



NATIONAL ENDOWMENT FOR THE
HUMANITIES

(www.neh.gov)

PERFORMANCE & ACCOUNTABILITY REPORT
FISCAL YEAR 2007

November 15, 2007

NATIONAL ENDOWMENT FOR THE HUMANITIES

**PERFORMANCE AND ACCOUNTABILITY REPORT
Fiscal Year 2007**

TABLE OF CONTENTS

I. Management’s Discussion and Analysis

 Message from the NEH Chairman..... 1

 Overview of the Report

 Mission and Organizational Structure4

 Highlights of Performance Goals and Results.....5

 Brief Analysis of Financial Statements9

 Systems, Controls, and Legal Compliance11

 Effects of Existing Events and Conditions11

 Other Management Initiatives and Issues.....12

 Organizational Chart.....15

II. Performance Information

 Summary of Performance Highlights17

 Performance Data and Analysis20

III. Financial Information

 Message from the NEH Director of Accounting57

 Auditor’s Report and Agency Financial Statements59

IV. Management Challenges

 NEH Inspector General’s Summary of Management Challenges87

 Chairman’s Response to Inspector General’s Summary90

NATIONAL ENDOWMENT FOR THE HUMANITIES

PERFORMANCE AND ACCOUNTABILITY REPORT

Fiscal Year 2007

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2007. The report sets forth the agency's goals and objectives and highlights our related accomplishments for the 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. It is the largest single source of support for humanities projects and programs in the United States.

NEH's overarching goal is to advance knowledge and understanding in the humanities in the United States. We are also committed to broadening awareness of, access to, and participation in the humanities. We do this by cultivating the best scholarship, education, and public programming in the humanities. Identifying excellence in the humanities enables and furthers the study of human history and culture, thereby enriching the lives of all Americans and better equipping them to participate fully as citizens in our ongoing experiment in democracy.

We are confident that the data and information contained in this Performance and Accountability Report will clearly demonstrate the continuing value and importance of our programs and activities to the American people.

Some of our notable accomplishments during fiscal year 2007 include:

- The continuing success of the Endowment's *We the People* program, which President Bush helped to launch in 2002 at a special White House Rose Garden ceremony. Since that time, NEH has supported more than 1,300 projects and put in place an array of dynamic new programs that are strengthening the teaching, study, and understanding of American history and culture. Among these new grant categories are: "Landmarks of American History and Culture" workshops for school teachers and community college faculty; a "National Digital Newspaper Program" to digitize millions of pages of historic newspapers; a new grant opportunity, "Interpreting America's Historic Places," that supports innovative public programming at the nation's historic sites; and *We the People Bookshelf* awards, which distribute classic works of literature to 2,000 school and public libraries annually. In FY 2007, the

Endowment developed a major new component of the *We the People* program, called *Picturing America*, which will place high quality poster reproductions of iconic works of American art in the nation's schools and public libraries. This program will be launched in FY 2008.

- In FY 2007, the Endowment made the first awards under its new multi-year Digital Humanities Initiative (DHI). The DHI encourages and supports projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities. Through the initiative, NEH fosters 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 established five new DHI-related grant categories and made awards to 33 projects.
- In FY 2007, NEH also strengthened ongoing strategic partnerships and forged new alliances with other agencies and nonprofit organizations in an effort to broaden the reach of our programs. These partnerships include a long-term collaboration with the Library of Congress to digitize historic American newspapers and mount them online; a unique initiative with the National Science Foundation to record, document, archive, and study the estimated 3,000 spoken languages in the world that are in danger of extinction; a cooperative agreement with the American Library Association in support of the NEH *We the People Bookshelf* program; a partnership with the Japan-United States Friendship Commission to support American scholarship on Japanese history, politics, and culture; and a partnership with the Library of Congress in support of the Library's Kluge Fellows Program, which enables junior scholars from the U.S. and abroad to conduct research in the Library's rich humanities collections.

The Endowment also continues to collaborate with the National Endowment for the Arts, the Institute of Museum and Library Services, the President's Committee on the Arts and the Humanities, and the National Trust for Historic Preservation on the National Parks Service's "Save America's Treasures" program. "Save America's Treasures" is a national effort to protect America's threatened cultural treasures, including historic structures, collections, works of art, maps, and journals that document and illuminate the history and culture of the United States.

As part of our Digital Humanities Initiative, in FY 2007 the Endowment began a new partnership with the Institute of Museum and Library Services (IMLS) in support of an innovative grant program called "Advancing Knowledge: The IMLS/NEH Digital Partnership." In the international arena, we have recently signed memoranda of understanding with research institutions in the United Kingdom and Italy in pursuit of common objectives in the humanities. These agreements will bear fruit in the coming

year in the form of scholarly conferences and grants for projects that will advance the humanities globally.

The financial and performance data contained in this report are, to the best of my knowledge, reliable and complete. I can also state with confidence that the National Endowment for the Humanities is in substantial compliance with the requirements of the Federal Managers' Financial Integrity Act of 1982.

Bruce Cole
Chairman

November 15, 2007

Overview of 2007 Performance and Accountability Report

Mission Statement and Organizational Structure

Because democracy demands wisdom, the National Endowment for the Humanities serves and strengthens our Republic by promoting excellence in the humanities and conveying the lessons of history to all Americans. The Endowment accomplishes this mission by providing grants for high-quality humanities projects in four funding areas: preserving and providing access to cultural resources, education, research, and public programs.

--NEH Mission Statement

In the 1965 legislation that established 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 Endowment helps Americans develop "wisdom and vision" by expanding their knowledge of human history, thought, and culture. NEH grants are awarded to the nation's educational and cultural institutions, such as museums, archives, libraries, colleges, universities, and public television and radio stations. The agency also provides grants to individuals to undertake advanced research and scholarship in the humanities.

The Endowment 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. Advising the 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 two offices (Federal/State Partnership and NEH Challenge Grants). These programs are complemented by an agency-wide program—called *We the People*—that encourages and supports projects on the teaching, study, and understanding of American history and culture. In FY 2007, the Endowment also launched a new agency-wide Digital Humanities Initiative (DHI), which is designed to foster the growth of digital technologies in research, education, preservation, and public programming in the humanities. The DHI is directed by the agency's Chief Information Officer, who is assisted by staff from other NEH offices.

The agency's grant programs receive approximately 4,500-5,000 grant applications annually. Applications are evaluated by knowledgeable persons outside NEH who are asked for their judgments about the quality and significance of the proposed project. Nearly 800 scholars, teachers, museum curators, filmmakers, and other humanities professionals and experts serve on the approximately ad hoc 175 panels that are convened through the course of the year. Panelists represent a diversity of disciplinary, institutional, regional, and cultural backgrounds. The advice of evaluators is assembled by NEH staff, who may comment on matters of fact or on significant issues that would otherwise be missing from the review. These materials are then presented to the National Council on the Humanities, which meets quarterly 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.

NEH awarded grants to approximately 900 humanities projects in FY 2007. An additional 2,000 grants were made through the agency's cooperative agreement with the American Library Association in support of the agency's *We the People Bookshelf* program, in which public and school libraries receive sets of classic works of literature that convey important themes from American history and culture.

Highlights of Most 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.

Our primary programmatic goal—to advance knowledge and understanding in the humanities in the United States—is informed by nine 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.

We have performance indicators in place for each of these objectives (see the Performance Information section of this report, beginning on page 15). The indicators help us assess the outcomes of the projects we support and the extent to which they advance the agency's long-term goals. Because FY 2007 has just drawn to a close, however, we cannot report on actual outcomes related to most of our grant-making activity during the year. This is because the vast majority of projects we support in any given year will not be completed during that year. Not only are many NEH grants two- and three-year projects, the outcomes of most will not accrue until many years after the grant has been completed—for example, fellowships and stipends awarded to scholars to conduct advanced research in the humanities usually will not result in the publication of books or essays until five or more years after the grant period has ended. The outcomes of these grants will thus need to be reported in future performance reports.

The results of NEH grants awarded in prior years suggest that our programs continue to be effective instruments in advancing the Endowment's goals and objectives. One notable highlight of the last several years is the impressive record of the agency's *We the People* program. This NEH program, launched in 2002, is aimed at reinvigorating the teaching, study, and understanding of American history and culture. The program is a response to the findings of numerous studies and reports that have repeatedly shown that Americans—particularly young people—do not know their nation's history as well as they should. For example, a National Assessment of Educational Progress (U.S. Department of Education) test of students' knowledge of American history indicated that 57 percent of twelfth-graders score below even the most basic achievement level in this important subject. Over half of high school seniors could not say who the United States fought during World War II. Another study of college students at 55 elite universities revealed that more than a third of the students were unable to identify the Constitution as establishing the division of power in our government, and that forty percent could not place the Civil War in the correct half-century. The findings of a related study suggest one of the reasons for this poor performance: not one of these institutions currently requires its students to study American history.

Some of the major accomplishments of the *We the People* program include:

- More than 1,300 grant applications submitted to the agency's programs have received *We the People* funds for meritorious projects on American history and culture.

- State humanities councils in each of the fifty states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, the Commonwealth of the Northern Mariana Islands, American Samoa, and Guam have developed high quality local and statewide projects and programs on American history and culture.
- NEH created a new “Landmarks of American History and Culture” program to support enrichment workshops for K-12 teachers and community college faculty at important historical sites around the nation. Since its inception, the program has sponsored more than 170 workshops, serving more than 7,000 school teachers and community college faculty.
- NEH and the Library of Congress forged a partnership to support a new “National Digital Newspaper Program” to begin converting microfilm of newspapers from 1836 to 1922 into fully searchable digital files and to mount the files on the Internet. NEH made six initial awards to digitize newspapers published in Virginia, California, Florida, Kentucky, Utah, and New York during the decade of 1900 to 1910. A prototype of the first 250,000 pages of these newspapers was posted on the Library of Congress’s “Chronicling America” website in FY 2007.
- In partnership with the American Library Association (ALA), the Endowment established a special *We the People Bookshelf* program for the nation’s school and public libraries. Since the program began in FY 2004, NEH and ALA have distributed free sets of classic works of literature to more than 6,000 libraries nationwide, all based around themes central to our history.

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 include:

- In the last five years, former recipients of NEH research fellowships and stipends produced more than a thousand books and journal articles on important subjects in the humanities. Many of these publications have won academic, scholarly, and literary prizes, such as Pulitzer Prizes for history and biography, National Book Awards, and other awards for intellectual distinction.
- Rigorous summer institutes and seminars helped thousands of school and college teachers deepen their knowledge of a broad range of important humanities subjects related to their teaching. These intellectually refreshed teachers reach tens of thousands of American school children annually.
- Historically and culturally important holdings of the nation’s libraries, archives, and museums were preserved and made accessible to scholars, students, and the public. For example, NEH-supported projects annually preserve the intellectual content of thousands of books and hundreds of thousands of pages of U.S. newspapers and catalogue and preserve hundreds of thousands of archival

documents, photographs, manuscripts, and objects of archaeological, ethnographic, and historical importance.

- NEH-supported projects annually produce award-winning television and radio documentaries, intellectually engaging exhibitions in museums and historical organizations, and reading and discussion programs in the nation's libraries that provide rich opportunities for Americans to engage in lifelong learning in the humanities. One such project—Ken Burns's epic World War II series, "The War"—aired to great critical acclaim and garnered record-breaking viewing audiences.
- The agency has continued 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 more than \$40 million in donations.

The Endowment is always in the process of assessing and revising its mix of programs and grant categories to address changing needs and opportunities in the humanities. As previously noted, we have recently implemented a new, agency-wide Digital Humanities Initiative (DHI) that is helping to facilitate the use of digital technologies in the ways the humanities are researched, taught, studied, and presented throughout the nation. The initiative builds on the Endowment's many contributions to the digital humanities over the years and grows out of the proceedings of a major "summit" conference we convened in the spring of 2006, which brought together some of the best minds in this field. The initiative is also informed by the findings of a National Commission on Cyberinfrastructure for the Humanities and Social Sciences, which was sponsored by the American Council of Learned Societies. Five new DHI grant programs were established in FY 2007 and two others will be added in the coming year. Of the 33 DHI awards we awarded in 2007, more than half went to scholars who had never received NEH grants, which indicates that the initiative has tapped an important unmet need in the humanities.

The Endowment uses a variety of methods to ensure the effectiveness of its programs and policies. Reviewers who serve in our application review system, for example, not only evaluate 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. In fact, award 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.

From time to time, we also conduct surveys to assess the impact of projects and to gauge the effectiveness of our programming. For example, in 2004 surveyed approximately 2,000 school teachers who attended Endowment-supported summer seminars and institutes between 1999 and 2002 to assess the quality of these programs and the impact they had on participants' teaching and professional lives. Responses indicated extremely high levels of satisfaction: More than nine out of ten (94%) teachers judged the overall

quality of the seminar or institute they attended to be excellent or very good, and 93% compared seminars and institutes favorably to other (non-NEH) professional development opportunities for teachers. In 2006, we surveyed grantees in our Preservation Assistance Grants program, which provides small (\$5,000) grants to archives, libraries, museums and historical organizations to improve the institution's capacity to preserve its holdings and use its collections more effectively for work in the humanities. These are mostly small- and mid-sized institutions that normally do not avail themselves of the agency's other funding opportunities. The survey indicated that the program has helped these institutions preserve their humanities collections. And, in FY 2007, we canvassed K-12 school teachers who participated in workshops supported through our new Landmarks of American History and Culture program, one of the Endowment's signature *We the People* grant programs. The results of this survey are still being tabulated and analyzed.

NEH also occasionally convenes groups of experts to advise us on the state of various fields, disciplines, and subjects in the humanities. In 2004, for example, we hosted a forum of more than 40 prominent scholars to discuss issues related to the history, culture, and ideas of our nation's colonial and founding periods. The forum provided an opportunity for professionals—historians, literary scholars, and political scientists—to communicate directly with the Endowment about the state of their disciplines as they relate to the nation's early history. The forum's proceedings informed the Endowment's *We the People* program.

More recently, in FY 2006, we convened a meeting of scholars, educators, computer scientists, and other technology specialists to advise us as to how we might enhance our support for humanities projects involving the use of digital technologies. The meeting yielded many excellent recommendations, which helped us to develop our Digital Humanities Initiative, a long-term strategy for promoting projects at the nexus of the humanities and technology. Also in FY 2007, as part of the DHI, we hosted a "Summit Meeting of Digital Humanities Centers" to exchange ideas and discuss research agendas. The meeting brought together leading scholars and institutions in the field, as well as public and private funders.

Brief Analysis 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 they are for a component of the United States Government, a sovereign entity.

The following is a brief analysis of the principal statements.

Balance Sheet

On the Balance Sheet, the Endowment's most significant asset is the Fund Balance with the U.S. Treasury of \$131.0 million. This balance principally represents funds to be paid in future years for grants awarded in fiscal year 2007 and prior fiscal years.

The Endowment's most significant liability is the grant liability of \$21.9 million. This balance represents an accrual for the amount of estimated unreimbursed grantee expenses, as of September 30, 2007.

The Endowment's net position consists primarily of Unexpended Appropriation of \$108.8 million. Unexpended Appropriation includes the portion of the Endowment's appropriation represented by undelivered orders and unobligated balances. As required, 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.

Statement of Net Cost

The Endowment's Net Cost of Operations is \$139.4 million. This amount 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. There is no significant change in the net cost between fiscal years 2006 and 2007.

Statement of Changes in Net Position

This statement's format is designed to display both components of net position separately to enable the user to better understand the nature of Changes to Net Position as a whole. There is no significant change in the net position between fiscal years 2006 and 2007.

Statement of Budgetary Resources

This statement provides information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement predominantly derived from the Endowment's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal Government. For fiscal year 2007, the Endowment had \$150.4 million in budgetary resources principally from funds appropriated by the U.S. Congress. The Endowment

had net outlays of \$137.8 for fiscal year 2007. There is no significant change in the net outlays between fiscal years 2006 and 2007.

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 reconciling data in the Notes to the Financial Statements. This data can be found in Note 15, "Reconciliation of Net Cost of Operations to Net Obligations."

Analysis of Systems, Controls, and Legal Compliance

In accordance with the Federal Manager's Financial Integrity Act of 1982 (Integrity Act), in FY 2007 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 2007 review, NEH assures that its internal management controls are adequate and effective for controlling waste, fraud, abuse, and mismanagement of resources. This said, the annual review highlighted several management shortcomings that the agency will need to address in the coming year. Of particular and continuing concern are (1) the still-spotty record of NEH managers in preparing and submitting employee performance appraisals on a timely basis (although NEH's record in this area has improved since a similar observation was made at the conclusion of last year's internal controls review), and (2) lingering problems with the provision of timely and accurate data on grant obligations. The Endowment will redouble its efforts to resolve these matters in the coming year.

In his own independent review of the responses to NEH's FY 2007 internal controls questionnaire, the Inspector General made the following observations:

NEH has made significant progress in taking corrective action as suggested by the independent public accountants and the Office of the Inspector General regarding the new accounting system. The new systems accountant has been a tremendous asset in alleviating many of the problems. Action is still required to correct other deficiencies and to satisfy all NEH users. The Assistant Chairman for Planning and Operations, the Accounting Office director, and the Administrative Services Officer have taken positive action to correct the system.

Possible Future Effects of Existing Events and Conditions

A significant challenge we face in the coming years is managing a wave of expected employee retirements. The current age profile of NEH's workforce skews heavily toward retirement-age workers. As a case in point, more than a third of our 39 program

officers—who represent the backbone of our grant-making staff—are already eligible to retire but for various reasons have chosen to continue working for a while longer. This cohort of program staff, along with numerous office directors who have similarly met the eligibility criteria for retirement, can depart the agency at a time of their choosing. This looming brain drain poses significant challenges for NEH management, as the departing employees will take with them a wealth of knowledge, skills, and institutional memory that will not easily be replaced.

Other Management Information, Initiatives, and Issues

In fiscal year 2007, NEH continued to be a key player in helping to advance an important component of the President's Management Agenda: "Expanded Electronic Government." Among our many accomplishments in this area are the following:

Grants.gov

The NEH has been actively participating in the Grants.gov project, the federal government's new online portal for grant-making agencies. The Endowment has all of the agency's funding opportunities posted on Grants.gov FIND, the comprehensive listing of federal grant opportunities. The Endowment built, tested, and deployed a "system to system interface" that allows us to receive applications electronically from Grants.gov and import them directly into our Grants Management System. This interface was developed in-house at no cost.

NEH's Chief Information Officer serves on the Grants Executive Board (GEB), which has oversight of the Grants.gov program. At the request of NEH and other smaller grant-making agencies, the GEB reduced the Endowment's yearly monetary contribution to the Department of Health and Human Services (HHS), the agency that manages this government-wide program, from \$226,340 to \$130,000, beginning in FY 2007. NEH's payments to HHS help fund the Grants.gov "Help Desk." This means that the Endowment's applicants can call or e-mail the "Help Desk" Monday-Friday to receive assistance about applying for government grants via Grants.gov.

Grants.gov now makes it possible for NEH to receive grant applications completely electronically. Because this in turn enables us to view and route applications electronically, NEH's peer reviewers can now read and evaluate applications online via the Web. Receiving applications electronically also allows us to do away with thousands of sheets of paper. In addition, since applicant information is imported automatically from Grants.gov, NEH staff no longer has to key this information manually into our grants database.

E-travel

As with all other federal agencies, NEH is moving to an all-electronic travel system that will provide a Web-based, end-to-end travel management system for our employees. The system aims to automate and consolidate agencies' travel processes, from initial planning to final reimbursement. All federal employees will be required to use it when the system is fully implemented. The e-Travel system should introduce significant efficiencies into

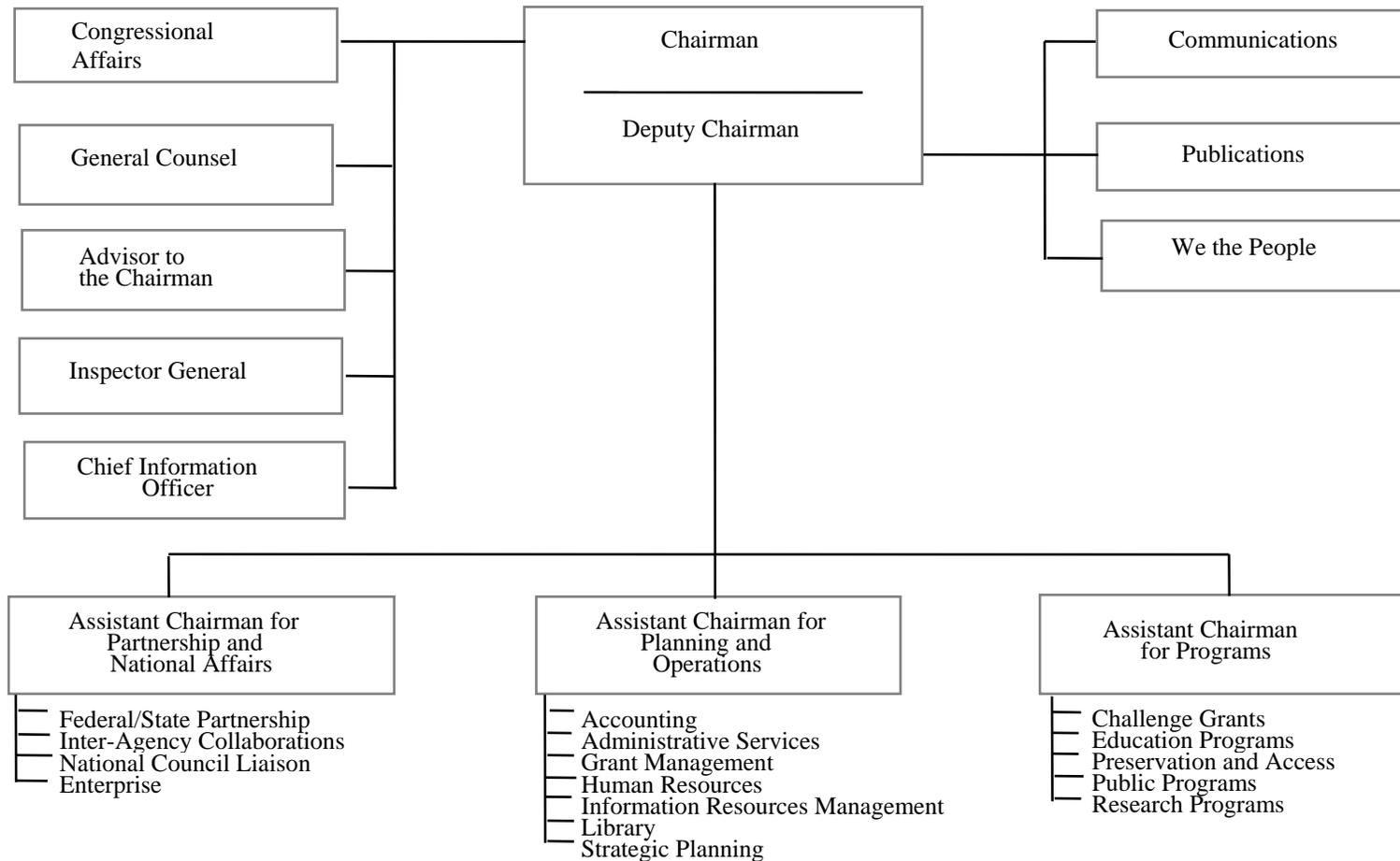
our travel planning and monitoring efforts. The Endowment began preparing for the transition to e-Travel in FY 2007; a vendor will be selected in FY 2008.

E-Official Personnel File (e-OPF)

This project will enable federal agencies to digitize employees' official personnel files, thus making possible immediate, desktop access to their key records. To save on costs, NEH has joined a consortium of other small agencies to undertake the needed planning and developmental work. By working through the consortium, participating agencies may realize savings of up to 40 percent, as compared to going it alone.

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National Endowment for the Humanities



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II. PERFORMANCE INFORMATION

Summary of FY 2007 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; 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 2007 are (or will be) the following:

- “Landmarks of American History and Culture” supported through the agency’s *We the People* program offered week-long workshops for 1,875 school teachers during the summer of 2007. Involving leading scholars and educators, the workshops took place at important historical sites around the country.
- Nine projects supported in FY 2007 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.
- Each of the 56 state humanities councils conducted programs in conjunction with the Endowment’s *We the People* initiative and 2,000 public libraries received a set of *We the People Bookshelf* volumes and public program materials on the 2007 theme, “Pursuit of Happiness.”
- In FY 2007, the Endowment made the first awards under its new multi-year Digital Humanities Initiative (DHI). The DHI encourages and supports projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities. Through the initiative, NEH fosters the growth of digital humanities and supports 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 established five new DHI-related grant categories and made awards to 33 projects.
- Books, journal articles, and conference presentations that will be produced by nearly every one of the 251 recipients of an NEH research fellowship or stipend and the 78 scholars who will conduct sabbatical projects at an NEH-supported independent research center.

- The conclusion or continuation of long-term, collaborative research projects, including the editing and publication of the papers of Martin Luther King, Mark Twain, George Washington, Thomas Edison, and Dolley Madison; a documentary history of the first federal Congress; English translations of Immanuel Kant's unpublished writings; and archeological excavations in Turkey, Greece, Mongolia, Guatemala, Ethiopia, and the North American Pacific coast.
- Rigorous institutes and seminars for more than 900 school and college teachers that will take place over four to six weeks during the summer of 2008. Under the guidance of college and university faculty, the participants will deepen their knowledge of a variety of subjects related to their teaching.
- A variety of "Teaching and Learning Resources" projects that are helping to strengthen course curricula and develop new teaching materials for American classrooms. For example, Shimer College in Waukegan, Illinois, is integrating great art works into the college's rigorous Great Books core curriculum; and the University of Texas, Austin is creating online access to the digital assets of Presidential libraries, including a timeline of twentieth-century Presidential administrations.
- The conclusion or continuation of projects to create major reference works, including additional volumes of the *Encyclopaedia Iranica*, a multi-volume scholarly resource on the Near East and Central Asia; of *The Pennsylvania Sumerian Dictionary*; of the *Chicago Hittite Dictionary*; and of the *Dictionary of American Regional English*.
- Eleven grants totaling \$1 million were awarded 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 52 broadcast hours on television and radio; exhibitions that will be presented at 70 museums across the country and attract 5 million Americans; and more than 1,360 programs in libraries and other community-based sites. Previously supported productions for television and radio won two Emmys and three Peabody awards in 2005 and 2006.
- NEH Challenge Grants awarded to cultural institutions during the year began to leverage non-federal contributions for endowment building and capital investment projects that by 2009 will total nearly \$30 million.

- 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.

Fiscal Year 2007 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 for fiscal year 2007. The purpose of this section of the report is to compare performance levels anticipated for fiscal year 2007 in the annual NEH Performance Budget with the performance outcomes that were actually achieved during that year. Projected and actual performance data for fiscal years 2004 through 2006 are also provided. Because the goals and indicators of the NEH Performance Budget 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 2007 and prior-year activity will be reported as partial results and revised in subsequent annual PARs. The performance indicators cited below are those embodied in the most recent version of the NEH Performance Budget and are projected from actual, rather than estimated, expenditures of appropriated funds. In what follows, projected performance indicators are shown in *italics* and performance outcomes in **bold**. Performance results that as of this writing remain incomplete are enclosed in parenthesis.

PERFORMANCE GOALS AND INDICATORS

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 2007: Support was provided for 250/**251** individual scholars to make significant progress on important humanities research projects through fellowships and stipends.
- FY 2006: Support was provided for 268/**257** individual scholars to make significant progress on important humanities research projects through fellowships and stipends.

- FY 2005: Funding enabled 323/**323** individual scholars to make significant progress on important humanities research projects through fellowships and stipends.
- FY 2004: Funding enabled 322/**322** 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 2007: Support was provided for 52/(44) 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, 50/(29) previously awarded grants received ongoing support through NEH matching funds, in part through the use of *We the People* funding.
- FY 2006: Support was provided for 44/**51** 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, 48/**48** previously awarded grants were provided ongoing support through NEH matching funds, in part through the use of *We the People* funding.
- FY 2005: Support was provided for 43/**43** 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, 47/**47** previously awarded grants received ongoing support through NEH matching funds, in part through the use of *We the People* funding.
- FY 2004: Support was provided for 49/**49** 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, 43/**43** previously awarded grants provided 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 2007: Awards to 25/(25) humanities fellowship programs at independent research institutions are supporting the work of 80/(78) humanities scholars who making significant contributions to scholarship in the humanities.
- FY 2006: Awards to 25/24 humanities fellowship programs at independent research institutions are supporting the work of 90/77 humanities scholars who will make significant contributions to scholarship in the humanities.
- FY 2005: Awards to 28/21 humanities fellowship programs at independent research institutions are supporting the work of 90/84 humanities scholars who are making significant contributions to scholarship in the humanities.
- FY 2004: Awards to 27/27 humanities fellowship programs at independent research institutions are supporting the work of 90/83 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 2007: Support is enabling 6/(6) individual scholars who teach at historically black, Hispanic-serving, and tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.
- FY 2006: Support enabled 10/9 individual scholars who teach at historically black, Hispanic-serving, and tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.
- FY 2005: Support enabled 15/15 individual scholars who teach at historically black, Hispanic-serving, and tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.
- FY 2004: Awards enabled 19/19 individual scholars who teach at historically black, Hispanic-serving, and 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 2007 undertook projects of varying length, from the two 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 will provide 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 approximately 4,500 humanities research awards in the Endowment's grant information database to bibliographic information about the approximately 3,200 published books that these projects produced between 1980 and 2005.

FY 2007 accomplishments. The Endowment facilitates basic research and original scholarship in the humanities primarily through two programs: NEH Fellowships and Stipends, which supports focused, sustained work by individual scholars; and Collaborative Research, which supports long-term, complex projects carried out by groups of scholars. Intensely competitive, NEH research grants are among the most coveted by American scholars.

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, such as interactive World Wide Web.

The Fellowships and Stipends Program provides opportunities for individual scholars and teachers to undertake advanced research in the humanities. There are several award categories: six- to twelve-month fellowships for university and college teachers and independent scholars; short-term stipends for the summer months; and Faculty Research Awards for historically black, Hispanic-serving, and tribal colleges and universities. The Endowment has forged a number of strategic partnerships that further extend its impact. 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. NEH carries out the evaluation of applications and serves as fiscal agent for the program. The Kluge and Japan-U.S. Friendship Commission competitions also provide for several jointly funded fellowship awards. 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.

The intellectual impact of NEH Fellowships and Summer Stipends is not confined to the academy. Many fellowship-supported projects have enjoyed broad appeal and have been published by major trade publishers, including, most recently, Joseph Horowitz's *Classical Music in America*, Harvey Kaye's *Thomas Paine and the Promise of America*, and Catherine Clinton's *Harriet Tubman: The Road to Freedom*. A fellowship to Martin J. Sherwin, Professor of History at Tufts University, resulted in the publication (with co-author Kai Bird) of *American Prometheus: The Triumph and Tragedy of J. Robert Oppenheimer*, which received the 2006 Pulitzer Prize in Biography. Fourteen Pulitzer Prizes have, in fact, been awarded to the products of the agency's Fellowships and Summer Stipends programs.

The Collaborative Research program includes three categories—Collaborative Research, Scholarly Editions, and Fellowship Programs at Independent Research Institutions. Through these grants, the Endowment supports scholarly activities that entail the collaboration of many scholars working across a wide range of specialties or scholars working alongside one another in research centers and archives.

Collaborative Research grants support teams of researchers involved in a variety of large-scale projects, including translations of multi-volume works, archaeological research, scholarly conferences, and wide-ranging syntheses of great importance to the humanities. The results of these projects are published either as traditional print publications or increasingly in digital format on the Internet. For example, an NEH-supported group of researchers created "Aequae Urbis Romae, the Waters of the City of Rome," an interactive website featuring the cartographic history of water systems in Rome. Other recent Collaborative Research awards have supported an annotated English translation of the correspondence of American Lutheran leader Heinrich Melchior Mühlenberg (1711-1787), the preparation of an illustrated volume on ancient Corinth's stone architecture, an archaeological excavation of a site in present-day Turkey that was a provincial capital of the Late Assyrian Empire, a volume on the history of Islam, and a scholarly translation of a collection of ancient Jewish writings, including the Dead Sea Scrolls.

Scholarly Editions grants support the preparation of important texts and documents that would otherwise be inaccessible to the public. Projects involving significant literary, philosophical, and historical materials are typical, 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 statesmen as George Washington, John Adams, Abraham Lincoln, Ulysses S. Grant, and Dwight D. Eisenhower, and such towering literary figures as Ralph Waldo Emerson and Ernest Hemingway. By making America's history and literature more readily available to scholars, teachers, students, and the public, such projects help assure that current and

future generations understand this nation's achievements and guiding principles. These projects have played a key role in furthering the mission of the Endowment's *We the People* program.

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's FPIRI fellows have a long and distinguished publications record. For example, Christopher Brown, a fellow at the Omohundro Institute of Early American History and Culture in Williamsburg, Virginia, recently published *Moral Capital: Foundations of British Abolitionism*. Wayne Franklin's fellowship at the American Antiquarian Society in Worcester, Massachusetts, supported research that led to the recent publication of the first volume of a projected two-volume biography, *James Fenimore Cooper, the Early Years*.

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 2007: Support for 55 /**43** NEH summer seminars and institutes will enable 535/(361) college teachers and 560/(544) school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2008 will reach approximately 94,000/(63,000) students annually; school teacher participants will reach approximately 70,000/(68,000) students annually.

Seventeen/(**Fourteen**) Faculty Humanities Workshops are enabling groups of school and/or college teachers totaling 400/(336) to work together on the study of specific humanities topics or the planning and designing of new courses. These teachers will reach approximately 50,000/(42,000) students annually.

Support for 19/**19** Landmarks of American History and Culture workshops during the summer of 2007 enabled 1,875/(1,875) 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 324,375/(324,375) students. Through a partnership of NEH and the U.S. Department of State, selected "Landmarks" workshops invited participation by teachers from other nations.

A new competition, Digital Humanities Workshops, was conducted in FY 2007 through a Request for Proposals (RFP). *Four/Two* Digital Humanities Workshops will enable groups of school teachers totaling 152/(102) to work together on the study of specific humanities topics, with an emphasis on the use and development of digital humanities resources. These teachers will then reach approximately 19,000/(12,750) students annually.

- FY 2006: Support for 54/**48** NEH summer seminars and institutes enabled 535/**499** college teachers and 560/**440** school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2007 will reach approximately 94,000/(87,325) students annually; school teacher participants will reach 70,000/(55,000) students annually.

Because the deadline for the program was moved from April to September, there was no Faculty Humanities Workshops deadline during FY 2006.

Support for 19/**19** Landmarks of American History and Culture workshops during the summer of 2006 enabled 2,000/**1,724** school teachers to revitalize their knowledge and teaching of American history and culture, particularly as it relates to the relationship between specific sites and the episodes in history associated with that location. These teachers will reach 242,000/**215,500** students annually.

Support for 12/**12** Landmarks of American History and Culture for Community College Faculty workshops during the summers of 2006 and 2007 enabled 500/(559) community college teachers to reach approximately 88,000/(97,825) students annually with their revitalized knowledge, understanding, appreciation, and teaching of American history and culture, particularly as it relates to the relationship between specific sites and the episodes in history associated with them.

- FY 2005: Support for **48** NEH summer seminars and institutes enabled 400/**374** college teachers and 520/**562** school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2006 will reach 70,000/**60,000** students annually; school teacher participants will reach approximately 65,000/**70,000** students annually.

Sixteen Faculty Humanities Workshops enabled groups of school and/or college teachers (totaling **300**) to work together on the study of specific humanities topics or the planning and designing of new courses. Workshop participants are reaching approximately **37,500** students annually.

Support for **15** Landmarks of American History workshops enabled *1,600/1,511* 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 that have taken place at that location. These teachers will reach *190,000/188,875* students.

Support for **5** projects under the new category, Landmarks of American History for Community College Faculty, enabled *200/190* community college teachers to reach *35,000/33,000* students 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 associated with them.

- FY 2004: Support for **58** NEH summer seminars and institutes enabled *565/571* college teachers and *560/580* school teachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of 2005 are reaching *98,875/100,000* students annually; school teacher participants reach approximately *70,000/73,000* students annually.

A new category, Faculty Humanities Workshops, was established in FY 2004. **Sixteen** workshops enabled groups of school and/or college teachers (totaling **337**) to work together on the study of specific humanities topics or the planning and designing of new courses.

A new category, Landmarks of American History, was funded in FY 2004. **Seventeen** workshops enabled **1,895** school teachers to revitalize their knowledge and teaching of American history, particularly the history associated with specific historical sites where important episodes of history took place. These teachers are reaching **237,000** students annually with enriched instruction of American history.

2) Support is provided for efforts to develop new teaching and learning resources, particularly in digitized forms.

- FY 2007: *Nineteen/Ten* Teaching and Learning Resources (Materials Development and Curriculum Development) projects will improve the quality and dissemination of instructional models and materials for more than *520/(280)* school and college teachers of the humanities, reaching more than *63,000/(55,000)* students annually.
- FY 2006: *Twenty-three/Eighteen* Teaching and Learning Resources (Materials Development and Curriculum Development) projects improved the quality and dissemination of instructional models and materials for more than

650/500 school and college teachers of the humanities, reaching more than 90,000/62,500 students annually.

- FY 2005: **Eighteen** Teaching and Learning Resource awards (Materials Development and Curriculum Development) improved the quality and dissemination of instructional models and materials for more than 490/490 school and college teachers of the humanities, reaching more than 60,000/61,250 students annually.
- FY 2004: Education Development and Demonstration (Exemplary Education Projects) was replaced by a new category, Teaching and Learning Resources. In FY 2004, **23** Teaching and Learning Resource projects (Materials Development and Curriculum Development) improved the quality of instructional models and materials for more than 620/620 school and college teachers of the humanities, reaching more than 90,000/90,000 students annually.

3) Support is provided for humanities education programming in Historically Black, high Hispanic enrollment, and Tribal colleges and universities across the country.

- FY 2007: The Humanities Initiatives for Faculty provided 15/9 grants to support faculty professional development activities for improvement in humanities instruction.
- FY 2006: In FY 2006, the Humanities Initiatives for Faculty replaced the Institutional Grants Program. The Humanities Initiatives for Faculty program provided 9/9 grants to historically black, Hispanic-serving, and tribal colleges and universities to support infrastructure for improvements in humanities instruction.
- FY 2005: The Institutional Grants program provided 6 grants to historically black, Hispanic-serving, and tribal colleges and universities to support infrastructure for improvements in humanities instruction.
- FY 2004: The Institutional Grants program provided 7 grants to historically black, Hispanic-serving, and tribal colleges and universities to support infrastructure for improvements in humanities instruction.

ANALYSIS:

Availability of data. Because none of the above education projects supported by the Endowment during FY 2007 had concluded at the time this report was prepared, data are not yet available on the numbers of participating teachers and the estimated 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, interim and final reports. We anticipate that we will be able to provide nearly complete data on the FY 2007 performance indicators in the FY 2008 NEH PAR.

FY 2007 accomplishments. NEH's Teaching and Learning Resources program focuses on classroom resources as the deliverable grant product. Curriculum Development Grants help educators marshal the necessary resources to launch broadly based curricular efforts of national significance, such as a recent project at Shimer College in Chicago, Illinois, to integrate great art works into a rigorous Great Books core curriculum. Materials Development Grants support the creation and wide dissemination of print, video, and digital instructional materials. A grant to the University of Pennsylvania, for example, is supporting the development of a website enabling students to examine and synthesize information about the African-American experience in the sixty-block area of Philadelphia that was the subject of W. E. B. Du Bois's classic 1899 study, *The Philadelphia Negro*. The project will use web-based GIS (Geographic Information System) interactive mapping, which will allow students to correlate information from a variety of sources, including Du Bois's original data, historical censuses, fire insurance maps, photographs, and newspaper articles.

The Teaching and Learning Resources program also makes awards for Humanities Initiatives for Faculty at Presidentially Designated Colleges and Universities. NEH established this program to extend the reach of its grant opportunities to three types of institutions: historically black colleges and universities, Hispanic-serving institutions, and tribal colleges and universities. Humanities Initiatives for Faculty awards 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. Each project is organized around a core topic or set of themes. For example, an award to White Earth Tribal and Community College, a tribal college in Mahanomen, Minnesota, in partnership with Itasca Community College, the University of Minnesota-Duluth, and the University of Pennsylvania, will create a digital archive of stories and artifacts to support the preservation and revitalization of the Ojibwe language and culture. The University of Puerto Rico, Rio Piedras, received a grant to enable faculty to study the multiple representations of the city in twentieth-century Latin American literature, thus strengthening the content of existing first-year humanities courses at the university. And a grant to Mississippi Valley State University, a historically black university in Itta Bena, Mississippi, will enable faculty and school teachers from the Mississippi Delta to study, in depth, the life and works of Richard Wright, their "native son."

NEH Summer Seminars and Institutes have long been the nation's premier form of professional development in the humanities for 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 fifteen school or college teachers to study for two to six 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-five school teachers or twenty-five college teachers), institutes also last from two to six weeks and are a particularly appropriate mechanism for creating foreign language immersion opportunities. Increasingly, both seminars and institutes have been integrating digitized materials with the more typical printed books and articles.

Seminars and institutes supported in FY 2007 will be offered during the summer of 2008. Literature teachers will be able to choose seminars or institutes focusing on the plays of William Shakespeare, Chaucer's *Canterbury Tales* and its cultural context, major Arabic novels, and the works of William Butler Yeats. Teachers of history might choose to study the events of 1989 that pre-figured the collapse of Communism in Eastern Europe and the Tiananmen Square student uprising in China, the experience of industrialization in Britain between 1750 and 1850, Africa and the trans-Atlantic slave trade between the 16th and 18th centuries, or the abolitionist movement from the Revolutionary War era to the Civil War. Other seminars and institutes will explore the music of Wolfgang Amadeus Mozart in its cultural and historical context, the study of Mesoamerican history and culture through artifacts architectural remains, and manuscript sources, and the advent of printing and its effects on the religion, history, and literature in England from 1385 to 1685.

Another Professional Development category, the Faculty Humanities Workshops program funds institutionally and regionally focused professional development opportunities for school teachers (including charter school teachers and home schooling parents) and college and university faculty. Faculty Humanities Workshops are offered during the school year in or near the communities where teachers live and work. The program complements the longer, residential seminars and institutes that are offered during the summer and whose participants are drawn from across the nation. Awards in this grant category represent considerable breadth and diversity of approaches and subject matter.

In FY 2007, as part of the Endowment-wide *We the People* program, the Professional Development program also awarded Landmarks of American History and Culture grants. The goals of this program of one-week summer workshops for K-12 and community college educators are to train teachers to employ historical sites as the basis for communicating central themes and issues of American history, to promote knowledge and appreciation of these sites, and to encourage historical sites to develop greater capacity and scale for professional development programs. Landmarks workshops are held at or near presidential residences, colonial-era settlements, major battlefields, and presidential libraries. They are academically rigorous, involve leading scholars, and help participants develop new teaching resources. (The five Landmarks of American History and Culture for Community College Faculty workshops that took place during the

summer of 2007 were funded in FY 2006.) The Endowment recently conducted an evaluation of this new program, canvassing school teachers who attended Landmarks workshops during the summer of 2004. While we are still analyzing the results of the survey, responses indicate extremely high levels of satisfaction: More than nine out of ten (95%) teachers judged the overall quality of the workshop or workshops that they attended to be excellent or very good, and 86% rated them superior to other (non-NEH) professional development opportunities for teachers.

The Endowment's efforts to promote the use of digital technologies in the classroom include support for EDSITEment, a nationally recognized gateway for teachers seeking rich humanities resources on the Internet. Through a partnership with the Verizon Foundation, EDSITEment (<http://www.edsiteмент.neh.gov>) now contains over 200 websites selected by peer review panels for their excellent humanities content, interactive design, and usefulness in the classroom. EDSITEment staff has developed over 400 extensive learning units comprising rich material spanning the humanities curriculum for grades K-12. The website is used by over 400,000 teachers each month, of whom approximately one-third are international users who look to EDSITEment as a trusted source of information about American history and culture.

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

PERFORMANCE INDICATORS:

1) Support is provided to create research tools and reference works of major importance to the humanities.

- FY 2007: Grants were made to *20/17* projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.
- FY 2006: Grants were made to *21/22* projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities.
- FY 2005: Grants were made to *13/13* projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities
- FY 2004: Grants were made to *18/18* projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and textbases central to knowledge and understanding of the humanities

2) Support is provided for the preservation of and expanded access to historically significant collections of books, journals, newspapers, manuscripts and archival

materials, maps, still and moving images, sound recordings, and objects of art and material culture.

- FY 2007: *Twenty***23** projects are preserving and/or providing access to 2,295/(2,000) hours of recorded sound collections; 1,567/(1,567) linear feet and 4,245/(4,340) cubic feet of archival documents; and 14,950/(391,524) manuscripts, broadsides, oversize volumes, and other non-print materials.

Three awards would support the preservation microfilming of 11,736 brittle books/in **FY 2007 all brittle books projects have concluded**. One project would *preserve 200,000 pages of newspapers on microfilm*/eight cooperative agreements supported through the *We the People* program are digitizing hundreds of thousands of microfilm pages of historic newspapers.

- FY 2006: Five/**Two** awards supported the preservation microfilming of 19,650/**2,111** brittle books; 2/**2** projects would preserve 1,016,667/**254,167** pages of newspapers on microfilm; and 20/**17** projects would preserve and/or provide access to 2,295/**5,664** hours of sound and video collections; 4,245/**425** linear feet and **275** cubic feet of archival documents; and **14,950** manuscripts, broadsides, oversize volumes, and other non-print materials/**15,625** feet of film, **9,000** photo images, and **500** documents.

- FY 2005: Three awards supported the preservation microfilming of 11,900/**8,925** brittle books; three projects are preserving 754,849/**566,137** pages of newspapers on microfilm and cataloging 1,350/**1,012** U.S. newspaper titles; and seventeen projects are preserving and/or providing access to 1,247/**935** hours of recorded sound collections, 2,993/**2,445** linear feet of archival documents, and 317,800/**238,350** photographs, manuscripts, broadsides, oversize volumes, and other non-print materials.

Six cooperative agreements supported through the new National Digital Newspaper Program, part of the *We the People* program, digitized hundreds of thousands of microfilm pages of historic newspapers.

- FY 2004: Six awards supported the preservation microfilming of 19,650/**19,650** brittle books; four projects preserved 1.4/**1.4** million pages of newspapers on microfilm and cataloged 5,600/**5,600** U.S. newspaper titles; and eighteen projects preserved and/or provided access to 19,650/**19,650** hours of recorded sound and video collections, 4,453/**4,453** linear feet of archival documents, and 48,100/**48,100** pamphlets, photographs, and rare books.

3) Support is provided to stabilize fragile collections held by American museums, libraries, archives, historical organizations, and other cultural institutions.

- FY 2007: Projects supported are stabilizing or providing documentation for collections at *10/11* institutions, helping to preserve and making available approximately *600,000/(600,000)* historically significant objects as well as *3.4/(8.2)* million photographs, books, library collections, and *11 million feet of film/no film preservation projects were supported*.
 - FY 2006: Projects supported stabilized or provided documentation for collections at *10/11* institutions, helping to preserve and making available approximately *600,000/182,812* historically significant objects as well as *3.4/2.8* million photographs, books, and library collections, and **7,090** linear feet of documents.
 - FY 2005: Projects supported stabilized or provided documentation for collections at eight institutions, helping to preserve and making available approximately *426,000/426,000* historically significant objects as well as *8.3/8.3* million photographs and books, and *11/11* million feet of film.
 - FY 2004: Projects supported stabilized or provided documentation for collections at eleven institutions, helping to preserve and making available approximately *195,140/195,140* historically significant objects as well as *3.4/3.4* million photographs, books, and moving image materials.
- 4) Support is provided to develop technical standards, best practices, and tools for preserving and enhancing access to humanities collections.
- FY 2007: Support was provided for *3/3* research and development projects concerned with standards and procedures.
 - FY 2006: Support was provided for *4/1* research and development project concerned with standards and procedures.
 - FY 2005: Support was provided for five research and development projects concerned with standards and procedures.
 - FY 2004: Support was provided for one research and development project concerned with standards and procedures.
- 5) 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 2007: Seven/**Nine** awards were made for regional and national education programs that would provide training for *3,800/(4,200)* people in U.S. museums, libraries, archives, and historical organizations.

- FY 2006: Eight awards were made for regional and national education programs that provide training for 3,800/3,800 people in U.S. museums, libraries, archives, and historical organizations.
- FY 2005: Five awards were made for regional and national education programs that provide training for 3,400/3,400 people in U.S. museums, libraries, archives, and historical organizations.
- FY 2004: Eight awards were made for regional and national education programs that provide training for 3,800/3,800 people in U.S. museums, libraries, archives, and historical organizations.

6) 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 2007: Projects supported are assisting in preserving collections at 100/106 institutions in thirty-three states. Approximately 40/40 percent of the awards went to first-time NEH grantees.
- FY 2006: Projects supported assisted in preserving collections at 175/164 institutions in all fifty states and two U.S. Territories. Approximately 40/50 percent of the awards went to first-time NEH grantees.
- FY 2005: Projects supported assisted in preserving collections at 114/114 institutions in all fifty states and two U.S. Territories. Approximately 35/44 percent of the awards went to first-time NEH grantees.
- FY 2004: Projects supported assisted in preserving collections at 149/149 institutions in forty-two states and Puerto Rico. Approximately 38/38 percent of the awards went to first-time NEH grantees.

ANALYSIS:

Availability of data. Accurate data on the performance of the preservation, access, research tools, and reference works projects that received NEH support during FY 2007 will be provided by the respective project directors in their regularly scheduled, interim and final progress reports. To the extent partial data on FY 2007 activities are available, they are shown in parenthesis above. We expect to be able to report more complete FY 2007 data in the NEH FY 2008 PAR.

FY 2007 accomplishments. The Endowment has long supported the creation of a wide array of humanities research tools and reference works. Some of these resources, such as ancient language historical dictionaries and descriptive catalogs of manuscripts and rare books, serve primarily the needs of scholars. Others have been widely acclaimed for

their contributions to education and lifelong learning in the humanities. Among these are the *Dictionary of American Regional English*, the *American National Biography*, and the *History of Cartography* (a comprehensive account of the evolution of maps and map-making).

Humanities research tools and reference works increasingly appear in electronic form. Endowment funds have supported the development of online encyclopedias and dictionaries, as well as databases of bibliographical information, digital archives of textual and visual materials, and historical atlases. Some previously printed works, such as *The Middle English Dictionary*, are also now available in a digital version, thus enabling users to search the information in multiple ways and to integrate this reference work with other online resources. As part of a special NEH initiative to assist Afghanistan in preserving and documenting its cultural resources, a grant was made recently to New York University to create a digital reference library comprising thousands of pages of Afghan books, serials, and documents published between 1870 and 1930 and currently held in public and private collections in Afghanistan, the United States, and Europe.

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.

In FY 2007, the massive task of cataloging and microfilming historically significant deteriorating print holdings in the nation’s research libraries was successfully completed in accordance with a the long-range preservation plan developed by NEH in 1988 and put into place with the assistance of the Congress. These efforts included the United States Newspaper Program (USNP), which awarded its final grants in FY 2007. The Endowment established the USNP program in the early 1980s with the goal of identifying, cataloging, and providing access to all newspaper titles published in America since 1690. These goals have now been reached: When all currently funded projects are completed records for approximately 140,000 unique newspaper titles will be available on a national database. In addition, more than 70 million newspaper images will have been microfilmed that otherwise would have been lost to future generations.

Support for digital preservation and access remains central to the work of the Endowment. By funding projects that digitize important humanities materials, NEH increases the public's ability to obtain information that would otherwise be difficult or impossible to access. Preservation and access grants also are an important component of the agency-wide Digital Humanities Initiative. NEH and the Institute of Museum and

Library Services, for example, recently launched a special grant opportunity called “Advancing Knowledge: The IMLS/NEH Digital Partnership.” This program, which NEH is administering, supports projects that involve collaboration among libraries, museums, archives, and universities and that make use of digital technologies to benefit the millions served by the nation’s cultural institutions.

As part of the Endowment’s *We the People* program, a major effort is being made to digitize microfilmed pages of historically significant newspapers so that they can be searched on a national database freely accessible via the Internet. NEH and the Library of Congress signed a memorandum of understanding in 2004 establishing a partnership to create the National Digital Newspaper Program (NDNP). 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 nine state projects, which are creating a test bed of hundreds of thousands of digitized newspaper pages published between 1880 and 1910. The selected pages, along with a directory of papers published in the United States from 1690 to the present, are now publicly available through a prototype website.

The Endowment provides grants to help museums, libraries, archives, and historical organizations preserve important material culture collections through support for improved housing and storage, environmental conditions, security, lighting, and fire protection. It is estimated that nearly one-third of cultural institutions in the United States urgently need additional storage facilities or furniture. Since FY 1990, NEH has helped to address this need through grants that have stabilized and documented collections comprising 36 million archaeological, ethnographic, and historical objects as well as 23 million books, photographs, and documents; 17 million feet of film; 8,000 analog and video recordings; 12,000 linear feet of manuscripts, and 9,200 linear feet of archival materials.

Through the Preservation and Access division, the Endowment also encourages the development of new technical procedures and standards related to preserving and creating access to humanities materials. For example, a recent Research and Development grant to the University of North Carolina, Chapel Hill, supports the application of Geographic Information System technology to the NEH-funded *Barrington Atlas of the Greek and Roman World* and the creation of an interactive Internet-based spatial and historical reference tool that will make possible ongoing additions to place names, geographic locations, and bibliographic citations. Another Research and Development grant will enable the New York Public Library to contribute to a set of best practices for monitoring, evaluating, and optimizing environmental storage conditions in libraries and other cultural repositories.

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 currently supports seven regional field services that reach thousands of cultural repositories with preservation information and education. NEH also supports the nation's four academic programs in conservation; New York University, SUNY-Buffalo, the University of Delaware, and the University of Texas at Austin received recent grants to support the training of conservators and preservation administrators responsible for the stewardship of humanities collections. In addition, a recent grant to the American Institute for Conservation, the membership organization for conservation professionals, is supporting advanced workshops on preservation topics across the country.

The devastating hurricanes of 2005 in the Gulf of Mexico reinforced the need for workable institutional plans for disaster preparedness and response. Immediately after the extent of the damage caused by Hurricane Katrina became apparent, Chairman Bruce Cole made available Emergency Grants of up to \$30,000 for salvage and recovery efforts on the part of cultural institutions in the disaster areas. The staff of the agency's Division of Preservation and Access served as the principal point of contact for museums, libraries, archives, and other organizations seeking emergency assistance. In FY 2007, three Gulf Coast institutions were awarded \$750,000 in Preservation and Access grants in support of their continuing hurricane recovery efforts.

At present, four out of five cultural repositories in the United States lack disaster or emergency plans and the trained staff to carry them out. The Endowment helps to integrate emergency management into all aspects of a collecting institution's operations by supporting preservation education programs and the work of the regional preservation field services to provide the training needed to plan effectively for disaster preparedness and response.

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 \$5,000. 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.

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 2007: *Twenty-five/nine* television/radio projects will produce 67/(52) broadcast hours and draw a cumulative audience of approximately 98/(80) million people.

Thirty-four/twenty-seven exhibitions supported will be presented at 99/(70) museums, historical organizations, and other sites across the country and attract over 7/(5) million visitors.

Sixteen/Nine library reading and discussion projects and special projects supported will result in more than 1,150/(1,360) programs at approximately 260/(340) sites involving more than 3/(3) million people.

- FY 2006: *Twenty-one/twenty-six* television/radio projects supported will produce 44/(69) broadcast hours and draw a cumulative audience of approximately 84/(98) million people.

Twenty-eight/thirty-four exhibitions supported will be presented at 80/(105) museums, historical organizations, and other sites across the country and attract over 10/(7) million visitors.

Twelve/**Sixteen** library reading and discussion projects and special projects supported will result in more than 1,100/(1,150) programs at approximately 240/(260) sites involving more than 3/(3) million people.

- FY 2005: Twenty-one television/radio projects supported are producing 44/(14) broadcast hours and drawing a cumulative audience of approximately 84/(84) million people.

Twenty-nine exhibitions supported are being presented at 84/(32) museums, historical organizations, and other sites across the country and attracting an estimated 10/(10) million visitors.

Thirteen library reading and discussion projects and special projects supported are resulting in more than 1,125/(548) programs at approximately 250/(137) sites and drawing an estimated 3/(3) million people.

- FY 2004: Thirty-one television/radio projects supported are producing 69/(69) broadcast hours that will draw a cumulative audience of approximately 130/(130) million people.

Thirty-five exhibitions supported are being presented at 101/(50) museums, historical organizations, and other sites across the country and attracting an estimated 10.5/(10.5) million visitors.

Twelve library reading and discussion projects and special projects supported are resulting in more than 1,000/(736) programs at approximately 240/(184) sites and drawing an estimated 3/(3) million people.

2) Support is provided for projects that use digital technologies to convey the humanities to the American public.

- FY 2007: Initial awards are made in conjunction with the Endowment's Digital Humanities Initiative.
- FY 2006: Digital media were supported through the Endowment's existing grant categories.

3) The Endowment's extends its reach by building the capacity of smaller institutions to implement humanities projects through consultation with outside experts.

- FY 2007: *Thirty-five*/**thirteen** Consultation grants involved new scholars and humanities professionals in high quality programs for adult audiences.
- FY 2006: *Thirty-five*/**twenty-nine** Consultation grants involved new scholars and humanities professionals in high quality programs for adult audiences.
- FY 2005: **Forty-one** Consultation grants involved new scholars and humanities professionals in high quality programs for adult audiences.
- FY 2004: **Thirty-six** Consultation grants involved new scholars and humanities professionals in high quality programs for adult audiences.

4) High quality interpretative panel exhibitions and public programs are circulated to libraries through Small Grants to Libraries.

- FY 2007: *Ninety-five*/**forty-three** grants to small and mid-sized libraries will reach tribal communities, rural, and inner-city audiences.
- FY 2006: *Eighty*/**one hundred thirteen** grants to small and mid-sized libraries reached tribal communities, rural, and inner-city audiences.
- FY 2005: **Forty** grants to small and mid-sized libraries reached tribal communities, rural, and inner-city audiences.
- FY 2004: **Sixty** grants to small and mid-sized libraries reached tribal communities, rural, and inner-city audiences.

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 2007 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.

FY 2007 accomplishments. The Endowment supports the efforts of outstanding filmmakers, radio producers, museum curators, and other professionals to engage millions of Americans in the study and interpretation of important humanities works, ideas, and events. Nationally broadcast radio and television programs, museum and library exhibitions that travel broadly throughout the United States, community-based reading and discussion programs, and substantive digital projects for the public are among the accessible and engaging formats that are supported.

Grants for America's Media Makers support television and radio projects that explore significant figures or events and that offer creative and fresh approaches to the interpretation of humanities content. To ensure that humanities themes and questions are well conceived, the Endowment requires that projects use a team of scholars who are from major fields relevant to the subject matter and have diverse perspectives and approaches.

The War, a NEH-supported, 14-hour documentary series by filmmakers Ken Burns and Lynn Novick, is being broadcast on PBS during the fall of 2007. Produced in collaboration with the Library of Congress's Veterans History Project and accompanied by a companion book and a website with curriculum materials and teachers' tools, the film tells how residents of four communities (Luverne, Minnesota; Mobile, Alabama; Sacramento, California; Waterbury, Connecticut) experienced World War II. *Alexander Hamilton*, a two-hour documentary on a founding architect of the modern American economy, champion of a strong central government, and leader of one of the nation's first political parties, was broadcast on the PBS during the spring of 2007, accompanied by an extensive website with special features that include an interactive timeline, teacher's guide, and video streaming. The Gilder Lehrman Institute of American History created an online exhibition titled *Alexander Hamilton and the Creation of the United States* in support of the television program and sent it to urban and rural communities throughout the U.S. Another recent film supported by the Endowment, *The Rape of Europa*, is now being shown through theatrical release and at film festivals internationally. Adapted from a National Book Award-winning history by Lynne Nicholas, the documentary tells the story of the looting of European art treasures by the Nazis during World War II and the efforts to restore these artworks to their rightful owners.

Endowment-supported projects produced by media makers continue to garner prestigious national awards. Radio and television projects alike have won George Foster Peabody

awards for excellence in broadcasting. *Broadway: The American Musical* and *The Fight*, two NEH-supported documentaries, have received Emmy Awards.

The America's Historical and Cultural Organization program supports exhibition of artistic, cultural, and historical artifacts and the interpretation of American historic sites that are grounded in sound humanities scholarship. At any time, hundreds of NEH-sponsored exhibitions are on view at large and small museums and historical sites throughout the country. Families and children travel through the world of ancient Greece and follow the epic journey of Homer's Odysseus in a new exhibition at the Children's Museum of Manhattan, *Gods, Myths, and Mortals: Discover Ancient Greece*. Featuring creative interactive environments as well as original artifacts, coins, and cast replicas, the exhibition examines Greek mythology, culture and society and the relationship between the worlds of humans and the divine. The exhibition is slated to travel to children's museums across the country over the course of four years.

The NEH continues to be a major source of funding for educational interpretation of historic sites. Recently the Endowment provided support for a permanent exhibition in a new visitor's center at Thomas Jefferson's Monticello, including a film, a model of the plantation, a website, and publications that explore how the third President applied Enlightenment ideas. A recent "Interpreting America's Historic Places" grant, as part of the agency's *We the People* program, enabled the implementation of a traveling exhibition and series of public programs to complement the re-enactment of the three-month boat voyage around the Chesapeake Bay led by Captain John Smith in 1608.

The America's Historical and Cultural Organizations program also supports projects in the nation's libraries, including reading and discussion programs such as "Branching Out: Poetry for the 21st Century," a joint venture of Poets House and the Poetry Society of America. The program, which continues and expands on a successful NEH-supported series of talks by distinguished poet/scholars on classic and contemporary poets, will reach public libraries in eight American cities during 2007 and 2008. The Endowment's public programs also help to support the agency's *We the People* Bookshelf program, through which public and school libraries throughout the country receive a set of featured books and use them in programs designed for their communities or for student populations. This project, undertaken with the collaboration of the American Library Association, encourages young people to read and understand carefully chosen books that explore themes in American history and democratic principles. The 2007 theme, "Pursuit of Happiness," proved to be extremely popular, and the NEH awarded 2,000 sets of books to as many communities.

As a way of increasing impact and outreach, NEH has increased the amount of support offered for large-scale, collaborative, complex projects with national visibility that would be of compelling interest to the general public, show exceptional promise of dealing with humanities topics in new ways, and reach large audiences. In FY 2007, a first "Chairman's Special Award" of \$1,000,000 was awarded to the Asian Art Museum of San Francisco for "The Lost Treasures of Afghanistan," an exhibition exploring the arts and cultural heritage of ancient Afghanistan. In collaboration with the National

Geographic Society and other organizations, the museum is implementing an exhibition, a catalog, a website, and public educational programs that explore the arts and cultural heritage of ancient Afghanistan. The exhibition will travel with support from the Endowment to four sites: San Francisco, Houston, New York City and Washington, DC.

The Endowment is committed to extending the reach of high quality educational exhibitions audiences throughout the country. NEH on the Road sends intellectually engaging, scaled-down versions of eight major NEH-funded exhibitions to cultural organizations at sites across America. NEH provides support to supplement the host site for these exhibitions by awarding a grant of \$1,000 for local programmatic and scholarly activities. Examples of the available exhibitions are: “Heroes of the Sky,” an exhibition that examines the early days of powered flight; “Wrapped in Pride,” a show on the changing cultural meanings of Ghanaian Kente cloth; “Going Places,” about carriage transportation in the 19th and 20th centuries; and “Lee and Grant,” a story about two generals before, during, and after the Civil War. Small Grants to Libraries provide support for libraries and other cultural institutions to receive traveling panel exhibitions or pre-packaged reading and film discussion programs. The program helps smaller, less experienced organizations bring strong humanities programming to their communities. For example, two organizations have received support for the fabrication of traveling panel exhibitions, each to travel to libraries throughout the nation, one on Benjamin Franklin, the other on Lewis and Clark. A grant of from \$1,000 to \$2,500 is made to the selected site organizations, which may be used to defray the cost of travel to the training sessions or to defray costs for local programming.

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

PERFORMANCE INDICATOR:

- 1) New initiatives and programs that address important concerns and opportunities in the humanities are established.
 - FY 2007: Significant funding was provided through *We the People* to support a variety of new programmatic initiatives: 1) *We the People Bookshelf* grants for up to 1,000 public and school libraries; 2) “Landmarks of American History and Culture” workshops for K-12 teachers and community college faculty; 3) planning a new program, *Picturing America*, to provide elementary and middle schools with educational materials on key works of American art; 4) public programs supported through the new “Interpreting 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*; and 6) special NEH Challenge Grants for educational and cultural institutions working to advance knowledge of the founding principles of the United States. 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, multi-year Digital Humanities Initiative (DHI) to support projects that utilize or study the impact of digital technology on research, education, preservation, and public programming in the humanities. DHI launched a variety of new funding categories or programmatic emphases: 1) Digital Start-Up Grants to encourage innovative projects involving the nexus of information technology and the humanities; 2) Digital Humanities Fellowships to encourage humanities scholars to use advanced electronic technologies and to work collaboratively with scholars in computing and other fields; 3) Digital Humanities Workshops for the nation's elementary and secondary school teachers to help them deepen their knowledge, understanding, and skills in using digital resources in their classrooms; 3) an effort to expand support of digital projects by the state humanities councils; and 4) a collaboration with the Institute of Museum and Library Services, "Advancing Knowledge: The IMLS/NEH Digital Partnership" program. Enhanced funding was also provided through the initiative for humanities projects supported by NEH's other core programs.

- FY 2006: Significant funding was provided through *We the People* to support a variety of new programmatic initiatives: 1) *We the People Bookshelf* grants for up to 2,000 public and school libraries; 2) "Landmarks of American History and Culture" workshops for K-12 teachers and community college faculty; 3) public programs supported through the new "Interpreting America's Historic Places" and "Family and Youth Programs in American History" categories; 4) additional awards through the NEH/Library of Congress *National Digital Newspaper Program*; and 5) special NEH Challenge Grants for educational and cultural institutions working to advance knowledge of the founding principles of the United States. Additional humanities projects supported by NEH's other core programs received *We the People* grants. The state humanities councils also received significant funding to support projects and programs related to the initiative.
- FY 2005: Significant funding was provided through *We the People* to support a variety of new programmatic initiatives: 1) an "Idea of America" essay contest for eleventh-grade students; 2) the third annual "Heroes of History" lecture; 3) *We the People Bookshelf* grants for up to 1,000 public and school libraries and the creation of a special Armed Forces version; 4) "Landmarks of American History" for K-12 teachers and community college faculty; 5) public programs supported through the new "Interpreting America's Historic Places" and "Family and Youth Programs in American History" categories; 6) awards in the NEH/Library of Congress *National Digital Newspaper Program*; and 7) special NEH Challenge Grants for educational and cultural institutions working to advance knowledge of the founding principles of the United States. Additional humanities projects supported by NEH's other core

programs received *We the People* grants. The state humanities councils also received significant funding to support projects and programs related to the initiative.

- FY 2004: The *We the People* initiative provided significant funding to support: 1) an “Idea of America” essay contest for eleventh-grade students; 2) the second annual “Heroes of History” lecture, 3) *We the People Bookshelf* grants for up to 1,000 public and school libraries; 4) seventeen “Landmarks of American History” workshops for K-12 teachers; and 5) six *We the People* Challenge Grants for educational and cultural institutions working to advance knowledge of the founding principles of the United States. Additional humanities projects supported by NEH core programs received *We the People* grants. The state humanities councils received significant funding to support projects and programs related to the initiative.
- 2) Agency-wide initiatives are developed in selected humanities areas.
- FY 2007: “Rediscovering Afghanistan,” promoted research, education, and public programs about Afghanistan and encourage U.S. institutions to assist that country in its effort to preserve and document its cultural resources. Additional awards were made through the NEH/NSF “Documenting Endangered Languages” special initiative.
 - FY 2006: “Rediscovering Afghanistan,” promoted research, education, and public programs about Afghanistan and encouraging U.S. institutions to assist that country in its effort to preserve and document its cultural resources. Additional awards were made through the NEH/NSF “Documenting Endangered Languages” and “Recovering Iraq’s Past” special initiatives.
 - FY 2005: Initial awards were made in a joint NEH/NSF “Documenting Endangered Languages” special initiative; and additional awards will be made through the NEH “Recovering Iraq’s Past” special initiative in support of the Administration’s government-wide initiative. In conjunction with an agency-wide initiative to mark the bicentennial of the Lewis and Clark expedition, the Public Programs division awarded implementation grants to projects in states along the cross-country route taken by the explorers.
 - FY 2004: Eight awards were made through “Recovering Iraq’s Past,” an NEH special initiative in support of the Administration’s government-wide effort to support the preservation and documentation of cultural resources in Iraq’s archives, libraries, and museums. In conjunction with an agency-wide initiative to mark the bicentennial of the Lewis and Clark expedition, the Public Programs division would award implementation grants to projects in states along the cross-country route taken by the explorers.

ANALYSIS:

FY 2007 accomplishments. *We the People* is a series of innovative programs aimed at inspiring the best in citizenship by reinvigorating the teaching, study, and understanding of American history and culture. *We the People* supports grants to institutions and scholars through the agency's program divisions and manages special projects sponsored by NEH.

In FY 2007, *We the People* highlights and accomplishments included the following:

- The Endowment provided a significant portion of funds appropriated for the *We the People*, as well as a portion of the agency's annual Treasury matching funds appropriation, to the state councils to help them develop local and statewide activities on American history and culture. These funds supported expanded Chautauqua programs; reading and discussion programs on important events and principles in American history and culture, such as the history of voting, Brown vs. Board of Education, and westward expansion; public symposia; and expanded teacher institutes in a number of states that enable humanities teachers to be more effective instructors of important topics in American history and culture. The state humanities councils are helping to ensure that *We the People* reaches citizens in every state.
- Landmarks of American History and Culture workshops for K-12 teachers and community college faculty were supported at important historical sites around the nation. The participants gain direct experience in interpreting significant historical sites, using archival and other primary historical evidence, connecting what they learn with what they teach, and developing new teaching materials for their classrooms. Workshops have explored such topics as "A Revolution in Government: Philadelphia, American Independence, and the Constitution," "Congress and the Capitol," and "African-American History and Culture in the Georgia Lowcountry." To date, approximately 7,000 K-12 teachers and community college faculty have participated in NEH's Landmarks workshops.
- NEH and the Library of Congress forged a long-term partnership to launch a National Digital Newspaper Program that is converting microfilm of U.S. newspapers from 1836 to 1922 into fully searchable digital files and mount them on the Internet. For the development phase of the program, the Endowment awarded six cooperative agreements to projects to digitize newspapers published in California, Florida, Kentucky, New York, Utah, and Virginia during the decade of 1900 to 1910. These initial files are now posted on the Library of Congress's "Chronicling America" website. In FY 2007, three additional grants were awarded to begin digitization of newspapers in Minnesota, Nebraska, and Texas for eventual inclusion on the website.
- The Endowment continued a program to support projects to convert previously published "American Editions and Reference Works" to digital formats and to make these materials available on the Internet. Over the years, hundreds of such print

volumes have been produced and published with the support of NEH, including, for example, *The Documentary History of the Ratification of the Constitution*, *The Legal Papers of Abraham Lincoln*, *The Papers of Dwight David Eisenhower*, and *The Papers of Jane Addams*.

- Under the "Interpreting America's Historic Places" grant category, which was launched in 2004 as a part of the *We the People* program, NEH supported local programs along the route of Captain John Smith's 1608 Chesapeake voyages; implementation of a website on Williamsburg and the American Revolution; and a permanent interpretive exhibition at the home and studio of Thomas Cole, founder of the Hudson River School of Art. "Family and Youth Programs in American History," another *We the People* program, supported the Colorado Historical Society's weeklong summer camps for at-risk youth. Conducted in Texas, Pennsylvania, Colorado, and Nebraska, the program offers the participants an opportunity to live and learn on an historic site and to experience history, historic preservation, and conservation so they can better understand their past and options for the future.
- The Endowment's *We the People Bookshelf* program, in partnership with the American Library Association, provides classic works of literature to public and school libraries. In FY 2007, NEH awarded 2,000 sets of books on the year's theme, "Pursuit of Happiness." In addition to the books, NEH provided materials to help with publicity and the organization of public programs tied to the readings.
- The NEH Challenge Grants program offers special awards for educational and cultural institutions to strengthen their programs that advance knowledge of the founding principles and enduring themes of American democracy. In FY 2007, grantees included the Colonial Williamsburg Foundation; Kenyon College's Center for the Study of American Democracy; and Harvard University's new Program on the American Republic, where the funds will provide endowment and bridge funding to support a visiting faculty position in American Political Thought and Institutions and an annual summer institute for high school teachers.
- NEH launched a new Digital Humanities Initiative (DHI) in FY 2007 aimed at supporting projects that utilize or study the impact of digital technology. Recent *We the People* DHI awards include Start-Up Grants to the Old North Foundation in Massachusetts for an online and on-site program at Old North Church, and Hope College in Holland, Michigan, for development of a web-based simulation based on the online *Valley of the Shadow* archive on the Civil War. The Gilder Lehrman Institute of American History in New York received a Digital Humanities Workshop grant to conduct a four-day workshop for thirty school teachers focused on digital resources on the American Revolution and the Civil War. Under the new partnership between NEH and the Institute of Museum and Library Services, the Historical Society of Pennsylvania received a grant for the development of *PhilaPlace*, an innovative interactive Web resource on the history, culture, and architecture of Philadelphia's neighborhoods.

Other agency-wide initiatives were also supported in FY 2007.

- The Endowment's "Rediscovering Afghanistan" initiative promoted research, education, and public programs about Afghanistan and to encouraged United States institutions to assist Afghanistan in efforts to preserve and document its cultural resources. Two grants totaling \$494,620 were awarded to digitize archival collections at the University of Kabul and to train Afghan conservators. A Special Chairman's Award of \$1 million is supporting implementation of the traveling exhibition, "The Lost Treasures of Afghanistan."
- The Endowment joined with the National Science Foundation to support an agency-wide initiative on "Documenting Endangered Languages." Eleven grants totaling \$1 million were awarded for projects that create, enhance, and deepen our knowledge of the estimated 3,000 currently spoken languages that are threatened with extinction in the near future.

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 2007: By FY 2010, NEH Challenge Grants awarded in FY 2007 will generate nearly \$30/(\$15) million in nonfederal donations to recipient institutions in support of their humanities activities.
- FY 2006: By FY 2009, NEH Challenge Grants awarded in FY 2006 will generate nearly \$30/(\$21) million in nonfederal donations to recipient institutions in support of their humanities activities.
- FY 2005: By FY 2008, NEH Challenge Grants awarded in FY 2005 will generate nearly \$38/(\$58) million in nonfederal donations to recipient institutions in support of their humanities activities.
- FY 2004: By FY 2007, NEH Challenge Grants awarded in FY 2004 will generate nearly \$35/\$30 million in nonfederal donations to recipient institutions in support of their humanities activities.

ANALYSIS:

Availability of data. By FY 2010, NEH Challenge Grants awarded in FY 2006 will have generated nearly \$30 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 2007 accomplishments. The Endowment is helping local, state, and national institutions strengthen the institutional base of the humanities. Crucial to achieving this performance goal is the “multiplier effect” of an NEH Challenge Grant: First-time recipients 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. Challenge grants can augment or establish endowments that support basic humanities needs such as staff and programming. The money also can be used to renovate or construct facilities, purchase capital equipment and upgrade technology, and add to library holdings or museum collections. A wide array of nonprofit organizations annually take 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.

As part of its *We the People* program, the Endowment is inviting proposals in a special competition for challenge grants to strengthen programs that enhance our understanding of the nation's founding events, democratic institutions, and cultural heritage. In FY 2007, through this initiative, the National Constitution Center (NCC) continued a capital campaign that is raising \$4,500,000 in nonfederal donations leveraged by NEH Challenge Grants totaling \$1,500,000. The funds will enhance the Center's capacity to facilitate lifelong learning; they will support construction of a new gallery for, and endow ongoing expenses of, a program of temporary educational exhibits illustrating various aspects of the U.S. Constitution. On July 4, 2003 the NCC museum opened in Philadelphia's Independence National Historic Park just two blocks from Independence Hall. The museum addresses the history and contemporary relevance of the Constitution and the principles of constitutional democracy.

Grants awarded in the regular Challenge program, as well as in the special competition, exemplify the goals of *We the People*. In FY 2005, NEH offered a challenge grant of \$500,000 (matching \$1,500,000 in nonfederal gifts), to the Liberty Memorial Association of Kansas City, Missouri. By the end of FY 2007, this institution had raised contributions sufficient to release \$350,000 in federal matching funds. Opened in 1926, its original mission was to memorialize those who fought in the First World War. As the centennial of World War I approaches in 2014, the Liberty Memorial Association has begun to focus on educating audiences, especially school children grades 5-12, about the historical context of World War I and its relevance for understanding today's events. The challenge grant will support an endowment for an historian/education director, for educational programming, and for related acquisitions—vital support for the institution's shift from being a static memorial to becoming a dynamic educational resource.

NEH Challenge Grants are helping to strengthen humanities teaching and learning. For example, in FY 2006 Swarthmore College received a \$600,000 challenge grant (to match \$2,400,000 in nonfederal funds) to endow teaching positions in Modern Standard Arabic. To date, Swarthmore has completed fund-raising sufficient to release \$400,000 of its challenge offer. 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 is working to integrate language and cultural study and to encourage participation by its students in overseas residential programs. The new endowment 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.

NEH Challenge Grants are facilitating humanities research and scholarship. For example, in FY 2004 NEH awarded a grant of \$500,000 (to match \$2 million in nonfederal funds) to the Wisconsin Historical Foundation to endow the preservation of its important collections. In FY 2007, this fund-raising campaign was successfully completed. The Foundation's North American history collections, which include four million library items and 130,000 cubic feet of archival materials, document the development of communities, nations, and social groups from the first contact between European and Native American cultures to the present. The endowment created will provide continuous support for protecting these valuable collections and making them accessible not only for research but also for classroom use, exhibits, and public programs. In FY 2007, the University of Virginia received a Digital Humanities Challenge Grant, of \$750,000 NEH Challenge Grant (to match \$2,250,000 in nonfederal gifts) to support the university's highly regarded Institute for Advanced Technology in the Humanities (IATH). The new Digital Humanities Challenge Grants program invites applications to enhance the institutional infrastructure that makes sustained use of advanced technology possible.

NEH Challenge Grants are preserving and increasing access to cultural resources. The Nebraska State Historical Society, for example, received a challenge offer of \$550,000, to match \$1,650,000 in nonfederal donations, to endow a paintings conservator and related conservation expenses at the Gerald R. Ford Conservation Center's (GRFCC) laboratory. Awarded in FY 2005, the Challenge Grant was successfully completed during FY 2007. The GRFCC is one of twelve regional conservation centers in the United States and one of only three west of the Mississippi River. The center offers workshops, lectures, and educational programs on conservation, and the staff teaches preventive conservation to students in graduate-level museum studies programs.

The Endowment's enabling legislation calls for it to encourage “administrative and management improvements . . . particularly in the field of long-range financial planning.” The Challenge Grants program fulfills this mission by requiring applicants to demonstrate how their planning—for fund raising, program development, and resource allocation—will sustain their endeavors well into the future. The benefits are clearly evident in the results of recently completed grants. For example, Shady Side Rural

Heritage Society in Maryland recently completed the matching requirement for its \$100,000 Local History Initiative challenge grant, raising more than \$100,000 in nonfederal funds. (The Local History Initiative, conducted in 2002 and 2003, provided a special opportunity for small local historical organizations to build endowments to support humanities programming. The awards were up to \$100,000, matched one-to-one.) The combined amount of \$200,000 created an endowment for a professional curator to research local history, develop humanities programs, and maintain collections for the society's Captain Salem Avery House Museum. This museum preserves southern Anne Arundel (South County, Maryland) history and its traditions. The NEH challenge inspired the society to seek partnerships with other humanities organizations, to collaborate with scholars, and to engage the public actively in its efforts to preserve history.

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 2007: Support for the programs and operations of 56 state humanities councils is making possible high quality state and local humanities projects throughout the nation, including 14,000/(13,476) reading and discussion programs, 2,200/(3,196) exhibitions, 4,000/(4,580) literacy programs, 5,450/(4,661) speakers bureau presentations, 2,000/(3,898) teacher institutes and workshops, 4,000/(4,772) conferences and symposia, 2,000/(8,636) Chautauqua events, 7,000/(5,985) media program events, 200/(376) technology projects, 200/(326) preservation projects and 5,200/(5,224) local history projects.
- FY 2006: Support for the programs and operations of fifty-six state humanities councils will make possible high quality state and local humanities projects throughout the nation, including 14,479/**14,527** reading and discussion programs, 2,292/**2,292** exhibitions, 4,477/**4,359** literacy programs, 5,448/**5,448** speakers bureau presentations, 2,070 /**2,070** teacher institutes and workshops, 4,880/**4,880** conferences and symposia, 2,222/**2,222** Chautauqua events, 7,557/**7,509**) media program events, 263/**263** technology projects, 229/**228** preservation projects and 5,285/**5,285** local history projects.
- FY 2005: Support for the programs and operations of 56 state humanities councils made possible high quality state and local humanities projects throughout the nation, including 12,830/**14,351** reading and discussion programs, 3,852/**2,678** exhibitions, 5,020/**4,686** literacy programs, 5,416/**5,609** speakers bureau presentations, 4,472/**2,077** teacher institutes and

workshops, 6,018/4,679 conferences and symposia, 3,590/2,391 Chautauqua events, 8,833/9,504 media program events, 317/279 technology projects, 930/258 preservation projects and 5,940/4,041 local history projects.

- **FY 2004:** Support for the programs and operations of 56 state humanities councils made possible high quality state and local humanities projects throughout the nation, including 12,665/12,665 reading and discussion programs, 3,803/3,803 exhibitions, 4,956/4,956 literacy programs, 5,346/5,346 speakers bureau presentations, 4,415/4,415 teacher institutes and workshops, 5,941/5,941 conferences and symposia, 3,544/3,544 Chautauqua events, 8,720 /8,720 media program events, 313/313 technology projects, 918/918 preservation projects and 5,864/5,684 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 2007 are preliminary. Final data will be provided by the councils via a newly instituted electronic submission system.

FY 2007 accomplishments. The NEH Federal/State Partnership is the collaborative effort of the Endowment and fifty-six state humanities councils. By promoting knowledge of history, thought, and culture, the councils help the Endowment realize its strategic goal of increasing public awareness of, access to, and participation in the humanities. The Partnership makes humanities education and life-long learning readily available at the local level, tailored to local interests and needs.

State humanities councils are nonprofit 501(c) (3) organizations governed by volunteer boards of directors. They operate in each of the fifty states, 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 National Foundation on the Arts and the Humanities Act that the Endowment provide support for 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, including \$11.6 million from state legislatures in FY 2006. Thirty-seven per cent of total council income in FY 2006 came from nonfederal sources.

State humanities councils may grant a portion of their NEH funds on a competitive basis to locally initiated programs; they may also develop and carry out their own programs. The councils thus play a dual role: 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.

With their strong networks of cultural and educational institutions, state humanities councils are especially well-positioned to ensure that NEH's *We the People* program reaches throughout every state and territory. State humanities councils are also energetically promoting *We the People* by alerting the citizens of their states to the agency's *We the People Bookshelf* program for public and school libraries and other specific funding opportunities related to this Endowment-wide program.

In FY 2007, the state councils received NEH funding to support designated *We the People* programs focused on topics related to American history and culture. These include such special activities as the Virginia Foundation for the Humanities' programs focusing on the 400th anniversary of the Jamestown Colony; the Kansas Humanities Council's initiative *Kansans Tell Their Stories*, which encourages communities to examine the immigrant and ethnic history of the state; a course developed by Humanities Washington primarily for low income women on the distinct American relationship to the landscape; the Illinois Humanities Council's two-CD Illinois Music Heritage set, distributed free to over 2,500 school libraries; and the Vermont Humanities Council's multi-year initiative in commemoration of the 150th anniversary of the Civil War.

Through their support for book festivals, state councils also encourage reading, an Administration priority. These festivals attract large, devoted audiences, featuring writers and poets, storytellers and booksellers, exhibitors and artisans of bookmaking. The nine councils that serve as their state's Center for the Book participate in the annual National Book Festival sponsored by the Library of Congress's Center for the Book and First Lady Laura Bush. The Montana Festival of the Book has been listed in the new book, *1,000 Places in the U.S. and Canada to See Before You Die*.

In addition, the state councils support reading and discussion programs for children, families, and the newly literate that take place in libraries and other civic spaces. Programs provide forums of reading and discussion for adults with beginning to intermediate level reading ability and help participants to develop the skills and motivation to read, the enjoyment of reading, and the confidence to talk about books and ideas. Several councils sponsor seminars that use humanities texts to stimulate discussion about the complex social and ethical issues that professionals face in fields such as medicine, philanthropy, and law. Eighteen state humanities councils offer "Literature and Medicine: Humanities at the Heart of Health Care," a program for medical professionals developed by the Maine Humanities Council.

One of NEH's strategic objectives is to strengthen humanities teaching and learning in schools and colleges, and state councils play a vital role in support of this effort as well. Councils host resource centers that provide books, films, exhibitions, and other materials for teachers to use in classroom activities, and support programming that helps teachers respond at the local level to statewide initiatives and requirements. The Georgia Humanities Council, for example, in partnership with Scholastic Corporation, the

children's book publisher, has produced and disseminated a historical timeline poster to teachers that highlights the *New Georgia Encyclopedia* and the *Digital Library of Georgia*, two of the council's recently created electronic resources. It has also published *The New Georgia Encyclopedia Companion to Georgia Literature*, a compilation of biographical discussions and analysis on Georgia's writers from nineteenth century to the present.

Councils also strengthen teaching and learning by creating networks linking institutions of higher learning, secondary schools, state departments of education, and such cultural institutions as museums and libraries. These institutional networks involve collaborations of college and university professors, teachers, parents, and students with the goal of enriching and enlivening humanities classroom activities.

Many teachers look to their state humanities councils for professional development institutes and seminars. For example, the Indiana Humanities Council has developed a teacher institute, which focuses participants on the construction of teachers guides aligned with state standards related to humanities subjects and on high tech interactive student modules using online learning resources, including primary documents, images, and lesson plans. These plans and modules are then catalogued into the Indiana Humanities Council's smartDESKTOP's Resource Connection, a database of links to teacher and student resources. The Minnesota Humanities Commission's professional development program for teachers and educators includes a seminar on Dakota and Ojibwe Language and Literacy and a workshop entitled "Sheeko Wadaag/Sharing Stories: From Home Language to School Literacy with Somali Families."

The state councils continue to explore ways to harness the power of digital technology to improve public access to humanities programs at the state and local level. For example, the Massachusetts Foundation for the Humanities has launched Mass Moments, an electronic almanac of Massachusetts history. Every day, radio and podcast listeners and Internet users find a different story about events and people from three centuries of Massachusetts history. In addition to streaming audio and the text of the minute-long spot, every story on the website has a background essay, primary source document, image, and links to both virtual and "real" resources. An interactive timeline and map provides historical and geographic context, and a message board offers the opportunity for visitors to post comments, corrections, or questions.

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 2007: 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 2006: 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 2005: 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 2004: 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.
- 2) New programming, funding, and administrative partnerships are established with other agencies, foundations, and organizations, both public and private.
- FY 2007: 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, jointly sponsored by NEH and the Japan-United States Friendship Commission (JUSFC); 4) the interagency *Save America's Treasures* initiative; 5) a “Cultural Diplomacy” partnership of NEH and the U.S. Department of State that will enable teachers from other nations to participate in “Landmarks of American History and Culture” workshops; 6) a collaboration with the Institute of Museum and Library Services, the “Advancing Knowledge: The IMLS/NEH Digital Partnership” program; and 7) programmatic collaboration with the National Trust for the Humanities.
 - FY 2006: 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 (JUSFC); 4) the interagency *Save*

America's Treasures initiative; and 5) programmatic collaboration with the National Trust for the Humanities.

- FY 2005: 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, jointly sponsored by NEH and the Japan-United States Friendship; 4) the interagency *Save America's Treasures* initiative, and 5) programmatic collaboration with the National Trust for the Humanities.
- FY 2004: NEH partnerships included 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, the interagency *Save America's Treasures*, and programmatic collaboration with the National Trust for the Humanities.

FY 2007 accomplishments. NEH has entered into formal partnership arrangements with one or more 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 has entered into two partnerships in conjunction with agency-wide initiatives. As part of the *We the People* program, NEH and the Library of Congress recently established 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 would permanently maintain on the World Wide Web. In addition, the Endowment has embarked on a multi-year funding partnership with the National Science Foundation, "Documenting Endangered Languages," which provides NEH awards to scholars engaged in developing and advancing knowledge concerning dying languages.

The Endowment has also been alert to opportunities to pool NEH and private-sector resources in ways that make the most of each. One noteworthy example of this collaboration is EDSITEment, a nationally recognized gateway for teachers seeking rich

humanities resources on the Internet. Administered through the MarcoPolo Education Foundation, EDSITEment (<http://edsitement.neh.gov>) now contains over 200 websites selected by peer review panels for their excellent humanities content, interactive design, and usefulness in the classroom. EDSITEment staff has developed over 400 extensive learning units comprising rich material spanning the humanities curriculum for grades K-12. The website is used by over 400,000 teachers each month, of whom approximately one-third are international users who look to EDSITEment as a trusted source of information about American history and culture.

III. FINANCIAL INFORMATION

A Message from the Director of Accounting

On behalf of the National Endowment for the Humanities (NEH), I am delighted to present the agency's financial statements for fiscal year 2007. Our independent auditor, Leon Snead and Company, P.C., has rendered an unqualified opinion on these statements. NEH has now received an unqualified opinion in each of the three years in which the Accountability of Tax Dollars Act of 2002 required independent financial audits for smaller federal agencies. This achievement demonstrates that NEH's management is firmly dedicated to fulfilling its commitment to sound financial practices and to the financial management improvement goals of the President's Management Agenda.

We have taken corrective actions to resolve all remaining audit findings from previous audits except for a separation of duties finding pertaining to financial system access. NEH has already begun implementing the auditors' recommendations relative to this finding.

During fiscal year 2007, we have also made a concerted effort to become skilled at the various reporting and analytical features of NEH's financial system. By taking advantage of these features, NEH is making significant progress in its efforts to realize a more effective and efficient financial operation.

In fiscal year 2008, we will continue to identify areas of potential improvement in the financial management area so that we can ensure the proper accountability of the resources in our trust. In addition, we will continue to monitor and improve the effectiveness of financial controls and take greater advantage of the many state-of-the-art functionalities of NEH's Oracle financial system.

In closing, I would like to thank the Accounting staff and Barry Maynes, Director, Administrative Services Office, for their unending support and for their tireless efforts to promote financial accountability at the agency.

John Gleason
Director, Accounting Office

November 9, 2007

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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, 2007 and 2006, 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 NEH's internal control over financial reporting and tested 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 NEH's financial statements as of and for the years ended September 30, 2007 and 2006, 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*.

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

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying balance sheets of the NEH as of September 30, 2007 and 2006, 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, 2007 and 2006, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of NEH management regarding the methods of measurement and presentation of the supplementary information and analysis of the information for consistency with the financial statements. However, we did not audit the information and express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of NEH as of and for the years ended September 30, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered 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 NEH's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, as discussed below, we identified one deficiency in internal control that we consider to be a significant deficiency.

1. NEH has made significant improvements in systems-enforced separation of incompatible duties during the last year. Most notably, the agency has removed information systems support authorities from employees with mission-related job duties. In addition, NEH has implemented detective controls for activities of some of the mission employees in those instances in which the small staff size prevents complete separation of incompatible duties.

However, the current NEH system access authorities continue to need improvement. We reviewed a non-statistical sample of authorities as of August 22, 2007, and noted that those authorities allowed at least one individual from the Office of Information Resources Management (OIRM) to have the mission-related function, Payables Manager. During follow-up testing performed as part of our final testing in October 2007, we learned that the same individual is granted temporary access, in critical circumstances, to General Ledger Manager, in order to repair data that could impede system processing or cause erroneous data to be recorded. The individual with these capabilities also has sufficient systems support access authority to add users to the system and assign responsibilities from the existing responsibility definitions. NEH has implemented controls to ensure that the system owner approves temporary access explicitly when needed; however, as of the date of our review, the procedures did not require specification of an end date for the temporary access.

In addition, we noted continued existence of at least six generic user IDs. In some cases, these generic IDs provide users with capabilities for which individual responsibility needs to be assignable. Our testing of these generic IDs indicated that only one was used to sign on and perform any activities during fiscal year 2007. Two others may be intrinsic to automated updates from the payroll and grant systems.

The National Institute of Standards and Technology (NIST) SP 800-53, Security Catalog section AC-5, *Separation of Duties*, requires Federal information systems to enforce separation of duties through assigned access authorizations.

We originally reported a material weakness in control related to separation of incompatible duties in our reports on the audits of the NEH financial statements for fiscal years 2005 and 2006. The NEH has made significant progress in separating incompatible duties and has additional plans to refine those controls. This finding updates the status of those previously reported weakness as of the date of our audit.

Although NEH has made great strides in implementing systems-enforced separation of incompatible duties, the agency needs further controls to improve access security. The agency plans to implement a series of automated alerts, which would provide additional detective controls when individuals perform specific activities. In addition, the agency has drafted and continues to expand procedures for managing user access, which will include mandatory end dates for temporary access authorities granted in emergency circumstances.

Recommendation

We recommend that NEH continue its current plans to enhance its financial management system security structure. We also recommend the following specific actions:

1. Research the reasons for the existence of the generic IDs, disable those that are no longer needed and reassign the needed capabilities of those IDs to existing individual users whenever possible.
2. Until the planned automated alerts are placed in operation, generate the Oracle "Responsibility Audit Report" on a regular basis for each generic user ID as well as those user IDs for which automated alerts are planned and require that management review those activities.
3. Require that requests for temporary access include end dates to be specified and that any extension beyond the initial period of availability be justified and approved.

Management Response

Management agrees with this audit finding. We understand that limiting access to Oracle system responsibilities is a critical control. As noted in the finding, NEH has made significant progress in restricting system access to only those individuals performing functions associated with their respective responsibilities. We have already begun to further tighten those access restrictions by implementing the auditors' recommendations, as follows:

1. The Accounting Office has reviewed the Oracle system generic user IDs and has disabled those IDs no longer needed.
2. For those necessary generic user IDs, the Accounting Office will establish system alerts.
3. The Accounting Office now has control procedures in place to restrict temporary access to Oracle responsibilities, including the specification of access end dates. These controls will minimize the risk of an unauthorized user gaining access to the critical systems and will restrict users' privileges to only those required.

In addition to implementing the auditors' specific recommendations, the NEH Accounting Office will also institute periodic, unscheduled monitoring of our system access accounts to ensure that policies and procedures are being followed.

A summary of the status of prior year findings is included as Attachment 1.

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 that are required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04.

RESPONSIBILITIES

Management Responsibilities

Management of 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 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 fiscal year 2004 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*. 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 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 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 required by OMB Bulletin 07-04, with respect to internal control related to performance measures determined to be key and reported in Management's Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions and determined whether they had been placed in operation. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide 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, 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. 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 was not an objective of our audit and, accordingly, we do not express such an opinion.

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, which includes discussion of actions planned or taken to correct the reported deficiencies, accompanies this report.

NEH's written response to the significant deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

DISTRIBUTION

This report is intended solely for the information and use of the management, the Office of Inspector General and others within 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 7, 2007

ATTACHMENT I

Status of Prior Year Findings

<u>Description</u>	<u>Status as of September 30, 2007</u>
1. The current NEH system access authorities did not provide adequate separation of incompatible duties.	1. The remaining control deficiencies that have yet to be completely resolved are included in this report as a significant deficiency, beginning on page 3.

NATIONAL ENDOWMENT FOR THE HUMANITIES

BALANCE SHEET

As of September 30, 2007 and 2006

(in US Dollars)

	<u>2007</u>	<u>2006</u>
ASSETS		
Intragovernmental:		
Cash & balances w/ U.S. Treasury (Note 2)	\$ 131,057,752	\$ 127,738,396
Receivables and advances (Note 3)	-	26,225
Total intragovernmental	<u>131,057,752</u>	<u>127,764,621</u>
Receivables and advances (Note 3)	3,878,817	3,162,861
Property and equipment, net (Note 4)	225,809	350,703
TOTAL ASSETS	<u><u>135,162,378</u></u>	<u><u>131,278,185</u></u>
LIABILITIES		
Intragovernmental:		
Accounts payable and accrued expenses (Note 5)	144,588	205,309
Total intragovernmental	<u>144,588</u>	<u>205,309</u>
Accounts payable and accrued expenses (Note 6)	22,851,908	22,203,931
Unfunded FECA actuarial liability (Note 8)	229,568	221,589
Unfunded annual leave (Note 8)	1,258,405	1,215,981
Total liabilities	<u><u>24,484,469</u></u>	<u><u>23,846,810</u></u>
Commitments and Contingencies (Note 1)		
NET POSITION		
Unexpended appropriations - other funds	108,772,548	105,753,722
Unexpended appropriations - earmarked funds (Note 11)	-	-
Cumulative results operations - other funds	1,549,868	996,140
Cumulative results operations - earmarked funds (Note 11)	355,493	681,513
Total net position	<u>110,677,909</u>	<u>107,431,375</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 135,162,378</u></u>	<u><u>\$ 131,278,185</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, 2007 and 2006

(in US Dollars)

	<u>2007</u>	<u>2006</u>
PROGRAM COSTS (Notes 11, 12, 15)		
Federal/State Partnerships	\$ 32,026,236	\$ 33,188,348
Preservation and Access	20,833,874	24,127,076
Research	14,990,161	16,284,383
Public Programs	14,757,298	12,855,633
Education	15,536,003	13,223,992
We the People	15,225,460	14,132,313
Challenge Grants	11,192,527	9,922,699
Other Programs	<u>593,689</u>	<u>1,057,211</u>
Total Programs Costs	125,155,248	124,791,655
Costs not assigned to Programs	16,187,299	16,080,280
Less: Earned revenues not attributed to programs	<u>1,894,814</u>	<u>1,503,540</u>
NET COST OF OPERATIONS (Note 13)	<u>\$ 139,447,733</u>	<u>\$ 139,368,395</u>

The accompanying notes are an integral part of these statements.

NATIONAL ENDOWMENT FOR THE HUMANITIES

STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2007 and 2006

	Earmarked Funds	All Other Funds	2007 Total	Earmarked Funds	All Other Funds	2006 Total
<u>CUMULATIVE RESULTS OF OPERATIONS</u>						
Beginning balances	\$ 681,513	\$ 996,140	\$ 1,677,653	\$ 752,722	\$ 632,191	\$ 1,384,913
Adjustments: Corrections of errors	-	-	-	-	-	-
Beginning balances, as adjusted	681,513	996,140	1,677,653	752,722	632,191	1,384,913
Budgetary financing sources:						
Appropriations received (current period)	-	-	-	-	-	-
Rescissions	-	-	-	-	-	-
Donations	293,044	-	293,044	1,083,579	-	1,083,579
Other	-	-	-	(2,228)	-	(2,228)
Appropriations used	-	138,090,001	138,090,001	-	137,275,350	137,275,350
Other financing resources:						
Imputed financing from costs absorbed by others (Note 1)	-	1,292,396	1,292,396	-	1,304,434	1,304,434
Other	-	-	-	-	-	-
Total financing sources	293,044	139,382,397	139,675,441	1,081,351	138,579,784	139,661,135
Net cost of operations	(619,064)	(138,828,669)	(139,447,733)	(1,152,560)	(138,215,835)	(139,368,395)
Net change	(326,020)	553,728	227,708	(71,209)	363,949	292,740
Cumulative Results of Operations	355,493	1,549,868	1,905,361	681,513	996,140	1,677,653
<u>UNEXPENDED APPROPRIATIONS</u>						
Beginning balances	-	105,753,722	105,753,722	(4,195)	102,079,711	102,075,516
Adjustments: Corrections of errors	-	-	-	-	-	-
Beginning balances, as adjusted	-	105,753,722	105,753,722	(4,195)	102,079,711	102,075,516
Budgetary financing sources:						
Appropriations received (current period)	-	141,105,150	141,105,150	-	143,054,000	143,054,000
Rescissions	-	-	-	-	(2,104,668)	(2,104,668)
Donations	-	-	-	-	-	-
Other	-	3,677	3,677	4,195	29	4,224
Appropriations used	-	(138,090,001)	(138,090,001)	-	(137,275,350)	(137,275,350)
Total budgetary financing sources	-	3,018,826	3,018,826	4,195	3,674,011	3,678,206
Total Unexpended Appropriations	-	108,772,548	108,772,548	-	105,753,722	105,753,722
<u>NET POSITION</u>	<u>\$ 355,493</u>	<u>\$ 110,322,416</u>	<u>\$ 110,677,909</u>	<u>\$ 681,513</u>	<u>\$ 106,749,862</u>	<u>\$ 107,431,375</u>

The accompanying notes are an integral part of these statements.

NATIONAL ENDOWMENT FOR THE HUMANITIES

STATEMENT OF BUDGETARY RESOURCES For the Years Ended September 30, 2007 and 2006 (in US Dollars)

BUDGETARY RESOURCES	<u>2007</u>	<u>2006</u>
Unobligated balance, brought forward, October 1	\$ 6,187,925	\$ 4,444,646
Recoveries of prior year unpaid obligations	882,362	1,571,605
Budgetary authority:		
Appropriation	141,398,193	144,137,579
Spending authority from offsetting collections:		
Earned:		
Collected	1,994,710	1,891,873
Change in receivables from Federal sources	(26,225)	(352,492)
Change in unfilled customer orders:		
Advance received	(40,457)	9,924
Without advance from Federal sources	52,602	1,000,000
Anticipated for rest of year, without advances	-	-
Subtotal	143,378,823	146,686,884
Permanently not available - rescission	-	(2,104,668)
Total Budgetary Resources	<u>150,449,110</u>	<u>150,598,467</u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 10, 13):		
Direct	143,736,326	142,518,801
Reimbursable	1,853,440	1,891,741
Subtotal	145,589,766	144,410,542
Unobligated balance (Note 2)		
Apportioned	4,554,085	5,976,746
Exempt from apportionment	-	-
Subtotal	4,554,085	5,976,746
Unobligated balance not available	305,259	211,179
Total Status of Budgetary Resources	<u>150,449,110</u>	<u>150,598,467</u>
CHANGE IN OBLIGATED BALANCES		
Obligated Balances, net		
Unpaid obligations, brought forward, October 1	122,576,695	119,248,109
Uncollected customer payments from		
Federal sources, brought forward, October 1	(1,026,225)	(378,717)
Total, Unpaid obligated balance, net, beg. of period	<u>121,550,470</u>	<u>118,869,392</u>
Obligations incurred, net (Note 13, 14)	145,589,766	144,410,542
Gross outlays	(140,033,089)	(139,510,350)
Recoveries of prior year unpaid obligations, actual	(882,362)	(1,571,605)
Change in uncollected customer payments from Federal sources	(26,377)	(647,509)
Subtotal	4,647,938	2,681,078
Obligated balances, net, end of period (Note 16)		
Unpaid Obligations	127,251,010	122,576,695
Uncollected customers payments from Federal sources	(1,052,602)	(1,026,225)
Total, Unpaid obligated balance, net, end of period	<u>126,198,408</u>	<u>121,550,470</u>
NET OUTLAYS		
Net Outlays:		
Gross outlays	140,033,089	139,510,350
Offsetting collections	(1,954,252)	(1,901,797)
Distributed offsetting receipts	(293,043)	(1,083,579)
Net Outlays	<u>\$ 137,785,794</u>	<u>\$ 136,524,974</u>

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 Fiscal Years Ended
September 30, 2007 and 2006
(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. Beginning with fiscal year 2007, OMB Circular A-136 no longer requires a Statement of Financing. OMB has replaced this statement with a schedule reconciling the Net Cost of Operations to Net Obligations for presentation in the Notes to the Financial Statements. Comparative displays for this new schedule are required for the current year and prior year.

The financial statements have been prepared to report the financial position and results of operations of NEH. These statements were prepared from the books and records of NEH in conformity with the accounting principles generally accepted in the United States and with OMB Circular A-136, "Financial Reporting Requirements."

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.

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

Note 1 – Significant Accounting Policies (continued)

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 revenues when assets are consumed in operations.

NEH was granted 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 the subsequent fiscal year.

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 aggregate purchases with a minimum of \$10,000 per item. 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

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

Note 1 – Significant Accounting Policies (continued)

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, and there is no certainty that the appropriation will be enacted. Also, liabilities can be abrogated by the Government acting in its sovereign capacity.

I. Accounts Payable

Accounts payable consists of amounts owed to other federal agencies, commercial vendors, and grant liabilities. 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 records an accrual for the amount of estimated unreimbursed grantee expenses.

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

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

Note 1 – Significant Accounting Policies (continued)

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

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

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

L. Imputed Benefit Costs

NEH reports imputed benefit costs on Life Insurance, Health Insurance, and Retirement. The Office of Personnel Management (OPM) supplies the 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 and for those who have contracted a work-related occupational disease, and 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 paid ultimately by NEH.

DOL provides a computational model for estimating a FECA actuarial liability for a 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, which is not listed in DOL's actuarial calculation.

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 FECA.

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

Note 1 – Significant Accounting Policies (continued)

This 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 but roughly speaking, the model calculates a liability around 11 times the annual payments.

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.

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

Note 2 – Fund Balance with Treasury

Fund balance with Treasury	<u>2007</u>	<u>2006</u>
Appropriated funds	\$ 130,693,945	\$ 127,046,735
Trust funds	363,807	691,661
Total	131,057,752	127,738,396
Status of fund balance with Treasury		
Unobligated balance- available	4,554,085	5,976,746
Unobligated balance - unavailable	305,259	211,179
Obligated balance not yet disbursed	<u>126,198,408</u>	<u>121,550,471</u>
Total	<u>\$ 131,057,752</u>	<u>\$ 127,738,396</u>

Fund Balance with Treasury is the aggregate amount of NEH's accounts with Treasury for which the entity 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

Gross receivables	<u>2007</u>	<u>2006</u>
	<u>Current</u>	<u>Current</u>
Receivables from services to federal agencies	\$ -	\$ 26,225
Receivables from the public		
Advances to grantees	3,868,817	3,113,375
Other receivables	10,000	49,486
Allowance for uncollectible accounts	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 3,878,817</u>	<u>\$ 3,189,086</u>

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

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 aggregate purchases with a minimum of \$10,000 per item. Property and equipment, net, as of September 30, 2007 and 2006, consisted of the following:

Fiscal Year	Major Class	Service Life and Method	Cost	Accumulated Amortization /Depreciation	Net Book Value
<u>2007</u>	Capital Leases	Life of Lease/Straight	\$472,433	\$246,624	\$225,809
<u>2006</u>	Capital Leases	Life of Lease/Straight	\$472,433	\$121,730	\$350,703

Note 5 – Liabilities

	<u>2007</u>	<u>2006</u>
Intragovernmental	<u>Current</u>	<u>Current</u>
Accrued unfunded FECA liability	\$ 46,116	\$ 43,686
Advances from others	-	40,458
Accrued liabilities - Government	13,637	-
Employee contributions & payroll taxes payable	<u>84,835</u>	<u>121,165</u>
Total Intragovernmental	144,588	205,309
Accrued funded payroll	594,454	524,472
Actuarial FECA liability	229,568	221,589
Accrued unfunded leave	1,258,405	1,215,981
Accrued liabilities due - non-Government	<u>22,257,454</u>	<u>21,679,459</u>
Total liabilities	<u>\$ 24,484,469</u>	<u>\$ 23,846,810</u>

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

Note 6 – Leases

Operating Leases:

Description of Lease Arrangements:

Office Space: The National Endowment for the Humanities rents office space from the General Services Administration in the Old Post Office Building at 1100 Pennsylvania Avenue. The term of the lease is from May 1, 2005 through October 31, 2008.

	<u>2007</u>	<u>2006</u>
Future payments due:	<u>Office Space</u>	<u>Office Space</u>
Fiscal year 2007	\$ -	\$2,144,052
Fiscal year 2008	1,892,017	1,892,017
Fiscal year 2009	48,447	48,447
Fiscal year 2010	_____ -	_____ -
Total	<u>\$1,940,464</u>	<u>\$4,084,516</u>

Capital Leases:

(A) Computers: In fiscal year 2006, NEH purchased 219 computers under a lease-to-own contract. The lease term is 36 months ending February 28, 2009.

(B) Photocopiers. In fiscal year 2005, NEH purchased 21 photocopiers under a lease-to-own contract. The lease term is 60 months ending February 28, 2010.

Summary of assets under capital lease:	<u>2007</u>	<u>2006</u>
Machinery and equipment	\$472,433	\$472,433
Accumulated amortization	246,624	121,730

Future payments due:	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
	<u>Computers</u>	<u>Copiers</u>	<u>Computers</u>	<u>Copiers</u>
Fiscal year 2007	-	-	99,708	54,140
Fiscal year 2008	99,708	54,140	99,708	54,140
Fiscal year 2009	41,545	54,140	41,545	54,140
Fiscal year 2010	_____ -	22,558	_____ -	22,558
Total	<u>\$141,253</u>	<u>\$130,838</u>	<u>\$240,961</u>	<u>\$184,978</u>

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

Note 7 – Incidental Custodial Collections

	<u>2007</u>	<u>2006</u>
Income from NEH projects funded in previous years	\$ 37,196	\$ 42,042
Total cash collections	37,196	42,042
Disposition of collections:		
Transferred to Treasury (general fund)	37,196	42,042
Retained by NEH	<u>-</u>	<u>-</u>
Net custodial revenue activity	<u>\$ -</u>	<u>\$ -</u>

Note 8 – Liabilities Not Covered by Budgetary Resources

	<u>2007</u>	<u>2006</u>
Intragovernmental		
Accrued unfunded FECA	\$ 46,116	\$ 43,686
Total intragovernmental	46,116	43,686
Actuarial FECA liability	229,568	221,589
Accrued unfunded leave	<u>1,258,405</u>	<u>1,215,981</u>
Total liabilities not covered by budgetary resources	1,534,089	1,481,256
Total liabilities covered by budgetary resources	22,950,380	22,365,554
Total liabilities	<u>\$ 24,484,469</u>	<u>\$ 23,846,810</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 15 – Reconciliation of Net Cost of Operations to Net Obligations – represent the change in the liability created in the current year.

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

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 2007 has not yet been published. Actual numbers for fiscal year 2007 will be included in the President’s Budget for fiscal year 2009, which will be published on February 5, 2008, and will be available at <http://www.whitehouse.gov/omb/>.

There are no material differences between the amounts reported in the FY 2006 Statement of Budgetary Resources and the 2006 actual amounts reported in the Budget of the United States Government. The difference in the table below is due to the rounding of amounts in the Budget of the United States Government.

FY 2006 (In Millions of Dollars)	Budgetary Resources Available for Obligation	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Budget of the U.S. Government	\$ 152	\$ 144	\$ 1	\$ 138
Statement of Budgetary Resources	<u>151</u>	<u>144</u>	<u>1</u>	<u>138</u>
Differences	\$ 1	\$ 1	\$ -	\$ -

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

Note 11 – Earmarked Funds

	2007			2006		
	<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 30						
Assets						
Fund balance with Treasury	\$ 363,807	\$ -	\$ 363,807	\$ 691,661	\$ -	\$ 691,661
Other assets	-	-	-	23,569	-	23,569
Total assets	<u>363,807</u>	<u>-</u>	<u>363,807</u>	<u>715,230</u>	<u>-</u>	<u>715,230</u>
Liabilities	<u>8,314</u>	<u>-</u>	<u>8,314</u>	<u>33,717</u>	<u>-</u>	<u>33,717</u>
Unexpended Appropriations	-	-	-	-	-	-
Cumulative results of operations	<u>355,493</u>	<u>-</u>	<u>355,493</u>	<u>681,513</u>	<u>-</u>	<u>681,513</u>
Total liabilities and net position	<u>363,807</u>	<u>-</u>	<u>363,807</u>	<u>715,230</u>	<u>-</u>	<u>715,230</u>
Statement of net cost, for the period ended September 30						
Gross program costs	619,064	-	619,064	1,152,560	-	1,152,560
Less earned revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net program costs	619,064	-	619,064	1,152,560	-	1,152,560
Costs not attributable to program costs	-	-	-	-	-	-
Less earned revenues not attributable to program costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cost of operations	<u>619,064</u>	<u>-</u>	<u>619,064</u>	<u>1,152,560</u>	<u>-</u>	<u>1,152,560</u>
Statement of changes in net position, for the period ended September 30						
Net position, beginning of period	681,514	-	681,514	752,722	-	752,722
Non-exchange revenue	293,043	-	293,043	1,083,579	-	1,083,579
Other financing sources	-	-	-	-2,228	-	-2,228
Net cost of operations	619,064	-	619,064	1,152,560	-	1,152,560
Change in net position	<u>-326,021</u>	<u>-</u>	<u>-326,021</u>	<u>-71,209</u>	<u>-</u>	<u>-71,209</u>
Net position, end of period	<u>\$ 353,493</u>	<u>\$ -</u>	<u>\$ 353,493</u>	<u>\$ 681,513</u>	<u>\$ -</u>	<u>\$ 681,513</u>

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

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.

<u>Programs</u>	<u>Federal/State Partnerships</u>	<u>Preservation and Access</u>	<u>Research</u>	<u>Public Programs</u>	<u>Education</u>	<u>We The People</u>	<u>Challenge Grants</u>	<u>Other Programs</u>	<u>Costs Not Assigned to Programs</u>	<u>2007 Total</u>
Intragovernmental costs	88,321	488,667	395,770	419,432	434,212	277,691	100,558	121,900	5,501,912	7,828,463
Public costs	31,937,915	20,345,207	14,594,391	14,337,866	15,101,791	14,947,769	11,091,969	471,789	10,685,387	133,514,084
Total costs	32,026,236	20,833,874	14,990,161	14,757,298	15,536,003	15,225,460	11,192,527	593,689	16,187,299	141,342,547
Intragovernmental earned revenue	-	1,525,398	158,852	-	-	-	-	200,000	10,564	1,894,814
Public earned revenue	-	-	-	-	-	-	-	-	-	-
Total earned revenue	-	1,525,398	158,852	-	-	-	-	200,000	10,564	1,894,814
Net costs	32,026,236	19,308,476	14,831,309	14,757,298	15,536,003	15,225,460	11,192,527	393,689	16,176,735	139,447,733
<u>Programs</u>	<u>Federal/State Partnerships</u>	<u>Preservation and Access</u>	<u>Research</u>	<u>Public Programs</u>	<u>Education</u>	<u>We The People</u>	<u>Challenge Grants</u>	<u>Other Programs</u>	<u>Costs Not Assigned to Programs</u>	<u>2006 Total</u>
Intragovernmental costs	88,697	224,638	376,152	455,659	482,400	521,590	101,338	289,426	5,455,655	7,995,555
Public costs	33,099,651	23,902,438	15,908,231	12,399,974	12,741,592	13,610,723	9,821,361	767,785	10,624,625	132,876,380
Total costs	33,188,348	24,127,076	16,284,383	12,855,633	13,223,992	14,132,313	9,922,699	1,057,211	16,080,280	140,871,935
Intragovernmental earned revenue	-	1,477,315	-	-	-	-	-	-	26,225	1,503,540
Public earned revenue	-	-	-	-	-	-	-	-	-	-
Total earned revenue	-	1,477,315	-	-	-	-	-	-	26,225	1,503,540
Net costs	33,188,348	22,649,761	16,284,383	12,855,633	13,223,992	14,132,313	9,922,699	1,057,211	16,054,055	139,368,395

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

Note 13 – Reconciliation of Net Cost of Operations to Net Obligations

	2007	2006
Resources Used to Finance Activities:		
Obligations incurred	\$ 145,589,766	\$ 144,410,542
Less: spending authority from offsetting collections and recoveries	<u>2,862,992</u>	<u>4,120,910</u>
Obligations net of offsetting collections and recoveries	<u>142,726,774</u>	<u>140,289,632</u>
Less: offsetting receipts	<u>293,044</u>	<u>1,083,579</u>
Net obligations	142,433,730	139,206,053
Imputed financing from costs absorbed by others	<u>1,292,396</u>	<u>1,304,434</u>
Total resources used to finance activities	<u>143,726,126</u>	<u>140,510,487</u>
 Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods not part of the net cost of operations	-4,783,117	-1,966,168
Budgetary offsetting collections and receipts that do not affect net cost of operations	293,044	1,083,579
Other resources and adjustments to net obligated resources that do not affect net cost of operations	-	-664
Resources that finance acquisition of assets	<u>-</u>	<u>-446,431</u>
Total resources used to finance the net cost of operations	139,236,053	139,180,803
 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	42,424	78,403
Other	<u>44,362</u>	<u>3,096</u>
Total	86,786	81,499
 Components not requiring or generating resources:		
Depreciation and amortization	124,894	93,220
Other	<u>-</u>	<u>12,873</u>
 Total components of the net cost of operations that will not require or generate resources in the current period	 211,679	 187,592
 Net Cost of Operations	 <u><u>\$ 139,447,733</u></u>	 <u><u>\$ 139,368,395</u></u>

National Endowment for the Humanities
Notes to the Financial Statements
As of and For the Fiscal Years Ended
September 30, 2007 and 2006
(In Dollars)

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

Obligations Incurred	<u>2007</u>	<u>2006</u>
Direct:		
1. Category A total, direct obligations	\$ -	\$ -
2. Category B total, direct obligations	143,736,326	142,518,801
3. Exempt from apportionment	-	-
Reimbursable:		
1. Category A total, direct obligations	-	-
2. Category B total, direct obligations	1,853,440	1,891,741
3. Exempt from apportionment	-	-
Total direct and reimbursable	<u>\$145,589,766</u>	<u>\$144,410,542</u>

Note 15 – Exchange Revenues for Reimbursable Services Activities

Pricing policy – When providing products and services, NEH sets prices to recover the full costs incurred.

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>2007</u>	<u>2006</u>
Unpaid obligations:		
Undelivered orders	\$104,300,630	\$100,260,810
Accounts payable	22,950,380	22,315,885
Less: uncollected customers payments from Federal sources	<u>1,052,602</u>	<u>1,026,225</u>
Total, unpaid obligated balance, net, end of period	<u>\$126,198,408</u>	<u>\$121,550,470</u>

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NATIONAL
ENDOWMENT
FOR THE
HUMANITIES

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IV. MANAGEMENT CHALLENGES

NEH Inspector General's Summary of Management Challenges

TOP MANAGEMENT CHALLENGES

As of Fiscal Year Ended September 30, 2007

Continue Progress on the Agency Financial Management System

NEH has made significant progress with the web-based accounting system developed by the Oracle Corporation.

The most significant area of progress was the elimination of the separation of incompatible duties problem involving the procurement/contracting function and the accounting office. However, a weakness concerning oversight and handling of many of the duties by the procurement officer handles too many aspects of procurement leaving the agency with a considerable weakness.

Several serious problems with the new system continue. The developing of an interface was a major improvement whereby obligations for grants are generated from the Grants Management System directly to the Oracle Accounting System. The result was a reduction in the number of errors. However, problems continue. Expenditure of funds were charged and paid against accounting codes that had zero obligation balances. Payments of funds against accounts without balances are serious errors.

While a good deal progress occurred concerning program fund reports and travel reports provided to the divisions, most still prefer to receive the reports monthly.

In addition, progress made by the NEH accounting officer and the new system accountant gives the agency the ability to handle more functions of the accounting system correctly in a timelier manner.

Strengthen Information Security

- NEH has taken much needed action to improve the security of the system. The agency is following the OMB and NIST regulations more seriously.
- NEH is providing computer hardware and software to the National Archives and Records Administration (NARA) for NARA's use in managing their grant administration program. NEH

has determined that security features such as firewall minimize the effect of these additional responsibilities and risks.

Continue to Improve Planning and Performance Measurement in Accordance with the Results Act.

- Over the past several years, NEH has made progress. However, more energy is required to make the case for NEH stronger. The OIG recognizes that measuring the benefits of many NEH programs is difficult. In many areas, NEH places more emphasis on outputs than outcomes. NEH should gradually have the divisions collect outcome-type data from grantees. As an example, while we have learned that a high school teacher is using what was learned at a summer seminar to approximately 250 students a year; what we do not know are how this affects the students. Do they read more books on the topic, are they thinking about taking more courses on the same topic in college? What actual effect does a summer seminar have on the students of the teacher attending the seminar? Further, do the school principal and the department chair see as the outcome of the teacher taking the seminar?

Information Resources Management

- NEH has made and continues to make significant progress on e-gov and is moving towards the eventual goal of having grantees submit complete proposals electronically, reviewing the proposals on-line, and processing proposals electronically. This long-term e-government project of the President's Management Agenda has several agencies working together. We will be listing this as management challenge until NEH processes a significant amount of complete applications through e-gov in an economical and efficient manner.

Human Capital

- The Comptroller General of the United States has cited human capital as a high-risk area. Similar to many Federal agencies, NEH will be facing the retirement of a large amount of staff within the next several years. One office, the Office of Grant Management, has the possibility of having a complete turnover of staff within the next two to six years. NEH management recognized this problem and began taking action. Nevertheless, a much more proactive position for staffing the office has to take place. Several staff that worked in the office for 30 years or more will be soon retiring.
- NEH's policy is to staff the OGM with employees from other NEH offices. While this is commendable, it may not be the best long-term solution. Generally, hiring younger employees with no background in grants management will take years to get the office's production to a viable working level. This occurs because the staffs that are leaving are very familiar with the work and produce at a very high level. This may have a negative effect on our grantees if we cannot take care of business in a timely manner.
- NEH's challenge is to evaluate how retirements will transform the agency due to a loss of institutional memory. We are at the position where the time has come to review workflow of all offices and divisions and determine if any workload and mission realignments are necessary.

Continuity of Operations

- After September 11, 2001, the agency began Continuity of Operations Planning (COOP); however, a formal plan has not been completed and distributed to NEH staff. Last year we faced a flood problem at the Internal Revenue Service building (our building's supplier of air conditioning). Excellent work by NEH staff saved the agency from encountering many

problems. The Administrative Service Officer worked diligently with the building's owner (General Services Administration) to secure temporary air conditioning and heating units to service the building. The system in place to notify employees of the building's status performed extremely well. Most of the staff did not come to work for several days. The result was that payments to grantees and staff were on time.

- However, a COOP is a valuable tool for NEH readiness for a sudden event where the staff may not be in a position to work at the Old Post Office Building. NEH needs a plan that will have the staff working within an acceptable timeframe if a manufactured or natural disaster prevented employees' admission to the building.

NEH Chairman's Response to Inspector General's Summary

MEMORANDUM

Date: November 15, 2007

To: Sheldon Bernstein
Inspector General

From: Bruce Cole
Chairman

Subject: Response to OIG Memorandum Concerning Top Management Challenges

Thank you for your detailed and thoughtful assessment of the most significant management challenges facing NEH as we enter the new fiscal year. I am especially appreciative of your acknowledgement of the improvements the Endowment has made this past year in such key areas as financial management and information resources management.

As you note in your memo, additional effort is required to attend to the remaining management challenges confronting the agency:

Financial Management. In the coming year we will make a concerted effort to distribute the agency's procurement functions more broadly. We acknowledge that the concentration of those duties in a single position can lead to occasional problems when that individual is temporarily away from the agency and cannot attend to pressing procurement matters. As for the other areas you mention, I can already cite demonstrable progress as follows:

- Monthly distribution of internal financial reports: I am pleased to report that beginning in March of this year, office-by-office reports on travel expenditures and grant obligations have been produced and distributed on a monthly basis. We fully expect to continue this distribution pattern in the new fiscal year.
- Inconsistencies in the agency's financial records: At the request of the Assistant Chairman for Planning and Operations, the Accounting Office researched the "misapplied disbursements" that were brought to our attention by one of NEH's administrative offices. The research indicated that the disbursements were not misapplied, but rather presented incorrectly on one of NEH's internal financial reports. The Accounting Office is now working with the Office of Strategic Planning to make the necessary corrections to the internal reports.

Information Security. In order to continue to improve our information security agency-wide, I have directed NEH's Chief Information Officer to implement the additional security and privacy measures spelled out in policy guidance issued by the Office of Management and Budget. Specifically, the NEH has already begun implementing the following: a) eliminating the unnecessary use of forms that contain personally identifiable information; b) encrypting all laptop computers to better secure their data should a machine be lost or stolen; c) adding a "timeout" function for all remote access sessions or devices, which will make it less likely that a third party can access an NEH system; and d) adding hardware-based "two-factor authentication" for all remote access sessions. This authentication process will make it much more difficult for an intruder to gain access to an NEH system, as such access will require a hardware-based token issued by the agency.

Performance Management. NEH currently requires its grantees to submit a report of project accomplishments at the conclusion of the grant. As part of this final performance report, the Endowment asks grantees to address, to the extent possible, the quantitative and qualitative accomplishments or outcomes of their projects, especially in terms of how the outcomes compare to the objectives proposed in the original grant application.

In 2006 NEH revised and updated its multi-year strategic plan. The new plan, which covers fiscal years 2007 through 2012, contains a number of new or revised strategies for achieving our major goals objectives. Accordingly, in FY 2007, the Endowment updated the performance indicators that are linked to those objectives.

The advent of the new Digital Humanities Initiative (DHI) affords NEH the opportunity to assess the impact or outcome of its grants. For example, project directors who received FY 2007 Digital Start-Up grants are required to submit "lessons learned" white papers at the conclusion of their projects. This white paper will document the project, including lessons learned, so that others can benefit from their experience. The white paper will be posted on the NEH and/or IMLS websites.

Information Resources Management. As of the end of fiscal year 2007, all of the NEH's grant applications were being submitted electronically, putting our agency among the leaders in government. We are also reviewing a large number of proposals online and, new this year, are using laptop computers to conduct online review for sitting panels as well. So we believe we are making substantial progress in bringing the agency's grant processes fully online. That progress is expected to continue through FY 2008 and beyond.

Human Capital. We share your concern about the looming retirement of large numbers of NEH staff members. In the case of the Office of Grant Management (OGM), we have now completed the recruitment of two "junior" Grants Administrators and consider this strategy to have been a success. We have provided two NEH employees with a wonderful career development opportunity and we have brought them into the OGM well in advance of the departures of the long-tenured staff in order to allow for that transfer of knowledge that might otherwise be lost. We expect to be similarly proactive in

addressing the human capital needs of other offices at NEH that face similar demographic challenges.

Continuity of Operations. We acknowledge that we need to redouble our efforts in this area. Although a Continuity of Operations Plan (COOP) has been completed for NEH, that plan has not yet been given a thorough review by the agency's senior managers, nor has it been distributed widely to the staff. I have asked our Assistant Chairman for Planning and Operations to attend to these matters in the coming year.