economy, health care, demographics, energy, and our schools, through discussions informed by history and literature. Such in-depth explorations of critical and

potentially divisive issues serve purposes beyond creating more thoughtful and better-informed citizens. They also increase citizen engagement in public life and bring citizens together to work toward common goals in shaping the future of their community and nation. In the fall of 2012, the New Hampshire Humanities Council launched a year-long initiative “Constitutionally Speaking.” The first speaker is David Souter, former Associate Justice of the Supreme Court. This initiative is a collaboration of the Council with the New Hampshire Supreme Court Society, the University of New Hampshire School of Law, and the newly established New Hampshire Institute for Civic Education. Justice Souter has been instrumental in the creation of the Institute, which will provide professional development opportunities to New Hampshire teachers so that all K-12 public school students are grounded in civics education. And in April 2012, Humanities Montana organized a two-day conference of moderated conversations to celebrate the 40th anniversary of Montana’s constitution. These conversations were wide-ranging, thoughtful, and engaging, dealing with issues central to the civic lives of Montanans. The topics provide the basis for on-going conversations around the state.

Thirty-six states and the District of Columbia are participating in “Making Sense of the Civil War,” sponsored by NEH and the American Library Association. Most of the host institutions for this multi-year program are state humanities councils. The Vermont Humanities Council is commemorating the sesquicentennial of the Civil War with an electronic “Civil War Book of Days,” which goes out once a week as a review of the events that took place that week 150 years ago. The Virginia Foundation for the Humanities uses electronic media to initiate discussions through their “Backstory with the American History Guys” radio call-in show, which features three prominent historians providing perspective on “events happening around us every day.” It is now broadcast weekly and free podcasts are available. The complete archive is available for electronic download.

Because the written word is the currency of ideas, most state humanities councils promote reading and literacy. Thirty-seven councils currently support literacy programming and all sponsor discussion programs, most of which are based on the common reading of texts. Many councils support such family literacy programs as “Motherread,” a nationally acclaimed non-profit organization that combines the teaching of literacy skills with child development and family empowerment. “Prime Time Family Reading Time,” developed by the Louisiana Endowment for the Humanities, provides reading, discussion, and storytelling programs for young children and their parents and is used by state humanities councils around the country. Prime Time programs have the capacity to function in several languages and have been demonstrated to increase young peoples’ performance in school significantly.

Councils also support programs designed specifically to target audiences of older Americans. “Humanities to Go” is the New Hampshire Humanities Council’s award-winning speakers bureau offering 180 humanities programs to non-profit and ad hoc community organizations throughout the state. The program has been referred to as a lifeline for cash-strapped local organizations, including senior centers that could not afford to pay for this kind of quality humanities programs on their own. The Louisiana Endowment for the Humanities’ RELIC (Readings in Literature & Culture) program targets seniors with programs, such as “I’ll Be Seeing You . . . America and World War II,” that draw seniors in uncommonly large numbers. War veterans sometimes provide ancillary presentations about their own experiences.

Increasingly, the councils take an active role in providing K-12 teachers with professional development opportunities and humanities curriculum support. The Minnesota Humanities Center, for example, offers teacher institutes that range from short half-day programs to week-long institutes led by regional and national humanities scholars. The governor of Minnesota held the first summit on American Indian education at the Minnesota Humanities Center in January 2012. K-12 teacher development is a key element in the mission of the Florida Humanities Council, which hosts summer and full-day workshops, available to all school districts in the state. Its website hosts a teacher resource center. The Idaho Humanities Council supports K-12 teachers by providing an annual summer institute, Teacher Incentive Grants of up to \$1,000 for curriculum enhancement, curriculum guides and other resources, awards for outstanding teachers, and a Teachers Night Out to introduce teachers from the Treasure Valley area around Boise to resources available to them from local organizations.

H: To establish collaborative partnerships with individuals and institutions in support of the humanities.

PERFORMANCE INDICATORS:

1) Partnerships are forged to leverage new resources for the humanities and expand audiences for the humanities.

- FY 2012: The Endowment developed of a number of new partnerships with other institutions and organizations, leveraging approximately \$1.5 million in new funding for humanities programs.
- FY 2011: The Endowment developed a number of new partnerships with other institutions and organizations, leveraging approximately \$1.5 million in new funding for humanities programs.
- FY 2010: The Endowment developed of a number of new partnerships with other institutions and organizations, leveraging approximately \$1.1 million in new funding for humanities programs.
- FY 2009: The Endowment developed of a number of new partnerships with other institutions and organizations, leveraging approximately \$1.40 million in new funding for humanities programs.

2) New programming, funding, and administrative partnerships are established with other agencies, foundations, and organizations, both public and private.

- FY 2012: NEH partnerships would include the following: 1) a program of fellowships to be sponsored jointly by NEH and the Library of Congress to support humanities scholars who wish to conduct research at the Library of Congress; 2) the National Digital Newspaper Program, a multi-year collaboration with the Library of Congress to digitize and make publicly available on the World Wide Web newspapers

- already preserved on microfilm through the United States Newspapers Program; 3) the Advanced Research Fellowships on Japan Program to be jointly sponsored by NEH and the Japan-United States Friendship Commission; 4) EDSITEment; 5) Digging into Data Challenge, an international collaboration among eight research teams in Canada, Europe, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship; 6) the *Bridging Cultures* Bookshelf project, a partnership with the Carnegie Corporation of New York and; 7) programmatic collaboration with the National Trust for the Humanities.
- FY 2011: NEH partnerships included the following: 1) a program of fellowships to be sponsored jointly by NEH and the Library of Congress to support humanities scholars who wish to conduct research at the Library of Congress; 2) the National Digital Newspapers Program, a multi-year collaboration with the Library of Congress to digitize and make publicly available on the World Wide Web newspapers already preserved on microfilm through the United States Newspapers Program; 3) the Advanced Research Fellowships on Japan Program to be jointly sponsored by NEH and the Japan-United States Friendship Commission; 4) a “Cultural Diplomacy” partnership of NEH and the U.S. Department of State that would enable teachers from other nations to participate in “Landmarks of American History and Culture” workshops; 5) EDSITEment; 6) Digging into Data Challenge, an international collaboration among research teams in Canada, England or Wales in the United Kingdom, and the United States to explore how vast libraries of digitized books, newspapers, art, and music can be used for advanced scholarship; and 7) programmatic collaboration with the National Trust for the Humanities.
 - FY 2010: NEH partnerships included the following: 1) a program of fellowships to be sponsored jointly by NEH and the Library of Congress to support humanities scholars who wish to conduct research at the Library of Congress; 2) the National Digital Newspapers Program, a multi-year collaboration with the Library of Congress to digitize and make publicly available on the World Wide Web newspapers already preserved on microfilm through the United States Newspapers Program; 3) the Advanced Research Fellowships on Japan Program to be jointly sponsored by NEH and the Japan-United States Friendship Commission; 4) the interagency Save America's Treasures initiative; 5) a “Cultural Diplomacy” partnership of NEH and the U.S. Department of State that would enable teachers from other nations to participate in “Landmarks of American History and Culture” workshops; 6) EDSITEment; and 7) programmatic collaboration with the National Trust for the Humanities.
 - FY 2009: NEH partnerships included the following: 1) a program of fellowships sponsored jointly by NEH and the Library of Congress to support humanities scholars who wish to conduct research at the Library of Congress; 2) the National Digital Newspapers Program, a multi-year collaboration with the Library of Congress to digitize and make publicly available on the World Wide Web newspapers already preserved on microfilm through the United States Newspapers Program; 3) the Advanced Research Fellowships on Japan Program jointly sponsored by NEH and the

Japan-United States Friendship Commission; 4) the interagency Save America's Treasures initiative; 5) a “Cultural Diplomacy” partnership of NEH and the U.S. Department of State that enables teachers from other nations to participate in “Landmarks of American History and Culture” workshops; 6) EDSITEment; and 7) programmatic collaboration with the National Trust for the Humanities.

ANALYSIS:

FY 2012 accomplishments. [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 it maintains 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 with the Institute for Museum and Library Services and the National Science Foundation—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 remains 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. The website contains over 500 scholar and teacher-developed lesson plans for the K-12 classroom and features links to more than 400 peer-reviewed websites selected for their high quality humanities content and interactive design. The Verizon Foundation provides principal

funding for the site through the National Trust for the Humanities. More than 2,500,000 visitors—teachers, students, and parents—avail themselves of EDSITEment’s rich resources each year.

III. FINANCIAL INFORMATION

A Message from the Director of Accounting

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 2012. I am happy to report that our independent auditor, Leon Snead and Company, P.C., has rendered an unqualified opinion on these statements. The Endowment has obtained an unqualified (clean) opinion on the agency’s consolidated financial statements for the eighth consecutive year indicating the Endowment’s continued responsible stewardship of the taxpayer dollars to which it has been entrusted.

There were no audit findings relating to the Endowment’s FY 2012 audit. However, in a separate management letter, our independent auditor reported a control deficiency over financial reporting and its operation that has been resolved by a corrective action plan.

The Endowment remains committed to continuous improvement in financial management and internal controls, even with the receipt of this clean audit opinion. The Accounting Office’s keen focus on financial management demonstrates the extraordinary importance we have for accountability and public disclosure. I am proud of the role my office has played in being effective stewards of public funds.

During fiscal year 2012, we continued to monitor and evaluate the implementation and effectiveness of the financial management practices developed over the past several years. We also continued our efforts in transitioning the Endowment’s Oracle financial system to be compliant with requirements of the Department of the Treasury’s Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) for fiscal year 2014 reporting. GTAS is a Web-based reporting system that replaces the functionality of the four current Treasury stovepipe applications that collect trial balance data from federal agencies.

In closing, I am grateful for the dedicated staff of the agency who worked diligently to increase our accountability for financial resources and who contributed to the success of the fiscal year 2012 audit. Their efforts are recognized and greatly appreciated.

John Gleason
Director, Accounting Office

November 15, 2012

National Endowment for the Humanities

Audit of Financial Statements

**As of and for the Years Ended
September 30, 2012 and 2011**

Submitted By

Leon Snead & Company, P.C.

Certified Public Accountants & Management Consultants



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*Certified Public Accountants
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Inspector General, National Endowment for the Humanities
Chairman, National Endowment for the Humanities

Independent Auditor's Report

We have audited the balance sheets of the National Endowment for the Humanities (NEH) as of September 30, 2012 and 2011, 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 and regulations 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, 2012 and 2011, 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.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements* (as amended).

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

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying balance sheets of the NEH as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, net cost, changes in net position, and budgetary resources of the NEH as of and for the years ended September 30, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and information about NEH's stewardship investments be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board (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.

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.

RESPONSIBILITIES

Management Responsibilities

Management of the NEH is responsible for: (1) preparing the financial statements in conformity with generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers Financial Integrity Act (FMFIA) are met; and (3) complying with applicable laws and regulations. In fulfilling this responsibility, estimates

and judgments by management are required to assess the expected benefits and related costs of internal control policies.

Auditor Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements* (as amended). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes (1) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our audit, we considered the NEH's internal control over financial reporting by obtaining an understanding of the agency's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 07-04 (as amended) and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by FMFIA. Our procedures were not designed to provide an opinion on internal control over financial reporting. Consequently, we do not express an opinion thereon.

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 OMB Bulletin 07-04 (as amended). 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the NEH as of and for the years ended September 30, 2012 and 2011, 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 our auditing procedures 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.

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 control deficiency 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 of the NEH.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section of the report and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We noted a control deficiency over financial reporting and its operation that we have reported to the management of the NEH and those charged with governance in a separate letter dated November 8, 2012.

COMPLIANCE WITH LAWS AND REGULATIONS

The results of our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, disclosed no instances of noncompliance with laws and regulations required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04 (as amended).

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.

DISTRIBUTION

This report is intended solely for the information and use of the management, the Office of Inspector General, and others within the NEH, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Leon Snead & Company P.C.
Leon Snead & Company, P.C.
November 9, 2012



AUDITED FINANCIAL STATEMENTS

As of and for the Years Ended September 30, 2012 and 2011



NATIONAL ENDOWMENT FOR THE
Humanities

NATIONAL ENDOWMENT FOR THE HUMANITIES

BALANCE SHEET

As of September 30, 2012 and 2011

(in US Dollars)

<u>ASSETS</u>	<u>FY 2012</u>	<u>FY 2011</u>
Intragovernmental:		
Cash & balances w/ U.S. Treasury (Note 2)	\$ 150,524,089	\$ 155,824,393
Receivables and advances (Note 3)	741,507	14,266
Total intragovernmental	<u>151,265,596</u>	<u>155,838,659</u>
Receivables and advances (Note 3)	2,297,742	3,164,964
Property and equipment, net (Note 4)	167,655	35,312
TOTAL ASSETS	<u><u>153,730,993</u></u>	<u><u>159,038,935</u></u>
 LIABILITIES		
Intragovernmental:		
Accounts payable and accrued expenses (Note 5)	1,672,351	2,323,729
Total intragovernmental	<u>1,672,351</u>	<u>2,323,729</u>
Accounts payable and accrued expenses	25,760,705	27,053,907
Unfunded FECA actuarial liability (Notes 5 & 8)	230,671	217,767
Unfunded annual leave (Notes 5 & 8)	1,283,984	1,287,103
Total liabilities	<u><u>28,947,711</u></u>	<u><u>30,882,506</u></u>
Commitments and contingencies (Note 1)		
 NET POSITION		
Unexpended appropriations - other funds	124,796,598	128,405,502
Unexpended appropriations - earmarked funds (Note 11)	-	-
Cumulative results operations - other funds	(1,510,476)	(1,614,870)
Cumulative results operations - earmarked funds (Note 11)	1,497,160	1,365,797
Total net position	<u>124,783,282</u>	<u>128,156,429</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 153,730,993</u></u>	<u><u>\$ 159,038,935</u></u>

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, 2012 and 2011
(in US Dollars)

	<u>FY 2012</u>	<u>FY 2011</u>
PROGRAM COSTS (Notes 12, 13, & 15)		
Federal/State Partnerships		
Gross costs	\$ 50,270,164	\$ 43,799,203
Less: earned revenue	-	(44,834)
Net costs	<u>50,270,164</u>	<u>43,754,369</u>
Preservation and Access		
Gross costs	19,961,898	24,457,962
Less: earned revenue	(627,042)	(487,654)
Net costs	<u>19,334,856</u>	<u>23,970,308</u>
Research		
Gross costs	20,634,206	20,856,751
Less: earned revenue	(87,784)	(138,680)
Net costs	<u>20,546,422</u>	<u>20,718,071</u>
Public Programs		
Gross costs	19,148,795	21,126,734
Less: earned revenue		(21,297)
Net costs	<u>19,148,795</u>	<u>21,105,437</u>
Education		
Gross costs	16,782,196	20,718,301
Less: earned revenue		(20,876)
Net costs	<u>16,782,196</u>	<u>20,697,425</u>
We the People		
Gross costs	6,258,596	11,803,206
Less: earned revenue		(14,116)
Net costs	<u>6,258,596</u>	<u>11,789,090</u>
Challenge Grants		
Gross costs	12,092,368	5,533,336
Less: earned revenue		(5,588)
Net costs	<u>12,092,368</u>	<u>5,527,748</u>
Other Programs		
Gross costs	7,711,718	5,852,437
Less: earned revenue	(151,061)	(59,572)
Net costs	<u>7,560,657</u>	<u>5,792,865</u>
TOTAL PROGRAMS		
Gross costs (Note 18)	152,859,941	154,147,930
Less: earned revenue	(865,887)	(792,617)
NET COST OF OPERATIONS	<u>\$ 151,994,054</u>	<u>\$ 153,355,313</u>

The accompanying notes are an integral part of these statements.



STATEMENT OF CHANGES IN NET POSITION
For the Years Ended September 30, 2012 and 2011
(in US Dollars)

	2012			2011		
	Earmarked Funds	All Other Funds	Total	Earmarked Funds	All Other Funds	Total
<u>CUMULATIVE RESULTS OF OPERATIONS</u>						
Beginning balances	\$ 1,365,797	\$ (1,614,870)	\$ (249,073)	\$ 443,759	\$ (1,465,140)	\$ (1,021,381)
Adjustments: Corrections of errors	-	-	-	-	-	-
Beginning balances, as adjusted	1,365,797	(1,614,870)	(249,073)	443,759	(1,465,140)	(1,021,381)
Budgetary financing sources:						
Donations (Note 11)	1,259,006	-	1,259,006	1,553,505	-	1,553,505
Appropriations used (Note 17)	-	149,629,896	149,629,896	-	151,030,368	151,030,368
Other financing resources:						
Imputed financing from costs absorbed by others (Notes 1 & 13)	-	1,340,909	1,340,909	-	1,543,748	1,543,748
Total financing sources	1,259,006	150,970,805	152,229,811	1,553,505	152,574,116	154,127,621
Net cost of operations (Notes 12 & 13)	(1,127,643)	(150,866,411)	(151,994,054)	(631,467)	(152,723,846)	(153,355,313)
Net change	131,363	104,394	235,757	922,038	(149,730)	772,308
Cumulative Results of Operations	1,497,160	(1,510,476)	(13,316)	1,365,797	(1,614,870)	(249,073)
<u>UNEXPENDED APPROPRIATIONS</u>						
Beginning balances	-	128,405,502	128,405,502	-	124,745,870	124,745,870
Adjustments: Corrections of errors	-	-	-	-	-	-
Beginning balances, as adjusted	-	128,405,502	128,405,502	-	124,745,870	124,745,870
Budgetary financing sources:						
Appropriations received (current period) (Notes 17 & 18)	-	146,255,000	146,255,000	-	155,000,000	155,000,000
Rescissions	-	(234,008)	(234,008)	-	(310,000)	(310,000)
Donations	-	-	-	-	-	-
Appropriations used (Note 17)	-	(149,629,896)	(149,629,896)	-	(151,030,368)	(151,030,368)
Total budgetary financing sources	-	(3,608,904)	(3,608,904)	-	3,659,632	3,659,632
Total Unexpended Appropriations	-	124,796,598	124,796,598	-	128,405,502	128,405,502
<u>NET POSITION</u>	<u>\$ 1,497,160</u>	<u>\$ 123,286,122</u>	<u>\$ 124,783,282</u>	<u>\$ 1,365,797</u>	<u>\$ 126,790,632</u>	<u>\$ 128,156,429</u>

The accompanying notes are an integral part of these statements.



STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2012 and 2011
(in US Dollars)

	2012	2011
Budgetary Resources:		
Unobligated balance brought forward, October 1	\$ 5,058,832	\$ 3,134,707
Adjustment to unobligated balance brought forward, October 1 (+or-)	-	-
Unobligated balance brought forward, October 1, as adjusted	5,058,832	3,134,707
Recoveries of prior year unpaid obligations	1,895,878	2,710,212
Other changes in unobligated balance (+or-)	-	-
Unobligated balance from prior year budget authority, net	6,954,710	5,844,919
Appropriations (discretionary and mandatory)	147,279,997	156,243,505
Borrowing authority (discretionary and mandatory)	-	-
Contract authority (discretionary and mandatory)	-	-
Spending authority from offsetting collections (discretionary and mandatory)	347,133	4,365,628
Total budgetary resources	154,581,840	166,454,052
Status of Budgetary Resources:		
Obligations incurred (Notes 13 & 14):	149,336,352	161,395,220
Unobligated balance, end of year:		
Apportioned	4,600,516	3,648,319
Exempt from apportionment	-	-
Unapportioned	644,972	1,410,513
Total unobligated balance, end of year	5,245,488	5,058,832
Total budgetary resources	154,581,840	166,454,052
Change in Obligated Balance:		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	150,802,663	148,228,627
Adjustment to unpaid obligations, start of year (+/-)	-	-
Obligations incurred (Notes 13 & 14)	149,336,352	161,395,220
Outlays (gross) (-)	(152,957,134)	(156,110,972)
Actual transfers, unpaid obligations (net) (+ or-)	-	-
Recoveries of prior year unpaid obligations (-)	(1,895,878)	(2,710,212)
Unpaid obligations, end of year	145,286,003	150,802,663
Uncollected Payments:		
Uncollected pymts, Fed sources, brought forward, Oct 1 (-)	(37,103)	(117,369)
Adjustment to uncollected pymts, Fed sources, start of year (+/-)	-	-
Change in uncollected pymts, Fed sources (+/-)	29,700	80,266
Actual transfers, uncollected pymts, Fed sources (net) (+/-)	-	-
Uncollected pymts, Fed sources, end of year(-)	(7,403)	(37,103)
Memorandum (non-add) entries:		
Obligated balance, start of year (+/-)	150,765,560	148,111,258
Obligated balance, end of year (+/-) (Note 16)	145,278,601	150,765,560
Budget Authority and Outlays, Net:		
Budget authority, gross (discretionary and mandatory)	147,627,130	160,609,133
Actual offsetting collections (discretionary and mandatory) (-)	(376,832)	(4,445,894)
Change in uncollected customer payments from Federal sources (discretionary/mandatory) (+or-)	29,699	80,266
Anticipated offsetting collections (discretionary and mandatory)(+ or-)	-	-
Budget authority, net (discretionary and mandatory)	147,279,997	156,243,505
Outlays, gross (discretionary and mandatory)	152,957,134	156,110,972
Actual offsetting collections (discretionary and mandatory)(-)	(376,832)	(4,445,894)
Outlays, net (discretionary and mandatory)	152,580,302	151,665,078
Distributed offsetting receipts (-)	(1,311,572)	(1,581,296)
Agency outlays, net (discretionary and mandatory)	\$ 151,268,730	\$ 150,083,782

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, 2012 and 2011
(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 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, 2012 and 2011
(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 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	Term of Lease
Capital Leases	Term of Lease
Office Furniture	7 years
Computer Equipment and Software	3 years
Office Equipment	5 years

H. Liabilities

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.

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Years Ended
September 30, 2012 and 2011
(In Dollars)

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. 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.

K. 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.

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.

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Years Ended
September 30, 2012 and 2011
(In Dollars)

Note 1 – Significant Accounting Policies (continued)

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.

L. 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.

M. 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.

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.

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Years Ended
September 30, 2012 and 2011
(In Dollars)

Note 1 – Significant Accounting Policies (continued)

N. Use of Estimates

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

O. Commitments and Contingencies

There are no commitments or contingencies that require disclosure.

P. 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.

Q. 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).

R. Rounding

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

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Years Ended
September 30, 2012 and 2011
(In Dollars)

Note 2 – Fund Balance with Treasury

Fund balance with Treasury:	<u>2012</u>	<u>2011</u>
Appropriated funds	\$ 149,007,763	\$ 154,435,950
Trust funds	1,516,326	1,388,443
	<hr/>	<hr/>
Total	<u>150,524,089</u>	<u>155,824,393</u>
 Status of fund balance with Treasury:		
Unobligated balance - available	4,600,516	3,648,319
Unobligated balance - unavailable	644,972	1,410,513
Unfilled customer orders without advance	-	(22,836)
Receivables from federal sources	(7,403)	(14,266)
Obligated balance not yet disbursed	145,286,004	150,802,663
	<hr/>	<hr/>
Total	<u>\$ 150,524,089</u>	<u>\$ 155,824,393</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

	<u>2012</u>	<u>2011</u>
	<u>Current</u>	<u>Current</u>
Gross receivables		
Receivables from services to federal agencies:		
Other receivables	\$ 7,403	\$ 14,266
Receivables from the public:		
Advances to federal agencies	734,104	-
Advances to grantees	2,182,390	2,979,323
Other receivables	115,352	185,641
Allowance for uncollectible accounts	-	-
	<hr/>	<hr/>
Net receivables	<u>\$ 3,039,249</u>	<u>\$ 3,179,230</u>

National Endowment for the Humanities
Notes to the Financial Statements
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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 internal use software is \$250,000 or above for aggregate costs. Property and equipment, net, as of September 30, 2012 and 2011, consisted of the following:

Major Class	Service Life and Method	Cost	Accumulated Amortization /Depreciation	<u>2012</u> Net Book Value	<u>2011</u> Net Book Value
Office Equipment	5 years/Straight	\$ 88,281	\$ (70,625)	\$ 17,656	\$ 35,585
Software – Internal Use	3 years/Straight	113,406	(3,294)	110,112	-
Software – In Development	Not Applicable	39,887	-	39,887	-
Total, Property & Equipment		\$ 241,574	\$ (73,919)	\$ 167,655	\$ 35,585

Note 5 – Liabilities

	<u>2012</u>	<u>2011</u>
	<u>Current</u>	<u>Current</u>
Intragovernmental		
Accrued unfunded FECA	\$ 47,337	\$ 46,077
Advances from others	1,464,219	2,119,673
Employee contributions & payroll taxes payable	160,796	157,979
Total Intragovernmental	<u>1,672,352</u>	<u>2,323,729</u>
Accrued funded payroll	1,065,804	1,026,606
Actuarial FECA	230,671	217,767
Accrued unfunded leave	1,283,984	1,287,103
Accrued liabilities due - non-Government	<u>24,694,900</u>	<u>26,027,301</u>
Total liabilities	<u>\$ 28,947,711</u>	<u>\$ 30,882,506</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 Old Post Office Building at 1100 Pennsylvania Avenue in the District of Columbia under an occupancy agreement with the General Services Administration (GSA) that is accounted for as an operating lease. The term of the occupancy agreement is from October 1, 2011 through September 30, 2013. Due to planned redevelopment of the Old Post Office Building for commercial purposes, NEH is working with GSA to pursue the relocation of the agency to new office space in the District of Columbia for FY 2014 and future years. The projected move to the new office space is January 2014. It is anticipated that the rent for NEH's new office space will be approximately the same as the current GSA rental rate along with any necessary inflationary adjustments.

	<u>2012</u>	<u>2011</u>
	<u>Office Space</u>	<u>Office Space</u>
Future payments due:		
Fiscal year 2012	\$ -	\$ 2,734,000
Fiscal year 2013	\$ 2,750,000	\$ 2,750,000

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>2012</u>	<u>2011</u>
Income from NEH projects funded in previous years	\$ 52,567	\$ 27,791
Total cash collections	<u>52,567</u>	<u>27,791</u>
Disposition of collections:		
Returned to Treasury (general fund)	52,567	27,791
Retained by NEH	-	-
Net custodial revenue activity	<u>\$ -</u>	<u>\$ -</u>

National Endowment for the Humanities
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Note 8 – Liabilities Not Covered by Budgetary Resources

	<u>2012</u>	<u>2011</u>
Intragovernmental		
Accrued unfunded FECA	\$ 47,337	\$ 46,077
Total intragovernmental	<u>47,337</u>	<u>46,077</u>
Actuarial FECA	230,671	217,767
Accrued unfunded leave	1,283,984	1,287,103
Total liabilities not covered by budgetary resources	<u>1,561,992</u>	<u>1,550,947</u>
Total liabilities covered by budgetary resources	27,385,719	29,331,559
Total liabilities	<u>\$ 28,947,711</u>	<u>\$ 30,882,506</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 2012 has not yet been published. Actual numbers for fiscal year 2012 will be included in the President's Budget for fiscal year 2014, which will be published about February 5, 2013 and will be available at <http://www.whitehouse.gov/omb/>.

There are no material differences between the amounts reported in the FY 2011 Statement of Budgetary Resources and the 2011 actual amounts reported in the Budget of the United States Government. Any difference in the table below is due to the rounding of the amounts in the Budget of the United States Government.

National Endowment for the Humanities
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Note 10 (continued)

FY 2011 (In Millions of Dollars)	Budgetary Resources Available for Obligation	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Budget of the U.S. Government	\$ 167.0	\$ 162.0	\$ 2.0	\$ 152.0
Statement of Budgetary Resources	<u>166.5</u>	<u>161.4</u>	<u>1.6</u>	<u>150.1</u>
Differences	\$ 0.5	\$ 0.6	\$ 0.4	\$ 1.9

Note 11 – Earmarked Funds

SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, defines ‘earmarked funds’ as being financed by specifically identified revenues, 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 – Earmarked Funds – (continued)

	2012			2011		
	<u>Earmarked Funds - Gifts & Donations</u>	<u>Eliminations</u>	<u>Total Earmarked Funds</u>	<u>Earmarked Funds - Gifts & Donations</u>	<u>Eliminations</u>	<u>Total Earmarked Funds</u>
Balance sheet, as of September 30th						
Assets						
Fund balance with Treasury	\$ 1,516,325	\$ -	\$ 1,516,325	\$ 1,388,443	\$ -	\$ 1,388,443
Other assets	-	-	-	-	-	-
Total assets	1,516,325	-	1,516,325	1,388,443	-	1,388,443
Liabilities	19,165	-	19,165	22,646	-	22,646
Unexpended Appropriations	-	-	-	-	-	-
Cumulative results of operations	1,497,160	-	1,497,160	1,365,797	-	1,365,797
Total liabilities and net position	1,516,325	-	1,516,325	1,388,443	-	1,388,443
Statement of net cost, for the period ended September 30th						
Gross program costs	1,127,643	-	1,127,643	655,356	-	655,356
Less earned revenues	-	-	-	23,889	-	23,889
Net program costs	1,127,643	-	1,127,643	631,467	-	631,467
Costs not attributable to program costs	-	-	-	-	-	-
Less earned revenues not attributable to program costs	-	-	-	-	-	-
Net cost of operations	1,127,643	-	1,127,643	631,467	-	631,467
Statement of changes in net position, for the period ended September 30th						
Net position, beginning of period	1,365,797	-	1,365,797	443,759	-	443,759
Non-exchange revenue	1,259,006	-	1,259,006	1,553,505	-	1,553,505
Other financing sources	-	-	-	-	-	-
Net cost of operations	1,127,643	-	1,127,643	631,467	-	631,467
Change in net position	131,363	-	131,363	922,038	-	922,038
Net position, end of period	\$ 1,497,160	\$ -	\$ 1,497,160	\$ 1,365,797	\$ -	\$ 1,365,797

National Endowment for the Humanities
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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 2012 Programs	Federal/State Partnerships	Preservation and Access	Research	Public Programs	Education	We The People	Challenge Grants	Other Programs	2012 Total
Intragovernmental costs	1,894,016	1,236,852	1,323,074	1,373,733	1,197,985	222,301	584,617	769,046	8,601,624
Public costs	48,376,148	18,725,046	19,311,132	17,775,062	15,584,211	6,036,295	11,507,751	6,942,672	144,258,317
Total costs	50,270,164	19,961,898	20,634,206	19,148,795	16,782,196	6,258,596	12,092,368	7,711,718	152,859,941
Intragovernmental earned revenue	-	627,042	87,784	-	-	-	-	151,061	865,887
Public earned revenue	-	-	-	-	-	-	-	-	-
Total earned revenue	-	627,042	87,784	-	-	-	-	151,061	865,887
Net costs	50,270,164	19,334,856	20,546,422	19,148,795	16,782,196	6,258,596	12,092,368	7,560,657	151,994,054

FY 2011 Programs	Federal/State Partnerships	Preservation and Access	Research	Public Programs	Education	We The People	Challenge Grants	Other Programs	2011 Total
Intragovernmental costs	1,432,169	1,249,576	1,252,703	1,285,765	1,308,400	1,098,285	324,843	643,173	8,594,914
Public costs	42,367,034	23,208,386	19,604,048	19,840,969	19,409,901	10,704,921	5,208,493	5,209,264	145,553,016
Total costs	43,799,203	24,457,962	20,856,751	21,126,734	20,718,301	11,803,206	5,533,336	5,852,437	154,147,930
Intragovernmental earned revenue	44,834	487,654	138,680	21,297	20,876	14,116	5,588	59,572	792,617
Public earned revenue	-	-	-	-	-	-	-	-	-
Total earned revenue	44,834	487,654	138,680	21,297	20,876	14,116	5,588	59,572	792,617
Net costs	43,754,369	23,970,308	20,718,071	21,105,437	20,697,425	11,789,090	5,527,748	5,792,865	153,355,313

National Endowment for the Humanities
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Note 13 – Reconciliation of Net Cost of Operations to Budget

	<u>2012</u>	<u>2011</u>
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations incurred	\$ 149,336,352	\$ 161,395,220
Less: Spending authority from offsetting collections and recoveries	2,243,011	7,075,840
Obligations net of offsetting collections and recoveries	147,093,341	154,319,380
Less: Offsetting receipts	1,311,572	1,581,296
Net Obligations	<u>145,781,769</u>	<u>152,738,084</u>
Other Resources		
Imputed financing from costs absorbed by others	<u>1,340,909</u>	<u>1,543,748</u>
<i>Total resources used to finance activities</i>	147,122,678	154,281,832
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	3,610,811	(2,225,162)
Budgetary offsetting collections and receipts that do not affect net cost of operations	1,311,572	1,581,296
Resources that fund expenses recognized in prior periods	(3,119)	(124,579)
Resources that finance acquisition of assets	(153,293)	-
<i>Total resources used to finance items not part of the net cost of operations</i>	<u>4,765,971</u>	<u>(768,445)</u>
<i>Total resources used to finance the net cost of operations</i>	<u>151,888,649</u>	<u>153,513,387</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:		
Annual leave liability increase	-	-
Other	84,455	(175,730)
<i>Total components of Net Cost of Operations that will require or generate resources in future periods</i>	<u>84,455</u>	<u>(175,730)</u>
Components not requiring or generating resources:		
Depreciation and amortization	20,950	17,656
Other	-	-
<i>Total components of Net Cost of Operations that will require or generate resources</i>	<u>20,950</u>	<u>17,656</u>
<i>Total components of the net cost of operations that will not require or generate resources in the current period</i>	105,405	(158,074)
NET COST OF OPERATIONS	<u>\$ 151,994,054</u>	<u>\$ 153,355,313</u>

National Endowment for the Humanities
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Note 14 – Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Obligations Incurred	<u>2012</u>	<u>2011</u>
Direct:		
1. Category A total, direct obligations	\$ -	\$ -
2. Category B total, direct obligations	149,033,536	159,203,092
3. Exempt from apportionment	-	-
Reimbursable:		
1. Category A total, direct obligations	-	-
2. Category B total, direct obligations	302,816	2,192,128
3. Exempt from apportionment	-	-
Total direct and reimbursable	<u>\$ 149,336,352</u>	<u>\$ 161,395,220</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>2012</u>	<u>2011</u>
Unpaid obligations:		
Undelivered orders	\$ 119,364,503	\$ 123,590,777
Accounts payable	25,921,500	27,211,886
Less: uncollected customers payments from Federal sources	<u>7,403</u>	<u>37,103</u>
Total, unpaid obligated balance, net, end of period	<u>\$ 145,278,600</u>	<u>\$150,765,560</u>

National Endowment for the Humanities
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**Note 17 – Reconciliation of Federal Appropriation to Federal Expended
Appropriation**

	<u>2012</u>	<u>2011</u>
Federal appropriation	\$ 146,020,992	\$ 154,690,000
Unexpended appropriation – current year	(76,345,127)	(80,049,740)
Amounts obligated in previous years, expended in current year	<u>79,954,031</u>	<u>76,390,108</u>
Federal expended appropriation	<u>\$ 149,629,896</u>	<u>\$ 151,030,368</u>

Note 18 – Reconciliation of Expenses to Federal Appropriation

	<u>2012</u>	<u>2011</u>
Total expenses	\$ 152,859,941	\$ 154,147,930
Depreciation and amortization	(20,950)	(17,656)
Unpaid vacation	3,119	124,579
Reimbursable expenses	(812,500)	(1,201,112)
Trust fund expenses	(1,127,643)	(655,356)
Unfunded expenses	(1,425,364)	(1,368,017)
Unexpended appropriation – current year	76,345,127	80,049,740
Amounts obligated in previous years, expended in current year	(79,954,031)	(76,390,108)
Capital expenditures	<u>153,293</u>	<u>-</u>
Federal appropriation	<u>\$ 146,020,992</u>	<u>\$154,690,000</u>



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF THE CHAIRMAN

November 7, 2012

Pat Layfield
Senior Audit Manager
Leon Snead & Company, P.C.
416 Hungerford Drive, Suite 400
Rockville, MD 20850

Dear Ms. Layfield:

Thank you for the opportunity to comment on the FY 2012 draft audit report of the National Endowment for the Humanities (NEH).

We concur with the facts and conclusions of your report. We are pleased to learn of the unqualified opinion on the NEH's financial statements and to note that there were no material weaknesses or significant deficiencies identified during the 2012 audit.

We would like to express our appreciation for the hard work of the 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 required documents.

Sincerely,

Jeffrey Thomas
Assistant Chairman for
Planning and Operations

cc: Laura Davis
John Gleason

National Endowment for the Humanities

Required Supplementary Stewardship Information Stewardship Investments

(Unaudited)

(In Dollars)

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 the 1858 Lakeport Plantation at the Arkansas State University and the 1930s Mitchell-East Building in Tyronza, 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; the construction of a new education wing at the Ogden Museum of Southern Art in New Orleans; and the construction of a study center in the humanities at the University of Georgia.

The following exhibit shows the National Endowment for the Humanities investment in non-Federal physical property categorized by three major groups for FY 2012 and the previous four fiscal years.

Type of Property	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Historic Home/Building	\$75,000	-	-	-	-
Conservation Center	-	-	\$184,255	-	-
Museum/Library	\$833,667	-	\$300,000	-	\$200,000
Total	\$908,667	-	\$484,255	-	\$200,000

IV. OTHER ACCOMPANYING INFORMATION



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF INSPECTOR GENERAL

October 16, 2012

The Honorable James Leach
Chairman, National Council on the Humanities
National Endowment for the Humanities
Washington, DC 20506

Dear Chairman Leach:

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 four management and performance challenges for inclusion in the NEH's *FY 2012 Performance and Accountability Report (PAR)*.

1. Grant Management
2. Information Technology Security
3. Continuity of Operations Planning
4. Human Capital Management

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 on November 15, 2012.

Laura Davis
Acting Inspector General

Attachment

cc: Carole Watson, Deputy Chairman
Jeff Thomas, Assistant Chairman for Planning and Operations

Inspector General's Statement
on the
National Endowment for the Humanities'
Management and Performance Challenges
FY 2012

Grant Management

Annually, disbursements to recipients of NEH awards continue to represent approximately 80 percent of the overall NEH budget. Therefore, monitoring grantee activities is a key management tool in ensuring that Federal funds are being properly spent. Such monitoring is primarily accomplished through receipt and review of interim and final reports (performance and financial), as submitted by grantees. The agency continues to develop and implement procedures to enhance grant monitoring activities. During FY 2012, agency management issued guidance for use by program staff during review of interim and final reports submitted by grantees. The guidance is designed to assist program staff with the identification of possible problems with a grant. NEH Office of Grant Management continues to devote efforts toward the pre-award assessment and determination of high-risk award recipients, thereby establishing conditions for effective post-award monitoring.

The number of NEH awards being made to small, non-profit organizations with internal control challenges and limited financial management experience and/or competencies necessitate consistent application of risk assessment procedures (pre-award and post-award) since these entities are more susceptible to fraud, waste, and abuse. On a proactive basis, NEH management should also consider utilizing web-based, interactive training techniques to assist new grantees with their understanding of Federal financial management standards and administrative requirements. Travel budget restraints continue to impact on-site monitoring activities; therefore, agency management must pursue viable alternatives to accomplish site visit objectives. Approaches or tools that may be considered for alternative strategies could include collaboration among program divisions/offices concerning site visits; use of video teleconferencing tools; or use of GPS-enabled internet tools (i.e., Google Earth) to monitor construction projects supported by challenge grants. Collectively, effective pre-award and post-award monitoring procedures, (including timely grant close-out procedures) ensure responsible stewardship of Federal funds.

Currently, recipients of large, high-profile grant awards may be subject to the audit requirements of Office of Management and Budget (OMB) Circular A-133, (i.e., Single Audit). The Single Audit process represents a useful tool for purposes of monitoring NEH grantees, especially state humanities councils. Should OMB pursue plans to increase the audit threshold of \$500,000, NEH may lose significant coverage provided by the Single Audit process. Consequently, current monitoring activities would need to be enhanced to compensate for the loss of accountability assurances afforded by the Single Audit. State humanities councils, and recipients of NEH challenge grants and media production awards would be most impacted.

Information Technology Security

The NEH relies on information management systems to carry out the agency's vital mission. Information technology (IT) security continues to be a challenge for the NEH, as is shared by other departments and agencies in the Federal government.

The Federal Information Security Management Act (FISMA) requires each Federal agency to develop, document, and implement an agency-wide program to provide information security and develop a comprehensive framework to protect the government's information, operations, and assets. The NEH has taken significant steps to implement an information security program consistent with FISMA and National Institute of Standards and Technology (NIST) requirements. One of the key elements to implementing an agency-wide information security program is monitoring and evaluating policy and controls effectiveness. In July 2012, agency management finalized and documented the NEH Security Program and Risk Management Policy. The Risk Management Plan applies to all information systems developed and maintained by the NEH and is designed to create a consistent process for implementing security and continuously authorizing the use of information systems based on organizational risk. However, we have identified the following challenge, which specifically relates to information system access and identity management.

HSPD-12 Implementation

In August 2004, former President Bush signed Homeland Security Presidential Directive (HSPD) 12, *Policy for a Common Identification Standard for Federal Employees and Contractors* (the Directive). The Directive requires the development and agency implementation of a mandatory, government-wide standard for secure and reliable forms of identification for Federal employees and contractors. Accordingly, the Secretary of Commerce issued Federal Information Processing Standard 201 (the Standard). Successful implementation of the Directive and the Standard increases the security of Federal facilities and information systems. It was anticipated by the Directive and Standard that background investigations for all Federal department or agency employees would be completed and Personal Identity Verification (PIV) credentials issued by October 2008. In February 2011, the U.S. Department of Homeland Security issued a memorandum in which a plan of action for agencies was outlined to expedite full use of the PIV credentials for access to Federal facilities and information systems. According to the memorandum, each agency was to develop and issue an implementation policy by March 31, 2011 through which the agency will require the use of the PIV credentials as the common means of authentication for access to that agency's facilities, networks, and information systems.

The status of the agency's HSPD-12 implementation represents a management challenge. NEH management has begun implementation of the Directive, utilizing a phase-in approach for employee background investigations and issuance of PIV credentials. To date, approximately 21 percent of NEH employees have been issued PIV credentials. However, use of PIV credentials is currently not required for access to agency information systems. Moreover, considering the current relocation plans for the NEH, agency management must devote sufficient resources to ensure completion of HSPD-12 implementation in advance of the relocation date (not later than March 2014), since it is highly likely that physical access to the new Federal building will be controlled by PIV credentials.

Continuity of Operations Planning

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 to ensure the preservation of our form of Government under all conditions. Continuity requirements must be incorporated into the daily operations of all agencies to ensure seamless and immediate continuation of Primary Mission Essential Function capabilities so that critical government functions and services remain available to the Nation's citizens. The NEH has made significant progress in establishing its Continuity of Operations Plan, however this area continues to represent a challenge for agency management.

In July 2012, an exercise was conducted to evaluate the agency's emergency response procedures. Weaknesses concerning the following areas have been identified by the OIG, based on observation of the exercise:

- Continuity Facilities
- Test, Training, and Exercise Program

Continuity Facilities

As part of continuity planning, agencies must identify alternate facilities; alternate uses for existing facilities; and as appropriate, virtual office options, including telework. The NEH COOP identifies one alternate facility located within the downtown Washington, DC area and references the Memorandum of Understanding (MOU) with the host agency. During the recent testing exercise, it was discovered that the MOU was never formally executed. Furthermore, the proposed alternate facility is geographically located in close proximity to the agency's primary location, thus rendering the alternate site vulnerable to the same continuity (natural or terrorist) events that may impact the agency's existing facility. It was also discovered during the recent testing exercise that an alternate facility has not been identified to accommodate scheduled application review panels and challenges concerning management's ability to communicate, as necessary, with panelists in-transit were recognized.

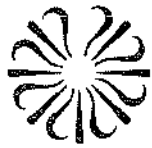
Test, Training, and Exercise Program (TT&E)

An effective TT&E program is necessary to assist agencies to prepare and validate their organization's continuity capabilities and program. Tests and exercises serve to assess and validate all the 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. COOP testing exercises during the last two years were designed to test the performance of essential functions through telework. Since telecommunications represent a key component of the agency's continuity capability, management should consider broadening the scope of COOP testing to include scenarios such as extended loss of power; loss of telecommunications; and inability to access the primary location of the agency for an extended period, (i.e., inability to access hard copy documents).

Human Capital Management

Human capital management remains a challenge for the Federal government due to an array of factors including impending budget reductions, congressional debates concerning reforms affecting Federal workforce management and Federal benefits, and a looming retirement wave. Separation by experienced employees (due to retirement or resignation) may result in critical gaps in leadership and institutional knowledge, which could adversely affect the government's ability to carry out its diverse responsibilities and missions.

This, likewise, represents a challenge for the NEH. Long-term fiscal pressures underscore the importance of an active strategic human capital planning process. Achieving and maintaining the optimal balance in technical competencies and subject matter expertise is essential to the accomplishment of the agency's mission. Since there are staff currently serving in senior-level positions that are eligible or approaching eligibility for retirement, the NEH should continue to assess human capital vulnerabilities and explore ways to acquire, develop, and retain staff with requisite skill sets during a period of fiscal constraints. Agency management should consider cross-training, since staff may be tasked with multiple and/or diverse responsibilities due to proposed government-wide hiring restrictions.



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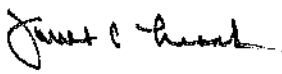
Humanities

THE CHAIRMAN

MEMORANDUM

Date: November 8, 2012

To: Laura Davis
Acting Inspector General

From: James A. Leach
Chairman 

Subject: Response to OIG's Management Challenges

Thank you for your thoughtful assessment of the most significant management challenges facing NEH as we enter fiscal year 2013. Our responses to your specific concerns are detailed below.

Grant Management

The OIG has identified grant monitoring as a management challenge again this year, as it did for the previous two years. As you note in this year's challenge, progress in improving grant monitoring has been made over the past year. As a result of the Office of Grant Management's (OGM) decision to expand the scope of the pre-award organizational survey process, more first time awardees (or the first time in a number of years) were required to submit the agency's *Organizational Survey* to substantiate that they have the requisite systems in place to satisfactorily manage a federal grant. When weaknesses have been identified, steps are taken by OGM and OIG staff to reinforce the requirements stated in the general and specific terms of the award and in the OMB circulars on grant management. This expanded utilization of the *Organizational Survey* is proving to be an effective tool in improving grantees' financial management capabilities and is serving to limit the agency's risk of waste, fraud and abuse among its grantees.

Grant monitoring is primarily accomplished by staff review of interim and final performance reports that are required as a condition of the award. Grant progress is also monitored through email and telephone contact with the project director and others at the grantee organization and, for a cross-section of grantees, through site visits by program staff as the availability of funds for this purpose allow.

To facilitate the review of grantees' interim and final performance reports, during the past year a checklist for monitoring grant performance was implemented for use by program staff and was posted on the OGM's SharePoint site. This checklist provides instructions for

program officers on how to effectively monitor a project's progress, including specific milestones to look for and problem areas to note. Program staff are required to use this checklist when reviewing all interim and final performance reports.

In addition, work continues on the implementation of the *Research Performance Progress Report* (RPPR). Representatives of every program office, the Office of Grant Management, and OIRM are participating in a workgroup to implement the new government-wide RPPR reporting method as the performance reporting format for NEH grants. The RPPR, which will replace the current NEH *Performance Reporting Requirements*, is a comprehensive performance/progress reporting format that covers a broad array of grant activities, outcomes, accomplishments, participants, and products. Particularly important for our grant monitoring efforts is a section that is included in the RPPR for "Changes/Problems" that specifically requests information on problems or concerns that grantees have confronted during the reporting period. This section will provide staff with detailed information that can then be used to address problematic issues in project performance. OIRM has incorporated the RPPR module into eGMS, and the workgroup members are now in the process of drafting the text for the program-specific questions that are to be used by their grantees when they submit interim and final RPPRs. We are hopeful that the implementation of the RPPR will greatly facilitate grant monitoring efforts.

Information Technology Security

NEH is aware of the need to transition to HSPD-12 PIV physical and logical access. The agency has been working toward this end on two fronts.

As of this writing, 21% of NEH employees have received their PIV cards with another 14% projected to be completed by November 30, 2012. To expedite enrollment, NEH's Office of Human Resources has entered into an informal agreement with the NEA HR Office to utilize their activation equipment which will eliminate staff members from trekking back to GSA for the second portion of the activation process. Based on the current card-issuing schedule, NEH projects that all agency personnel will have HSPD-12 PIV cards by the end of 2013. The transition will thus be completed before the move to the agency's new building early in 2014. We understand that the new building will require PIV cards to access NEH office space.

On a parallel track, NEH's Office of Information Resources Management has been working toward supporting logical access using PIV cards. Early in 2012 a pilot program was set up to test the feasibility. Upon completion of the project, a select number of staff members were able (at their option) to log in to NEH's computer system using their PIV card. NEH needs to put more time and resources into configuring and supporting this option prior to making it widely available in sometime in FY 2013. During the ramp-up phase we will continue to allow optional PIV access. However, more study must be done before this is adopted as the required log-in method. The agency risks downtime, negatively impacted user access, and business process interruption with a system that is not fully vetted before implementation. It is projected that requiring PIV access will not occur before the agency moves to the new office space.

Continuity of Operations Planning

NEH agrees with the OIG recommendations for improving the agency continuity capability. Changes will be made in the agency's Continuity of Operations Plan (COOP) to provide further guidance on functional groups within the agency. The functional groups in turn will be instructed to develop group plans and training programs to ensure they can perform the required essential functions.

Continuity Facilities

NEH has tested and used telework successfully as an alternate work arrangement. In addition, NEH is actively working toward renewing our Memorandum of Understanding (MOU) with the Institute of Museum and Library Sciences (IMLS) for COOP-related alternate space. Lastly, NEH is exploring the option of contracting with a firm such as Regus—a company that rents office space that is fully equipped and ready to go at a moment's notice—to provide us with emergency office space in the event we need a COOP facility outside of the downtown DC area. This three-tiered system should enable the agency to meet all COOP contingencies. In the vast majority of continuity incidents, telework would be sufficient. On the rare occasions that NEH would require physical meeting space, either the IMLS MOU or the Regus contract could be sufficient.

Test, Training, and Exercise Program (TT&E)

To strengthen NEH's TT&E program, functional groups have been identified and responsibilities defined. The COOP now requires functional groups to develop internal plans along with test and training programs. In addition, the COOP Improvement Plan produced after the COOP 2012 exercise includes this mandate:

Require each ERT member to plan for and run one office internal exercise per year. This exercise should require them to test mission essential functions through telework. Any paper oriented processes should be targeted for business processing reengineering to create a process that can be performed using telework.

Human Capital Management

Human capital management remains a challenge for NEH, as it is for the federal government at large, due to a continuing wave of retirements of "baby boom" employees. The impetus to retire may be further accelerated by various pending proposals to curtail the benefits currently enjoyed by federal employees. As experienced employees retire, they leave behind critical gaps in leadership and institutional knowledge, which could adversely affect NEH's ability to carry out its diverse programs and functions.

The challenge for NEH is particularly acute, as we anticipate that several (perhaps many) senior-level NEH staff will retire during the current fiscal year. To prepare for the knowledge and experience gaps they will leave behind, NEH's Office of Human Resources

(OHR) has initiated a strategic human capital planning process. OHR has begun compiling a list of all employees who will be eligible for retirement in the near future, with a particular focus on mission-critical occupations. Management will be asked to identify any skill gaps that will occur should these employees actually separate.

The agency has also been exploring ways to acquire, develop, and retain staff with requisite skills by using a variety of hiring flexibilities. Two of the flexibilities being contemplated (or already in use, in some cases) are the hiring of individuals under a term appointment, and providing temporary assignment of personnel by using the Intergovernmental Personnel Act (IPA) mobility program. Federal civil service “term appointments” are defined as appointments expected to last for a specified period of time that is at least one year but not to exceed four years. This flexibility has already provided some relief to NEH managers who have seen the departure of employees through normal attrition. Similarly, the IPA program provides for the temporary assignment of personnel between the federal government and state and local governments, colleges and universities, Indian tribal governments, federally funded research and development centers, and other eligible organizations. By making use of this hiring authority, NEH hopes to be able to fill critical vacancies with seasoned people having extensive field experience.

The Endowment remains committed to hiring, developing, and maintaining leaders who think strategically and innovatively, and who are results-oriented. To that end, the NEH continues to make strides in using its allotment of Senior Executive Service (SES) positions to fill critical leadership positions. The Division of Preservation and Access now has an SES overseeing that office, for example. Moreover, the NEH is currently recruiting for an SES-level director for our Division of Research Programs.

Summary of Financial Statement and Management Assurances

Other Accompanying Information

Table 1 - Summary of Financial Statement Audit for the Year Ending September 30, 2012

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, 2012

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 to financial management system requirements					
Non-conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No items to report	0	-	-	-	-	0
Total Material Weaknesses	0	-	-	-	-	0
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
Overall Substantial Compliance	Not Applicable*			Not Applicable*		
1. System Requirements	Not Applicable*			Not Applicable*		
2. Accounting Standards	Not Applicable*			Not Applicable*		
3. USSGL at Transaction Level	Not Applicable*			Not Applicable*		

* OMB Bulletin 07-04 states that agencies subject to the ATDA and Government Corporation control Act are not subject to the requirements of the FFMIA.

Improper Payments Improvement Act (IPIA) Reporting

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.

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).

On April 14, 2011, the Office of Management and Budget (OMB) issued government-wide guidance on the Improper Payments Elimination and Recovery Act (IPERA) in OMB Memorandum M-11-16: *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123*. 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.

CRITERIA FOR THE RISK ASSESSMENT

At the National Endowment for the Humanities, risk assessments are currently performed on an annual basis, although a three year rotation is an option. 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.

IPERA defined "payment" as any payment or transfer of Federal funds to any non-Federal person or entity. Therefore, agencies are not obligated to review intra-governmental transactions and payments to employees.

DESCRIPTION OF THE SAMPLING PROCESS

Using the following systematic process, NEH conducted an annual review of randomly selected individual grant payments of its major grant program. For each selected payment, the NEH verified the:

- f. existence of a properly approved grant award document;
- g. properly signed request for payment from the grantee;
- h. payment was made to the correct grantee’s banking information on record;
- i. accuracy of the payment; and
- j. payment was charged to the correct grant obligation in Oracle.

DESCRIPTION OF THE CORRECTIVE ACTION PLAN

The result of the sampling was an error rate of zero percent for FY 2012 IPIA reporting; therefore, no corrective action plan was needed to manage and reduce improper payments.

NEH identified no programs and activities susceptible to significant improper payments, and consequently determined that no annual estimated amount of improper payments was necessary. OMB’s guidance states “when calculating a program's annual improper payment amount, agencies should only utilize the amount paid improperly.”

Results of FY 2012 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
Major Grant Fund	\$41,089	\$2,644	-0-	0.0%	-0-	0.0%

IMPROPER PAYMENT REDUCTION OUTLOOK

The result of the sampling was an error rate of zero percent for FY 2012 IPIA reporting.

Improper payment reduction outlook: FY 2011 - FY 2015 (in thousands of dollars)

Program	FY 2011			FY 2012			FY 2013			FY 2014			FY 2015		
	Outlays	%	\$	Outlays	%	\$	Est Outlays	%	\$	Est Outlays	%	\$	Est Outlays	%	\$
Grant Program	\$127,904	0.0	-0-	\$125,675	0.0	-0-	\$122,000	0.0	-0-	\$121,000	-0-	\$120,000	0.0	-0-	

RECOVERY OF IMPROPER PAYMENTS

Post-Payment Reviews:

NEH has not identified any program that constitutes a high-risk for improper payments. Therefore, NEH considers all of its payments to fall within the realm of low-risk. Consequently, NEH will not conduct post-payment reviews.

PAYMENT RECAPTURE AUDITS

NEH remains at low risk of making improper payments. Based on the FY 2012 IPERA risk assessment, NEH will not perform recapture audits due to the low risk of making improper payments.

RISK ASSESSMENT AND OVERSIGHT BENEFITS

NEH assessment resulted in an FY 2012 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.

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.