

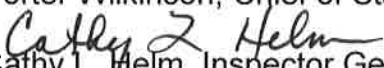


Office of the Inspector General

Date June 21, 2016

To: John W. McCarter, Jr., Chair, Board of Regents
Ambassador Barbara Barrett, Chair, Audit and Review Committee,
Board of Regents
Dr. David J. Skorton, Secretary

Cc: Albert G. Horvath, Under Secretary for Finance & Administration/
Chief Financial Officer
Jean Garvin, Director, Office of Finance and Accounting
Porter Wilkinson, Chief of Staff to the Board of Regents

From: 
Cathy L. Helm, Inspector General

Subject Independent Auditors' Report on the Fiscal Year 2015 Audits of Federal Awards Performed in Accordance with the Office of Management and Budget Circular A-133 (OIG-A-16-08)

This memorandum transmits the third and final report of the fiscal year 2015 financial statement audits of the Smithsonian Institution (Smithsonian) performed by the independent public accounting firm of KPMG LLP (KPMG).¹ Attached is KPMG's report on the audit of federal awards performed in accordance with the Office of Management and Budget Circular A-133. KPMG expressed an unmodified opinion on the Smithsonian's schedule of federal award expenditures.

In addition, as you are aware, on November 17, 2015, KPMG expressed an unmodified opinion on the fiscal year 2015 federal closing package financial statements.² Further, on January 22, 2016, KPMG expressed an unmodified opinion on the Smithsonian's fiscal year 2015 entity-wide financial statements.³

As part of our oversight activities, we reviewed KPMG's audit reports and documentation and interviewed its representatives. Our review of KPMG's fiscal year 2015 audit work disclosed no instances where KPMG did not comply, in all material respects, with the American Institute of Certified Public Accountants' generally accepted auditing standards and the U.S. Government Accountability Office's *Government Auditing Standards*.

¹ The Office of the Inspector General (OIG) serves as the Smithsonian's Contracting Officer's Technical Representative for the oversight of KPMG's work.

² OIG, *Independent Audit Report on the Fiscal Year 2015 Audit of the Smithsonian Institution's Federal Closing Package Financial Statements*, OIG-A-16-01 (Washington, D.C.: Nov. 2015).

³ OIG, *Independent Auditors' Report on the Smithsonian Institution's Fiscal Year 2015 Financial Statements*, OIG-A-16-03 (Washington, D.C.: Jan. 2016).

Our oversight of KPMG's audit was not intended to enable us to express, and we do not express, an opinion about the Smithsonian's financial statements, internal controls over financial reporting, or compliance with laws and regulations. KPMG is responsible for their audit reports and the conclusions therein.

If you have any questions, please do not hesitate to contact me or Joan Mockeridge, Acting Assistant Inspector General for Audits, at 202.633.7050.

Attachment



SMITHSONIAN INSTITUTION

Audit of Federal Awards Performed in Accordance with U.S. Office
of Management and Budget Circular A-133

September 30, 2015

(With Independent Auditors' Report Thereon)

SMITHSONIAN INSTITUTION

Audit of Federal Awards Performed in Accordance with U.S. Office of Management and Budget Circular A-133

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KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report

The Office of the Inspector General, Audit and Review Committee
of the Board of Regents, and Secretary Skorton
Smithsonian Institution:

Report on the Financial Statements

We have audited the accompanying financial statements of Smithsonian Institution (Smithsonian), which comprise the statement of financial position as of September 30, 2015, and the related statements of financial activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Smithsonian's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Smithsonian Institution as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Fund Detail

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The fund detail is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the fund detail is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Smithsonian's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2016 on our consideration of Smithsonian Institution's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Smithsonian's internal control over financial reporting and compliance.

KPMG LLP

January 22, 2016

SMITHSONIAN INSTITUTION

Statement of Financial Position

September 30, 2015

(with summarized financial information as of September 30, 2014)

(Dollars in millions)

	Fund detail		Total funds	
	Trust	Federal	2015	2014
Assets:				
Cash, cash equivalents and U.S. Treasury balances	\$ 208.6	297.8	506.4	520.7
Receivables and advances	319.0	2.8	321.8	321.9
Inventories	10.8	0.4	11.2	12.9
Deferred expenses and other assets	52.0	1.3	53.3	46.9
Investments	1,397.0	—	1,397.0	1,446.4
Property and equipment, net	721.4	1,505.1	2,226.5	2,050.4
Total assets	\$ 2,708.8	1,807.4	4,516.2	4,399.2
Liabilities:				
Accounts payable and accrued expenses	\$ 182.3	122.7	305.0	294.0
Deferred revenue	51.2	—	51.2	47.0
Unexpended federal appropriations	—	248.5	248.5	197.0
Deferred gain on sale of real estate	19.9	—	19.9	23.8
Environmental remediation obligation	—	50.3	50.3	45.3
Long-term debt	202.8	—	202.8	204.2
Total liabilities	456.2	421.5	877.7	811.3
Net assets:				
Unrestricted:				
Funds functioning as endowment	592.1	—	592.1	619.6
Operational balances	419.0	1,385.9	1,804.9	1,757.7
Total unrestricted net assets	1,011.1	1,385.9	2,397.0	2,377.3
Temporarily restricted:				
Funds functioning as endowment	281.8	—	281.8	310.1
Donor contributions for facilities	225.0	—	225.0	222.4
Donor contributions for programs	247.3	—	247.3	236.9
Total temporarily restricted net assets	754.1	—	754.1	769.4
Permanently restricted:				
True endowments	414.3	—	414.3	369.5
Donor endowment receivables	56.3	—	56.3	53.5
Interest in perpetual and other trusts	16.8	—	16.8	18.2
Total permanently restricted net assets	487.4	—	487.4	441.2
Total net assets	2,252.6	1,385.9	3,638.5	3,587.9
Commitments and contingencies				
Total liabilities and net assets	\$ 2,708.8	1,807.4	4,516.2	4,399.2

See accompanying notes to financial statements.

SMITHSONIAN INSTITUTION

Statement of Financial Activities

Year ended September 30, 2015

(with summarized financial information for year ended September 30, 2014)

(Dollars in millions)

	Unrestricted fund detail			Temporarily restricted trust funds	Permanently restricted trust funds	Total funds	
	Trust	Federal	Total			2015	2014
Operating revenues and other additions:							
Government revenue:							
Federal appropriations	\$ —	767.9	767.9	—	—	767.9	870.2
Government grants and contracts	125.9	—	125.9	—	—	125.9	124.2
Total government revenue	125.9	767.9	893.8	—	—	893.8	994.4
Contributions:							
Program support	33.4	—	33.4	90.3	45.4	169.1	161.4
Construction of facilities	—	—	—	29.2	—	29.2	28.6
Total contributions	33.4	—	33.4	119.5	45.4	198.3	190.0
Business activities and other:							
Business activities	178.6	—	178.6	—	—	178.6	165.8
Short-term investment income	2.0	—	2.0	—	—	2.0	3.8
Endowment payout	39.1	—	39.1	26.2	1.1	66.4	63.6
Private grants	7.0	—	7.0	—	—	7.0	7.6
Rentals, fees, commissions, and other	19.8	9.4	29.2	—	—	29.2	27.2
Gain on sale of real estate	3.9	—	3.9	—	—	3.9	3.9
Imputed benefit revenue	—	33.5	33.5	—	—	33.5	32.9
Total business activities and other	250.4	42.9	293.3	26.2	1.1	320.6	304.8
Total operating revenues	409.7	810.8	1,220.5	145.7	46.5	1,412.7	1,489.2
Net assets released from restrictions	127.5	—	127.5	(127.5)	—	—	—
Total operating revenues and other additions	537.2	810.8	1,348.0	18.2	46.5	1,412.7	1,489.2
Expenses:							
Program activities:							
Research	131.8	130.8	262.6	—	—	262.6	256.8
Collections management	26.2	215.2	241.4	—	—	241.4	237.7
Education, public programs, and exhibitions	91.4	216.4	307.8	—	—	307.8	293.3
Business activities	139.1	—	139.1	—	—	139.1	134.4
Total program activities	388.5	562.4	950.9	—	—	950.9	922.2
Supporting activities:							
Administration:							
Centrally managed	22.5	90.3	112.8	—	—	112.8	114.1
Unit managed	52.7	104.9	157.6	—	—	157.6	143.2
Advancement	46.9	7.6	54.5	—	—	54.5	46.6
Total supporting activities	122.1	202.8	324.9	—	—	324.9	303.9
Total expenses	510.6	765.2	1,275.8	—	—	1,275.8	1,226.1
Change in net assets before nonoperating activities	26.6	45.6	72.2	18.2	46.5	136.9	263.1
Nonoperating activities:							
Environmental remediation costs	—	(6.7)	(6.7)	—	—	(6.7)	23.9
Nonoperating investment gains (losses)	(38.5)	—	(38.5)	(26.3)	(0.6)	(65.4)	65.7
Loss on contributions receivable	—	—	—	(5.1)	—	(5.1)	—
Change in net assets of related organizations and other	2.8	—	2.8	(2.1)	0.3	1.0	2.9
Collection items not capitalized:							
Proceeds from sales	1.2	—	1.2	—	—	1.2	—
Collection items purchased	(7.5)	(3.8)	(11.3)	—	—	(11.3)	(8.8)
Change in net assets	(15.4)	35.1	19.7	(15.3)	46.2	50.6	346.8
Net assets, beginning of year	1,026.5	1,350.8	2,377.3	769.4	441.2	3,587.9	3,241.1
Net assets, end of year	\$ 1,011.1	1,385.9	2,397.0	754.1	487.4	3,638.5	3,587.9

See accompanying notes to financial statements.

SMITHSONIAN INSTITUTION

Statement of Cash Flows

Year ended September 30, 2015

(with summarized financial information for year ended of September 30, 2014)

(Dollars in millions)

	Fund detail		Total funds	
	Trust	Federal	2015	2014
Cash flows from operating activities:				
Change in net assets	\$ 15.5	35.1	50.6	346.8
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Proceeds from sales of collection items	(1.2)	—	(1.2)	—
Collection items purchased	7.5	3.8	11.3	8.8
Depreciation and amortization	39.2	93.6	132.8	126.9
Present value discount and accretion	(2.8)	1.6	(1.2)	—
Loss on contributions receivable	5.0	—	5.0	—
Contributions for permanent restricted purposes	(45.4)	—	(45.4)	(32.2)
Contributions for construction of facilities	(29.2)	—	(29.2)	(27.2)
Appropriations for repair, restoration, and construction	—	(144.2)	(144.2)	(158.0)
Investment income restricted for long-term purposes	(1.1)	—	(1.1)	(1.2)
Net investment losses (gains)	5.9	—	5.9	(112.5)
Decrease (increase) in assets:				
Receivables and advances	(2.4)	(1.5)	(3.9)	(21.7)
Deferred expenses and other assets	(5.3)	(1.3)	(6.6)	(9.3)
Inventories	1.4	0.3	1.7	(2.3)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	33.5	6.4	39.9	6.9
Environmental remediation obligation	—	3.4	3.4	(23.9)
Deferred revenue and deferred gain on sale of real estate	0.3	—	0.3	(6.0)
Unexpended federal appropriations	—	51.5	51.5	(67.9)
Net cash provided by operating activities	<u>20.9</u>	<u>48.7</u>	<u>69.6</u>	<u>27.2</u>
Cash flows from investing activities:				
Proceeds from sales of collection items	1.2	—	1.2	—
Collection items purchased	(7.5)	(3.8)	(11.3)	(8.8)
Purchases of property and equipment	(179.1)	(158.6)	(337.7)	(291.8)
Purchases of investment securities	(173.5)	—	(173.5)	(253.9)
Proceeds from sales/maturities of investment securities	218.8	—	218.8	233.0
Net cash used in investing activities	<u>(140.1)</u>	<u>(162.4)</u>	<u>(302.5)</u>	<u>(321.5)</u>
Cash flows from financing activities:				
Contributions for permanent restricted purposes	45.4	—	45.4	32.2
Contributions for construction of facilities	29.2	—	29.2	27.2
Appropriations for repair, restoration, and construction	—	144.2	144.2	158.0
Investment income restricted for long-term purposes	1.1	—	1.1	1.2
Proceeds from issuance of bonds	—	—	—	99.5
Principal payments on long-term debt	(1.3)	—	(1.3)	(1.3)
Net cash provided by financing activities	<u>74.4</u>	<u>144.2</u>	<u>218.6</u>	<u>316.8</u>
Net change in cash, cash equivalents and U.S. Treasury balances	(44.8)	30.5	(14.3)	22.5
Cash, cash equivalents and U.S. Treasury balances:				
Beginning of year	<u>253.4</u>	<u>267.3</u>	<u>520.7</u>	<u>498.2</u>
End of year	\$ <u>208.6</u>	\$ <u>297.8</u>	\$ <u>506.4</u>	\$ <u>520.7</u>
Noncash investing activities:				
Construction cost accruals	\$ 31.0	8.3	39.3	49.9
Cash paid for interest	\$ 2.5	—	2.5	2.7

See accompanying notes to financial statements.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2015

(Dollars in millions)

(1) Organization

The Smithsonian Institution (Smithsonian) was created by act of Congress in 1846 in accordance with the terms of the will of James Smithson of England, who, in 1826, bequeathed property to the United States of America “to found at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge among men.” Congress established the Smithsonian as a trust of the United States of America and vested responsibility for its administration in the Smithsonian Board of Regents (Board).

The Smithsonian is a museum and an education and research complex consisting of 17 museums and the National Zoological Park in Washington, D.C., and two museums in New York City. Additional facilities and programs are operated in five states and Panama. Research is carried out in the museums and other facilities throughout the world. During fiscal year 2015, nearly 28.2 million individuals visited Smithsonian museums and other facilities.

At September 30, 2015, the Smithsonian’s extensive collection contained approximately 138.2 million objects: 0.3 million works of art, 8.7 million historical artifacts, and 129.2 million natural and physical science specimens (living and nonliving). The Smithsonian also maintains 143,000 cubic feet of archival holdings and 2.0 million library volumes. During fiscal year 2015, approximately 26,000 natural and physical science specimens were disposed of.

A substantial portion of the Smithsonian’s operations is funded by annual federal appropriations. Federal appropriations are also received for the construction or repair and restoration of its facilities. Construction of certain facilities has been funded entirely by federal appropriations, while others have been funded by a combination of federal and private funds.

In addition to federal appropriations, the Smithsonian receives private support, government grants and contracts, and earns income from investments and its various business activities. Business activities include Smithsonian magazines, other publications, online catalogs, and theaters, shops and food services located in its museums and centers.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements present the financial position, financial activities, and cash flows of the Smithsonian on the accrual basis of accounting. Funds received from direct federal appropriations and related transactions are reported as federal funds. All other funds and related transactions are reported as trust funds.

The statement of financial activities includes certain prior year summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Smithsonian’s financial statements for the year ended September 30, 2014, from which the summarized information was derived.

These financial statements do not include the accounts of the National Gallery of Art, the John F. Kennedy Center for the Performing Arts, or the Woodrow Wilson International Center for Scholars,

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2015

(Dollars in millions)

which were established by Congress within the Smithsonian, but are governed by independent boards of trustees.

Expenses are presented on a functional basis in the statement of financial activities. Programs include research, collections management, education, public programs and exhibitions, and business activities. Supporting services include administration and advancement. Administration is reported as centrally managed through the Office of Under Secretary for Finance and Administration or unit managed as part of an individual museum or center. Depreciation, security, and other general operating costs that benefit more than one program are allocated across programs and services based on square feet.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates affecting the Smithsonian's financial statements relate to the net asset value of nonmarketable investments, allocation of functional expenses, Federal Employees' Compensation Act (FECA) liability, environmental remediation obligations, imputed benefit cost/revenue, and the allowance and discount for contributions receivable.

(c) Federal Funds

Federal appropriations revenues are classified as unrestricted and recognized as exchange transactions as expenses are incurred. The net assets of federal funds consist primarily of the Smithsonian's net investment in property and equipment purchased with or constructed using federal funds less unfunded liabilities for environmental remediation obligations and annual leave and estimated FECA liabilities for workers compensation claims.

For fiscal 2015, the Smithsonian was appropriated \$675.3 for operations and \$144.2 for construction or repair and restoration of facilities. Federal appropriations for operations are generally available for two years. Federal appropriations for construction or repair and restoration of facilities are generally available for obligation until expended. Advancement costs related to the National Museum of African American History and Culture are included in the appropriation for operations.

In accordance with Public Law 110-161, appropriations for operations are maintained for five years following the year of appropriation, at which time the appropriation account is closed and any unexpended balance is returned to the U.S. Treasury. During fiscal year 2015, the unexpended balance of the fiscal 2010 appropriation, amounting to less than \$0.1 million, was returned.

(d) Trust Funds

Trust net assets, revenues, expenses and gains and losses are classified and reported based on the existence or absence of donor imposed restrictions as follows:

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2015

(Dollars in millions)

Unrestricted

Unrestricted net assets are not subject to donor imposed or other legal stipulations on the use of the funds. Funds functioning as endowment in this category represent unrestricted net assets that have been designated by the Board for long-term investment.

Temporarily Restricted

Temporarily restricted net assets subject to donor imposed stipulations that may be met by actions of the Smithsonian and/or the passage of time. Funds functioning as endowment in this category represent donor restricted contributions and accumulated earnings from true endowments that have been designated for long-term investment. Once the temporary restriction has been met (i.e., the donor stipulation has been fulfilled, assets placed in service, and/or the stipulated time period has elapsed), net assets are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

Permanently Restricted

Permanently restricted net assets are subject to donor imposed stipulations requiring the principal be maintained permanently by the Smithsonian. Generally, the donors of these assets permit the use of all or part of the income earned on investment of the assets for either general or donor specified purposes.

Trust fund revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by the donor. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Losses on investments that reduce the assets of donor-restricted endowment funds below the level required by donor stipulations or by law are generally classified as reductions of unrestricted net assets and reported as nonoperating losses in the statement of financial activities. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net assets and reported as nonoperating gains in the statement of financial activities.

(e) Cash Equivalents

The Smithsonian considers all highly liquid investments purchased with an average maturity of three months or less, including U.S. Treasury balances, to be cash equivalents. Cash equivalents for trust funds include funds held by the U.S. Treasury of \$18.7 and \$189.9 of institutional money market funds with maturity dates of three months or less. Cash and cash equivalents for federal funds consist entirely of U.S. Treasury balances of \$297.8 restricted for federal appropriation capital and operating expenses.

(f) Working Capital

The Smithsonian has adopted a working capital policy to meet immediate and long-term cash needs of the organization using high quality investments. The working capital investment policy requires funds be invested in short-term instruments that will allow for required liquidity and provide a maximum interest return within defined risk constraints. At September 30, 2015, the fund, totaling

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2015

(Dollars in millions)

\$266.9, is comprised of \$171.2 in cash equivalents with maturity dates of three months or less and short-term investments of \$95.7 which are included in investments (see note 5).

(g) Trade Accounts Receivable

Trade accounts receivable generally consists of accounts receivables related to magazine advertising and certain concession agreements. As of September 30, 2015, trade accounts receivable totaled \$18.0 (see note 3).

(h) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value at the date of gift, except items that are contributed and held as part of the Smithsonian's collections are not capitalized. Contributions restricted to the acquisition of long-lived assets are recorded as temporarily restricted revenue in the period received. Generally, the donor's restrictions are considered met and the net assets are released from restriction when the related long-lived asset is placed in service.

Contributions receivable are reported net of management's estimate of uncollectible amounts which is based on judgment and analyses of donors' creditworthiness, past collection experience, and other relevant factors. Estimated collectible contributions scheduled to be received after one year are discounted using a risk-adjusted rate for the expected period of collection. Amortization of the discount is recorded as additional contribution revenue. These inputs represent Level 3 inputs in the fair value hierarchy.

In-kind contributions of goods and services totaling \$11.8 were received in fiscal year 2015 and recognized as program support revenues and expenses in the statement of financial activities. In-kind contributions include donated space, equipment, and various other items.

A substantial number of volunteers also make significant contributions of time to the Smithsonian, enhancing its activities and programs. Approximately 6,300 volunteers contributed about 505,500 hours of service to the Smithsonian during fiscal year 2015. In accordance with applicable guidance, the value of these contributions is not recognized in the financial statements.

(i) Deferred Revenues and Expenses

Revenues from magazine subscriptions are deferred and recognized ratably over the period of the subscription, generally one year.

Promotion production expenses are recognized when related advertising materials are released. Direct-response advertising relating to the magazines is deferred and amortized over one year. At September 30, 2015, deferred expenses and other assets include \$5.0 of deferred promotion costs, related primarily to the magazines. Advertising expense, including direct response advertising of \$3.2, totaled \$13.1 in fiscal year 2015 and is included in business activities expenses in the statement of financial activities.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2015

(Dollars in millions)

(j) Inventories

Inventories are reported at the lower of cost or market, and consist primarily of merchandise and books. Cost is determined using the first-in, first-out method.

(k) Investments

Smithsonian employs an investment strategy which utilizes equities, marketable alternatives, fixed income, private equity and venture capital, natural resources and real estate, and cash and cash equivalents to fulfill its fiduciary responsibility to its donors and constituents.

Investments in fixed income, certain global equities, publicly traded natural resources and cash and cash equivalents, and the gift annuity program investments are reported at fair value, which are determined primarily based on quoted market prices. Investments in private equity and venture capital, certain real estate, natural resources, marketable alternatives, and public equities held through commingled funds (collectively, nonmarketable investments) are stated at estimated fair value based on the funds' net asset values, or their equivalents (collectively, NAV) as a practical expedient, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of September 30, 2015, the Smithsonian had no plans or intentions to sell investments at amounts different from NAV. These estimated fair values may differ from the values that would have been used had a ready market existed for these investments, and the differences could be significant.

Investments are exposed to various risks including interest rate, market, exchange rate, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that significant changes in the values of investments could occur in the near term.

Changes in fair value are recognized in the statement of financial activities. Purchases and sales of investments are recorded on the trade date using average costs. Investment income is recorded when earned.

(l) Split Interest Agreements and Perpetual Trusts

Split interest agreements with donors consist primarily of irrevocable charitable remainder trusts, charitable gift annuities, and perpetual trusts. For the charitable remainder trusts, the assets are included in receivables. The related contribution revenues are recognized at the dates the trusts are established based on the net present value of the estimated future payments to be made to the donors and/or other beneficiaries. For the charitable gift annuities, assets are recognized at fair value at the dates of the annuity agreements. An annuity liability is recognized for the present value of future cash flows expected to be paid to the donor and contribution revenues are recognized equal to the difference between the assets and the annuity liability. Liabilities are adjusted during the terms of the annuities for payments to donors, accretion of discounts and changes in the life expectancies of the donors.

The Smithsonian is also the beneficiary of certain perpetual trusts held and administered by others. The fair values of the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trusts are recorded as investment income and the assets are adjusted for changes in the fair value of the trust assets.

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(m) Property and Equipment

Property and equipment purchased with federal or trust funds are recorded at cost. Property and equipment acquired through transfers from government agencies are recorded at net book value or fair value at the date of transfer, whichever is more readily determinable. Property and equipment acquired through donation are recorded at estimated fair value at the date of the gift.

Property and equipment assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	30 years
Major renovations	15 years
Equipment and software	3 – 7 years
Exhibit costs	10 years

Leasehold improvements are amortized over the shorter of the lease term or their useful lives.

Rent expense under operating leases that provide for scheduled rent increases over their terms is recognized on a straight-line basis.

Certain lands occupied by Smithsonian buildings, located primarily in the District of Columbia, Maryland, and Virginia, were appropriated and reserved by Congress for the Smithsonian's use. The Smithsonian serves as trustee of these lands for as long as they are used to carry out its mission. These lands are titled in the name of the U.S. government and are not included in the accompanying financial statements.

(n) Collections – Stewardship Assets

The Smithsonian acquires its collections by purchase (using federal or trust funds) or by donation. All collections are held for public exhibition, education, or research. The Smithsonian's collections management policy includes guidance on the preservation, care, and maintenance of the collections and procedures relating to the accession/deaccession of collection items.

In conformity with the practice generally followed by museums, no value is assigned to the collections in the statement of financial position. Purchases of collection items are recognized as reductions in unrestricted net assets in the period of acquisition. Proceeds from deaccessions or insurance recoveries for lost or destroyed collection items are recognized as increases in the appropriate net asset class and are designated for future collection acquisitions.

Noncash deaccessions result from the exchange, donation, or destruction of collection items, and occur because objects deteriorate, are outside the scope of a museum's mission, or are duplicative. During fiscal year 2015, noncash deaccessions included works of art, animals, historical objects, and natural specimens. Contributed items held for sale, amounting to \$1.2, are included in other assets.

Items that are acquired with the intent to sell, exchange, or otherwise be used for financial gain are not considered collection items and are recorded as other assets at their fair value at the date of acquisition.

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(o) Annual Leave

The Smithsonian's federal and trust employees earn annual leave in accordance with federal laws and regulations and internal policies, respectively. Annual leave for all employees is recognized as an expense when earned. The liability for unused annual leave is included in accounts payable and accrued expenses in the statement of financial position.

(p) Sponsored Projects

The Smithsonian receives grants and enters into contracts with U.S. federal, state and local governments which generally provide for reimbursement of costs. Revenues under these agreements are recognized as reimbursable expenditures are incurred. These revenues include recoveries of facilities and administrative costs that are generally based on a negotiated or agreed-upon percentage of direct costs, with certain exclusions.

(q) Advancement

The Smithsonian raises private financial support from individual donors, corporations, and foundations to fund programs and other initiatives. Financial support is also generated through numerous membership programs. Fundraising costs are expensed as incurred and reported as advancement expenses in the statement of financial activities.

(r) Nonoperating Activities

Nonoperating activities include environmental remediation costs, nonoperating investment income, loss on contributions receivable, changes in the net assets of related organizations, and changes in net assets related to collection items.

Nonoperating investment income is calculated as the difference between the total return on the endowment (i.e., dividends, interest and net gain or loss) and the annual payout of the endowment funds.

The Smithsonian recognizes its interest in the net assets of organizations that are financially interrelated and the changes in its interest using a method similar to the equity method of accounting. The principal financially interrelated organizations are the Smithsonian Network and Friends of the National Zoo.

(s) Income Taxes

The Smithsonian is recognized as exempt from income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code. Organizations described in that Section are taxable only on their unrelated business income. Advertising sales are the principal source of unrelated business income for the Smithsonian. The provision for income taxes was not material for fiscal year 2015. The Smithsonian recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Smithsonian does not believe its financial statements include any uncertain tax positions.

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(t) Recent Accounting Pronouncements

In May 2015, the FASB issued Accounting Standard Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (a consensus of the Emerging Issues Task Force)*, which eliminates the requirement to classify investments in the fair value hierarchy if their fair value is measured at NAV using the practical expedient. The Smithsonian has adopted this ASU as of September 30, 2015.

In April 2015, the FASB issued ASU No 2015- 03, *Simplifying the Presentation of Debt Issuance costs* which requires debt issuance costs related to a recognized debt liability to be presented on the statement of financial position as a direct deduction from the debt liability, similar to the presentation of debt discounts. The Smithsonian elected to adopt ASU No. 2015-03 in fiscal 2015 and modified the September 30, 2014 balance reported on the statement of financial position to conform to the presentation as of September 30, 2015.

(3) Receivables and Advances

Receivables and advances consisted of the following:

	Trust	Federal	Total
Contributions	\$ 250.9	—	250.9
Grants and contracts	24.7	—	24.7
Trade accounts, net of \$0.9 allowances	15.2	2.8	18.0
Accrued interest and dividends	3.9	—	3.9
Charitable trusts	17.9	—	17.9
Advances and other	6.4	—	6.4
Total receivables and advances	\$ 319.0	2.8	321.8

Contributions receivable consist of the following:

Due within:		
Less than 1 year		\$ 83.1
1 to 5 years		130.2
5 years or beyond		56.6
		269.9
Less:		
Allowance for uncollectible contributions		(4.5)
Unamortized discount (at rates ranging from 0.62% to 5.78%)		(14.5)
Contributions receivable, net		\$ 250.9

Included in contributions receivable due in 5 years or beyond is \$45.7 due from a single donor for construction of facilities.

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(4) Federal Appropriations

Federal appropriation revenue is reconciled to the fiscal 2015 federal appropriation as follows:

	<u>Salaries and expenses</u>	<u>Repair and restoration and construction</u>	<u>Total</u>
Federal appropriation revenue	\$ 650.8	117.1	767.9
Unexpended 2015 appropriation	104.1	97.0	201.1
Amounts expended from prior years	<u>(79.6)</u>	<u>(69.9)</u>	<u>(149.5)</u>
Fiscal year 2015 federal appropriation	\$ <u><u>675.3</u></u>	<u><u>144.2</u></u>	<u><u>819.5</u></u>

Federal expenses are reconciled to the fiscal year 2015 federal appropriation as follows:

	<u>Salaries and expenses</u>	<u>Repair and Restoration and construction</u>	<u>Total</u>
Federal appropriation expense	\$ 680.0	85.2	765.2
Unexpended 2015 appropriation	104.1	97.0	201.1
Depreciation	(13.1)	(80.5)	(93.6)
Imputed benefit costs	(33.5)	—	(33.5)
Collection items purchased	3.8	—	3.8
Amounts expended from prior years	(79.6)	(69.9)	(149.5)
Capital expenditures	18.9	112.4	131.3
Unfunded expenses - FECA, annual leave	4.1	—	4.1
Other funding	<u>(9.4)</u>	<u>—</u>	<u>(9.4)</u>
Fiscal year 2015 federal appropriation	\$ <u><u>675.3</u></u>	<u><u>144.2</u></u>	<u><u>819.5</u></u>

Unexpended appropriations for all fiscal years total \$248.5 at September 30, 2015 and consist of \$131.5 in unexpended operating funds and \$117.0 in unexpended construction funds. Unexpended operating and construction funds represent amounts appropriated for Smithsonian's operations and new facilities or renovations, respectively.

(5) Investments and Fair Value Measurements

The Smithsonian has adopted investment policies for its endowment, including board designated funds, which attempt to provide a predictable stream of funding in support of the operating budget, while seeking to preserve the real value of the endowment assets over time. The Smithsonian relies on a total return strategy

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in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends), targeting a diversified asset allocation. The Board's Investment Committee is responsible for determining the long-term asset allocation for the endowment.

The carrying values of the Smithsonian's assets and liabilities, excluding investments and long-term debt approximate fair values due to their terms and relatively short maturity.

The three levels of the fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities, as of the reporting date.
- Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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As discussed in note 2 (t), investments held through limited partnerships and comingled funds for which fair value is estimated using the NAV's reported by the investment managers as a practical expedient have not been categorized within the fair value hierarchy, however these investments are included in the table below to permit reconciliation with the statement of financial position. The following summarizes Smithsonian's investments at fair value which are determined primarily based on quoted market prices as of September 30, 2015:

	Total	Level 1	Level 3	NAV
Short-term: U.S. government agency bonds	\$ 95.7	95.7	—	—
Endowment assets:				
Global equities:				
Developed markets	56.8	56.8	—	—
Emerging markets	24.7	24.7	—	—
Fixed income	67.0	67.0	—	—
Cash and equivalents	24.9	24.9	—	—
Pooled investments	173.4	173.4	—	—
Investments at NAV	1,104.7	—	—	1,104.7
Total pooled investment	1,278.1	173.4	—	1,104.7
Nonpooled investments:				
US Treasury deposits	1.0	1.0	—	—
Total endowment	1,279.1	174.4	—	1,104.7
Gift annuities, primarily equities	22.2	22.2	—	—
Total investment	1,397.0	292.3	—	1,104.7
Charitable trusts	17.9	—	17.9	—
	<u>\$ 1,414.9</u>	<u>292.3</u>	<u>17.9</u>	<u>1,104.7</u>

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The following summarizes information relating to the investments which are stated at NAV as practical expedient for fair value and includes information about the nature, strategies, and risks of these major classes of nonmarketable securities:

	NAV	Redemption terms	Days of notices	Unfunded commitment
Global equity:				
Developed markets	\$ 296.5	Weekly to annually	6 - 91	\$ —
Emerging markets	83.1	Daily to quarterly	2 - 90	—
Marketable alternatives:				
Long/short equity	69.9	Monthly to annually	30 - 60	—
Credit and distressed	57.2	Annually to at maturity	90 - n/a	13.4
Multi-strategy	102.1	Quarterly to annually	60 - 90	—
Global marco	93.9	Monthly to semi-annually	2 - 90	—
Private equity:				
Private equity	71.0	n/a	n/a	41.4
Venture capital	162.0	n/a	n/a	51.0
Real assets:				
Energy and natural resources	68.1	Daily to at maturity	0 - n/a	52.3
Real estate funds	90.0	Quarterly to at maturity	60 - n/a	65.3
Fixed income	10.9	Quarterly	90	—
	<u>\$ 1,104.7</u>			<u>\$ 223.4</u>

The following describes the nature, strategies, and risks of the major classes of the investments that are stated at NAV for fair value.

Global Equity

Global equity is comprised of investments in funds and strategies invested in publicly listed equity securities in the global developed and emerging markets. Some of the funds are subject to lock-ups.

Marketable Alternatives

Marketable alternatives consist of investments in a broad array of securities and strategies aimed to reduce volatility and enhance returns. Smithsonian's marketable alternatives are broadly defined as long/short equity, credit and distressed, multi-strategy, and global macro funds. Long/short equity funds invest in long equity positions that are expected to increase in value and short equity positions in stocks that are expected to decrease in value. Credit and distressed funds generally invest in corporate fixed income and debt securities of companies that are experiencing financial or operational difficulties. Multi-strategy funds invest across different strategies to diversify risks and reduce volatility. Global macro funds invest in strategies to profit from macroeconomic events that may include changes in interest rates, currency movements and stock market performance. Some of the funds are subject to soft and hard lock-ups and other funds are not eligible for redemption.

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Private Equity

Private equity consists of limited partnerships that are organized to invest primarily in shares of operating companies that are not listed on a publicly traded stock exchange. Private equity strategies include investments in leveraged buyouts, growth capital and distressed investments. Venture capital strategies invest in start-ups and small businesses with perceived long-term growth potential. None of these partnerships are eligible for redemption.

Real Assets

Real assets include real estate and energy and natural resources investments are made mostly in private limited partnerships as well as publicly traded securities funds. None of the partnerships are eligible for redemption.

Fixed Income

Fixed income includes funds that invest in U.S. government, agency and municipal bonds, and other interest bearing products.

The Smithsonian is obligated under the terms of certain limited partnership agreements to remit additional funding periodically as capital calls are exercised. As of September 30, 2015, the Smithsonian had uncalled commitments totaling approximately \$223.4. Such commitments are callable over the fund investment period, generally the first 5 years of the funds. The standard life of Smithsonian's investments in these private partnerships are between 8 to 10 years with possible one to two one-year extension periods and/or other termination clauses.

Activity for charitable trusts measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for fiscal year 2015: beginning balance \$19.2; distribution \$0.5; and net losses \$0.8; and ending balance \$17.9. There are no transfers and reclassifications of assets between Level 1, 2 and 3.

Investment return consisted of the following for fiscal year 2015:

Dividend and interest income	\$	12.3
Net investment loss		(6.5)
Investment management fees		<u>(2.8)</u>
	\$	<u><u>3.0</u></u>

Investment return is classified in the statement of financial activities as follows for fiscal year 2015:

Short-term investment income	\$	2.0
Endowment payout		66.4
Nonoperating investment loss		<u>(65.4)</u>
Investment return	\$	<u><u>3.0</u></u>

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(6) Endowment Funds

The Smithsonian endowment consists of approximately 600 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Smithsonian's management and investment of donor restricted endowment funds conforms to the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Based on the Smithsonian's interpretation of the provisions of UPMIFA, the organization is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. As a result of this interpretation, the Smithsonian classifies as permanently restricted net assets, the original value of gifts donated to the permanent endowment. The remaining portion of the endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Smithsonian manages and invests the individual endowment funds considering UPMIFA standards. Substantially all of the investments of the endowment are pooled, with individual funds buying or disposing of units on the basis of the per unit market value at the beginning of the month in which the transaction takes place. At September 30, 2015, the per unit market value of the pool was \$829.66 (in whole dollars).

Each fund participating in the investment pool receives an annual appropriation based on the number of units owned. The annual appropriation is determined in light of UPMIFA standards and the investment policy of the institution which targets a long-term investment return assumption, an estimated inflation factor, and the investment policy of the institution which targets an appropriation to be 5% of the prior five years' average value of the endowment. The per unit payout for fiscal year 2015, in dollars, was \$37.51 or 5% of the average per unit market value of the endowment over the prior five years. An additional payout per eligible unit of \$7.50 (in dollars) was authorized and made to support the fundraising campaign.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the original value of gifts donated to the permanent endowment. Deficiencies of this nature are reported in unrestricted net assets. At September 30, 2015, the fair value of permanent endowment gifts was \$3.0 below the original value of the gifts. Such deficiencies are generally the result of unfavorable market fluctuations and continuing the appropriations for various programs is generally deemed prudent by the Board.

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Endowment net assets, excluding contributions receivable, consist of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor restricted	\$ (3.0)	272.8	414.3	684.1
Board designated	<u>595.1</u>	<u>9.0</u>	<u>—</u>	<u>604.1</u>
Total endowment net assets	\$ <u>592.1</u>	<u>281.8</u>	<u>414.3</u>	<u>1,288.2</u>
Uninvested cash and unsettled trade				\$ (7.5)
Other				<u>(1.6)</u>
Total endowment assets under management				\$ <u>1,279.1</u>

Activity in endowment net assets is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance, beginning of year	\$ 619.6	310.1	369.5	1,299.2
Investment return:				
Investment income	5.1	1.5	1.1	7.7
Realized and unrealized losses, net	<u>(3.8)</u>	<u>(1.6)</u>	<u>—</u>	<u>(5.4)</u>
Total investment return	1.3	(0.1)	1.1	2.3
Contributions	(0.1)	(0.2)	43.2	42.9
Appropriated for expenditure	(32.7)	(29.9)	—	(62.6)
Deficiency reclassification (net)	(2.1)	2.1	—	—
Transfer to board designated endowment funds	<u>6.1</u>	<u>(0.2)</u>	<u>0.5</u>	<u>6.4</u>
Balance, end of year	\$ <u>592.1</u>	<u>281.8</u>	<u>414.3</u>	<u>1,288.2</u>

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(7) Property and Equipment

Property and equipment consists of the following:

	<u>Trust</u>	<u>Federal</u>	<u>Total</u>
Land	\$ 12.6	—	12.6
Buildings and capital improvements	974.3	2,732.2	3,706.5
Equipment and software	66.0	212.1	278.1
Leasehold improvements	90.9	30.8	121.7
	<u>1,143.8</u>	<u>2,975.1</u>	<u>4,118.9</u>
Accumulated depreciation	<u>(422.4)</u>	<u>(1,470.0)</u>	<u>(1,892.4)</u>
Total property and equipment	<u>\$ 721.4</u>	<u>1,505.1</u>	<u>2,226.5</u>

Buildings and capital improvements include \$228.6 and \$493.7 of construction in progress within trust and federal funds, respectively. Depreciation expense totaled \$39.1 in trust funds and \$93.6 in federal funds.

The Smithsonian has an unfunded environmental remediation obligation which is estimated based on third party studies, contractor bids and internal estimates derived from recently completed remediation projects for similar Smithsonian facilities and other information for similar projects, all of which are considered Level 3 inputs in the fair value hierarchy. The present value of the obligation is calculated using an inflation rate of 0.325% and a discount rate of 1.363%. Each period the obligation is accreted to its present value. Because the related properties are fully depreciated, changes in the estimated obligation are expensed. Any difference between the estimated obligation and the actual cost of remediation is also expensed. Fiscal year 2015 activity in the unfunded environmental remediation obligation follows:

Beginning balance, September 30, 2014	\$ 45.3
Accretion	1.5
Liabilities incurred	1.6
Liabilities settled	(1.6)
Change in estimate	3.5
Ending balance, September 30, 2015	<u>\$ 50.3</u>

In fiscal year 2006, the Smithsonian sold an office building in Washington, D.C., and entered into short-term and long-term leases for approximately 32% of the building. As a result of the leaseback, the full gain of \$62.9 was deferred at the date of sale and is being recognized over the term of the leases. In fiscal year 2015, \$3.9 of the deferred gain was recognized.

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(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consists of the following:

	Trust	Federal	Total
Accounts payable	\$ 76.8	43.6	120.4
Accrued salaries and benefits	37.4	78.1	115.5
Deferred rent liability	22.6	—	22.6
Gift annuity liabilities	14.7	—	14.7
Other accrued liabilities	30.8	1.0	31.8
Total accounts payable and accrued expenses	\$ 182.3	122.7	305.0

Accrued salaries and benefits include estimated FECA liabilities of \$3.0 for trust employees and \$41.7 for federal employees.

(9) Long-Term Debt

The Smithsonian's long-term debt are unsecured obligations and funded solely through unrestricted trust funds. Long-term debt is comprised of the following:

Series 2013 Taxable Bonds, Series A:	\$	50.0
Interest rate 3.434%, due September 1, 2023		
Series 2013 Taxable Bonds, Series B:		50.0
Variable interest rate, due September 1, 2018		
Series 2010 Revenue Bonds, serial, principal amounts ranging from \$1.3 to \$1.7, interest rates 3.00% to 5.25%, due February 1, 2016 through 2021		9.2
Series 2010 Revenue Bonds, term, principal amounts ranging from \$1.8 to \$2.4, interest rate 5.25%, due February 1, 2022 through 2028		14.7
Series 2003 Revenue Bonds, Series A:		
Variable interest rate, due December 1, 2033		52.5
Series 2003 Revenue Bonds, Series B:		
Variable interest rate, due December 1, 2033		25.0
Sub total		201.4
Less unamortized bond issue cost		(0.4)
Plus unamortized bond premium		1.8
Total long-term debt	\$	202.8

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Series 2013 A and B Taxable Bonds

The Series 2013 A and B taxable bonds were issued in November 2013 to finance capital and other projects. Interest on the Series A bonds is payable semiannually every March 1 and September 1 while interest on the Series B bonds is payable monthly at a variable interest rate determined in accordance with the Indenture (0.23% at September 30, 2015).

In connection with the Series B offering, the Smithsonian entered into a second Standby Bond Purchase agreement with Wells Fargo (Trustee) and Northern Trust Company (Liquidity Facility Provider), for the creation of the 2013 Liquidity Facility. The 2013 Liquidity Facility secures only the payment of the purchase price of the Series B bonds tendered for purchase and does not otherwise secure payment of the principal or interest on the Bonds. The Liquidity Facility expires September 4, 2018.

Series 2010 Revenue Bonds

The tax exempt Series 2010 Revenue Bonds were issued by the District of Columbia on behalf of the Smithsonian to finance capital and other projects. Interest is payable semiannually every August 1 and February 1.

The serial bonds mature annually through February 1, 2021, with principal repayments ranging from \$1.2 to \$1.7 per year. The term bonds maturing on February 1, 2028 are subject to mandatory redemption by sinking fund installments which begin on February 1, 2022 and range from \$1.8 to \$2.4 per year through the maturity date.

Series 2003 Revenue Bonds

The tax exempt Series 2003 Revenue Bonds were issued by the Fairfax County Economic Development Authority (Virginia) on behalf of the Smithsonian to finance a portion of the Steven F. Udvar-Hazy Center, an extension of the National Air and Space Museum. The bonds are subject early redemption at the option of the Smithsonian. Interest is payable monthly at a variable interest rate determined in accordance with the Indenture. Interest rates for Series A and Series B were 0.01% and 0.02%, respectively, at September 30, 2015.

The bonds are supported by a standby bond purchase agreement for Series A and a standby purchase agreement for Series B (collectively, the Liquidity Facility). The Northern Trust acts as the liquidity facility provider but does not guarantee principal or interest on the bonds and does not provide liquidity support for the bonds except while bearing interest at a daily or weekly rate. The Liquidity Facility expires September 13, 2016.

Interest expense totaled \$2.7.

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Future annual maturities of long-term debt are as follows:

2016	\$	1.4
2017		1.4
2018		51.5
2019		1.6
2020		1.6
Thereafter		143.9
	\$	<u>201.4</u>

The fair value of debt is determined based on quoted market prices for publicly traded issues and on the discounted future payments to be made for other issues. The discount rates used approximate current market rates for loans of similar maturities and credit quality. The carrying value of long-term debt obligations in the financial statements is less than their fair value, as determined using Level 2 inputs, by approximately \$5.1 at September 30, 2015.

(10) Net Assets

Temporarily restricted net assets are available for the following purposes:

Museums and general support	\$	204.1
Education, public programs and exhibitions		161.3
Research		91.0
Acquisitions and collections		72.7
Facilities		225.0
	\$	<u>754.1</u>

Net assets released from donor restrictions due to the passage of time, assets placed in service, or by incurring expenses satisfying the restricted purpose specified by the donors were as follows:

Program support and other	\$	85.0
Facilities		26.3
Research		16.2
	\$	<u>127.5</u>

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2015

(Dollars in millions)

Permanently restricted net assets are restricted for the following purposes:

Museums and general support	\$	132.8
Education, public programs and exhibitions		223.3
Research		83.6
Acquisitions and collections		46.2
Facilities		1.5
	\$	<u>487.4</u>

(11) Employee Benefit Plans

Federal employees of the Smithsonian are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). The terms of these plans are defined in federal regulations. Under both systems, a specified percentage is withheld from each federal employee's salary. The Smithsonian also contributes specified percentages of employees' salaries. The fiscal 2015 expense for these plans was \$35.1. Additional imputed costs associated with these plans are borne by the US government. The Smithsonian recognizes its share of such costs (\$33.5 for fiscal 2015) as imputed benefit revenue and expense in the financial statements. The Smithsonian is not responsible for and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. The Office of Personnel Management (OPM) administers these plans and is responsible for the reporting of these amounts.

Employees covered by CSRS and FERS are eligible to contribute to the U.S. government's Thrift Savings Plan (TSP), which is administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees and the Smithsonian makes mandatory and matching contributions of specified percentages of the basic pay for FERS-covered employees. The Smithsonian makes no matching contributions for CSRS-covered employees.

Most federal employees are entitled to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Smithsonian paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities.

Trust fund employees are covered by a separate defined-contribution retirement plan for trust fund employees in which substantially all such employees are eligible to participate. Under the plan, the Smithsonian contributes specified percentages of employees' salaries that are used to purchase individual annuities, the rights to which are immediately vested with the employees. Employees can make voluntary contributions, subject to certain limitations. The Smithsonian's expense for this plan for fiscal year 2015 was \$17.1.

In addition to the retirement plans, certain health care and life insurance benefits are made available to active and retired trust fund employees. The plan is contributory for retirees and requires payment of premiums and deductibles. Retiree contributions for premiums are established by an insurance carrier based on the average per capita cost of benefit coverage for all participants. At September 30, 2015, the accrued benefit obligation

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2015

(Dollars in millions)

under this plan was \$13.8 and is included in accounts payable and accrued expenses in the statement of financial position.

Most federal employees are eligible to enroll in the Federal Employees Health Benefit (FEHB) Program, which provides post-retirement health benefits if certain conditions are met. OPM administers this plan.

(12) Business Activities

A summary of business activities is as follows:

	Revenues	Expenses	Net
Smithsonian business enterprises	\$ 156.5	(120.2)	36.3
Unit auxiliary activities	22.1	(18.9)	3.2
Total business activities	\$ 178.6	(139.1)	39.5

(13) Commitments and Contingencies

(a) Leasing Activities

The Smithsonian leases office and warehouse space under long-term operating leases expiring at various dates to 2032. These leases generally provide for rent escalations based on increases in the Consumer Price Index or changes in property taxes or operating expenses attributable to the leased properties. The Smithsonian has the authority to enter into leases for up to 30 years using federal funds.

Annual minimum lease payments due under operating leases in effect at September 30, 2015 are as follows:

2016	\$ 40.4
2017	41.5
2018	41.7
2019	41.3
2020	41.4
Thereafter	62.9
	\$ 269.2

Rent expense under operating leases, including executory costs such as maintenance, insurance and taxes, totaled \$54.3 for fiscal year 2015, which includes \$7.3 in office space received in-kind.

(b) Government Awards

The Smithsonian receives significant amounts of federal funding in the form of appropriations, grants, and contracts. These awards are subject to audit by federal agencies. Management is of the opinion that no material disallowances of costs or expenses are likely.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2015

(Dollars in millions)

(c) Construction

The Smithsonian has various commitments related to construction projects currently in process at a number of its locations. The most significant construction contracts are \$463.5 for the National Museum of African American History and Culture, \$44.9 for the Smithsonian Environmental Research Center, and \$40.7 for the National Museum of American History. Remaining commitments under these contracts total approximately \$53.2 as of September 30, 2015.

(d) Litigation

The Smithsonian is a party to various litigation arising out of the normal conduct of its operations. In the opinion of the Smithsonian's General Counsel, the ultimate resolution of these matters will not have a significant effect on the Smithsonian's financial position or future results of operations.

(14) Subsequent Events

Subsequent to September 30, 2015, the Smithsonian committed capital of \$51.4 to 10 funds. Management has evaluated subsequent events from September 30, 2015 through January 22, 2016, which is the date that the financial statements are available to be issued, and determined that there are no other items to disclose.

SMITHSONIAN INSTITUTION

Summary Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

Federal Agency Sponsor	Research and Development			U.S. Postal Service	Other (Mall-based) Programs	Grand Total	Amounts Provided to Subrecipients (Research and Development Program)	Amounts Provided to Subrecipients (Other Programs)
	Washington, DC (Mall-based) Awards	Smithsonian Astrophysical Observatory Awards	Total Research and Development					
U.S. Agency for International Development	\$ 879,514	—	879,514	—	139,143	1,018,657	—	—
U.S. Department of Commerce	806,451	—	806,451	—	—	806,451	—	59,621
U.S. Department of Defense	86,048	101,498	187,546	—	—	187,546	—	—
U.S. Department of Education	5,741,216	—	5,741,216	—	396	5,741,612	—	530,558
U.S. Department of Energy	339,971	539,608	879,579	—	—	879,579	50,042	—
U.S. Department of Health and Human Services	568,377	—	568,377	—	9,998	578,375	—	(91)
U.S. Department of State	158,969	—	158,969	—	133,654	292,623	—	122,039
U.S. Department of the Interior	229,516	—	229,516	—	491,463	720,979	—	160,559
U.S. Department of Transportation	122,469	—	122,469	—	—	122,469	—	—
National Aeronautics and Space Administration	1,709,281	87,981,572	89,690,853	—	48,536	89,739,389	19,025,335	156,057
National Science Foundation	4,080,121	2,880,094	6,960,215	—	1,070,963	8,031,178	32,311	240,359
U.S. Postal Service	—	—	—	3,014,661	—	3,014,661	—	—
Other Agencies	51,303	70,013	121,316	—	20,862	142,178	—	—
Total expenditures of federal awards	\$ 14,773,236	91,572,785	106,346,021	3,014,661	1,915,015	111,275,697	19,107,688	1,269,102

See accompanying independent auditors' report and notes to schedules of expenditures of federal awards.

SMITHSONIAN INSTITUTION
 Detail Schedule of Expenditures of Federal Awards
 Year ended September 30, 2015

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA number	Total Expenditures
Research and Development: Mail-Based				
	U.S. Agency for International Development:			
692312	UNIVERSITY OF CALIFORNIA AT DAVIS	200910804-03	98.001	\$ 5,175
692337	UCLA	AID-338-A-14-0001	98.001	735,316
692340	UNIVERSITY OF CALIFORNIA AT DAVIS	201403200-05	98.001	139,023
	U.S. Agency for International Development			
				<u>879,514</u>
	U.S. Department of Commerce:			
655011	U.S. Department of Commerce	CA-12-2407-5-29047	11.417	79
655009	U.S. Department of Commerce	SA7528114-WW	11.417	58,788
654082	U.S. Department of Commerce	NA14NMF4570279	11.457	50,872
755003	U.S. Department of Commerce	5700-SERC	11.000	23,755
655014	U.S. Department of Commerce	7117	11.012	13,463
655013	U.S. Department of Commerce	AKSSF-44709B SA-12-022	11.438	16,834
654079	U.S. Department of Commerce	NA11NMF4570231	11.457	19,847
655017	U.S. Department of Commerce	0304.13.041060	11.463	33,080
654080	U.S. Department of Commerce	NA13NMF4690258	11.469	2,096
654074	U.S. Department of Commerce	NA10NOS4780138	11.478	140,044
654081	U.S. Department of Commerce	NA14NMF4270048	11.427	150,255
654068	U.S. Department of Commerce	NA09NOS4780214	11.478	242,780
655019	NATIONAL FISH AND WILDLIFE FOUNDATION	0313.14.042905	11.469	54,558
	U.S. Department of Commerce			
				<u>806,451</u>
	U.S. Department of Defense:			
625003	7-DIPPITY INCORPORATED	SI1001	12.556	73,006
625004	7-DIPPITY INCORPORATED	N/A	12.556	13,042
	U.S. Department of Defense			
				<u>86,048</u>
	U.S. Department of Education:			
680008	U.S. Department of Education-ARRA	U396B100097	84.396B	5,741,216
	U.S. Department of Education			
				<u>5,741,216</u>
	U.S. Department of Energy:			
682019	U.S. Department of Energy	DE-SC0008165	81.049	46,719
682021	U.S. Department of Energy	DE-SC0008339	81.049	59,188
682022	U.S. Department of Energy	DE-SC0010039	81.049	83,084
682023	U.S. Department of Energy	DE-SC0014413	81.049	2,122
792045	LAWRENCE BERKELEY NATIONAL LABORATORY	7200512	81.000	148,858
	U.S. Department of Energy			
				<u>339,971</u>
	U.S. Department of Health and Human Services:			
650040	U.S. Department of Health and Human Services	1R01RR026064-01	93.389	349,642
651008	U.S. Department of Health and Human Services	N/A	93.307	1,428
658005	U.S. Department of Health and Human Services	R56OD018304	93.310	26
651011	U.S. Department of Health and Human Services	UF13077	93.395	162,249
650034	U.S. Department of Health and Human Services	5U01TW006634-10	93.989	(949)
651013	UNIVERSITY OF MARYLAND, BALTIMORE COUNTY	0000015350	93.143	55,981
	U.S. Department of Health and Human Services			
				<u>568,377</u>
	U.S. Department of State:			
668012	U.S. Department of State	STX-100690-12-GR-088	19.000	158,969
	U.S. Department of State			
				<u>158,969</u>
	U.S. Department of the Interior:			
737004	U.S. Department of the Interior	N/A	15.615	9,259
633044	U.S. Department of the Interior	F14AP00750	15.657	16,283
633045	U.S. Department of the Interior	F15AP00352	15.621	29,576
637004	U.S. Department of the Interior	0104.14.045567	15.663	57,239
637003	U.S. Department of the Interior	2013-01	15.634	47,545
637002	U.S. Department of the Interior	0104.13.040321	15.663	40,514
634049	U.S. Department of the Interior	H399207001/P10AC00053	15.000	449
635005	U.S. Department of the Interior	L11AC20325	15.231	15,188
630015	U.S. Department of the Interior	G12AC20439	15.808	1,004
634043	U.S. Department of the Interior	H9807100009	15.946	(114)
635004	U.S. Department of the Interior	L11AC20325	15.231	12,573
	U.S. Department of the Interior			
				<u>229,516</u>
	U.S. Department of Transportation:			
692334	UCLA	N/A	20.000	18,307
692327	UCLA	PO #3933	20.819	69,233
692333	UNIVERSITY OF MARYLAND	PO 10137	20.818	25,089
692314	UNIVERSITY OF MARYLAND	PO #3913	20.819	9,840
	U.S. Department of Transportation			
				<u>122,469</u>
	National Aeronautics and Space Administration (NASA):			
613768	National Aeronautics and Space Administration	NNX11AG68G	43.001	62,927
717505	ARIZONA STATE UNIVERSITY	12-875	43.000	11,127
717475	CALIFORNIA INSTITUTE OF TECHNOLOGY- JET PROPULSION LABORATORY	1488433	43.000	5,500
613760	National Aeronautics and Space Administration	NNX09AV95G	43.000	(7,101)
610217	National Aeronautics and Space Administration	NNX13AB43G	43.000	413
610203	National Aeronautics and Space Administration	NNX11AP19G	43.000	11,242
610216	National Aeronautics and Space Administration	NNX12AQ668	43.000	56,800
610219	National Aeronautics and Space Administration	NNX13AF10G	43.000	17,036
610222	National Aeronautics and Space Administration	NNX13K49G	43.000	24,706
610223	National Aeronautics and Space Administration	NNX13AJ85G	43.000	23,110
610225	National Aeronautics and Space Administration	NNX13AK64G	43.000	55,802
613730	National Aeronautics and Space Administration	NNX07AR76G	43.000	63,316
613732	National Aeronautics and Space Administration	NNX07AR60G	43.000	12,853
613765	National Aeronautics and Space Administration	NNX11AC67G	43.000	84,252
613766	National Aeronautics and Space Administration	NNX11AD43G	43.000	53,467

SMITHSONIAN INSTITUTION
 Detail Schedule of Expenditures of Federal Awards
 Year ended September 30, 2015

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA number	Total Expenditures
Research and Development: Mail-Based				
617838	National Aeronautics and Space Administration	527898	43.000	\$ 10,464
717164	National Aeronautics and Space Administration	Y432801	43.000	13,367
717431	National Aeronautics and Space Administration	Y603259	43.000	64,167
717434	National Aeronautics and Space Administration	1449932	43.000	41,653
717441	National Aeronautics and Space Administration	1456630	43.000	40,338
717452	National Aeronautics and Space Administration	E99071JD	43.000	13,752
717107	National Aeronautics and Space Administration	1249472 Mod. No. 11	43.000	(212)
610207	National Aeronautics and Space Administration	NNX12AG276	43.001	93,700
610213	National Aeronautics and Space Administration	NNX12AJ38G	43.001	32,172
610227	National Aeronautics and Space Administration	NNX14AN32G	43.001	34,134
610228	National Aeronautics and Space Administration	NNX14AJ88G	43.001	58,142
610229	National Aeronautics and Space Administration	NNX14AF27G	43.001	15,695
610234	National Aeronautics and Space Administration	NNX15AD96G	43.001	8,713
613849	National Aeronautics and Space Administration	NNX14AN216	43.001	2,208
617882	National Aeronautics and Space Administration	63269-9987	43.001	42,680
617900	National Aeronautics and Space Administration	5710003370	43.001	89,048
717100	National Aeronautics and Space Administration	1243174 - Mod. #27	43.001	31,748
717481	National Aeronautics and Space Administration	12-875	43.001	(755)
610202	National Aeronautics and Space Administration	NNX11AH79G	43.001	121,579
610235	National Aeronautics and Space Administration	NNX15AH686	43.001	10,217
717428	National Aeronautics and Space Administration	1442524	43.002	6,470
717490	National Aeronautics and Space Administration	NNX08AE47A	43.002	22,130
613769	National Aeronautics and Space Administration	NNX11AG09G	43.001	57,004
610231	National Aeronautics and Space Administration	NNX15AB99G	43.007	31,843
610220	National Aeronautics and Space Administration	NNX13AH80G	43.001	75,361
610221	National Aeronautics and Space Administration	NNX13AL17G	43.001	50,628
610204	National Aeronautics and Space Administration	NNX11A094G	43.000	206,572
717451	SOUTHWEST RESEARCH INSTITUTE	E99065JD	43.000	16,055
617974	U.S. GEOLOGICAL SURVEY	G15AC00007	15.808	43,198
617980	UNIVERSITY OF VIRGINIA	GG11764 147704	43.001	1,760
	National Aeronautics and Space Administration			<u>1,709,281</u>
	National Science Foundation:			
692138	STUDIO IN A SCHOOL ASSOCIATION - ARRA	U396C100448	84.396C	14,379
642064	FIELD MUSEUM OF NATURAL HISTORY	#50108-01	47.074	5,326
642098	FRIENDS OF THE N CAROLINA MUSEUM OF NATURAL SCIENCES	EF1232442	47.074	169,596
642092	GEORGE MASON UNIVERSITY	E2025091	47.070	69,714
642122	GETTYSBURG COLLEGE	Prime Award No. BCS-1401178/SI-1	47.075	2,722
642106	LOUISIANA STATE UNIVERSITY	71509	47.074	16,583
642094	MACALESTER COLLEGE	20005801SI	47.050	9,145
642121	MIAMI UNIVERSITY	G02457	47.075	58,940
640260	National Science Foundation	IOS-1121797	47.000	62,312
640292	National Science Foundation	1336247	47.041	50,594
640248	National Science Foundation	1062692	47.050	140,282
640287	National Science Foundation	Award 1325379	47.050	16,374
640296	National Science Foundation	PLR-1438097	47.050	9
640300	National Science Foundation	1424932	47.050	36
640301	National Science Foundation	1433212	47.050	6,619
640303	National Science Foundation	1360391	47.050	338,280
640307	National Science Foundation	EAR-1347248	47.050	53,531
640309	National Science Foundation	EAR-142496	47.050	15,069
640318	National Science Foundation	EAR 1447480	47.050	3,112
640244	National Science Foundation	1038990	47.050	123,547
640237	National Science Foundation	DEB-0950080	47.074	57,851
640261	National Science Foundation	EF-1137366	47.074	87,484
640272	National Science Foundation	DEB-1242566	47.074	5,660
640273	National Science Foundation	DEB1242584	47.074	45,443
640279	National Science Foundation	DEB-1257689	47.074	44,544
640280	National Science Foundation	DEB-1257625	47.074	33,426
640284	National Science Foundation	DEB-1354741	47.074	146,731
640286	National Science Foundation	DEB-1352217	47.074	171,210
640294	National Science Foundation	DEB-1405181	47.074	70,822
640297	National Science Foundation	DEB 1136626	47.074	(1,320)
640298	National Science Foundation	DEB 1242584-002 PH	47.074	12,977
640302	National Science Foundation	IOS-1353085	47.074	117,515
640304	National Science Foundation	DEB-1354143	47.074	37,878
640305	National Science Foundation	DBI-1356659	47.074	29,116
640313	National Science Foundation	CCF-1442731	47.074	71,355
640316	National Science Foundation	DEB 1456674	47.074	35,445
640317	National Science Foundation	1457100	47.074	56,837
640322	National Science Foundation	DEB-1547168	47.074	6,713
640263	National Science Foundation	SMA-1156360	47.074	14,984
640265	National Science Foundation	DBI 1156799	47.074	85,971
640310	National Science Foundation	1439470	47.075	8,004
640311	National Science Foundation	1424029	47.075	68,043
640320	National Science Foundation	N/A	47.075	39,064
640278	National Science Foundation	1250895	47.074	52,448
640257	National Science Foundation	1119468	47.076	137,930
640251	National Science Foundation	EF 1065821	47.074	180,171
640268	National Science Foundation	ARC-1203417	47.078	56,642
640312	National Science Foundation	EF1450318	47.074	73,545
640262	National Science Foundation	DEB-1136626	47.074	215,946
642112	OHIO STATE UNIVERSITY	E2030321	47.050	66,523
642113	OHIO STATE UNIVERSITY	20130193-01	47.050	6,961
642116	OHIO STATE UNIVERSITY	2-46905	47.074	12,574
642117	OHIO STATE UNIVERSITY	GAI11064	47.074	13,854
642119	OHIO STATE UNIVERSITY	N/A	47.074	145,312
642114	OHIO STATE UNIVERSITY	40D32A	47.075	6,402
642109	OREGON STATE UNIVERSITY	51538A-A	47.074	48,549
642078	RESEARCH CORPORATION OF UNIV OF HAWAII	Z950738	47.074	14,534
642079	ROGER WILLIAMS UNIVERSITY	2234548	47.074	275

SMITHSONIAN INSTITUTION
 Detail Schedule of Expenditures of Federal Awards
 Year ended September 30, 2015

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA number	Total Expenditures
Research and Development: Mall-Based				
642107	SAN DIEGO STATE UNIVERSITY RESEARCH	N/A	47.079	\$ 177,197
642108	UNIVERSITY OF DELAWARE	32500	47.074	49,175
642082	UNIVERSITY OF FLORIDA	UF11035	47.074	5,808
642125	UNIVERSITY OF FLORIDA	UFDSP00010652	47.074	35,790
642081	UNIVERSITY OF FLORIDA	UF10125	47.079	54,965
642095	UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN	2011-03452-01	47.074	65,578
642120	UNIVERSITY OF LOUISVILLE	ULRF 13-0774-01	47.074	2,155
642084	UNIVERSITY OF MARYLAND	Z359101	47.074	14,673
642123	UNIVERSITY OF MASSACHUSETTS	15008515A00 / IIA 1427369	47.074	6,544
642105	UNIVERSITY OF MONTANA	PG13-66086-01	47.074	188,201
642126	UNIVERSITY OF ROCHESTER	416609	47.074	24,820
642100	UNIVERSITY OF TEXAS AT AUSTIN	IOS-1120031 (UTA12-000801)	47.074	4,686
642072	UNIVERSITY OF ALABAMA AT BIRMINGHAM	#331939/DEB-0829986(NSF)	47.074	5,749
642091	VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY	478640-19985	47.074	11,191
	National Science Foundation			<u>4,080,121</u>
	Other Agencies:			
	U.S. Department of Agriculture:			
660037	U.S. Department of Agriculture	58-1245-3-334	10.001	16,155
	Environmental Protection Agency:			
676011	Environmental Protection Agency	UW-963277-01-0	66.440	31,232
692339	OLD DOMINION UNIVERSITY RESEARCH FOUNDATION	15-129-100493-010	66.466	3,281
692331	UCLA	K00B4400127	66.466	635
	Other Agencies			<u>35,148</u>
	Total Research and Development: Mall - Based			<u>\$ 14,773,236</u>

SMITHSONIAN INSTITUTION

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA number	Total Expenditures
Research and Development: Smithsonian Astrophysical Observatory				
U.S. Department of Defense:				
725011	UCAR	Z15-12504	12.800	\$ 72,177
725012	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710003827	12.800	29,321
				<hr/>
				101,498
U.S. Department of Energy:				
682006	U.S. Department of Energy	DE-FG02-91ER40635	81.049	388,495
682020	U.S. Department of Energy	DE-NA0001802	81.049	151,113
				<hr/>
				539,608
National Aeronautics and Space Administration:				
610094	NASA- Goddard Space Flight Center	NNX09AB17G	43.001	7,333
610109	NASA- Goddard Space Flight Center	NNX09AE86G	43.001	(1,365)
610153	NASA- Goddard Space Flight Center	NNX10AD68G	43.001	21,218
610157	NASA- Goddard Space Flight Center	NNX10AF29G	43.001	29,679
610174	NASA- Goddard Space Flight Center	NNX10AO16G	43.001	28,547
610179	NASA- Goddard Space Flight Center	NNX10AQ58G	43.001	71,080
610189	NASA- Goddard Space Flight Center	NNX11AD17G	43.001	4,759
610192	NASA- Goddard Space Flight Center	NNX11AD08G	43.001	4,803
610193	NASA- Goddard Space Flight Center	NNX11AE58G	43.001	12,681
610194	NASA- Goddard Space Flight Center	NNX11AE95G	43.001	110,432
610195	NASA- Goddard Space Flight Center	NNX11AF76G	43.000	31,077
610197	NASA- Goddard Space Flight Center	NNX11AF91G	43.001	10,205
610200	NASA- Goddard Space Flight Center	NNX11AH28G	43.001	34,779
610218	NASA- Goddard Space Flight Center	NNX13AE54G	43.000	82,843
610233	NASA	NNX15AE56G	43.001	59,893
611101	NASA Headquarters	NNX15AL65G	43.001	1,254
612168	NASA - Ames Research Center	NNX13AB58A	43.001	154,791
612169	NASA - Ames Research Center	NNX13AC29G	43.000	24,260
613772	NASA- Goddard Space Flight Center	NNX11AH33G	43.001	26,899
613773	NASA- Goddard Space Flight Center	NNX11AK63G	43.001	109,387,582
613774	NASA- Goddard Space Flight Center	NNX11AM37G	43.001	54,914
613776	NASA- Goddard Space Flight Center	NNX11AO65G	43.001	67,673
613780	NASA- Goddard Space Flight Center	NNX12AB25G	43.001	69,278
613781	NASA- Goddard Space Flight Center	NNX11AO98G	43.000	61,279
613782	NASA- Goddard Space Flight Center	NNX12AC39G	43.001	26,378
613783	NASA- Goddard Space Flight Center	NNX12AB62G	43.000	(4,509)
613786	NASA- Goddard Space Flight Center	NNX12AE89G	43.001	1,052,527
613787	NASA- Goddard Space Flight Center	NNX12AC70G	43.001	110,684
613789	NASA- Goddard Space Flight Center	NNX12AF25G	43.001	75,431
613790	NASA- Goddard Space Flight Center	NNX12AE39G	43.001	59,855
613791	NASA- Goddard Space Flight Center	NNX12AF84G	43.001	82,091
613792	NASA- Goddard Space Flight Center	NNX12AE35G	43.001	(162)
613793	NASA- Goddard Space Flight Center	NNX12AD38G	43.001	427
613794	NASA- Goddard Space Flight Center	NNX12AF74G	43.001	31,021
613795	NASA- Goddard Space Flight Center	NNX12AE50G	43.001	60,938
613797	NASA- Goddard Space Flight Center	NNX12AF44G	43.001	48,130
613798	NASA- Goddard Space Flight Center	NNX12AH38G	43.001	33,498
613799	NASA- Goddard Space Flight Center	NNX12AI30G	43.000	60,979
613800	NASA- Goddard Space Flight Center	NNX12AI60G	43.001	212,487
613801	NASA- Goddard Space Flight Center	NNX12AI55G	43.001	111,499
613802	NASA- Goddard Space Flight Center	NNX12AJ04G	43.001	63,700
613803	NASA- Goddard Space Flight Center	NNX12AG54G	43.000	2,009,673
613805	NASA- Goddard Space Flight Center	NNX12AN05G	43.001	20,383
613806	NASA- Goddard Space Flight Center	NNX12AP44G	43.001	89,507
613807	NASA- Goddard Space Flight Center	NNX12AQ52G	43.001	(2,901)
613809	NASA- Goddard Space Flight Center	NNX13AC61G	43.000	15,648
613810	NASA- Goddard Space Flight Center	NNX13AB94A	43.000	54,264
613811	NASA- Goddard Space Flight Center	NNX13AE88G	43.000	67,443
613812	NASA- Goddard Space Flight Center	NNX13AE90G	43.000	64,300
613813	NASA- Goddard Space Flight Center	NNX13AF16G	43.000	69,532
613814	NASA- Goddard Space Flight Center	NNX13AE79G	43.000	13,898
613815	NASA- Goddard Space Flight Center	NNX13AE71G	43.000	417
613816	NASA- Goddard Space Flight Center	NNX13AE59G	43.001	126,379
613817	NASA- Goddard Space Flight Center	NNX13AF65G	43.000	289,036
613818	NASA- Goddard Space Flight Center	NNX13AE83G	43.001	2,930
613820	NASA- Goddard Space Flight Center	NNX13AI24G	43.000	43,557
613821	NASA- Goddard Space Flight Center	NNX13AH95G	43.001	22,008
613822	NASA- Goddard Space Flight Center	NNX13AG62G	43.001	194,265
613823	NASA- Goddard Space Flight Center	NNX13AI43G	43.001	88,483
613824	NASA- Goddard Space Flight Center	NNX13AF56G	43.000	2,336
613825	NASA- Goddard Space Flight Center	NNX13AI83A	43.001	1,442,464
613827	NASA- Goddard Space Flight Center	NNX13AI59G	43.001	167,157
613828	NASA- Goddard Space Flight Center	NNX13AK80G	43.001	96,135
613829	NASA- Goddard Space Flight Center	NNX13AN23G	43.000	14,622
613830	NASA- Goddard Space Flight Center	NNX13AP20G	43.001	13,334
613831	NASA- Goddard Space Flight Center	NNX13AP10G	43.001	10,584

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Detail Schedule of Expenditures of Federal Awards

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Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA number	Total Expenditures
Research and Development: Smithsonian Astrophysical Observatory				
613832	NASA- Goddard Space Flight Center	NNX13AQ26G	43.001	\$ 2,781
613833	NASA- Goddard Space Flight Center	NNX14AB83G	43.001	133,537
613834	NASA- Goddard Space Flight Center	NNX14AC22G	43.000	12,968
613835	NASA- Goddard Space Flight Center	NNX14AE10A	43.001	527,105
613836	NASA- Goddard Space Flight Center	NNX14AF56G	43.001	208,424
613837	NASA- Goddard Space Flight Center	NNX14AF06G	43.001	44,988
613838	NASA- Goddard Space Flight Center	NNX14AF16G	43.001	131,450
613839	NASA- Goddard Space Flight Center	NNX14AF72G	43.001	63,764
613840	NASA- Goddard Space Flight Center	NNX14AF04G	43.001	37,933
613841	NASA- Goddard Space Flight Center	NNX14AG99G	43.001	8,867
613842	NASA- Goddard Space Flight Center	NNX14AG55G	43.000	35,280
613843	NASA- Goddard Space Flight Center	NNX14AE88G	43.001	101,439
613844	NASA- Goddard Space Flight Center	NNX14AF78G	43.001	78,823
613845	NASA- Goddard Space Flight Center	NNX14AG96G	43.001	81,499
613846	NASA- Goddard Space Flight Center	NNX14AJ61G	43.001	76,286
613847	NASA- Goddard Space Flight Center	NNX14AI55G	43.001	429,214
613848	NASA- Goddard Space Flight Center	NNX14AL70G	43.001	19,685
613850	NASA- Goddard Space Flight Center	NNX14AR84G	43.001	85
613851	NASA- Goddard Space Flight Center	NNX14AR69G	43.001	129,397
613852	NASA- Goddard Space Flight Center	NNX14AT26G	43.001	38,048
613853	NASA- Goddard Space Flight Center	NNX14AQ52G	43.001	281,713
613854	NASA- Goddard Space Flight Center	NNX15AC44G	43.001	374,627
613855	NASA- Goddard Space Flight Center	NNX15AE16G	43.001	121,861
613856	NASA- Goddard Space Flight Center	NNX15AF23G	43.001	88,381
613857	NASA- Goddard Space Flight Center	NNX15AF43G	43.001	15,128
613858	NASA- Goddard Space Flight Center	NNX15AG36G	43.001	19,366
613859	NASA- Goddard Space Flight Center	NNX15AG25G	43.001	435
613860	NASA- Goddard Space Flight Center	NNX15AI60G	43.001	43,461
613861	NASA- Goddard Space Flight Center	NNX15AJ31G	43.001	1,328
613862	NASA- Goddard Space Flight Center	NNX15AR30G	43.001	85
615003	NASA - Langley Research Center	NNX13AR40G	43.001	70,702
617000	NASA - Chandra	GO5-16090X	43.001	85
617170	NASA- Goddard Space Flight Center	NNX15AL07G	43.001	32,577
617397	NASA - Chandra	PF5-16014I	43.001	6,751
617675	NASA - Chandra	GO0-11016X	43.001	2,667
617683	NASA - Chandra	GO0-11123A	43.001	2,794
617691	NASA - Chandra	GO0-11094X	43.001	17,373
617696	NASA - Chandra	AR0-11001X	43.001	1,615
617697	NASA - Chandra	GO0-11040X	43.001	3,361
617728	NASA - Space Telescope Science Institute	GO-12060.05-A	43.001	8,195
617731	NASA - Chandra	GO1-12082X	43.001	1,823
617732	NASA - Chandra	GO1-12100X	43.001	2,916
617733	NASA - Chandra	GO1-12168X	43.001	39,161
617753	NASA - Chandra	TM1-12004X	43.001	1,063
617754	NASA - Chandra	AR1-12005X	43.001	7,252
617755	NASA - Chandra	AR1-12007X	43.001	27,843
617759	NASA - Chandra	AR1-12016X	43.001	19,877
617760	NASA - Space Telescope Science Institute	GO-12376.01-A	43.001	21,667
617762	NASA - Chandra	GO1-12160X	43.001	45,148
617768	NASA - Chandra	GO1-12152X	43.001	8,894
617778	NASA - Chandra	GO1-12099X	43.001	4,745
617783	NASA - Space Telescope Science Institute	GO-12315.01-A	43.001	1,583
617784	NASA - Chandra	GO1-12104X	43.001	1,573
617786	NASA - Chandra	GO1-12149B	43.001	59,927
617788	NASA - Chandra	GO1-12021X	43.001	44,769
617792	NASA - Chandra	PF1-12008I	43.001	884
617796	NASA - Chandra	GO2-13006C	43.000	22,583
617797	NASA - Chandra	GO2-13004A	43.000	76,248
617802	NASA - Chandra	GO2-13115X	43.000	4,949
617805	NASA - Chandra	GO2-13044A	43.000	9,632
617807	NASA - Chandra	GO2-13025B	43.000	5,697
617811	NASA - Space Telescope Science Institute	AR-12621.01-A	43.001	1,779
617813	NASA - Space Telescope Science Institute	GO-12563.01-A	43.001	896
617817	NASA - Chandra	AR2-13010X	43.000	3,777
617818	NASA - Chandra	AR2-13004X	43.000	29,314
617819	NASA - Chandra	AR2-13009A	43.000	7,072
617825	NASA - Chandra	GO2-13142X	43.000	5,778
617826	NASA - Chandra	GO2-13127X	43.000	28,777
617827	NASA - Chandra	GO2-13088X	43.000	18,675
617831	NASA - Chandra	GO2-13135X	43.000	187
617833	NASA - Space Telescope Science Institute	GO-12753.01-A	43.000	4,346
617834	NASA - Space Telescope Science Institute	GO-12761.01-A	43.000	6,136
617835	NASA - Chandra	GO2-13148X	43.000	1,930
617836	NASA - Chandra	GO2-13031X	43.000	67
617837	NASA - Space Telescope Science Institute	GO-12367.01-A	43.001	2,302
617840	NASA - Chandra	GO2-13032X	43.000	6,719
617841	NASA - Chandra	GO2-13080X	43.000	28,067

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Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA number	Total Expenditures
Research and Development: Smithsonian Astrophysical Observatory				
617842	NASA - Chandra	GO2-13075A	43.000	\$ 10,305
617843	NASA - Space Telescope Science Institute	GO-12545.01-A	43.001	11,247
617844	NASA - Chandra	PF2-130104	43.001	67,791
617845	NASA - Chandra	GO2-13022X	43.000	2,983
617847	NASA - Space Telescope Science Institute	GO-12752.01-A	43.000	14,748
617848	NASA - Space Telescope Science Institute	HF-51301.01-A	43.001	82,135
617851	NASA - Space Telescope Science Institute	HF-51315.01-A	43.000	88,463
617852	NASA - Chandra	GO2-13161X	43.000	39,906
617853	NASA - Chandra	GO2-13019X	43.000	16,536
617854	NASA - Chandra	GO2-13146X	43.000	9,125
617855	NASA - Chandra	GO2-13125X	43.000	683
617857	NASA - Chandra	GO9-0122B	43.000	5,479
617858	NASA - Chandra	GO0-11004D	43.000	13,453
617860	NASA - Chandra	GO3-14138X	43.000	14,911
617861	NASA - Chandra	GO3-14101X	43.001	171
617862	NASA - Chandra	GO3-14057D	43.000	3,661
617863	NASA - Chandra	GO3-14023X	43.000	18,249
617864	NASA - Chandra	TM3-14003X	43.000	21,701
617865	NASA - Chandra	TM3-14002X	43.001	50,622
617866	NASA - Chandra	AR3-14014X	43.000	12,001
617867	NASA - Chandra	AR3-14016X	43.000	2,803
617868	NASA - Chandra	GO2-13153X	43.000	7,212
617869	NASA - Chandra	GO2-13005X	43.000	46,869
617870	NASA - Goddard Space Flight Center	NNX13AD46G	43.000	329,828
617873	NASA - Chandra	GO3-14131X	43.000	24,211
617874	NASA - Chandra	AR3-14006X	43.001	24,729
617876	NASA - Chandra	GO3-14150B	43.000	79,657
617878	NASA - Chandra	GO3-14106X	43.000	(345)
617879	NASA - Chandra	GO3-14095X	43.000	2,686
617880	NASA - Chandra	GO3-14051X	43.000	24,676
617884	NASA - Chandra	GO3-14115X	43.000	14,425
617886	NASA - Chandra	GO3-14028X	43.001	8,925
617888	NASA - Chandra	GO3-14014X	43.000	588
617889	NASA - Chandra	GO3-14117B	43.000	12,302
617890	NASA - Chandra	GO3-14093X	43.001	50,993
617891	NASA - Chandra	GO3-14124X	43.000	3,883
617892	NASA - Chandra	DD2-13065X	43.000	6,218
617895	NASA - Goddard Space Flight Center	NNX13AJ76G	43.001	4,726
617896	NASA - Chandra	GO3-14003B	43.000	4,177
617897	NASA - Chandra	GO3-14149X	43.000	17,836
617899	NASA - Chandra	GO3-14068X	43.000	57
617903	NASA - Space Telescope Science Institute	GO-12895.05-A	43.001	23,456
617904	NASA - Chandra	PF3-140109	43.001	96,565
617905	NASA - Space Telescope Science Institute	GO-12981.03-A	43.001	19,310
617907	NASA - Chandra	GO3-14134X	43.000	6,202
617909	NASA - Space Telescope Science Institute	GO-13107.01-A	43.001	17,449
617910	NASA - Space Telescope Science Institute	GO-13111.05-A	43.001	1,140
617911	NASA - Chandra	GO3-14133X	43.000	6,616
617912	NASA - Chandra	GO3-14143X	43.001	8,819
617913	NASA - Chandra	GO3-14026X	43.000	22,311
617915	NASA - Chandra	GO3-14130B	43.000	3,523
617917	NASA - Space Telescope Science Institute	AR-13243.01-A	43.001	39,180
617918	NASA - Chandra	GO4-15000X	43.001	11,746
617920	NASA - Space Telescope Science Institute	GO-13368.01-A	43.001	12,446
617921	NASA - Chandra	GO3-14074X	43.001	97,984
617922	NASA - Space Telescope Science Institute	GO-13436.01-A	43.001	8,185
617923	NASA - Space Telescope Science Institute	GO-13454.01-A	43.001	10,612
617924	NASA - Space Telescope Science Institute	GO-12984.02-A	43.001	97
617925	NASA - Space Telescope Science Institute	GO-13300.02-A	43.001	3,462
617926	NASA - Chandra	GO3-14013X	43.000	541
617927	NASA - Space Telescope Science Institute	GO-13487.01-A	43.001	33,067
617928	NASA - Chandra	GO4-15016X	43.001	53,930
617929	NASA - Chandra	TM4-15000X	43.001	24,682
617930	NASA - Chandra	TM4-15002X	43.001	59,582
617931	NASA - Chandra	AR4-15016X	43.001	45,527
617932	NASA - Chandra	AR4-15010X	43.001	3,695
617933	NASA - Chandra	AR4-15009X	43.001	7,466
617934	NASA - Chandra	AR4-15005X	43.001	5,610
617936	NASA - Chandra	AR4-15003X	43.001	32,674
617937	NASA - Chandra	AR4-15000X	43.001	9,225
617938	NASA - Chandra	GO4-15095X	43.001	13,884
617939	NASA - Chandra	GO4-15076X	43.001	579
617940	NASA - Chandra	GO4-15116B	43.001	62
617941	NASA - Chandra	GO4-15081X	43.001	3,752
617942	NASA - Chandra	GO4-15011X	43.001	18,270
617943	NASA - Chandra	GO4-15025X	43.001	761
617944	NASA - Chandra	GO4-15017X	43.001	25,994

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Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA number	Total Expenditures
Research and Development: Smithsonian Astrophysical Observatory				
617946	NASA - Chandra	GO4-15009X	43.001	\$ 1,360
617948	NASA - Space Telescope Science Institute	GO-13369.001-A	43.001	2,274
617949	NASA - Space Telescope Science Institute	GO-13506.001-A	43.001	22,131
617950	NASA - Chandra	GO3-14118X	43.000	8,690
617952	NASA - Chandra	DD4-15071X	43.001	4,247
617953	NASA - Chandra	GO4-15096X	43.001	5,757
617955	NASA - Chandra	GO4-15097X	43.001	19,955
617956	NASA - Chandra	GO4-15107X	43.000	50,954
617957	NASA - Chandra	GO4-15120X	43.001	21,431
617958	NASA - Chandra	PF4-150118	43.001	75,324
617959	NASA - Space Telescope Science Institute	GO-13505.008-A	43.001	8,395
617960	NASA - Space Telescope Science Institute	GO-13378.011-A	43.001	16,285
617961	NASA - Space Telescope Science Institute	HF2-51345.001-A	43.001	89,391
617962	NASA - Chandra	GO4-15099X	43.001	32,306
617963	NASA - Chandra	GO4-15102X	43.001	653
617964	NASA - Chandra	GO4-15129X	43.001	3,746
617965	NASA - Chandra	GO4-15070A	43.001	7,628
617967	NASA - Chandra	GO4-15082X	43.001	32,597
617969	NASA - Chandra	GO4-15051X	43.001	3,361
617975	NASA - Chandra	GO5-16099X	43.001	35,863
617976	NASA - Chandra	GO5-16021X	43.001	174
617977	NASA - Chandra	GO5-16004X	43.001	133
617979	NASA - Chandra	GO5-16096X	43.001	13,357
617984	NASA - Chandra	GO5-16129X	43.001	4,634
617986	NASA - Chandra	GO5-16133X	43.001	2,915
617987	NASA - Chandra	AR5-16006X	43.001	8,279
617989	NASA - Chandra	AR5-16012A	43.001	13,898
617990	NASA - Chandra	GO5-16138A	43.001	3,294
617992	NASA- Goddard Space Flight Center	NNX15AF50G	43.001	74,868
617994	NASA - Chandra	GO5-16147A	43.001	3,029
617996	NASA - Chandra	GO5-16140X	43.001	7,115
617997	NASA - Chandra	GO5-16108X	43.001	12,281
619001	NASA - Space Telescope Science Institute	HST-HF2-51356.001-A	43.000	14,555
713741	NASA- Goddard Space Flight Center	NNG12VP05c	43.001	3,141
713742	NASA- Goddard Space Flight Center	NNG13HZ06C	43.001	114,676
715004	NASA - Langley Research Center	NNL13AA09C	43.001	1,879,891
716015	NASA - Marshall Space Flight Center	NAS8-03060	43.001	53,552,287
716016	NASA - Marshall Space Flight Center	NNM07AB07C	43.001	2,349,373
716022	NASA - Marshall Space Flight Center	NNM15AA13C	43.001	6,064
717131	LOCKHEED MARTIN SHARED SERVICES	SP02H1701R	43.001	856,941
717257	CALIFORNIA INSTITUTE OF TECHNOLOGY - JET PROPULSION LABORATORY	1329220	43.001	17,991
717364	UNIVERSITY OF COLORADO	154-5653	43.001	4,070
717375	LOCKHEED MARTIN SHARED SERVICES	8100002705	43.001	827,854
717380	NASA - Marshall Space Flight Center	NNM10AA07C	43.001	94,521
717395	JOHNS HOPKINS UNIVERSITY	975569	43.001	12,617,193
717417	UNIVERSITY OF MICHIGAN	3001762433	43.001	12,738
717424	UNIVERSITY OF NEW HAMPSHIRE	11-108	43.001	4,399
717448	BOSTON CHILDRENS MUSEUM	NNX12AB91G-Sub	43.001	19,297
717453	HARVARD UNIVERSITY	5058509-131326	43.001	8,009
717455	HARVARD UNIVERSITY	123749-5049107	43.000	77,716
717456	BOSTON UNIVERSITY	4500001066	43.000	111,038
717466	THE PENNSYLVANIA STATE UNIVERSITY	4843-SAO-NASA-C84G	43.009	50,789
717467	TRUSTEES OF BOSTON COLLEGE	5001920-02	43.000	37,583
717472	JOHNS HOPKINS UNIVERSITY	2001888276	43.000	17,126
717476	CALIFORNIA INSTITUTE OF TECHNOLOGY	2-1094136	43.001	3,878
717487	JOHNS HOPKINS UNIVERSITY	117582	43.001	47,043
717491	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710003554	43.001	288,603
717492	CALIFORNIA INSTITUTE OF TECHNOLOGY	2-1094580	43.000	191,251
717494	NASA - Space Telescope Science Institute	48576	43.001	72,746
717497	RELIACOAT TECHNOLOGIES	RCT1013S	43.000	110,104
717500	MONTANA STATE UNIVERSITY	G163-14-W4769	43.001	19,495
717501	UNIVERSITY OF NEW HAMPSHIRE	14-054	43.001	12,068
717502	CALIFORNIA INSTITUTE OF TECHNOLOGY - JET PROPULSION LABORATORY	1502090	43.000	49,893
717506	HARVARD UNIVERSITY	131264-5088477	43.001	99,227
717507	REFLECTIVE X-RAY OPTICS LLC	NNX14AH64G-SAO	43.001	1,787
717508	CALIFORNIA INSTITUTE OF TECHNOLOGY - JET PROPULSION LABORATORY	1515599	43.001	12,185
717509	HARVARD UNIVERSITY	131414-5084550	43.001	34,771
717510	RICE UNIVERSITY	R53541	43.001	20,356
717514	GEORGE MASON UNIVERSITY	E2034761	43.001	7,599
717515	NORTHERN ARIZONA UNIVERSITY	10026901-01	43.001	28,750
717516	HAMPTON UNIVERSITY	HU-150012	43.001	17,653
717517	LOCKHEED MARTIN SHARED SERVICES	4101946323	43.001	8,379
610234	NASA- Shared Services Center	NNX15AD96G	43.001	1,745
				87,981,572

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Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA number	Total Expenditures
Research and Development: Smithsonian Astrophysical Observatory				
National Science Foundation:				
640191	National Science Foundation	AST-0708924		\$ (1,465)
640242	National Science Foundation	AST-1009649	47.049	26,206
640246	National Science Foundation	AGS-1037834	47.050	72,691
640255	National Science Foundation	HRD-1131039	47.076	(2,028)
640269	National Science Foundation	PHY-1205923	47.049	441,655
640270	National Science Foundation	AST-1211843	47.049	68,625
640276	National Science Foundation	DRL-1222588	47.076	332,905
640277	National Science Foundation	DRL-1118577	47.076	16,769
640281	National Science Foundation	AGS-1263241	47.049	101,861
640282	National Science Foundation	AST-1262851	47.049	167,322
640285	National Science Foundation	AGS-1259519	47.000	8,408
640288	National Science Foundation	AST-1337663	43.001	58,636
640289	National Science Foundation	AST-1312882	47.049	72,120
640290	National Science Foundation	PHY-1205389	47.049	289,978
640291	National Science Foundation	AST-1305310	47.049	47,745
640293	National Science Foundation	ECCS-1408075	47.041	127,043
640299	National Science Foundation	AGS-1358342	47.050	96,369
640306	National Science Foundation	DRL-1433345	47.076	40,195
640308	National Science Foundation	AST-1405606	47.049	136,300
640314	National Science Foundation	AST-1440254	47.049	50,509
640315	National Science Foundation	AST-1513139	47.049	10,015
640319	National Science Foundation	DRL-1502798	47.076	1,344
640324	National Science Foundation	AGS-1531549	47.049	11,640
640325	National Science Foundation	AST-1509375	47.049	2,272
642096	National Science Foundation	AGS-1156076	47.049	67,400
742059	VIRTUAL ASTRONOMY OBSERVATORY	VAO 2010 3 1	47.082	11,151
742067	AURA	N01310C-N	47.049	15,106
742076	UCLA	1000 G QB252	47.000	49,028
742078	UNIVERSITY OF VIRGINIA	GA10962-142211	47.000	86,441
742079	HARVARD UNIVERSITY	131382-5062418	47.000	107,755
742080	UNIVERSITY OF CHICAGO	FP052668	43.001	104,471
742081	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710003643	47.049	156,950
742082	HARVARD UNIVERSITY	131385-5086156	47.076	10,053
742083	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710003652	47.049	3,771
742084	GEORGIA STATE UNIVERSITY	SP00011663-01	47.050	22,915
742085	HARVARD UNIVERSITY	131407-5091340	47.076	58,574
742086	HARVARD UNIVERSITY	131403-5094253	47.076	9,364
				<u>2,880,094</u>
Other Agencies:				
692338	Naval Research Laboratory	N00173-14-1-G908	12.300	5,375
792043	DAWN RESEARCH INC.	Dawn 4/18/14	81.036	(351)
792047	QUANTUM DIAMOND TECHNOLOGIES, INC.	QS1001	43.001	15,699
792050	HARVARD UNIVERSITY	144800-5079188	45.301	1,246
792051	DAWN RESEARCH INC.	5/6/2015	81.049	27,028
792054	LAWRENCE LIVERMORE NATIONAL LABORATORY	B614697	43.009	21,016
				<u>70,013</u>
Total Research and Development: Smithsonian Astrophysical Observatory				<u>91,572,785</u>
Total Research and Development				<u>\$ 106,346,021</u>
U.S. Postal Service				
U.S. Postal Service:				
692328	U.S. Postal Service	Not applicable	99.UNK	\$ 120,626
694019	U.S. Postal Service	Not applicable	99.UNK	4,500
692336	U.S. Postal Service	Not applicable	99.UNK	2,889,535
Total U.S. Postal Service				<u>\$ 3,014,661</u>
Other Programs - Mail Based:				
U.S. Agency for International Development:				
692326	U.S. Agency for International Development	0830 G QB293	98.001	\$ 59,193
692341	U.S. Agency for International Development	AID-486-A14-0000	98.001	77,435
792039	U.S. Agency for International Development	EPP-I-00-00013-00	98.000	2,515
				<u>139,143</u>
U.S. Department of Education:				
692329	U.S. Department of Education-ARRA	C0163-13	84.351	396
U.S. Department of Health and Human Services:				
792041	LEIDOS BIOMEDICAL RESEARCH, INC.	1411823	93.000	9,998

SMITHSONIAN INSTITUTION

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA number	Total Expenditures
	U.S. Department of State:			
668015	U.S. Department of State	SUP30013GR424	19.040	\$ 6,757
668017	U.S. Department of State	S-BR250-13-GR150	19.040	50,220
668018	U.S. Department of State	S-IN650-14-GR-037	19.040	10,493
668019	U.S. Department of State	S-LMAQM-14-GR-018	19.700	<u>66,184</u>
				133,654
	U.S. Department of the Interior:			
634052	U.S. Department of the Interior	P14AP00179	15.933	156,342
634042	U.S. Department of the Interior	MT-2256-09-219	15.929	121
634048	U.S. Department of the Interior	MT-2256-10-324	15.929	<u>335,000</u>
				491,463
	National Aeronautics and Space Administration:			
617967	AMERICAN UNIVERSITY	31297-5	43.008	46,672
610230	National Aeronautics and Space Administration	NNX4AQ78G	43.008	<u>1,864</u>
				48,536
	National Science Foundation:			
640271	National Science Foundation	DB1-1227005	47.074	94,785
640295	National Science Foundation	DBI-1359299	47.074	91,141
640259	National Science Foundation	1127060	47.075	58,641
640245	National Science Foundation	DRL-1010776	47.076	776,024
642083	UNIVERSITY OF CALIFORNIA-BERKELEY	P #DEB-0956426/Sub#7420	47.074	907
642101	UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN	Subaward 2011-01734-01	47.076	<u>49,465</u>
				1,070,963
	Other Agencies:			
792052	ARCHITECT OF THE CAPITOL	AOC15A1024	99.UNK	18,862
692332	NATIONAL ENDOWMENT FOR THE HUMANITIES - THE HUMANITIES COUNCIL	14-Remembrance-04	45.129	<u>2,000</u>
	Other Programs - MALL Based			<u>20,862</u>
				1,915,014
	Total Other Programs: Mall - Based			<u>1,915,014</u>
	Total Federal Awards			\$ <u><u>111,275,697</u></u>

SMITHSONIAN INSTITUTION

Notes to Schedules of Expenditures of Federal Awards

Year ended September 30, 2015

(1) Background

Basis of Presentation and Description of Major Program

The accompanying schedules of expenditures of federal awards were prepared in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The purpose of these schedules is to present information relating to expenditures of the Smithsonian Institution (Smithsonian) under programs of the federal government for the year ended September 30, 2015. The summary schedule on page 28 presents total expenditures by both federal agency and principal Smithsonian research location. The schedule from pages 29-37 provides more detailed award information supporting the summary schedule.

The Smithsonian's federal awards are received either directly from the federal government or indirectly through "pass-through" organizations. Most awards received by the Smithsonian are classified within the cluster of "research and development" in the accompanying schedules of expenditures of federal awards.

The schedules do not include expenditures funded by the Smithsonian's federal appropriation, which is not subject to OMB Circular A-133 audit requirements.

(2) Summary of Significant Accounting Policies for Federal Award Expenditures

Basis of Accounting

The accompanying schedules of expenditures of federal awards were prepared using the accrual method of accounting. Expenses are recognized as incurred using the cost accounting principles contained in the OMB Circular A-122, *Costs Principles for Non-Profit Organizations, and Cost Accounting Standards* (relocated to 2 CFR Part 230). Under those cost principles, certain types of expenses are not allowable or are limited as to reimbursement.

Expenditures include costs that can be identified with specific projects (e.g., salaries and fringe benefits, travel, and materials) plus allocations of the applicable indirect costs (e.g., grant and contract administration, general administration, operating overhead, material burden, and engineering services). The indirect cost rates applied are negotiated percentages of direct expenses. The indirect cost rate allocation bases exclude capital expenditures and other items. Indirect cost rates applied to awards for the fiscal year ended September 30, 2015 were negotiated with the cognizant federal rate agency, the Office of Naval Research.



KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Office of the Inspector General, Audit and Review Committee
of the Board of Regents, and Secretary Skorton
Smithsonian Institution:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Smithsonian Institution, (Smithsonian) which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Smithsonian's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Smithsonian's internal control. Accordingly, we do not express an opinion on the effectiveness of Smithsonian's internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Smithsonian's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Smithsonian's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Smithsonian Institution's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

McLean, Virginia
January 22, 2016



KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Office of the Inspector General, Audit and Review Committee of
the Board of Regents, and Secretary Skorton
Smithsonian Institution:

Report on Compliance for Each Major Federal Program

We have audited the Smithsonian Institution's (Smithsonian) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Smithsonian's major federal programs for the year ended September 30, 2015. Smithsonian's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Smithsonian's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Smithsonian's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Smithsonian's compliance.

Opinion on Each Major Federal Program

In our opinion, Smithsonian complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

Smithsonian's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Smithsonian's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Smithsonian is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Smithsonian's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Smithsonian's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a significant deficiency.

The Smithsonian's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Smithsonian's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Smithsonian Institution as of and for the year ended September 30, 2015, and have issued our report thereon dated January 22, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying summary and detailed schedules of expenditures of federal awards are presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the summary and detailed schedules of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

McLean, Virginia
June 21, 2016

SMITHSONIAN INSTITUTION

Schedule of Findings and Questioned Costs

Year ended September 30, 2015

(1) Summary of Auditors' Results

Financial Statements

The type of report issued on the financial statements: Unmodified opinion

Internal control over financial reporting:

- Material weaknesses identified: None
- Significant deficiencies identified: None reported

Noncompliance which is material to the financial statements: None

Federal Awards

Internal control over major program:

- Material weaknesses identified: None
- Significant deficiencies identified: Yes, 2015-001

The type of report issued on compliance for major program: Unmodified opinion

Any audit findings which are required to be reported under Section 0.510(a) of OMB Circular A-133: Yes, 2015-001

Major programs: Research and Development – various CFDA numbers

U.S. Postal Service

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as a low risk auditee under Section 0.530 of OMB Circular A-133: Yes

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

SMITHSONIAN INSTITUTION

Schedule of Findings and Questioned Costs

Year ended September 30, 2015

(3) Federal Awards Findings and Questioned Costs

Finding 2015-001: Allowability, Cash Management

Federal Program: Research & Development Cluster

Federal Agencies: National Aeronautics and Space Administration

Pass-through Entity: The Johns Hopkins University Applied Physics Laboratory

CFDA Number: 43.001

Federal Award Number: Letter Contract No. 975569; Prime Contract NNN06AA01C; Task Order NNN10AA08T (October 1, 2014-September 30, 2015)

Criteria:

Federal Acquisition Regulation (FAR) 52.216-7(b)(i), states that costs submitted for reimbursement only include, “those recorded costs that, at the time of the request for reimbursement, the Contractor has paid by cash, check, or other form of actual payment for the items or services purchased directly for the contract.”

2 CFR 230.50 section B, states that, “direct costs are those that can be identified specifically with a particular final cost objective.”

Condition:

Prior to remitting invoices to program sponsors for payment, the Smithsonian Astrophysical Observatory (SAO) reviews the invoices to ensure that the costs included meet the requirements to be able to be billed to program sponsors. For the above noted award received from the Johns Hopkins University Applied Physics Laboratory (JHU-APL), the SAO had a business practice in which activity for a subcontractor (University of California, Berkeley), including telephone and other expenses, was billed either based on estimated costs prior to the SAO receiving the actual invoice for such expenses or, in certain cases, prior to the SAO remitting funds for the respective subcontractor invoice based on an accrued cost. The management review control of invoices related to this program was not designed to prevent estimated or accrued costs from being included in the invoices remitted for payment.

The SAO billings based on estimated and direct costs were approximately \$5,610,000 from October 2014 to May 2015. Upon notification by JHU-APL, these invoices were canceled by SAO and a corrected invoice based on actual direct costs which had been paid by SAO of \$5,512,146 was remitted for the period from October 2014 to May 2015.

Cause & Effect:

The effect of this matter represents a potential overcharge to the contract as the invoice was based on estimated costs and accruals and not actual direct costs incurred.

Questioned Costs:

There were no questioned costs as the invoice was corrected as of September 30, 2015.

SMITHSONIAN INSTITUTION

Schedule of Findings and Questioned Costs

Year ended September 30, 2015

Recommendation:

Although we noted that the 2015 invoices were corrected prior to the end of the fiscal year, the SAO should implement proper management review controls to ensure that invoices submitted for reimbursement are based on actual direct costs incurred and do not include estimated costs or accrued amounts. Financial activity should only be recorded after constructive receipt of the actual invoice from a subcontractor, or other information to substantiate the expense. The SAO has subsequently changed its business practices and now only invoices sponsors after receipt of invoices for subcontracts. We recommend the SAO continue to monitor their internal control environment to avoid such practices going forward and develop a more robust internal control system and control processes with regards to reimbursement and billings.

View of Responsible Officials:

SAO's long-standing standard business practice is to submit invoices for reimbursement based on actual direct costs incurred, and not to include estimated costs or accrued amounts.

An exception to that standard business practice was temporarily made in the case of a single project. SAO received a NASA subcontract from the Johns Hopkins University Applied Physics Laboratory (JHU-APL), and SAO in turn, issued a second tier subcontract to the University of California Berkeley, (UCB). UCB incurred project costs for work performed under the SAO subcontract; however, they were experiencing significant delays in invoicing those costs to SAO. In order to accurately comply with contractually required NASA Earned Value Management (EVM) and NASA Form 533 reporting, UCB, SAO and JHU-APL agreed to develop reports that included the UCB incurred costs, even though they had not yet been invoiced to SAO. Those reports were also, initially, used by SAO to prepare the invoices that SAO submitted to JHU-APL. Once SAO became aware that JHU-APL did not want the UCB un-invoiced data included in the invoices, SAO cancelled the invoices and reissued amended invoices. JHU-APL did not reimburse SAO for the original invoices that included the UCB unbilled costs.

As noted in your recommendation SAO suspended this accommodation in fiscal year 2015. Corrective action is considered complete.