



NATIONAL ENDOWMENT FOR THE

Humanities

## Administration of NEH Challenge Grants

October 2010

### NEH Contact Information

Grantees are encouraged to contact NEH staff via [eGMS](#), NEH's online grant management system. **All NEH project directors and institutional grants administrators (IGAs) are assigned eGMS accounts, and their account numbers are shown next to their names (in parentheses) on the *Official Notice of Action* included with the grant award.**

**When accessing eGMS for the first time, enter the account number provided and click the "Reset Password" button. An e-mail message will be sent to you with a link to create a new password. A User Guide containing detailed instructions is available at the above eGMS site.**

Office of Grant Management  
202/606-8494  
Email: [grantmanagement@neh.gov](mailto:grantmanagement@neh.gov)

Office of Challenge Grants  
202/606-8309  
Email: [challenge@neh.gov](mailto:challenge@neh.gov)

Click here for *Important [Do's and Don'ts in Administering Your NEH Challenge Grant](#)*.

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Should there be any inconsistency between the *General Terms and Conditions for Awards* and the *Administration of NEH Challenge Grants*, the latter will govern.

- I. [Basic Principles](#)
- II. [Release of Federal Funds \(with sample release schedule\)](#)
- III. [Eligibility of Matching Gifts](#)
  - A. General Criteria
  - B. Kinds of Eligible Gifts
  - C. Pledges
  - D. Planned Gifts
  - E. Foundation Gifts
  - F. Ineligible gifts
- IV. [Certification of Gifts](#)
  - A. Record Keeping (with Sample Donor Transmittal Letter)
  - B. Certification
  - C. Additional Documentation
- V. [Payment](#)
- VI. [Failure to Meet Required Match](#)
  - A. Forfeiture
  - B. Refunds
  - C. Extensions
- VII. [Reporting Requirements](#)
  - A. Annual Certifications
  - B. Interim Performance Reports
  - C. Final Performance Report and Certification
  - D. Follow-up Reports
  - E. Final Federal Financial Report (FFR) SF 425
  - F. Extensions for Reports
- VIII. [Changes to be Requested of, or Reported to, NEH](#)
  - A. Purpose of Expenditure
  - B. Real Property
  - C. Changes in Project Director or Organization
  - D. Other Changes
- IX. [Acknowledgment Guidelines](#)
- X. [Annual Burden to Grantees](#)

[Appendices](#)

- [1.](#) Certification Form
- [2.](#) Special Requirements for Construction and Renovation Projects
- [3.](#) Section 6 of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)
- [4.](#) General Terms and Conditions

**References to unrestricted gifts apply only to challenge grants awarded after May 2005.**

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## **I. Basic Principles**

- When matched by nonfederal donations and subject to the availability of funds, federal funds will be made available for payment according to the schedule described in the offer letter.
- To count toward the matching requirement, restricted gifts must be donated or pledged in anticipation of, in response to, or restricted by the donor to the same purpose as the NEH challenge grant.
- The total of unrestricted gifts that may be certified cannot exceed the amount of the federal portion of the challenge grant.
- To count toward the matching requirement, all gifts must be donated or pledged, and all pledges paid, during the approved grant period.
- All federal and nonfederal challenge grant funds must be expended during the grant period. Funds earmarked for endowment (or spend-down funds) in the approved Challenge Grant budget are considered to be "expended" upon deposit into an income-earning account established as an endowment (or spend-down) fund.
- Challenge grant funds, both federal and nonfederal, may be used only to support the purposes outlined in the approved challenge grant application. Where the grant supports more than one activity, donations restricted to any one activity are limited to the amounts indicated in the approved challenge grant budget.
- Challenge grants do not include indirect cost recovery.
- Grantees are responsible for accurate internal record-keeping, for timely certification of gifts, and for submission of required documentation and reports to NEH.

## **II. Release of Federal Funds**

All federal challenge grant funds are matching funds. The federal portion of a challenge grant is typically offered over four years of funding, but the grantee may take up to sixty-eight months to raise funds for matching. NEH releases federal funds according to a pattern that allows donations from as early as five months prior to the application deadline and can include donations from as late as one year beyond the last-released federal funds. Funds are released in the first three years when completely matched according to the required amount. The fourth year's installment allows the release of the federal funds when matched one-to-one, with the remaining parts of the match to be raised in the final year, so as to allow time at the end of the grant to finish the match and collect outstanding pledges.

The following chart illustrates a typical match and release schedule.

NOTE: The following chart is only a sample. Each grant has a unique match and release schedule, as outlined in the Challenge Grants offer letter. Special initiative challenge grants, for example, have a longer grant period than do regular challenge grants.

Sample match and release schedule						
NEH Challenge offer of \$300,000, with a three-to-one matching ratio						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
NEH funds (federal) offered	\$25,000	\$100,000	\$100,000	\$75,000	n/a	\$300,000
Nonfederal funds to be raised	\$75,000	\$300,000	\$300,000	\$75,000	\$150,000	\$900,000
Total grant funds (federal + nonfederal)	\$100,000	\$400,000	\$400,000	\$150,000	\$150,000	\$1,200,000

Variations on a typical match and release schedule are possible, and applicants should discuss with NEH staff the schedule that most accurately reflects the institution's plans and fund-raising capacity. NEH, however, makes the final determination of the match and release schedule.

Grant recipients are encouraged to certify gifts in advance of the required matching schedule. In some instances, depending on available program funds, advance certification may result in the early release of federal funds.

### III. Eligibility of Matching Gifts

#### A. General Criteria.

The following criteria govern the eligibility of matching gifts. Questions about the eligibility of a gift should be raised with Endowment staff prior to certification.

- 1. Restricted gifts must be in response to, in anticipation of, or restricted by the donor to the same purpose as the challenge grant. Except in the case of certain types of planned gifts (such as bequests), donors of restricted gifts must be aware that their gifts are to be used for the same purpose as described in the approved challenge grant application.** Proof of donor awareness can be in the form of individual transmittal letters (required for restricted gifts of \$5,000 or more—see Section IV.A for a sample letter). Other evidence of donor intent can be in the form of membership or alumni solicitation mailings; newsletters; public notices regarding contributions, admission fees, or gift shop sales; posters or other publicity for fund-raising events; scripts for telethons or for radio or television solicitations; or other written documentation that can verify the donor's intent that the gift be used for the same purpose as the challenge grant.

**Unrestricted gifts**—that is, gifts that may be used at the recipient's discretion and that have not been restricted to or designated for any specific purpose — may be certified only up to an amount equal to the federal portion of the challenge grant. Funds previously designated for any specific purpose may not be changed to unrestricted funds. Deposit of a gift into an unrestricted gift fund or a general operating fund is not considered to be “designated to a specific purpose,” and may be used for a challenge grant if the gift was given within the grant period.

**NOTE: Three categories of donations -- in-kind gifts, earned income, and unrestricted gifts -- are each limited in amount to the federal portion of the challenge grant. Furthermore, the total of these three categories of gifts, added together, may not exceed the federal portion of the challenge grant.**

2. **The matching gift must be used to support the purposes outlined in the approved challenge grant application.** For example, if a college received a challenge grant for the purpose of establishing an endowed chair in history, and if a donor then contributes a piece of art to the school's museum collection, the contribution would not be eligible for matching unless converted to cash before the end of the grant period.
3. **All matching gifts, restricted and unrestricted, must be given and pledges paid during the challenge grant period.** A pledge made during a challenge grant can be used to release federal funds as long as that pledge commitment is paid within the grant's fund-raising period and meets the other eligibility criteria. A pledge commitment made before the fund-raising period begins cannot itself count toward match; payments in fulfillment of such a pledge can count if they meet the other eligibility requirements.
4. **Gifts may not derive from the grantee institution itself.** It is inappropriate for an institution to shift internal budgets, sell assets already owned, or reallocate internal funds for matching purposes. Unrestricted gifts of either assets or funds donated within the grant period can be reclassified as a challenge grant gift. At that point, the gift will be placed in the challenge grant account.

Income from endowed funds is not new income, and recipients may not include as part of their match any interest earned on gifts made for challenge grant purposes.

Gifts or grants from foundations may count toward the match except in the case of institution-specific foundations. **An institution-specific foundation may not make donations to its own institution's challenge grant.**

Different kinds of foundations are treated differently for matching purposes. See Section III.E.

5. **Normally challenge grant funds, both the federal and nonfederal portions, are received, held, and managed by the grantee institution.** Any other arrangement (for example, with university foundations, friends groups, community foundations, parallel foundations, donor-advised funds) requires advance approval from NEH.

**B. Kinds of Eligible Gifts.** Grant recipients must account for the eligibility of all matching funds, and their records are subject to audit. Copies of transmittal letters and other documentation required for gifts must be submitted with the certification form. To be eligible as a restricted gift, the gift must represent a specific and documented response either to the NEH challenge or for the purposes of the grant. The following are the principal kinds of gifts that may be eligible as matching donations:

1. **Cash.**
2. **Nonfederal grants.**
3. **Special legislated nonfederal appropriations from state, county, or municipal governments.** The appropriation must represent a level of support above the normal appropriation for the grantee institution. Legislated nonfederal appropriation may only count as restricted gifts, not as unrestricted gifts. To count as restricted gifts the legislative or budgetary language should make explicit reference to the NEH challenge grant, or to the purpose of the challenge grant.
4. **Net proceeds from special fund-raising events or benefits held specifically to raise matching funds for an NEH challenge grant.** Only the net proceeds are eligible; the intrinsic value of the items donated for auction or sale is not eligible.
5. **Membership contributions, "friends" or alumni giving, or similar campaigns.** The value of any tangible items received by donors, such as magazines, newsletters, or gift "premiums," must be deducted from a membership contribution to assess the actual gift value. Membership forms or solicitation materials should be submitted to NEH and should indicate that contributions will be used for challenge grant matching purposes.
6. **Earned income, such as income from publication or gift shop sales.** Only the net income is eligible. Earned income may only count as restricted gifts, not as unrestricted gifts. To count as restricted gifts, such sales must be clearly identified as responses to the challenge grant or to the purposes

of the challenge grant. The total amount of earned income allowed may not exceed the federal portion of the challenge grant.

**NOTE: Three categories of donations -- in-kind gifts, earned income, and unrestricted gifts -- are each limited in amount to the federal portion of the challenge grant. Furthermore, the total of these three categories of gifts, added together, may not exceed the federal portion of the challenge grant.**

7. **Marketable securities**, valued as of the date of transfer from donor to grant recipient.
8. **Real estate**, if the property is converted into cash by means of sale. The value of the gift is equivalent to the net sale value. Real estate may also be eligible as an in-kind gift (see III.B.9. below) if the property is integral to the humanities activities supported by the challenge grant. Income produced by donated property (such as rent) may also be eligible for matching. The value of such a gift is equivalent to the value of the income received during the grant period. (See "Additional Documentation," Section IV.C.)
9. **In-kind gifts or donated services** are eligible only if the material or service provided is appropriate to the approved purposes of the challenge grant and is approved in advance by NEH. Gifts of tangible property not appropriate to the approved purposes of the challenge grant must be converted to cash to qualify for match. In-kind donations may only count as restricted gifts, not as unrestricted gifts. The total amount of in-kind gifts or donated services allowed may not exceed the federal portion of the challenge grant. (See "Additional Documentation," Section IV.C.)

**NOTE: Three categories of donations -- in-kind gifts, earned income, and unrestricted gifts -- are each limited in amount to the federal portion of the challenge grant. Furthermore, the total of these three categories of gifts, added together, may not exceed the federal portion of the challenge grant.**

- C. **Pledges.** Pledges may count toward the release of federal funds when made during the challenge grant period, but all pledges must be paid and expended before the end of the grant period. Such pledges must be in writing and constitute a legally binding promise to pay (for a sample pledge letter, see Section IV.B.). Similarly, a nonfederal grant (gift category 2, above) may count toward matching when awarded during the challenge grant, but the award must be paid and expended before the end of the grant period. Legislated appropriations (gift category 3, above) may count toward matching when passed by the appropriate legislative body during the grant period, but the appropriation must be paid and expended before the end of the grant period.

However, a contract for the sale of real estate (gift category 8, above) may not count toward the matching requirement prior to the final completed sale.

**D. Planned Gifts.** In order to qualify as a gift eligible for federal matching through the NEH Challenge Grants program, an instrument of planned giving must meet the following conditions:

1. The value of the gift must be determinable and unchangeable.
2. The gift must be irrevocable.
3. The gift must be expendable within the grant period for the purposes of the challenge grant.
4. The gift must be given (or pledged) within the grant period.

**Examples:**

*Charitable Gift Annuity (CGA):* A CGA is a contract between the donor and the institution by which the donor makes a donation and the institution agrees to pay the donor a set amount each year until the donor's death. A portion of the donation is recognized as a charitable gift by the Internal Revenue Service. This gift portion of the annuity may be eligible for matching. A copy of the annuity contract and a copy of the letter from the institution indicating the allowable tax deduction (including the calculations by which the tax deduction was determined) must accompany the certification form in which a CGA is included. If the annuity is intended as a restricted gift, a copy of the donor transmittal letter should also be sent to NEH. The gift portion of the CGA must be expended for the costs as shown in the approved Challenge Grant budget before the end of the grant period.

*Bequest:* A "bequest intention," that is, a statement in a will that a donor is bequeathing a gift to the institution for the challenge grant is not itself certifiable for matching. The bequest must have been realized (the donor has died) so that the bequest can be paid by the estate. It is the date that the estate pays the bequest to the grantee that determines its timeliness. The dollar amount of the bequest must be determined before it can be certified for match; a percentage bequest, a residual bequest, or a contingent bequest cannot be certified before the amount is determined. Once the value of a bequest is finally determined, it may be certified as a pledge or, if paid, as a cash payment. To qualify as a restricted gift, the will must refer to the challenge grant or to the humanities activities to be supported by the challenge grant. A bequest that does not refer to the challenge grant or to the challenge-grant supported activities, and that has not been designated by the donor or the grantee for some other purpose, may be matched as an unrestricted gift, up to the limit on total unrestricted gifts. A copy of the portion of the will containing the bequest intention must be submitted with the certification form in which the bequest is included.

*Gift from an estate:* An estate may have the authority to designate a gift for the challenge grant. For such a gift, the grantee must submit to NEH a copy of the portion of the will establishing authority for estate-determined gifts.



Grantees should consult NEH staff before certifying these or any other types of planned gifts.

- E. Foundation gifts.** Different types of foundations are treated differently in regards to the eligibility of their grants as gifts for matching.

*Public or private foundations:* Grants from foundations like the Mellon, Rockefeller, or Delmas foundations may count toward match. "Challenge" grants, such as from Kresge or Mellon, may count toward the NEH matching requirement and the NEH funds in turn may count toward the foundation's matching requirement, if the foundation's policies allow. This is called "mirror matching" and is acceptable to NEH. Documentation of the foundation's permission to allow mirror matching must be provided when the foundation's grant is certified.

*Family foundations or funds:* Gifts from a foundation or fund established and managed by a single family for the purpose of making charitable contributions to non-profit entities may count toward match. Gifts from family foundations should be classified as gifts from individuals (i.e., listed under category #1 on the certification form).

*Institution-specific foundations:* Many foundations are created for the purpose of raising money (and, sometimes, managing the endowment) for a single entity, such as a university, a state humanities council, or a museum. Such a foundation may be the grantee of record on a challenge grant. If the foundation is not the grantee of record, a memorandum of agreement should be provided designating the foundation as agent for the grantee for soliciting and receiving donations for the challenge grant. An institution-specific foundation may not make donations to its own institution's challenge grant. Gifts that meet all eligibility criteria except that they are made to an institution-specific foundation rather than directly to the grantee may be eligible for matching.

**Examples:**

University X has a challenge grant to endow a computer center for the humanities. The University X Foundation gives \$400,000 from its own assets, which are normally used to support various special projects at the university, in response to the challenge grant. This donation cannot count toward match: the foundation is not a disinterested third party, and the gift is too much like a shift of internal assets.

The foundation donates \$100,000 that it can identify as coming originally from Donor Z, who gave the funds to the foundation within the grant period. If Donor Z signs a letter to the foundation stating that her gift may be used for the

challenge grant, this \$100,000 may count as a restricted gift; if she doesn't sign such a letter, the \$100,000 is still eligible, but only as an unrestricted gift.

*Community foundations:* Foundations established to solicit and manage donations to various charities within a given community may give in response to a challenge grant and have their gifts count toward match (and should be categorized as #3 "foundation" on the certification form). If, however, the community foundation is the grantee of record or is designated as the agent of the grantee authorized to solicit and receive gifts on the grantee's behalf, then the community foundation is governed by the rules for institution-specific foundations.

Donations from identifiable gift funds, such as family funds held and managed within the community foundation, can count as match and should be categorized as donations from individuals.

*Donor advised funds:* A donor advised fund is one that has been donated to a charitable entity such as a community foundation or a commercial gift fund. Legally the gift becomes an asset of the receiving foundation and the donor has no final control over how the gift will be used. The donor may, however, advise the foundation on uses. If a foundation (such as a community foundation) identifies a gift as based on the advice of a donor, for challenge grant purposes the gift is treated as emanating from the original donor-advisor. Thus even a community foundation that has been designated the agent for receiving gifts for the challenge grantee may give a donor-advised gift that can count toward match. Donations from donor-advised funds should be categorized as from #1, "individuals." Documentation from the donor-advisor must be provided to NEH with the certification. The donor-advisor cannot, however, pledge a gift from the donor-advised fund.

- F. Ineligible Gifts.** The following are examples of ineligible gifts:
1. Gifts deferred beyond the end of the grant period.
  2. Discounts on goods or services provided through contracts.

#### **IV. Certification of Gifts**

Certification is the process by which the institutional grant administrator and project director of the challenge grant testify to NEH that eligible gifts have been raised to meet the NEH challenge. The certification and documentation are reviewed by the NEH Office of Grant Management, which will then send acknowledgment and approval via email.

- A. Record Keeping for Matching Gifts.** The recipient must keep on file documentation showing 1) the value and source of all donations; 2) the donor's awareness, in the case of a restricted gift, that it is being used for the approved challenge grant purposes outlined in the proposal; 3) evidence that the gift was

received during the grant period; and 4) the expenditure of grant and matching gift funds during the grant period. Documentation for all matching gifts and other evidence of eligibility, such as brochures, posters, recordings, newsletters, and other publicity material, should be maintained by the grant recipient for at least three years after the NEH's acceptance of the final reports. Copies of gift documentation must be submitted when the gift is certified. All records are subject to audit.

- **Sample Donor Transmittal Letter.** A donor transmittal letter of some type is required for all restricted gifts of \$5,000 or more. The following donor transmittal letter is a model that contributors may use:

(Date)

Dear **(authorizing official)**:

In support of your National Endowment for the Humanities challenge grant [or proposal] (#C \_\_\_\_\_), I/we hereby give the sum of \$\_\_\_\_\_ to be used to match and to be expended for the approved purposes of this grant. Payment in the form of \_\_\_\_\_ is enclosed.

Sincerely,  
(Signature),  
Name and Address of Donor

- In the case of restricted donations of less than \$5,000, it is not necessary to have each donor complete such a letter if the solicitation material includes sufficient information to document that the purpose of the gift is to match the NEH challenge or is specifically given to fund one of the approved purposes of the Challenge Grant .

**B. Certification.** See the original challenge grant offer letter for annual deadlines for certifying matching funds. Grant recipients are encouraged to certify matching funds at any time during the year to release all or part of that year's federal funds or simply to fulfill any portion of the matching requirement. Any matching funds certified in excess of one year's requirement will be credited toward the requirements for subsequent years and may sometimes be used to release federal funds ahead of schedule. Grantees should not certify more often than every six weeks and should not certify less than \$5,000.

- **What to Report.** The [certification form](#) found in Appendix 1 is used to report the eligible matching gifts grouped according to the appropriate categories of donor (described in the next subsection). The certification form sets forth in three columns 1) the amounts, if any, of gifts previously certified and the

date of the last certification; 2) the amounts of new gifts (and pledges) currently being certified; and, by adding the first two columns together, 3) the current cumulative total of gifts raised (including pledges to be fulfilled within the grant period).

The certification form and copies of solicitation materials (where appropriate) are the only documents necessary to certify most gifts or pledges of cash under \$5,000. Gifts over \$5,000 require a transmittal letter. However, certain types of gifts—real estate, in-kind donations, special appropriations, planned gifts, gifts from estates, alternate arrangements—require additional documentation. See Section IV.C.

- **With the exception of the first certification of gifts (which may be submitted via email to [grantsmanagement@neh.gov](mailto:grantsmanagement@neh.gov)), the certification form must be completed and submitted electronically via eGMS, NEH's online grant management system located at <https://securegrants.neh.gov/eGMS/>.**
- **Donor Categories on the Certification Form.** The categories relate to the donor source and do not specify the form of the gift.
  1. **Individuals.** Individual persons not included in category six (affiliated groups), but including family foundations and donor-advised funds.
  2. **Corporations and businesses.** Businesses, corporations, and corporate or company-sponsored foundations. Many businesses sponsor a program whereby an individual employee's gift to a cultural organization may be complemented by an additional amount from the employer. The company's gift is responsive to the initiative of the employee and can count for matching purposes. The sum of the employee's gift plus the match from the employing company should be included under category number one for gifts from individuals.
  3. **Private or public foundations.** Family foundations and donor-advised funds should be categorized as individual donations (category #1).
  4. **Labor unions or professional or trade associations.**
  5. **Nonfederal government units,** such as state legislative bodies or agencies, county boards, or municipal sources.
  6. **Affiliated groups.** Pooled rather than individual sources or other separate but associated groups. Examples include alumni associations, the class of 1943 as a group, or "friends" groups.

**7. Special events and benefits.** Events such as auctions, raffles, benefit concerts, or other special fund-raising events.

**8. Other.** Miscellaneous sources not classified above. If the gifts listed under this category amount to more than 10 percent of the matching requirement, please describe the donor sources in an accompanying narrative.

Questions about determining the appropriate category of a gift should be directed to the NEH Office of Grant Management or the Office of Challenge Grants.

- **Pledges included in certification.** As indicated in Section III.C., pledges made in response to the challenge grant may be eligible as long as they are paid by the end of the grant period. If any pledge donor defaults in payment, then the grant recipient must either 1) enforce collection of the pledge within the grant period, 2) substitute and report to NEH other eligible gifts, or 3) return to NEH that portion of federal funds, plus any interest earned on those funds, left unmatched because of the defaulted pledge or pledges. Concerns about defaulting should be discussed with Endowment staff at the earliest possible time. With the submission of the final certification, the grant recipient must attest that all certified pledges have been paid. It is important that the grantee institution keep clear records of all payments received against eligible certified pledges to prevent duplication of those amounts in subsequent certifications.

In the case of pledges for a restricted gift of less than \$5,000, it is not necessary to have each donor complete a separate letter if there is some other form of making a written pledge available through the solicitation material. For example, documentation could be in the form of a pledge card signed by the donor that contains a preprinted reference to the use of the donation to match the NEH challenge and shows the donor's address, the eligible amount of the gift, and the date by which the gift has been or will be paid (within the grant period). Pledges of unrestricted gifts require no reference to the NEH challenge, except that the gifts must be pledged within the grant period.

- **Sample Pledge Letter.** All pledges must be in writing. The following sample letter may be used and adapted to particular circumstances:

Dear (**authorizing official**):

In support of your National Endowment for the Humanities challenge grant [or proposal] (#C \_\_\_\_\_), I/we hereby pledge the sum of \$\_\_\_\_\_ to be used to match and to be expended for the approved purposes of this grant. I/we will make payment on this gift directly

to **(name of grant recipient organization)** on or before **(date of payment)**, but in no event later than **(grant termination date)**.

Sincerely,  
(Signature),  
Name and Address of Donor

The reference to the challenge grant or its purpose is required for pledges of restricted gifts but is not necessary for pledges of unrestricted gifts.

**C. Additional Documentation.** Certain gifts require additional documentation to supplement the certification form and transmittal letters. (Please note that the certification form should include the total of **all** gifts.)

- **Gifts of real estate—restricted:**
  - a signed and dated copy of the donor's gift transmittal letter indicating whether the property will produce income or is to be liquidated in order to achieve the purpose of the grant; **and**
  - if the gift is converted into cash by means of sale, a copy of the bill of sale (indicating the net sale value).
- **Gifts of real estate—unrestricted:**
  - documentation indicating whether the property will produce income or is to be liquidated;
  - if the gift is converted into cash by means of a sale, a copy of the bill of sale (indicating the net sale value); and
  - documentation indicating the date of the gift.
- **In-kind gifts** of services, materials, or other types of tangible donations. In-kind donations may only count as restricted gifts, not as unrestricted gifts.
  - regardless of the gift's value, a signed and dated transmittal letter from the donor is required;
  - documentation of the date of the gift;
  - a description of the objects, materials, or services provided and their value; and
  - for a gift of service, the total number of hours contributed and an explanation of the value of the labor computed on an hourly basis; or if the gift is contributed materials, appraisal based on standard rates.
- **Special Appropriations:** a copy of the appropriating legislation that indicates the date of the appropriation and that designates the funds specifically for the challenge grant or its purposes. (If another form of documentation is proposed, please consult with NEH staff.)

- **Planned Gifts and Gifts from an Estate:** See Section III.D. for the documentation required for certification of a planned gift or a gift from an estate.
- **Alternate Arrangements:** Any arrangement to allow an entity other than the grantee institution to receive matching gifts on the grantee's behalf, or to hold or manage the challenge grant funds, either federal or nonfederal, must be approved by NEH (see III.A.5.). The documentation that will be required depends on the particular circumstances; please consult with NEH staff.
- **Unrestricted Gifts:** When certifying unrestricted gifts, grantees must document the nature of any fund that, by whatever name, contains gifts that are considered to be unrestricted and transferred to the challenge grant. The fund must be explained. The grantee must also provide documentation as to the date the gift was given.

## V. Payment

Challenge grant recipients shall use the [Request for Advance or Reimbursement \(OMB Standard Form 270\)](#) to request payment. The [ACH Vendor/Miscellaneous Payment Enrollment Form \(Standard Form 3881\)](#) that contains banking information must be submitted to NEH with the first request for payment (and to request changes to banking information). Grantees can fill out the [SF 270](#) and the [SF 3881](#) online, print copies for signature by the authorized certifying official, scan the signed copies and e-mail them to [SF270-paymentrequest@neh.gov](mailto:SF270-paymentrequest@neh.gov) or fax them to the NEH Accounting Office at (202) 606-8343.

Payment **for approved direct expenditures (capital expenditures, acquisitions for collections, purchase of equipment and software, fundraising costs, and “bridge funds”)** should be requested in accordance with the payment procedures found in the [Financial Reporting Requirements](#). Unspent award funds for approved direct expenditures may be added to the endowment (or spend-down) fund approved in the Challenge Grant budget, or may be used to finance other approved direct expenditures only with the prior written approval of the Office of Challenge Grants.

Payment **for deposits into endowment (or spend-down) funds** can be requested immediately upon notification from the NEH that funds are being released for this purpose. Funds earmarked for endowment (or spend-down) funds are considered to be “expended” upon deposit into an income-earning account established as an endowment (or spend-down) fund and are not subject to the limits on advance payment, frequency of payment, and interest found in the [Financial Reporting Requirements](#).

## VI. Failure to Meet Required Match

- A. Forfeiture.** If sufficient donations are not raised in any given year, the federal offer for that year may have to be forfeited. The forfeiture of some or all federal funds in any given year proportionately reduces the total matching requirement.
- B. Refunds.** Failure to complete matching requirements in the final grant year would require the return of some federal funds.
- C. Extensions.** A request to extend the deadline for certification of required matching funds should be made at least one month prior to the deadline. All extensions are at the discretion of the Endowment. Extensions that would defer an offer of federal funds from one fiscal year to a later fiscal year can be granted only if NEH budget and program constraints permit.

## VII. Reporting Requirements

A listing of the required reports and the reporting due dates will be provided following the receipt of the first certification of gifts. All reports must be submitted electronically via “[eGMS](https://securegrants.neh.gov/eGMS/),” NEH’s online grant management system located at <https://securegrants.neh.gov/eGMS/>.

When accessing eGMS for the first time, enter the account number provided and click the RESET PASSWORD button. An e-mail message will be sent to you with a link to create a new password. A User Guide containing detailed instructions is available at the above eGMS site.

- A. Annual Certifications.** The Endowment requires an **annual report** on each grant. Gift certification constitutes the annual report in the first year of a challenge grant. A narrative performance report is required in the second and subsequent years of a challenge grant.

The form entitled [Certification of Matching Gifts for NEH Challenge Grants](#) (2-page PDF) is available on the NEH website and also is contained in eGMS, NEH’s online grant management system located at <https://securegrants.neh.gov/eGMS/>. Following the first certification, NEH requests that grantees complete the form online and submit it electronically via eGMS.

- B. Interim Performance Reports.** These reports will usually be written by the project director and should be submitted with the gift certification on or before the certification deadline. The reports should include
  1. A statement summarizing the approved plan of expenditures and enumerating the disposition (pledged, invested, or expended) of both federal and nonfederal



funds for each purpose thus far. If funds are being used to create an endowment, an explanation of how the yield is being put to use should be added. Where such revenues are already supporting expenditures (for example, new positions), the activities supported should be described in detail. For instance, when an endowed position is filled, the incumbent's résumé should be attached to the report;

2. The effects of the grant expenditures (if any) thus far on humanities programs or activities. Any changes in the status of humanities programs or activities since the proposal was written or since the last report was submitted should be discussed;
3. If applicable, any unexpected impact positive or negative resulting from the challenge grant;
4. The progress of the fund-raising plan, including successes, problems, and variety of fund-raising techniques employed. Please append to the narrative report samples of brochures, mailings, and publicity regarding the fund-raising efforts;
5. A description of the ways in which NEH support has been and will continue to be acknowledged (see Section VIII, "Acknowledgement Guidelines").

**C. Final Performance Report (and Certification).** The final narrative report should be submitted within ninety days after the end of the grant period.

The final performance report should include:

1. A summary of the total grant income (both federal and nonfederal) and of the expenditures for each purpose.
2. An assessment of the success of the fund-raising campaign. Describe especially effective (or ineffective) strategies, and discuss the leveraging effect of the NEH challenge.
3. An assessment of the degree to which the challenge grant has met the goals set forth in the original application. Discuss the overall impact of the grant on the institution's humanities activities and finances.
4. A description of how the challenge grant has enhanced awareness of the humanities, both internally and for the general public. Please provide examples.
5. A description how NEH support has been and will continue to be acknowledged (see Section VIII, "Acknowledgement Guidelines").

The final performance report should include a **final certification form** that shows that all pledges used to match the grant have been collected or that other eligible matching gifts have been substituted for uncollected pledges. Please complete the line on the certification form acknowledging this condition.

An institution may submit a final performance report at any time after receiving all federal funds that are due and certifying completion of its matching requirement.

**D. Follow-up Reports:** While NEH requires no formal reports after the close of the challenge grant, grantees are strongly encouraged to send information on the continued progress of the activities and programs supported by the grant to the Office of Challenge Grants. NEH may on occasion survey grant recipients about the results of their challenge grants.

**E. Final [Federal Financial Report \(FFR\) SF-425](#)**

A final *Federal Financial Report (FFR) SF-425* will be due within ninety days after the end of the grant period. For further details, please see the [Financial Reporting Requirements](#).

**F. Extensions of Reporting Deadlines:** A grant recipient may request an extension for the submission of reports. In all cases, requests for extensions should be made via [eGMS](#) at least thirty days before the deadline.

**VIII. Changes to Be Requested of, or Reported to, NEH**

**A. Purpose of Expenditure.** Changes from an approved purpose to a new purpose, shifts in the scope of the humanities activities supported by the challenge grant, or alterations in the amounts to be expended for separate categories of grant activities must be approved in advance by the NEH Challenge Grants program staff. Endowments or spend-down funds created after 2009 with NEH challenge grants are restricted to the uses defined in the challenge grant budget as approved. Changes in the purpose of the endowment or spend-down fund may be made only in consultation with NEH. NEH is guided by Section 6 of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in assessing proposed changes in purpose.

**B. Real Property.** Real property purchased, constructed, or renovated with challenge grants funds may not be sold or otherwise disposed of without the approval of NEH. The requirements stated in [2 CFR Part 215.32](#) *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations (OMB Circular A-110)*, or [45 CFR Part 1174.31](#), *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* apply to Challenge Grants.

**C. Changes in Project Director or Organization.** Because the project director's involvement in the humanities activities supported by the challenge grant is crucial to their success, replacement of the project director requires **prior written approval** from the Endowment. Please provide the rationale for the change and the c.v. of the proposed new project director. Changes in the organization administering the challenge grant must also be approved by the Endowment.

**D. Other Changes.** Most other changes require simple notification. Please report to the Endowment any changes in the authorizing official, institutional grant administrator, or any other key persons involved with the fundraising, record keeping, or administration of the challenge grant; changes in mailing or email addresses or telephone numbers should also be reported. Such notification may be done by sending NEH staff a message via [eGMS](#).

## **IX. Acknowledgement Guidelines**

Because donors of restricted gifts must be aware that their gifts are to be used to match the National Endowment for the Humanities challenge, it is crucial that all solicitations during the campaign for challenge grant donations refer explicitly and prominently to NEH and to the humanities.

Equally important, beyond the fund-raising campaign, is acknowledgment of NEH support. Unless advised to the contrary, all materials publicizing or resulting from grant activities shall contain an acknowledgment of NEH support. The acknowledgment shall also include the following statement: "Any views, findings, conclusions or recommendations expressed in this (publication) (program) (exhibition) (website) do not necessarily represent those of the National Endowment for the Humanities."

The kind of recognition will, of course, depend upon the type of activity. For example:

- All printed, graphic, or multi-media products resulting from or acquired through challenge grant support (including support in the form of income from endowment) should include a credit line indicating the National Endowment for the Humanities as a source of support.
- Exhibitions, kiosks, home pages, or other kinds of display supported through the challenge grant should include prominent acknowledgement of the National Endowment for the Humanities.
- Publicity (such as invitations, announcements, flyers, mailings, posters, and the like) for programs supported through challenge grant funds should include specific credit for the National Endowment for the Humanities.

The National Endowment for the Humanities should be acknowledged at the beginning of any program event, lecture, presentation, or other public gathering resulting from challenge grant support.

Buildings or sites constructed or renovated with NEH support should include a prominently displayed plaque or other permanent sign recognizing support from the National Endowment for the Humanities. The National Endowment for the Humanities should be included in any list of donors in reports about fund-raising campaigns of which the challenge grant was a part.

When appropriate, the term "humanities" should be included in the name of a position, series, classroom, library room, and other named entities supported by the challenge grant. You are urged to consult with staff in the Office of Challenge Grants about whether to include NEH designation in a name or title.

Grant recipients are urged to find other ways to acknowledge NEH support and, as importantly, bring the achievements of the humanities to public attention. Grantees are also urged to bring to the Endowment's attention information about openings, news conferences, celebrations, or other events deriving from challenge grant support.

## **X. Annual Burden to Grantees**

In many cases, complying with these administrative requirements for challenge grants is part of a larger capital campaign for which such records will be maintained for all donors and gifts. It is therefore difficult to estimate how much additional time any grantee will need to meet the requirements of these awards, but the range could be estimated between a maximum of 240 hours and a minimum of five hours annually.

## **Appendices**

### **Appendix 1**

The form entitled [Certification of Matching Gifts for NEH Challenge Grants](#) (2-page PDF) is available on the NEH website and also is contained in eGMS, NEH's online grant management system located at <https://securegrants.neh.gov/eGMS/>. **Following the first certification, NEH requests that grantees complete the form online and submit it electronically via eGMS.**

### **Appendix 2**

#### **Special Requirements for Renovation and Construction Projects Section 106 Review Process and Letter from the State Historic Preservation Office**

Applicants requesting support for the construction of a free-standing structure, for building renovations, or for additions to buildings of any age are required to consult with their state historic preservation officer (SHPO) to determine if a property or site is listed,

or is eligible for listing, in the National Register of Historic Places. The SHPO's eligibility determination should be included in an appendix to the application. If a property is eligible for or listed in the National Register, the applicant should, if possible, also include in an appendix to the application the SHPO's written comments as to the effect of the project on the building or site, in accordance with the guidelines set forth in the Secretary of the Interior's [\*Standards for the Treatment of Historic Properties\*](#).

Additionally, applicants who receive NEH challenge grant funds for renovation and construction projects on property or sites listed, or eligible for listing, in the National Register of Historic Places must provide NEH with assistance in carrying out its responsibilities under Section 106 of the National Historic Preservation Act, 16 U.S.C. Section 470f, as amended. For all funded renovation or construction projects, Section 106 requires NEH to conduct a review to determine whether historic properties will be affected. If historic properties will be adversely affected by a project, Section 106 requires that NEH consult with the State Historic Preservation Officer and the applicant to avoid, minimize, or mitigate the adverse effect.

The Section 106 review process is initiated once NEH makes a decision to fund an application for renovation and construction projects on property or sites listed, or eligible for listing, in the National Register of Historic Places. If such an application is selected for funding, the NEH Office of Grant Management will contact the applicant with a request for any additional information about the project that might be needed for Section 106 review. Once this information is received, NEH will conduct a review and determine whether further action is needed in order to comply with Section 106. The length of the Section 106 review process varies for each project. However, applicants can minimize the length of the review process by familiarizing themselves with Section 106 and by submitting required documentation with the Challenge Grant application. NEH is not permitted to release any grant funds until the Section 106 process has concluded.

For more information on the Section 106 review process, the required documentation, and the responsibilities of an applicant prior to and during the Section 106 review, please read the [Section 106 FAQs](#), or contact the NEH Federal Preservation Officer at <mailto:FPO@neh.gov>, by phone at 202-606-8309, or by mail sent to Federal Preservation Officer, Office of Challenge Grants, Room 420, National Endowment for the Humanities, 1100 Pennsylvania Ave. N.W., Washington, D.C. 20506.

For further information, see [Frequently Asked Questions about Section 106](#).

### **Davis-Bacon Act**

If any NEH challenge grant funds, federal or nonfederal, will be used for renovation and construction projects, the institution must comply with the Davis-Bacon Act. **NOTE: For purposes of compliance with the Davis-Bacon Act, there is no distinction between federal funds and nonfederal donations raised for matching. Both are subject to Davis-Bacon requirements.**

In projecting your budget, be advised that any construction or renovation projects funded by federal funds, in whole or in part, are subject in their entirety to the Davis-Bacon Act as amended, 40 U.S.C. 276a-276a-5. Grant recipients are required by law to furnish assurances to the Secretary of Labor that all laborers and mechanics employed by contractors or subcontractors on Endowment-supported construction projects shall be paid wages at rates that are not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor.

Additional information is available by contacting the U.S. Department of Labor, Wage and House Division, Division of Contract Standards and Operations, 200 Constitution Avenue, NW, Washington, D.C., 20210.

### **Appendix 3**

#### **Section 6 of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)**

##### **SECTION 6. RELEASE OR MODIFICATION OF RESTRICTIONS ON MANAGEMENT, INVESTMENT, OR PURPOSE.**

(a) If the donor consents in a record, an institution may release or modify, in whole or in part, a restriction contained in a gift instrument on the management, investment, or purpose of an institutional fund. A release or modification may not allow a fund to be used for a purpose other than a charitable purpose of the institution.

(b) The court, upon application of an institution, may modify a restriction contained in a gift instrument regarding the management or investment of an institutional fund if the restriction has become impracticable or wasteful, if it impairs the management or investment of the fund, or if, because of circumstances not anticipated by the donor, a modification of a restriction will further the purposes of the fund. The institution shall notify the [Attorney General] of the application, and the [Attorney General] must be given an opportunity to be heard. To the extent practicable, any modification must be made in accordance with the donor's probable intention.

(c) If a particular charitable purpose or a restriction contained in a gift instrument on the use of an institutional fund becomes unlawful, impracticable, impossible to achieve, or wasteful, the court, upon application of an institution, may modify the purpose of the fund or the restriction on the use of the fund in a manner consistent with the charitable purposes expressed in the gift instrument. The institution shall notify the [Attorney General] of the application, and the [Attorney General] must be given an opportunity to be heard.

(d) If an institution determines that a restriction contained in a gift instrument on the management, investment, or purpose of an institutional fund is unlawful, impracticable,

impossible to achieve, or wasteful, the institution, [60 days] after notification to the [Attorney General], may release or modify the restriction, in whole or part, if:

- (1) the institutional fund subject to the restriction has a total value of less than [\$25,000];
- (2) more than [20] years have elapsed since the fund was established; and
- (3) the institution uses the property in a manner consistent with the charitable purposes expressed in the gift instrument.

## Appendix 4

### General Terms and Conditions

The [General Terms and Conditions For Awards](#) and the [Addendum](#) apply to all NEH Challenge Grants **WITH THE EXCEPTION OF:**

- Article 2,
- Article 6,
- Appendix C (Sample Prior Approval Form).
- In addition, Article 5. Allowable Costs is amended as follows:  
Fundraising and investment costs are allowable costs in the NEH Challenge Grants Program. For the NEH Challenge Grants Program only, the following sections of the OMB Cost Principles disallowing fundraising and investment management costs are superseded by section 956 (h)(1)(A) of the NFAH Act (20 U.S.C.):
  - [2 CFR Part 220, Cost Principles for Educational Institutions \(OMB Circular A-21\), Appendix A, J.20](#)
  - [2 CFR Part 225, Cost Principles for State, Local and Indian Tribal Governments \(OMB Circular A-87\), Appendix B.17](#)
  - [2 CFR Part 230, Cost Principles for Non-Profit Organizations \(OMB Circular A-122\), Appendix B. 17](#)