



**Smithsonian Institution**  
Office of the Inspector General

**Memo**

Date: February 26, 2018

To: David M. Rubenstein, Chair, Board of Regents  
John W. McCarter, Jr., Chair, Audit and Review Committee, Board of Regents  
Dr. David Skorton, Secretary

Cc: Al Horvath, Under Secretary for Finance and Administration and  
Chief Financial Officer  
John Benton, Deputy Under Secretary for Finance and Administration  
Jean Garvin, Director, Office of Finance and Accounting  
Greg Bettwy, Chief of Staff, Office of the Secretary  
Porter Wilkinson, Chief of Staff to the Regents

From: Cathy L. Helm, Inspector General *Cathy L. Helm*

Subject: *Independent Auditors' Report on Compliance for the Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance for Fiscal  
Year 2017 (OIG-A-18-05)*

This memorandum transmits the third and final report of the fiscal year 2017 financial statement audits of the Smithsonian Institution (Smithsonian) performed by the independent public accounting firm of KPMG LLP (KPMG). KPMG expressed two unmodified opinions. First, KPMG opined that the Smithsonian complied, in all material respects, with compliance requirements for the major federal program, research and development. Second, KPMG opined that the Smithsonian's expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The Office of the Inspector General serves as the Contracting Officer's Technical Representative for KPMG's work. As part of our oversight activities, we reviewed KPMG's audit report and documentation and interviewed its representatives. Our review 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*.

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

Attachment



## **SMITHSONIAN INSTITUTION**

Audit of Federal Awards Performed in Accordance with  
Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative  
Requirements, Cost Principles, and Audit Requirements for Federal Awards*

September 30, 2017

(With Independent Auditors' Reports Thereon)

## SMITHSONIAN INSTITUTION

Audit of Federal Awards Performed in Accordance with  
Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative  
Requirements, Cost Principles, and Audit Requirements for Federal Awards*

### Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Financial Activity	4
Statement of Cash Flows	5
Notes to Financial Statements	6–25
<b>Schedules of Expenditures of Federal Awards</b>	
Summary Schedule of Expenditures of Federal Awards	26
Detail Schedule of Expenditures of Federal Awards	27–35
Notes to Schedules of Expenditures of Federal Awards	36
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 <i>Government Auditing Standards</i>	37–38
Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedules of Expenditures of Federal Awards Required by the Uniform Guidance	39–40
Schedule of Findings and Questioned Costs	41



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Washington, DC 20006

## **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, which comprise the statement of financial position as of September 30, 2017, 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 entity'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 Smithsonian Institution as of September 30, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016 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, 2018 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 solely 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 the effectiveness of Smithsonian Institution's 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 Institution's internal control over financial reporting and compliance.

**KPMG LLP**

Washington, District of Columbia  
January 22, 2018

**SMITHSONIAN INSTITUTION**

Statement of Financial Position

September 30, 2017

(with summarized financial information as of September 30, 2016)

(Dollars in millions)

	Fund detail		Total funds	
	Trust	Federal	2017	2016
<b>Assets:</b>				
Cash, cash equivalents, and U.S.				
Treasury balances	\$ 89.6	350.6	440.2	407.6
Receivables and advances	279.8	2.3	282.1	337.5
Inventories	13.2	0.3	13.5	13.1
Deferred expenses and other assets	58.8	—	58.8	57.2
Investments	1,752.9	—	1,752.9	1,565.5
Property and equipment, net	772.6	1,569.7	2,342.3	2,332.0
Total assets	<u>\$ 2,966.9</u>	<u>1,922.9</u>	<u>4,889.8</u>	<u>4,712.9</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 133.3	162.8	296.1	286.3
Deferred revenue	59.1	—	59.1	59.4
Unexpended federal appropriations	—	289.0	289.0	267.8
Deferred gain on sale of real estate	12.1	—	12.1	16.0
Environmental remediation obligation	—	49.9	49.9	51.3
Long-term debt	199.6	—	199.6	201.3
Total liabilities	<u>404.1</u>	<u>501.7</u>	<u>905.8</u>	<u>882.1</u>
<b>Net assets:</b>				
Unrestricted	1,345.3	1,421.2	2,766.5	2,650.9
Temporarily restricted	692.0	—	692.0	670.3
Permanently restricted	525.5	—	525.5	509.6
Total net assets	<u>2,562.8</u>	<u>1,421.2</u>	<u>3,984.0</u>	<u>3,830.8</u>
<b>Commitments and contingencies</b>				
Total liabilities and net assets	<u>\$ 2,966.9</u>	<u>1,922.9</u>	<u>4,889.8</u>	<u>4,712.9</u>

See accompanying notes to financial statements.

**SMITHSONIAN INSTITUTION**  
Statement of Financial Activities  
Year ended September 30, 2017  
(with summarized financial information for year ended September 30, 2016)  
(Dollars in millions)

	Unrestricted fund detail			Temporarily restricted trust funds	Permanently restricted trust funds	Total funds	
	Trust	Federal	Total			2017	2016
Operating revenues and other additions:							
Government revenue:							
Federal appropriations	\$ —	841.0	841.0	—	—	841.0	819.9
Government grants and contracts	113.7	—	113.7	—	—	113.7	119.6
Total government revenue	113.7	841.0	954.7	—	—	954.7	939.5
Contributions	49.4	—	49.4	123.6	14.1	187.1	266.4
Business activities and other:							
Business activities	201.9	—	201.9	—	—	201.9	180.7
Short-term investment income	2.5	—	2.5	—	—	2.5	1.2
Endowment payout	43.2	—	43.2	32.3	—	75.5	72.0
Private grants	6.7	—	6.7	—	—	6.7	6.9
Rentals, fees, commissions, and other	22.4	9.3	31.7	—	—	31.7	25.9
Gain on sale of real estate	3.9	—	3.9	—	—	3.9	3.9
Imputed benefit revenue	—	50.7	50.7	—	—	50.7	44.8
Total business activities and other	280.6	60.0	340.6	32.3	—	372.9	335.4
Total operating revenues	443.7	901.0	1,344.7	155.9	14.1	1,514.7	1,541.3
Net assets released from restrictions	190.1	—	190.1	(190.1)	—	—	—
Total operating revenues and other additions	633.8	901.0	1,534.8	(34.2)	14.1	1,514.7	1,541.3
Expenses:							
Program activities:							
Research	137.8	160.9	298.7	—	—	298.7	275.0
Collections management	27.5	212.1	239.6	—	—	239.6	260.4
Education, public programs, and exhibitions	100.5	281.1	381.6	—	—	381.6	324.8
Business activities	150.4	—	150.4	—	—	150.4	136.9
Total program activities	416.2	654.1	1,070.3	—	—	1,070.3	997.1
Supporting activities:							
Administration:							
Centrally managed	21.6	100.7	122.3	—	—	122.3	116.8
Unit managed	60.0	136.8	196.8	—	—	196.8	186.5
Advancement	56.0	8.0	64.0	—	—	64.0	65.5
Total supporting activities	137.6	245.5	383.1	—	—	383.1	368.8
Total expenses	553.8	899.6	1,453.4	—	—	1,453.4	1,365.9
Change in net assets before nonoperating activities	80.0	1.4	81.4	(34.2)	14.1	61.3	175.4
Nonoperating activities:							
Environmental remediation costs	—	1.4	1.4	—	—	1.4	(1.0)
Nonoperating investment gains	41.5	—	41.5	55.9	1.8	99.2	32.8
Change in net assets of related organizations and other	2.2	—	2.2	—	—	2.2	2.5
Losses on disposition of assets	—	(0.5)	(0.5)	—	—	(0.5)	—
Collection items not capitalized:							
Proceeds from sales	—	—	—	—	—	—	0.3
Collection items purchased	(7.6)	(2.8)	(10.4)	—	—	(10.4)	(17.7)
Change in net assets	116.1	(0.5)	115.6	21.7	15.9	153.2	192.3
Net assets, beginning of year	1,229.2	1,421.7	2,650.9	670.3	509.6	3,830.8	3,638.5
Net assets, end of year	\$ 1,345.3	1,421.2	2,766.5	692.0	525.5	3,984.0	3,830.8

See accompanying notes to financial statements.

**SMITHSONIAN INSTITUTION**

Statement of Cash Flows

Year ended September 30, 2017

(with summarized financial information for year ended September 30, 2016)

(Dollars in millions)

	Fund detail		Total funds	
	Trust	Federal	2017	2016
Cash flows from operating activities:				
Change in net assets	\$ 153.7	(0.5)	153.2	192.3
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Proceeds from sales of collection items	—	—	—	(0.3)
Collection items purchased	7.6	2.8	10.4	17.7
Depreciation and amortization	53.3	100.3	153.6	136.1
Present value discount and accretion	(0.2)	0.8	0.6	0.7
Contributions for permanent restricted purposes	(14.1)	—	(14.1)	(20.9)
Contributions for construction of facilities	(13.3)	—	(13.3)	(105.7)
Appropriations for repair, restoration, and construction	—	(121.5)	(121.5)	(119.9)
Net investment (gains) losses	(161.0)	—	(161.0)	(94.5)
Decrease (increase) in assets:				
Receivables and advances	34.2	(0.8)	33.4	0.5
Inventories	(0.5)	0.1	(0.4)	(1.9)
Deferred expenses and other assets	(3.8)	2.2	(1.6)	(3.9)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(3.4)	32.7	29.3	(11.4)
Deferred revenue	(0.3)	—	(0.3)	8.1
Unexpended federal appropriations	—	9.4	9.4	(5.0)
Amortization of deferred gain on sale of real estate	(3.9)	—	(3.9)	(3.9)
Environmental remediation obligation	—	(2.2)	(2.2)	0.3
Net cash provided by (used in) operating activities	48.3	23.3	71.6	(11.7)
Cash flows from investing activities:				
Proceeds from sales of collection items	—	—	—	0.3
Collection items purchased	(7.6)	(2.8)	(10.4)	(17.7)
Purchases of property and equipment	(55.4)	(128.0)	(183.4)	(248.9)
Purchases of investment securities	(472.3)	—	(472.3)	(249.6)
Proceeds from sales/maturities of investment securities	445.9	—	445.9	175.6
Net cash used in investing activities	(89.4)	(130.8)	(220.2)	(340.3)
Cash flows from financing activities:				
Contributions for permanent restricted purposes	27.3	—	27.3	41.6
Contributions for construction	22.1	—	22.1	68.8
Appropriations for repair, restoration, and construction	—	133.3	133.3	144.2
Principal payments on long-term debt	(1.5)	—	(1.5)	(1.4)
Net cash provided by financing activities	47.9	133.3	181.2	253.2
Net change in cash, cash equivalents, and U.S. Treasury balances	6.8	25.8	32.6	(98.8)
Cash, cash equivalents, and U.S. Treasury balances:				
Beginning of year	82.8	324.8	407.6	506.4
End of year	\$ 89.6	350.6	440.2	407.6
Noncash investing activities:				
Construction cost accruals	\$ 0.2	12.3	12.5	32.0
Cash paid for interest	\$ 3.8	—	3.8	3.5

See accompanying notes to financial statements.



# SMITHSONIAN INSTITUTION

## Notes to Financial Statements

September 30, 2017

(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 2017, 30.1 million individuals visited Smithsonian museums and other facilities.

At September 30, 2017, the Smithsonian's extensive collection contained approximately 154.8 million objects: 400,000 works of art, 8.8 million historical artifacts, and 145.6 million natural and physical science specimens (living and nonliving). The Smithsonian also maintains 157,000 cubic feet and 600,000 items of archival holdings and 2.1 million library volumes. During fiscal year 2017, approximately 11,100 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 the endowment payout 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.

These financial statements include 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, 2016, 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, which were established by Congress within the Smithsonian, but are governed by independent boards of trustees and therefore not controlled by the Smithsonian.

# SMITHSONIAN INSTITUTION

## Notes to Financial Statements

September 30, 2017

(Dollars in millions)

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 relative 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, environmental remediation obligation, and the allowance 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 obligation, annual leave, and estimated Federal Employee Compensation Act (FECA) liabilities for workers' compensation claims.

For fiscal 2017, the Smithsonian was appropriated \$729.4 for operations and \$133.9 for construction or repair and restoration of facilities. Federal appropriations for operations are generally available for obligation for two years. Federal appropriations for construction or repair and restoration of facilities are generally available for obligation until expended. Unexpended appropriations are recognized as liabilities in the statement of financial position.

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 2017, the unexpended balance of the fiscal 2011 appropriation, amounting to \$1.1, 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:

- *Unrestricted*

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

# SMITHSONIAN INSTITUTION

## Notes to Financial Statements

September 30, 2017

(Dollars in millions)

- *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. Donor-restricted and board-designated endowment funds in this category represent donor-restricted contributions and accumulated earnings from true endowments that have been designated for long-term investment, respectively. 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 \$16.0 and \$32.1 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 \$350.6 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, 2017, the fund, totaling \$280.3, is comprised of \$32.1 in cash equivalents with maturity dates of three months or less and short-term investments of \$228.2, all of which are included in investments (note 5).

**(g) *Trade Accounts Receivable***

Trade accounts receivable generally consists of accounts receivables related to magazine advertising and certain concession agreements and are stated at invoice amount. Allowances are recognized for uncollectible amounts based on past collection experience.

# SMITHSONIAN INSTITUTION

## Notes to Financial Statements

September 30, 2017

(Dollars in millions)

### **(h) Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Modifications to donor gift agreements or pledges are recognized 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 contribution revenue.

In-kind contributions of goods and services totaling \$14.0 were received in fiscal year 2017 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 6,900 volunteers contributed about 551,000 hours of service to the Smithsonian during fiscal year 2017. 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 and long-term contracts are deferred and recognized ratably over the period of the underlying agreement.

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, 2017, deferred expenses and other assets include \$7.3 of deferred promotion costs, related primarily to the magazines. Advertising expense, including direct response advertising of \$8.2, totaled \$13.0 in fiscal year 2017 and is included in business activities expenses in the statement of financial activities.

### **(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**

The Smithsonian employs an investment strategy that 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.

## SMITHSONIAN INSTITUTION

### Notes to Financial Statements

September 30, 2017

(Dollars in millions)

Investments in fixed income, certain global equities, publicly traded natural resources, and cash and cash equivalents, including 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, 2017, 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 business, interest rate, market, exchange rate, liquidity, 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 cost. 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. The assets for the charitable trusts are included in receivables and advances. Contribution revenues from charitable remainder trusts 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 and included in investments. 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.

#### **(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.

## SMITHSONIAN INSTITUTION

### Notes to Financial Statements

September 30, 2017

(Dollars in millions)

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. 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 the fiscal year, noncash deaccessions included works of art, animals, historical objects, and natural specimens.

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. Contributed items held for sale, amounting to \$0.9, are included in other assets.

#### **(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 aggregated to \$28.7 for federal and \$14.1 for trust as of September 30, 2017.

## SMITHSONIAN INSTITUTION

### Notes to Financial Statements

September 30, 2017

(Dollars in millions)

**(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 as government grants and contracts. 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. Fund-raising 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 disposition of assets, 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 2017. 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.

**SMITHSONIAN INSTITUTION**

Notes to Financial Statements

September 30, 2017

(Dollars in millions)

**(3) Receivables and Advances**

Receivables and advances consist of the following as of September 30, 2017:

	<u>Trust</u>	<u>Federal</u>	<u>Total</u>
Contributions	\$ 221.0	—	221.0
Grants and contracts	22.0	—	22.0
Charitable trusts	19.1	—	19.1
Trade accounts, net of \$0.5 allowances	15.7	2.3	18.0
Accrued interest and dividends	1.7	—	1.7
Advances and other	0.3	—	0.3
	<hr/>	<hr/>	<hr/>
Total receivables and advances	\$ <u>279.8</u>	<u>2.3</u>	<u>282.1</u>

Contributions receivable consist of the following:

Due within:		
Less than 1 year		\$ 93.3
1 to 5 years		134.0
5 years or beyond		5.8
		<hr/>
		233.1
Less:		
Allowance for uncollectible contributions		(5.6)
Unamortized discount (at rates ranging from 0.62% to 3.8%)		(6.5)
		<hr/>
Contributions receivable, net		\$ <u>221.0</u>

**(4) Federal Appropriations**

The fiscal 2017 federal appropriation reconciles to federal appropriation revenue as follows:

	<u>Salaries and expenses</u>	<u>Repair and restoration and construction</u>	<u>Total</u>
Fiscal year 2017 federal appropriation	\$ 729.4	133.9	863.3
Unexpended 2017 appropriation	(108.1)	(112.6)	(220.7)
Amounts expended from prior years' appropriations	98.2	100.2	198.4
	<hr/>	<hr/>	<hr/>
Federal appropriation revenue	\$ <u>719.5</u>	<u>121.5</u>	<u>841.0</u>



**SMITHSONIAN INSTITUTION**

Notes to Financial Statements

September 30, 2017

(Dollars in millions)

The fiscal year 2017 federal appropriation reconciles to federal appropriation expense as follows:

	<u>Salaries and expenses</u>	<u>Repair and restoration and construction</u>	<u>Total</u>
Fiscal year 2017 federal appropriation	\$ 729.4	133.9	863.3
Unexpended 2017 appropriation	(108.1)	(112.6)	(220.7)
Depreciation	11.2	89.1	100.3
Imputed benefit costs	50.7	—	50.7
Collection items purchased	(2.8)	—	(2.8)
Amounts expended from prior years' appropriations	98.2	100.2	198.4
Capital expenditures	(15.6)	(112.4)	(128.0)
Loss on disposition of assets	—	0.5	0.5
Unfunded expenses – FECA, annual leave, and actuarial adjustment	27.6	—	27.6
Other funding	10.2	0.1	10.3
	<u>800.8</u>	<u>98.8</u>	<u>899.6</u>
Federal appropriation expense	\$ <u>800.8</u>	<u>98.8</u>	<u>899.6</u>

Unexpended appropriations for all fiscal years total \$289.0 at September 30, 2017 and consist of \$136.0 in unexpended operating funds and \$153.0 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 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 reviews the long-term asset allocation for the endowment.

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.

## SMITHSONIAN INSTITUTION

### Notes to Financial Statements

September 30, 2017

(Dollars in millions)

- 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.

The following summarizes Smithsonian's investments at fair value, which are determined primarily based on quoted market prices and NAV, as of September 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>	<u>NAV <sup>(1)</sup></u>
Fixed income	\$ 228.2	228.2	—	—
Endowment investments:				
Global equities:				
Global markets	47.1	47.1	—	—
Emerging markets	34.3	34.3	—	—
Real assets:				
Energy and natural resources	30.7	30.7	—	—
Fixed income	99.7	99.7	—	—
Cash and equivalents	15.1	15.1	—	—
Pooled investments	226.9	226.9	—	—
Investments at NAV	1,272.2	—	—	1,272.2
Total pooled investments	1,499.1	226.9	—	1,272.2
Nonpooled investments:				
U.S. Treasury deposits	1.0	1.0	—	—
Total endowment	1,500.1	227.9	—	1,272.2
Gift annuities, primarily equities	24.6	24.6	—	—
Total investments	1,752.9	480.7	—	1,272.2
Charitable trusts	19.1	—	19.1	—
	<u>\$ 1,772.0</u>	<u>480.7</u>	<u>19.1</u>	<u>1,272.2</u>

<sup>(1)</sup> 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 above to permit reconciliation with the statement of financial position.

# SMITHSONIAN INSTITUTION

## Notes to Financial Statements

September 30, 2017

(Dollars in millions)

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 investments:

	NAV	Redemption terms	Days of notices	Unfunded commitments
Global equity:				
Developed markets	\$ 295.9	Weekly to annually	6-91	\$ —
Emerging markets	107.9	Daily to maturity	10-N/A	—
Marketable alternatives:				
Long/short equity	69.2	Monthly to annually	30-60	—
Credit and distressed	98.8	Annually to maturity	90-N/A	14.4
Multistrategy	50.9	Monthly to quarterly	60	—
Global macro	61.3	Monthly to semiannually	2-60	—
Private equity:				
Private equity	123.8	Not applicable	N/A	67.1
Venture capital	232.8	Not applicable	N/A	71.4
Real assets:				
Energy and natural resources	88.6	Not applicable	N/A	42.7
Real estate funds	120.5	Quarterly to maturity	60-N/A	86.5
Fixed income	22.5	Quarterly to maturity	90-N/A	10.0
	<u>\$ 1,272.2</u>			<u>\$ 292.1</u>

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

**(a) 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.

**(b) 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, multistrategy, 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. Multistrategy 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.

# SMITHSONIAN INSTITUTION

## Notes to Financial Statements

September 30, 2017

(Dollars in millions)

**(c) Private Equity and Venture Capital**

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. Distributions to limited partners are made as soon as feasible and, in accordance with the limited partnership agreement, when realizations (sales of portfolio companies) are made or when interest payments, dividends, or recapitalizations are received.

**(d) Real Assets**

Real assets include real estate and energy and natural resources investments that are made mostly in private limited partnerships as well as publicly traded securities funds. Distributions to limited partners are made as soon as feasible and, in accordance with the limited partnership agreement, when realizations (sales of portfolio companies) are made or when interest payments, dividends, or recapitalizations are received.

**(e) 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, 2017, the Smithsonian had uncalled commitments totaling approximately \$292.1. Such commitments are callable over the fund investment period, generally the first five years of the funds. The standard life of Smithsonian's investments in these private partnerships are between 8 and 10 years with one or two possible 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 2017 is as follows: beginning balance \$18.0; distribution \$0.3; net gains \$1.4; and ending balance \$19.1. There are no transfers and reclassifications of assets between levels during fiscal year 2017.

Investment return consisted of the following for fiscal year 2017:

Dividend and interest income	\$	19.0
Net investment gains		161.0
Investment management fees		<u>(2.8)</u>
	\$	<u>177.2</u>

# SMITHSONIAN INSTITUTION

## Notes to Financial Statements

September 30, 2017

(Dollars in millions)

Investment return is classified in the statement of financial activities as follows for fiscal year 2017:

Short-term investment income	\$	2.5
Endowment payout		75.5
Nonoperating investment gain		<u>99.2</u>
Investment return	\$	<u><u>177.2</u></u>

### (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 (board designated). 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 follows 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 market value at the beginning of the month in which the transaction takes place. As of September 30, 2017, the per-unit market value of the pool, in whole dollars, was \$902.82.

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 that targets an appropriation to be 5% of the prior five years' average value of the endowment. The per-unit payout for fiscal year 2017, in whole dollars, was \$40.39 or 5% of the average per-unit market value of the endowment over the prior five years. An additional payout per eligible unit of \$8.08 (in whole dollars) was authorized and made to support the fund-raising 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. Such deficiencies are generally the result of unfavorable market fluctuations and continuing the appropriations for various programs is generally deemed prudent by the Board. There were no such deficiencies at September 30, 2017.

**SMITHSONIAN INSTITUTION**

Notes to Financial Statements

September 30, 2017

(Dollars in millions)

Endowment net assets, excluding contributions receivable, consist of the following as of September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor restricted	\$ —	347.0	485.2	832.2
Board designated	<u>657.9</u>	<u>12.0</u>	<u>—</u>	<u>669.9</u>
Total endowment net assets	\$ <u>657.9</u>	<u>359.0</u>	<u>485.2</u>	1,502.1
Uninvested cash and receivables				\$ <u>(3.0)</u>
Total endowment assets under management				\$ <u>1,499.1</u>

Activity in endowment net assets for fiscal 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance, September 30, 2016	\$ 609.6	301.8	457.3	1,368.7
Investment return:				
Investment income	4.2	5.1	—	9.3
Realized and unrealized gains, net	<u>70.4</u>	<u>87.2</u>	<u>—</u>	<u>157.6</u>
Total investment return	<u>74.6</u>	<u>92.3</u>	<u>—</u>	<u>166.9</u>
Contributions, including board-designated transfers	11.3	2.8	27.9	42.0
Appropriated for expenditure	<u>(37.6)</u>	<u>(37.9)</u>	<u>—</u>	<u>(75.5)</u>
Balance, September 30, 2017	\$ <u>657.9</u>	<u>359.0</u>	<u>485.2</u>	<u>1,502.1</u>

**(7) Property and Equipment**

Property and equipment consists of the following as of September 30, 2017:

	<u>Trust</u>	<u>Federal</u>	<u>Total</u>
Land	\$ 12.6	—	12.6
Buildings and capital improvements	1,100.5	2,956.5	4,057.0
Equipment and software	74.2	231.5	305.7
Leasehold improvements	<u>100.4</u>	<u>33.0</u>	<u>133.4</u>
	1,287.7	3,221.0	4,508.7
Accumulated depreciation	<u>(515.1)</u>	<u>(1,651.3)</u>	<u>(2,166.4)</u>
Total property and equipment	\$ <u>772.6</u>	<u>1,569.7</u>	<u>2,342.3</u>

**SMITHSONIAN INSTITUTION**

Notes to Financial Statements

September 30, 2017

(Dollars in millions)

Buildings and capital improvements include \$55.0 and \$337.1 of construction in progress within trust and federal funds, respectively. Depreciation expense totaled \$53.3 in trust funds and \$100.3 in federal funds.

The Smithsonian has an unfunded environmental remediation obligation that 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. The present value of the obligation is calculated using an inflation rate of 1.98% and a discount rate of 1.63%. 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 2017 activity in the unfunded environmental remediation obligation follows:

Beginning balance, September 30, 2016	\$	51.3
Accretion		0.8
Liabilities incurred		0.2
Liabilities settled		(0.2)
Change in estimate		<u>(2.2)</u>
Ending balance, September 30, 2017	\$	<u><u>49.9</u></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 2017, \$3.9 of the deferred gain was recognized.

**(8) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at September 30, 2017 consist of the following:

	<u>Trust</u>	<u>Federal</u>	<u>Total</u>
Accounts payable	\$ 25.8	66.2	92.0
Accrued salaries and benefits	42.5	96.6	139.1
Deferred rent liability	20.8	—	20.8
Gift annuity liabilities	14.7	—	14.7
Other accrued liabilities	<u>29.5</u>	<u>—</u>	<u>29.5</u>
Total accounts payable and accrued expenses	\$ <u><u>133.3</u></u>	<u><u>162.8</u></u>	<u><u>296.1</u></u>

Accrued salaries and benefits include estimated FECA liabilities of \$2.8 for trust employees and \$44.3 for federal employees.

**SMITHSONIAN INSTITUTION**

Notes to Financial Statements

September 30, 2017

(Dollars in millions)

**(9) Long-term Debt**

Long-term debt consists of unsecured obligations and is 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 \$1.5 to \$1.7, interest rates 3.00% to 5.25%, due February 1, 2018 through 2021		6.4
Series 2010 Revenue Bonds, term, principal amounts ranging from \$1.8 to \$2.4, interest rate 5.25%, due February 1, 2022 through 2028		14.6
Series 2003 Revenue Bonds, Series A:		52.5
Variable interest rate, due December 1, 2033		
Series 2003 Revenue Bonds, Series B:		25.0
Variable interest rate, due December 1, 2033		
Subtotal		198.5
Less unamortized bond issue cost		(0.2)
Plus unamortized bond premium		1.3
Total long-term debt	\$	199.6

**(a) 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 (1.3% at September 30, 2017).

In connection with the Series B offering, the Smithsonian entered into a 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 2013 Liquidity Facility expires September 4, 2018.

**(b) 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 \$1.5 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.



## SMITHSONIAN INSTITUTION

### Notes to Financial Statements

September 30, 2017

(Dollars in millions)

#### (c) **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 to 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 0.98% and 0.92%, respectively, at September 30, 2017.

The bonds are supported by a standby bond purchase agreement for Series A and a standby purchase agreement for Series B (collectively, the 2003 Liquidity Facility) with Wells Fargo (Trustee) and Northern Trust Company (Liquidity Facility provider). The 2003 Liquidity Facility 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 2003 Liquidity Facility expires September 11, 2018.

For fiscal 2017, interest expense totaled \$3.6.

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

2018	\$	51.5
2019		1.6
2020		1.6
2021		1.7
2022		1.8
Thereafter		140.3
	\$	<u>198.5</u>

#### (10) **Net Assets**

Unrestricted net assets include \$657.9 of funds functioning as endowments as of September 30, 2017.

Temporarily restricted net assets are available for the following purposes as of September 30, 2017:

Museums and general support	\$	192.4
Education, public programs, and exhibitions		196.8
Research		99.5
Acquisitions and collections		76.4
Facilities		126.9
	\$	<u>692.0</u>

## SMITHSONIAN INSTITUTION

### Notes to Financial Statements

September 30, 2017

(Dollars in millions)

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 for fiscal 2017:

Museums and general support	\$	32.6
Education, public programs, and exhibitions		64.5
Research		16.1
Acquisitions and collections		9.4
Facilities		67.5
	\$	<u>190.1</u>

Permanently restricted net assets are restricted for the following purposes as of September 30, 2017:

Museums and general support	\$	138.6
Education, public programs, and exhibitions		248.8
Research		86.6
Acquisitions and collections		50.0
Facilities		1.5
	\$	<u>525.5</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 2017 expense for these plans was \$39.6. Additional imputed costs associated with these plans are borne by the U.S. government. The Smithsonian recognizes its share of such costs (\$50.7 for fiscal 2017) 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, which aggregated to \$12.1 for fiscal 2017. 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.

# SMITHSONIAN INSTITUTION

## Notes to Financial Statements

September 30, 2017

(Dollars in millions)

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 2017 was \$19.1.

In addition to the retirement plans, certain healthcare 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, 2017, the accrued benefit obligation under this plan was \$15.8 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 postretirement health benefits if certain conditions are met. OPM administers this plan and the Smithsonian has no expense or obligations related to this program.

### (12) Business Activities

A summary of business activities is as follows for fiscal 2017:

	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Smithsonian business enterprises	\$ 178.9	(133.4)	45.5
Unit auxiliary activities	23.0	(17.0)	6.0
Total business activities	<u>\$ 201.9</u>	<u>(150.4)</u>	<u>51.5</u>

### (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, 2017 are as follows:

2018	\$ 44.3
2019	46.2
2020	46.3
2021	29.8
2022	16.5
Thereafter	<u>22.8</u>
	<u>\$ 205.9</u>

## SMITHSONIAN INSTITUTION

### Notes to Financial Statements

September 30, 2017

(Dollars in millions)

Rent expense under operating leases, including executory costs such as maintenance, insurance, and taxes, totaled \$58.6 for fiscal year 2017, which includes \$6.7 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.

**(c) Construction**

At September 30, 2017, the Smithsonian has commitments approximating \$103.5 related to construction in process at a number of its locations. The most significant of these relate to projects at the National Air and Space Museum (\$46.2), the National Zoological Park (\$14.2), and the National Museum of Natural History (\$10.3).

**(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.

From time to time, certain litigation settlements of the Smithsonian may be paid by the United States Judgment Fund, and the Smithsonian may or may not have an obligation to reimburse the Judgment Fund. For fiscal 2017, the Judgment Fund paid approximately \$6.7 for a contractual settlement. The imputed revenue and expense is presented net within nonoperating activities.

**(14) Subsequent Events**

Subsequent to September 30, 2017, the Smithsonian committed capital of \$64.7 to 10 funds.

In November 2017, the Smithsonian sold a portion of its investment in the Smithsonian Channel to its partner for \$24.6, recognizing a gain of \$12.9 on the sale and reducing its ownership to 15%. The Smithsonian accounts for this investment under the equity method of accounting.

Management has evaluated subsequent events from September 30, 2017 through January 22, 2018, which is the date that the financial statements are available to be issued, and determined that there are no adjustments to or other items to disclose.

**SMITHSONIAN INSTITUTION**

Summary Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal Agency Sponsor	Research and Development			National Postal Museum	Other (Mail-based) Programs	Grand Total	Amounts Provided to Subrecipients (Research and Development Program)	Amounts Provided to Subrecipients (Other Programs)
	Washington, DC (Mail-based) Awards	Smithsonian Astrophysical Observatory Awards	Total Research and Development					
U.S. Agency for International Development	\$ 1,655,835	—	1,655,835	—	432,547	2,088,382	133,626	—
U.S. Department of Agriculture	73,664	—	73,664	—	—	73,664	—	—
U.S. Department of Commerce	273,491	—	273,491	—	—	273,491	1,803	—
U.S. Department of Defense	69,281	329,059	398,340	—	—	398,340	20,000	—
U.S. Department of Education	172,357	—	172,357	—	262,872	435,229	—	205,895
U.S. Department of Energy	724,932	886,407	1,611,339	—	—	1,611,339	160,775	—
U.S. Department of Health and Human Services	253,151	—	253,151	—	—	253,151	—	—
U.S. Department of the Interior	210,828	—	210,828	—	(1,985)	208,843	188	300
U.S. Department of State	38,472	—	38,472	—	414,433	452,905	—	—
U.S. Department of Transportation	90,284	—	90,284	—	—	90,284	—	—
National Aeronautics and Space Administration	1,365,291	88,235,773	89,601,064	—	98,844	89,699,908	20,430,283	—
National Science Foundation	3,624,942	4,842,873	8,467,815	—	240,775	8,708,590	1,497,360	—
Environmental Protection Agency	11,903	—	11,903	—	—	11,903	—	—
National Endowment for the Humanities	—	—	—	—	14,631	14,631	—	—
U.S. Postal Service	—	—	—	3,086,238	—	3,086,238	—	—
Other Agencies	—	53,987	53,987	—	—	53,987	65,301	—
Total expenditures of federal awards	\$ 8,564,431	94,348,099	102,912,530	3,086,238	1,462,117	107,460,885	22,309,336	206,195

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, 2017

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA	Total expenditures	Amounts provided to subrecipients
<b>Research and Development: Mall-based</b>					
	U.S. Agency for International Development:				
792056	Development Alternatives, Inc.	1002328IQC-13S-22612-00, Task Ord 1	98.001	\$ 227,672	—
692340	University of California-Davis	201403200-05	98.001	839,496	133,626
692337	Wildteam	AID-338-A-14-0001	98.001	588,667	—
	Total U.S. Agency for International Development			1,655,835	133,626
	U.S. Department of Agriculture:				
660037	U.S. Department of Agriculture	58-1245-3-334	10.001	43,841	—
660038	U.S. Department of Agriculture	58-1245-4-075	10.001	29,823	—
	Total U.S. Department of Agriculture			73,664	—
	U.S. Department of Commerce:				
654068	Commerce/NOAA	NA09NOS4780214	11.478	(1,956)	—
654074	Commerce/NOAA	NA10NOS4780138	11.478	17,715	—
	Subtotal Center for Sponsored Coastal Ocean Research - Coastal Ocean Program (CFDA 11.478)			15,759	—
654083	Commerce/NOAA	NA15NMF4690390	11.469	3,221	—
654084	Commerce/NOAA	NA15NMF4690391	11.469	23,856	—
	Subtotal Congressionally Identified Awards and Projects (CFDA 11.469)			27,077	—
654081	Commerce/NOAA	NA14NMF4270048	11.427	49,794	1,803
654082	Commerce/NOAA	NA14NMF4570279	11.457	99,910	—
692348	Maryland Sea Grant College	PO #31890 SA #75281450-P	11.417	73,809	—
655020	North Pacific Research Board	1621 (NA15NMF4720173)	11.472	7,142	—
	Total U.S. Department of Commerce			273,491	1,803
	U.S. Department of Defense:				
620004	Department of Defense Legacy Program	N/A	12.632	8,971	—
623008	University of Maryland	N/A	12.300	10,618	—
625005	The School Board of Okaloosa County	N/A	12.557	49,692	—
	Total U.S. Department of Defense			69,281	—
	U.S. Department of Education:				
692354	University of Memphis	PO 203136	84.365	172,357	—
	Total U.S. Department of Education			172,357	—
	U.S. Department of Energy:				
682021	U.S. Department of Energy	DE-SC0008339	81.049	12,248	—
682023	U.S. Department of Energy	DE-SC0014413	81.049	298,194	120,276
	Subtotal Office of Science Financial Assistance Program (CFDA 81.049)			310,442	120,276
792045	Lawrence Berkeley National Laboratory	7200512	81.UNK	414,490	—
	Total U.S. Department of Energy			724,932	120,276
	U.S. Department of Health and Human Services:				
651014	Texas Biomedical Research Institute	16-04583-004	93.351	41,169	—
658006	U.S. Department of Health and Human Services	R01OD023139	93.351	1,272	—
	Subtotal Research Infrastructure Programs (CFDA 93.351)			42,441	—
651008	Conservation, Research and Education	N/A	93.307	2,690	—
650034	U.S. Department of Health and Human Services	N/A	93.989	(20)	—
651011	University of Florida	UFDSPP00010318	93.395	85,072	—
651013	University of Maryland, Baltimore County	0000015350	93.143	59,064	—
658005	U.S. Department of Health and Human Services	R56OD018304	93.310	63,904	—
	Total U.S. Department of Health and Human Services			253,151	—
	U.S. Department of the Interior:				
635004	Bureau of Land Management	L11AC20325	15.231	3,669	188
635005	Bureau of Land Management	L11AC20325	15.231	6,561	—
	Subtotal Fish, Wildlife, and Plant Conservation Resource Management (CFDA 15.231)			10,230	188
633048	U.S. Fish and Wildlife Service	F15AP00969	15.657	1,193	—
633050	U.S. Fish and Wildlife Service	F17AP00559	15.657	1,534	—
	Subtotal Endangered Species Conservation - Recovery Implementation Funds (CFDA 15.657)			2,727	—
633049	U.S. Fish and Wildlife Service	F16AP00338	15.621	27,656	—
633047	U.S. Fish and Wildlife Service	F15AP00885	15.608	65,280	—
637005	National Fish and Wildlife Foundation	0104.15.050023	15.663	87,127	—
737007	AI Department of Conservation & Natural Resources	N/A	15.615	8,226	—
634053	National Park Service	TA P15AC01524	15.944	9,582	—
	Total U.S. Department of the Interior			210,828	188

**SMITHSONIAN INSTITUTION**

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA	Total expenditures	Amounts provided to subrecipients
	U.S. Department of State:				
668012	U.S. Department of State	STX-100690-12-GR-088	19.000	\$ 37,939	—
668022	U.S. Department of State/U.S. Embassy	SMY30017GR0033	19.040	533	—
	Total U.S. Department of State			<u>38,472</u>	<u>—</u>
	U.S. Department of Transportation:				
692314	University of Maryland	PO #3913	20.819	117	—
692335	University of Maryland	PO #3933 07-525726	20.819	40,307	—
	Subtotal Ballast Water Treatment Technologies (CFDA 20.819)			<u>40,424</u>	<u>—</u>
692334	West Virginia Department of Transportation	X142-H/38.99 07	20.UNK	49,860	—
	Total U.S. Department of Transportation			<u>90,284</u>	<u>—</u>
	National Aeronautics and Space Administration (NASA):				
717528	Arizona State University	NNG07EK00C	43.UNK	15,089	—
717539	Arizona State University	12-875	43.UNK	27,508	—
717428	Jet Propulsion Laboratory	1442524	43.UNK	38,846	—
717434	California Institute of Technology - Jet Propulsion Laboratory	1449932	43.UNK	12,616	—
717441	California Institute of Technology - Jet Propulsion Laboratory	1456630	43.UNK	67,200	—
717522	California Institute of Technology - Jet Propulsion Laboratory	1535002	43.UNK	3,399	—
717531	California Institute of Technology - Jet Propulsion Laboratory	1545613	43.UNK	47,258	—
717533	California Institute of Technology - Jet Propulsion Laboratory	1546619	43.UNK	66,338	25,484
717538	Jet Propulsion Laboratory	1559720	43.UNK	18,283	—
717540	Johns Hopkins Applied Physics Labor	137679	43.UNK	21,048	—
717164	University of Arizona	Y432801	43.UNK	16,329	—
717431	University of Arizona	Y603259	43.UNK	5,276	—
717545	University of Texas At Austin	UTA16-001086	43.UNK	13,779	—
617838	Villanova University	527898	43.UNK	1,746	—
610203	NASA	NNX11AP19G	43.UNK	17,028	—
610204	NASA	NNX11A094G	43.UNK	159,515	—
610216	NASA	NNX12AQ668	43.UNK	8,567	—
610217	NASA	NNX13AB43G	43.UNK	12,266	6,081
610223	NASA	NNX13AJ85G	43.UNK	40,304	—
613732	NASA	NNX07AR60G	43.UNK	12,360	—
613765	NASA	NNX11AC67G	43.UNK	17,297	—
617900	Massachusetts Institute of Technology	5710003370	43.001	19,553	—
619047	Planetary Science Institute	PSI Ref #1488; NASA #: NNX16AN90G	43.001	6,889	—
717473	Planetary Science Institute	NNX13AM81G	43.001	21,632	—
717543	Planetary Science Institute	1506	43.001	6,889	—
619067	University of Virginia	GP10188 154023	43.001	2,020	—
610213	NASA	NNX12AJ38G	43.001	16,433	—
610220	NASA	NNX13AH80G	43.001	10,347	15,355
610221	NASA	NNX13AL17G	43.001	92,924	59,839
610227	NASA	NNX14AN32G	43.001	50,109	—
610228	NASA	NNX14AJ88G	43.001	32,118	—
610234	NASA- Shared Services Center	NNX15AD96G	43.001	30,626	—
610235	NASA	NNX15AH686	43.001	18,581	—
610236	NASA- Shared Services Center	NNX16AJ44G	43.001	48,523	—
610237	NASA	NNX16AI05G	43.001	109,723	—
610238	NASA - Shared Services Center	NNX16AL09G	43.001	24,443	18,738
610239	NASA - Shared Services Center	NNX17AI14G	43.001	10,274	—
610240	NASA - Shared Services Center	80NSSC17K0256	43.001	1,107	—
610242	NASA - Shared Services Center	80NSSC17K0454	43.001	2,967	—
613768	NASA	NNX11AG68G	43.001	44,443	—
613849	NASA	NNX14AN216	43.001	107,941	—
	Subtotal National Aeronautics and Space Administration - Science (CFDA 43.001)			<u>657,542</u>	<u>93,932</u>
617974	U.S. Geological Survey	G15AC00007	15.808	85,697	—
	Total National Aeronautics and Space Administration			<u>1,365,291</u>	<u>125,497</u>
	National Science Foundation:				
642112	George Mason University	E2030321	47.050	655	—
642094	Macalester College	20005801SI	47.050	(1,127)	—
642113	University of California at Davis	20130193-01	47.050	104	—
642128	University of Wyoming	1002466A-STRI/EAR-1360384	47.050	9,200	—
640244	National Science Foundation	1038990	47.050	41,788	—
640248	National Science Foundation	1062692	47.050	4,860	—
640296	National Science Foundation	PLR-1438097	47.050	681	—
640300	National Science Foundation	1424932	47.050	(365)	—
640301	National Science Foundation	1433212	47.050	15,723	—
640303	National Science Foundation	1360391	47.050	413,937	36,229
640307	National Science Foundation	EAR-1347248	47.050	38,445	—
640309	National Science Foundation	EAR-1424906	47.050	55,122	—
640351	National Science Foundation	EAR1725315	47.050	2,944	—
	Subtotal National Science Foundation - Geosciences (CFDA 47.050)			<u>581,967</u>	<u>36,229</u>

**SMITHSONIAN INSTITUTION**

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA	Total expenditures	Amounts provided to subrecipients
642115	Amherst College	NSF-SI-DEB-1353783	47.074	\$ 11,752	—
640349	National Science Foundation	IOS-1728002	47.074	30,350	—
642116	Bryn Mawr College	2-46905	47.074	8,363	—
642130	Cornell University	75822-10652	47.074	102,942	—
642132	Iowa State University	420-71-40A \ DEB 1556853	47.074	62,171	—
642131	The City College of New York	40F60-A	47.074	104,760	—
642135	Arizona State University	17-185	47.074	77,186	—
642133	University of California-Berkeley	00009265	47.074	15,675	—
642108	University of Delaware	DEB 1257526_#32500	47.074	66,933	—
642120	University of Louisville	ULRF 13-0774-01/DEB-1354060	47.074	12,518	—
642138	University of Louisville	ULRF-17-01-2701/DEB 165346	47.074	5,187	—
642105	University of Montana	PG13-66086-01	47.074	33,856	—
642126	University of Rochester	416609	47.074	23,001	—
642139	University of Texas	Subaward 12610062661	47.074	8,066	—
642100	University of Texas at Austin	IOS-1120031 (UTA12-000801)	47.074	2,116	—
642118	Yale University	C15D12026(D02104)/DEB-1464389	47.074	110,571	—
642119	Yale University	C15D12035(D02105)/DEB-1464886	47.074	1,325	—
640251	National Science Foundation	EF 1065821	47.074	295,090	—
640261	National Science Foundation	EF-1137366	47.074	119,306	—
640262	National Science Foundation	DEB-1136626	47.074	115,490	57,015
640265	National Science Foundation	DB1 1156799	47.074	(675)	—
640272	National Science Foundation	DEB-1242566	47.074	22,168	—
640273	National Science Foundation	DEB1242584	47.074	71,581	—
640278	National Science Foundation	1250895	47.074	31,978	—
640280	National Science Foundation	DEB-1257625	47.074	89,527	—
640286	National Science Foundation	DEB-1352217	47.074	64,009	—
640294	National Science Foundation	DEB-1405181	47.074	23,670	—
640297	National Science Foundation	DEB 1136626	47.074	3,170	—
640298	National Science Foundation	DEB 1242584-002 PH	47.074	523	—
640302	National Science Foundation	IOS-1353085	47.074	87,280	2,322
640304	National Science Foundation	DEB-1354143	47.074	58,848	—
640305	National Science Foundation	DBI-1356659	47.074	(33)	—
640312	National Science Foundation	EF1450318	47.074	63,897	22,916
640313	National Science Foundation	CCF-1442731	47.074	62,990	—
640316	National Science Foundation	DEB 1456674	47.074	58,852	—
640322	National Science Foundation	DEB-1547168	47.074	35,739	—
640326	National Science Foundation	DEB-1541552	47.074	17,310	—
640327	National Science Foundation	DEB1545761	47.074	214,563	—
640329	National Science Foundation	OCE 1558868	47.074	69,115	—
640333	National Science Foundation	DEB-1557009	47.074	86,379	—
640344	National Science Foundation	DEB 1624707	47.074	3,133	—
640345	National Science Foundation	EF-1638490	47.074	41,683	—
640346	National Science Foundation	DBI-1659668	47.074	94,224	—
640347	National Science Foundation	DEB-1655622	47.074	3	—
	Subtotal National Science Foundation - Biological Sciences (CFDA 47.074)			2,406,592	82,253
640310	National Science Foundation	1439470	47.075	3,103	—
640311	National Science Foundation	1424029	47.075	110,557	—
642122	Gettysburg College	Prime Award No. BCS-1401178/SI-1	47.075	12,761	—
642134	Miami University	602755	47.075	27,785	—
	Subtotal National Science Foundation - Social, Behavioral, and Economic Sciences (CFDA 47.075)			154,206	—
640341	National Science Foundation	IIS-1636859	47.070	49,900	—
642092	George Mason University	E2025091	47.070	19,665	—
	Subtotal National Science Foundation - Computer and Information Science and Engineering (CFDA 47.070)			69,565	—
642129	Oregon State University	S1799A-A	47.UNK	69,620	—
640343	National Science Foundation	DRL1621194	47.076	91,250	—
640268	National Science Foundation	ARC-1203417	47.078	8,385	6,643
642107	San Diego State University Research	N/A	47.079	236,872	—
640318	National Science Foundation	EAR 1447480	47.050	3,229	—
640260	National Science Foundation	IOS-1121797	47.UNK	3,256	—
	Total National Science Foundation			3,624,942	125,125
	Environmental Protection Agency:				
692331	Maryland Department of Natural Resources	K00B4400127	66.466	2,670	—
676011	Environmental Protection Agency	UW-96327701-1	66.440	9,233	—
	Total Environmental Protection Agency			11,903	—
	<b>Total Research and Development: Mail-based</b>			\$ <b>8,564,431</b>	<b>506,515</b>



SMITHSONIAN INSTITUTION

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA	Total expenditures	Amounts provided to subrecipients
<b>Research and Development: Smithsonian Astrophysical Observatory</b>					
U.S. Department of Defense:					
725011	UCAR (DOD)	Z15-12504	12.800	\$ 121,111	—
725012	Massachusetts Institute of Technology	5710003827	12.800	57,408	20,000
Subtotal Air Force Defense Research Sciences Program (CFDA 12.800)				178,519	20,000
692338	Naval Research Laboratory	N00173-14-1-G908	12.300	1,430	—
792062	Harvard University	134062-5100373	12.431	135,727	—
792055	Massachusetts Institute of Technology	7000334070	15.650	13,383	—
Total U.S. Department of Defense				329,059	20,000
U.S. Department of Energy:					
682006	U.S. Department of Energy	DE-FG02-91ER40635	81.049	446,278	40,499
682020	U.S. Department of Energy	DE-NA0001802	81.049	48,611	—
792051	Dawn Research Inc.	5/6/2015	81.049	106,671	—
Subtotal Office of Science Financial Assistance Program (CFDA 81.049)				601,560	40,499
682024	U.S. Department of Energy	DE-SC0016363	81.UNK	86,621	—
792068	Lawrence Livermore National Laborat	B622799	81.UNK	198,226	—
Total U.S. Department of Energy				886,407	40,499
National Aeronautics and Space Administration (NASA):					
610218	NASA - Goddard Space Flight Center	NNX13AE54G	43.UNK	6,417	—
611108	NASA - Headquarters	NNX16AG47G	43.UNK	43,876	—
611110	NASA - Headquarters	NNX16AG51G	43.UNK	20,000	—
611113	NASA - Headquarters	NNX17AE24G	43.UNK	16,752	—
611116	NASA - Headquarters	NNX17AH47G	43.UNK	38,761	—
611117	NASA - Headquarters	NNX17AI82G	43.UNK	45,714	—
613781	NASA - Goddard Space Flight Center	NNX11AO98G	43.UNK	53,882	3,929
613803	NASA - Goddard Space Flight Center	NNX12AG54G	43.UNK	(14,617)	—
613810	NASA - Goddard Space Flight Center	NNX13AB94A	43.UNK	119,909	—
613813	NASA - Goddard Space Flight Center	NNX13AF16G	43.UNK	11,992	3,403
613820	NASA - Goddard Space Flight Center	NNX13AI24G	43.UNK	58,516	16,839
613834	NASA - Goddard Space Flight Center	NNX14AC22G	43.UNK	5,588	—
613842	NASA - Goddard Space Flight Center	NNX14AG55G	43.UNK	160,903	—
613886	NASA - Goddard Space Flight Center	NNX17AI78G	43.UNK	118,298	—
615004	NASA - Langley Research Center	NNX17AE09G	43.UNK	36,344	—
617870	NASA - Goddard Space Flight Center	NNX13AD46G	43.UNK	47	1,526
619046	NASA - Goddard Space Flight Center	NNX16AT12G	43.UNK	16,009	—
717541	Massachusetts Institute of Technology	5710004197	43.UNK	19,696	—
717542	University of Maryland	46039-Z6110001	43.UNK	845,678	—
717492	California Institute of Technology	2-1094580	43.UNK	164,874	—
617827	Smithsonian Astrophysical Observatory	GO2-13088X	43.UNK	3,477	—
617954	Smithsonian Astrophysical Observatory	GO3-14011X	43.UNK	8,539	—
617831	NASA - Chandra	GO2-13135X	43.UNK	37,600	—
617836	NASA - Chandra	GO2-13031X	43.UNK	4,782	—
617845	NASA - Chandra	GO2-13022X	43.UNK	25,856	—
617853	NASA - Chandra	GO2-13019X	43.UNK	12,443	—
617860	NASA - Chandra	GO3-14138X	43.UNK	4,310	—
617863	NASA - Chandra	GO3-14023X	43.UNK	(75)	—
617866	NASA - Chandra	AR3-14014X	43.UNK	2,092	—
617868	NASA - Chandra	GO2-13153X	43.UNK	(9,046)	—
617869	NASA - Chandra	GO2-13005X	43.UNK	(533)	—
617873	NASA - Chandra	GO3-14131X	43.UNK	185,919	—
617876	NASA - Chandra	GO3-14150B	43.UNK	35,746	—
617877	Smithsonian Astrophysical Observatory	GO3-14015G	43.UNK	4,031	—
617880	NASA - Chandra	GO3-14051X	43.UNK	8,269	—
617891	NASA - Chandra	GO3-14124X	43.UNK	3,343	—
617893	Smithsonian Astrophysical Observatory	GO3-14129X	43.UNK	28,521	—
617899	NASA - Chandra	GO3-14068X	43.UNK	46,528	—
617902	NASA - Chandra	GO3-14010X	43.UNK	33,480	—
617911	NASA - Chandra	GO3-14133X	43.UNK	16,159	—
617913	NASA - Chandra	GO3-14026X	43.UNK	11,433	—
617915	NASA - Chandra	GO3-14130B	43.UNK	3,446	—
617926	NASA - Chandra	GO3-14013X	43.UNK	17,122	—
617950	NASA - Chandra	GO3-14118X	43.UNK	(203)	—
610090	NASA - Goddard Space Flight Center	NNX09AB29G	43.001	(39)	—
610179	NASA - Goddard Space Flight Center	NNX10AQ58G	43.001	3,583	—
610233	NASA	NNX15AE56G	43.001	109,447	—
611101	NASA - Headquarters	NNX15AL65G	43.001	94,455	—
611102	NASA - Headquarters	NNX15AN41G	43.001	3,741	—
611103	NASA - Headquarters	NNX16AC11G	43.001	128,851	62,580
611104	NASA - Headquarters	NNX16AB79G	43.001	96,810	6,610
611105	NASA - Headquarters	NNX16AD69G	43.001	21,469	11,878
611106	NASA - Headquarters	NNX16AC86A	43.001	2,300,921	—
611107	NASA - Headquarters	NNX16AF37G	43.001	65,082	—
611109	NASA - Headquarters	NNX16AH87G	43.001	62,558	—
611111	NASA - Headquarters	NNX17AB59G	43.001	32,409	—
611112	NASA - Headquarters	NNX17AB72G	43.001	23,755	—
611115	NASA - Headquarters	NNX17AH80G	43.001	34,798	—

SMITHSONIAN INSTITUTION

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA	Total expenditures	Amounts provided to subrecipients
611118	NASA - Headquarters	NNX17AI27G	43.001	\$ 97,455	—
611119	NASA - Headquarters	NNX17AG77G	43.001	63,188	—
611120	NASA - Headquarters	NNX17AK29G	43.001	65,482	6,900
612168	NASA - Ames Research Center	NNX13AB58A	43.001	9,925	—
612170	NASA - Ames Research Center	NNX17AJ50A	43.001	87,592	—
613774	NASA - Goddard Space Flight Center	NNX11AM37G	43.001	17,126	—
613786	NASA - Goddard Space Flight Center	NNX12AE89G	43.001	181,346	—
613787	NASA - Goddard Space Flight Center	NNX12AC70G	43.001	15,210	—
613800	NASA - Goddard Space Flight Center	NNX12AI60G	43.001	50,947	—
613801	NASA - Goddard Space Flight Center	NNX12AI55G	43.001	59,459	—
613802	NASA - Goddard Space Flight Center	NNX12AJ04G	43.001	2,328	—
613816	NASA - Goddard Space Flight Center	NNX13AE59G	43.001	7,273	—
613823	NASA - Goddard Space Flight Center	NNX13AI43G	43.001	251,611	—
613825	NASA - Goddard Space Flight Center	NNX13AI83A	43.001	855,855	12,303
613828	NASA - Goddard Space Flight Center	NNX13AK80G	43.001	143,856	122,319
613833	NASA - Goddard Space Flight Center	NNX14AB83G	43.001	42,230	—
613835	NASA - Goddard Space Flight Center	NNX14AE10A	43.001	186,007	78,138
613836	NASA - Goddard Space Flight Center	NNX14AF56G	43.001	184,484	—
613837	NASA - Goddard Space Flight Center	NNX14AF06G	43.001	11,492	—
613838	NASA - Goddard Space Flight Center	NNX14AF16G	43.001	255,373	78,343
613839	NASA - Goddard Space Flight Center	NNX14AF72G	43.001	79,272	—
613843	NASA - Goddard Space Flight Center	NNX14AE88G	43.001	56,418	—
613845	NASA - Goddard Space Flight Center	NNX14AG96G	43.001	106,097	—
613846	NASA - Goddard Space Flight Center	NNX14AJ61G	43.001	68,875	—
613847	NASA - Goddard Space Flight Center	NNX14AI55G	43.001	440,080	—
613848	NASA - Goddard Space Flight Center	NNX14AL70G	43.001	16,896	—
613851	NASA - Goddard Space Flight Center	NNX14AR69G	43.001	(7,299)	—
613852	NASA - Goddard Space Flight Center	NNX14AT26G	43.001	29,755	—
613853	NASA - Goddard Space Flight Center	NNX14AQ52G	43.001	311,981	—
613854	NASA - Goddard Space Flight Center	NNX15AC44G	43.001	251,492	41,898
613855	NASA - Goddard Space Flight Center	NNX15AE16G	43.001	135,136	—
613856	NASA - Goddard Space Flight Center	NNX15AF23G	43.001	162,766	—
613857	NASA - Goddard Space Flight Center	NNX15AF43G	43.001	59,615	—
613858	NASA - Goddard Space Flight Center	NNX15AG36G	43.001	4,762	—
613859	NASA - Goddard Space Flight Center	NNX15AG25G	43.001	11,957	—
613860	NASA - Goddard Space Flight Center	NNX15AI60G	43.001	172,760	—
613862	NASA - Goddard Space Flight Center	NNX15AR30G	43.001	66,887	—
613864	NASA - Goddard Space Flight Center	NNX16AC46G	43.001	29,643	—
613865	NASA - Goddard Space Flight Center	NNX16AH95G	43.001	207,893	28,124
613866	NASA - Goddard Space Flight Center	NNX16AH21G	43.001	44,366	—
613867	NASA - Goddard Space Flight Center	NNX16AH68G	43.001	42,450	—
613868	NASA - Goddard Space Flight Center	NNX16AH31G	43.001	34,351	—
613869	NASA - Goddard Space Flight Center	NNX16AL62A	43.001	281,511	—
613870	NASA - Goddard Space Flight Center	NNX16AH18G	43.001	13,017	—
613871	NASA - Goddard Space Flight Center	NNX17AB39G	43.001	93,284	—
613872	NASA - Goddard Space Flight Center	NNX17AC32G	43.001	11,004	—
613874	NASA - Goddard Space Flight Center	NNX17AC98G	43.001	21,847	—
613875	NASA - Goddard Space Flight Center	NNX17AD74G	43.001	6,503	—
613876	NASA - Goddard Space Flight Center	NNX17AD78G	43.001	19,014	—
613877	NASA - Goddard Space Flight Center	NNX17AD77G	43.001	136	—
613878	NASA - Goddard Space Flight Center	NNX17AD61G	43.001	69,115	30,961
613879	NASA - Goddard Space Flight Center	NNX17AD76G	43.001	44,784	—
613880	NASA - Goddard Space Flight Center	NNX17AC71G	43.001	197,835	—
613881	NASA - Goddard Space Flight Center	NNX17AD88G	43.001	34,320	—
617170	NASA - Goddard Space Flight Center	NNX15AL07G	43.001	115,894	—
617992	NASA - Goddard Space Flight Center	NNX15AF50G	43.001	144,465	—
619041	Universities Space Research Association	SOF 04-0141	43.001	8,589	—
619073	Universities Space Research Association	SOF 05-0062	43.001	4,442	—
715004	NASA - Langley Research Center	NNL13AA09C	43.001	2,021,018	594,196
716015	NASA - Marshall Space Flight Center	NAS8-03060	43.001	58,234,245	12,779,693
716016	Marshall Space Flight Center	NNM07AB07C	43.001	1,669,538	171,605
716022	NASA - Marshall Space Flight Center	NNM15AA13C	43.001	29,994	—
716024	NASA - Marshall Space Flight Center	NNM15AA15C	43.001	397,158	119,544
717131	Lockheed Martin Shared Services	SP02H1701R	43.001	213,336	—
717364	University of Colorado	154-5653	43.001	(1)	—
717375	Lockheed Martin Shared Services	8100002705	43.001	798,014	—
717395	Johns Hopkins University	975569	43.001	8,741,593	5,799,041
717424	University of New Hampshire	11-108	43.001	(306)	—
717491	Massachusetts Institute of Technology	5710003554	43.001	570,998	—
717500	Montana State University	G163-14-W4769	43.001	18,096	—
717501	University of New Hampshire	14-054	43.001	24,798	—
717507	Reflective X-ray Optics LLC	NNX14AH64G-SAO	43.001	3,562	—
717508	Jet Propulsion Laboratory	1515599	43.001	(23)	—
717509	Harvard University	131414-5084550	43.001	104,873	—
717510	Rice University	R53541	43.001	32,971	—
717514	George Mason University	E2034761	43.001	22,662	—
717515	Northern Arizona University	10026901-01	43.001	66,498	—
717517	Lockheed Martin Shared Services	4101946323	43.001	13,093	—
717521	The Pennsylvania State University	5238-SAO-NASA-C46G	43.001	13,387	—
717523	University of Alabama	2015-065	43.001	67,447	—
717526	Johns Hopkins University	130620	43.001	11,059	—
717527	University of Arizona	292962	43.001	47,126	—

**SMITHSONIAN INSTITUTION**

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA	Total expenditures	Amounts provided to subrecipients
717529	The University of Wisconsin-Madison	647K986	43.001	\$ 26,367	—
717534	Jet Propulsion Laboratory	JPL Subcontract No. 1551704	43.001	16,874	—
717536	Harvard University	131443-5099614	43.001	32,275	—
717537	Harvard University	131457-5097592	43.001	55,109	—
717544	California Institute of Technology	44A-1097631	43.001	45,407	—
717546	The Pennsylvania State University	5585-SAO-NASA-B07G	43.001	382	—
717547	University of New Hampshire	UNH 16-073	43.001	5,289	—
717548	New Jersey Institute of Technology	P1710176 & P1710177	43.001	5,591	—
717549	University of Arkansas	SA1707141	43.001	11,934	—
717553	The Pennsylvania State University	5438-SAO-NASA-G29G	43.001	76,846	—
717557	University of Delaware	Subaward 46622	43.001	2,228	—
792060	Princeton University	S014981-F	43.001	22,055	—
617000	Smithsonian Astrophysical Observatory	GO5-16090X	43.001	39,644	—
617397	Smithsonian Astrophysical Observatory	PF5-160141	43.001	90,588	—
617697	Smithsonian Astrophysical Observatory	GO0-11040X	43.001	1,256	—
617861	NASA - Chandra	GO3-14101X	43.001	22,290	—
617890	NASA - Chandra	GO3-14093X	43.001	1,423	—
617874	NASA - Chandra	AR3-14006X	43.001	6,049	—
617904	NASA - Chandra	PF3-140109	43.001	2,315	—
617906	NASA - Chandra	GO3-14141X	43.001	13,740	—
617912	NASA - Chandra	GO3-14143X	43.001	36,588	—
617918	NASA - Chandra	GO4-15000X	43.001	13,494	—
617928	NASA - Chandra	GO4-15016X	43.001	2,697	—
617931	Smithsonian Astrophysical Observatory	AR4-15016X	43.001	12,827	—
617933	NASA - Chandra	AR4-15009X	43.001	1,112	—
617934	NASA - Chandra	AR4-15005X	43.001	6,336	—
617935	Smithsonian Astrophysical Observatory	AR4-15004X	43.001	5,009	—
617936	NASA - Chandra	AR4-15003X	43.001	1,421	—
617937	Smithsonian Astrophysical Observatory	AR4-15000X	43.001	5,770	—
617939	NASA - Chandra	GO4-15076X	43.001	4,385	—
617940	NASA - Chandra	GO4-15116B	43.001	20,083	—
617941	NASA - Chandra	GO4-15081X	43.001	40,377	—
617942	NASA - Chandra	GO4-15011X	43.001	16,001	—
617943	NASA - Chandra	GO4-15025X	43.001	38,359	—
617951	NASA - Chandra	GO4-15023B	43.001	5,770	—
617952	NASA - Chandra	DD4-15071X	43.001	6,156	—
617953	NASA - Chandra	GO4-15096X	43.001	12,825	—
617955	Smithsonian Astrophysical Observatory	GO4-15097X	43.001	17,955	—
617957	NASA - Chandra	GO4-15120X	43.001	306	—
617962	NASA - Chandra	GO4-15099X	43.001	3,027	—
617963	NASA - Chandra	GO4-15102X	43.001	3,331	—
617964	Smithsonian Astrophysical Observatory	GO4-15129X	43.001	79	—
617965	NASA - Chandra	GO4-15070A	43.001	7,269	—
617966	Smithsonian Astrophysical Observatory	GO4-15020X	43.001	8,350	—
617967	NASA - Chandra	GO4-15082X	43.001	5,409	—
617969	NASA - Chandra	GO4-15051X	43.001	8,744	—
617976	NASA - Chandra	GO5-16021X	43.001	29,979	—
617977	NASA - Chandra	GO5-16004X	43.001	14,462	—
617978	Smithsonian Astrophysical Observatory	GO5-16010X	43.001	65,466	—
617979	NASA - Chandra	GO5-16096X	43.001	204	—
617981	NASA - Chandra	GO5-16130X	43.001	25,681	—
617982	Smithsonian Astrophysical Observatory	GO5-16134X	43.001	21,392	—
617983	NASA - Chandra	GO5-16117A	43.001	40,431	—
617985	NASA - Chandra	GO4-15024X	43.001	2,818	—
617986	NASA - Chandra	GO5-16133X	43.001	13,209	—
617987	NASA - Chandra	AR5-16006X	43.001	2,672	—
617988	NASA - Chandra	AR5-16007X	43.001	43,800	—
617989	NASA - Chandra	AR5-16012A	43.001	2,156	—
617990	NASA - Chandra	GO5-16138A	43.001	15,375	—
617993	Smithsonian Astrophysical Observatory	GO4-15005X	43.001	26,422	—
617994	NASA - Chandra	GO5-16147A	43.001	35,258	—
617996	NASA - Chandra	GO5-16140X	43.001	4,342	—
617997	NASA - Chandra	GO5-16108X	43.001	40,178	—
617999	NASA - Chandra	GO5-16135X	43.001	47,502	—
619000	NASA - Chandra	GO5-16123X	43.001	29,365	—
619002	Smithsonian Astrophysical Observatory	GO5-16109X	43.001	2,752	—
619007	Smithsonian Astrophysical Observatory	GO5-16113X	43.001	4,682	—
619008	NASA - Chandra	GO5-16056X	43.001	5,093	—
619009	NASA - Chandra	GO5-16153X	43.001	4,705	—
619012	Smithsonian Astrophysical Observatory	GO5-16023X	43.001	477	—
619018	NASA - Chandra	GO6-17121X	43.001	7,360	—
619019	Smithsonian Astrophysical Observatory	GO5-16137X	43.001	11,671	—
619020	NASA - Chandra	GO6-17014X	43.001	8,122	—
619023	NASA - Chandra	AR6-17003X	43.001	4,822	—
619025	NASA - Chandra	TM6-17009X	43.001	13,908	—
619026	Smithsonian Astrophysical Observatory	TM6-17001A	43.001	3,872	—
619027	NASA - Chandra	TM6-17002X	43.001	5,029	—
619028	NASA - Chandra	TM6-17003X	43.001	10,849	—
619032	Smithsonian Astrophysical Observatory	GO6-17110A	43.001	3,722	—
619033	Smithsonian Astrophysical Observatory	GO5-16142X	43.001	2,033	—
619035	NASA - Chandra	GO6-17087X	43.001	9,110	—

**SMITHSONIAN INSTITUTION**

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA	Total expenditures	Amounts provided to subrecipients
619036	Smithsonian Astrophysical Observatory	GO6-17081X	43.001	\$ 13,673	—
619043	Smithsonian Astrophysical Observatory	GO6-17113X	43.001	58,448	—
619044	NASA - Chandra	GO6-17136B	43.001	10,688	—
619048	Smithsonian Astrophysical Observatory	GO6-17072X	43.001	7,716	—
619050	Smithsonian Astrophysical Observatory	GO6-17095X	43.001	16,346	—
619052	Smithsonian Astrophysical Observatory	GO6-17125X	43.001	11,499	—
619054	Smithsonian Astrophysical Observatory	GO6-17061X	43.001	22,865	—
619055	Smithsonian Astrophysical Observatory	GO6-17084X	43.001	10,729	—
619056	Smithsonian Astrophysical Observatory	TM7-18004X	43.001	29,278	—
619057	Smithsonian Astrophysical Observatory	AR7-18013X	43.001	50,759	—
619059	Smithsonian Astrophysical Observatory	GO7-18017X	43.001	1,493	—
619070	Smithsonian Astrophysical Observatory	GO6-17122X	43.001	1,239	—
619072	Smithsonian Astrophysical Observatory	GO7-18090X	43.001	23,376	—
619075	Smithsonian Astrophysical Observatory	PF6-170169	43.001	16,265	—
619076	Smithsonian Astrophysical Observatory	PF7-180163	43.001	12,401	—
619078	Smithsonian Astrophysical Observatory	GO7-18013X	43.001	3,442	—
619080	Smithsonian Astrophysical Observatory	GO7-18126X	43.001	565	—
617164	NASA - Space Telescope Science Institute	GO-13782.001-A	43.001	3,523	—
617901	NASA - Space Telescope Science Institute	GO-12899.01-A	43.001	19,286	—
617903	NASA - Space Telescope Science Institute	GO-12895.05-A	43.001	(210)	—
617910	NASA - Space Telescope Science Institute	GO-13111.05-A	43.001	31	—
617917	NASA - Space Telescope Science Institute	AR-13243.01-A	43.001	14,071	—
617920	NASA - Space Telescope Science Institute	GO-13368.01-A	43.001	16,775	—
617922	NASA - Space Telescope Science Institute	GO-13436.01-A	43.001	5,929	—
617923	NASA - Space Telescope Science Institute	GO-13454.01-A	43.001	6,639	—
617924	NASA - Space Telescope Science Institute	GO-12984.02-A	43.001	6,490	—
617959	NASA - Space Telescope Science Institute	GO-13505.008-A	43.001	5,219	—
617960	NASA - Space Telescope Science Institute	GO-13378.011-A	43.001	15,680	—
617971	NASA - Space Telescope Science Institute	GO-13841.002-A	43.001	7,606	—
617972	NASA - Space Telescope Science Institute	GO-13754.001-A	43.001	5,627	—
617991	NASA - Space Telescope Science Institute	GO-13741.002-A	43.001	35,163	—
617998	NASA - Space Telescope Science Institute	GO-13947.001-A	43.001	5,924	—
619004	NASA - Space Telescope Science Institute	HST-GO-12367.008-A	43.001	879	—
619005	NASA - Space Telescope Science Institute	HST-GO-12753.006-A	43.001	688	—
619006	NASA - Space Telescope Science Institute	HST-GO-13111.007-A	43.001	1,417	—
619013	NASA - Space Telescope Science Institute	HST-GO-14194.001-A	43.001	2,579	—
619014	NASA - Space Telescope Science Institute	HST-GO-14271.009-A	43.001	23,354	—
619016	NASA - Space Telescope Science Institute	HST-GO-13330.26-A	43.001	1,787	—
619017	NASA - Space Telescope Science Institute	HST-GO-14202.001-A	43.001	2,918	—
619021	NASA - Space Telescope Science Institute	HST-GO-14272.011-A	43.001	5,580	—
619030	NASA - Space Telescope Science Institute	HST-GO-14360.001-A	43.001	505	—
619038	NASA - Space Telescope Science Institute	HST-AR-13240.009-A	43.001	7,579	—
619062	NASA - Space Telescope Science Institute	HST-GO-14888.004-A	43.001	15,193	—
619066	NASA - Space Telescope Science Institute	HST-GO-14758.003-A	43.001	15,600	—
717474	NASA - Space Telescope Science Institute	48256	43.001	—	—
619063	NASA - Space Telescope Science Institute	HST-GO-14767.002-A	43.001	10,000	—
792047	Quantum Diamond Technologies, Inc.	QS1001	43.001	2,503	—
742095	Harvard University	134076-5101408	43.001	24,929	—
Subtotal National Aeronautics and Space Administration - Science (CFDA 43.001)				83,933,435	19,944,133
619029	NASA - Space Telescope Science Institute	HST-GO-14161.003-A	43.009	34,561	—
792061	Lawrence Livermore National Laboratory	B617466	43.009	58,716	—
619040	NASA - Space Telescope Science Institute	HST-GO-14228.001-A	43.009	3,828	—
Subtotal National Aeronautics and Space Administration - Cross Agency Support (CFDA 43.009)				97,105	—
717532	NASA - Space Telescope Science Institute	STScI-509913	43.008	1,112,643	334,956
716025	NASA - Marshall Space Flight Center	NNM16AA16C	43.UNK	498,888	—
717113	Lockheed Martin Shared Services	SP02D4301R	43.UNK	(346)	—
717148	Lockheed Martin Shared Services	SP02H8201R	43.UNK	642	—
717321	Stanford University	21915440-39989-B	43.UNK	44	—
717497	Reliacoat Technologies	RCT1013S	43.UNK	40,158	—
717518	Boston Childrens Museum	NNX14AQ83G SAO Sub	43.UNK	20,062	—
619001	NASA - Space Telescope Science Institute	HST-HF2-51356.001-A	43.UNK	100,484	—
619034	NASA - Space Telescope Science Institute	HST-GO-14197.001-A	43.UNK	714	—
619042	NASA - Space Telescope Science Institute	HST-GO-14464.001-A	43.UNK	9,679	—
619045	NASA - Space Telescope Science Institute	HST-HF2-51381.001-A	43.UNK	87,888	—
619051	NASA - Space Telescope Science Institute	HST-GO-14757.004-A	43.UNK	15,193	—
619064	NASA - Space Telescope Science Institute	HST-GO-14615.003-A	43.UNK	15,600	—
619079	NASA - Space Telescope Science Institute	HST-HF2-51402.001-A	43.UNK	7,410	—
792059	Ohio State University	60054182 PO#RF01429285	43.UNK	44,296	—
Total National Aeronautics and Space Administration				88,235,773	20,304,786
National Science Foundation:					
717555	Aura	PSA N83893C-N	47.049	1,953	—
640269	National Science Foundation	PHY-1205923	47.049	49,976	—
640282	National Science Foundation	AST-1262851	47.049	71,607	—
640289	National Science Foundation	AST-1312882	47.049	22,671	—
640290	National Science Foundation	PHY-1205389	47.049	502,841	94,380
640308	National Science Foundation	AST-1405606	47.049	177,272	—
640314	National Science Foundation	AST-1440254	47.049	1,532,082	961,575
640324	National Science Foundation	AGS-1531549	47.049	563,965	244,625

**SMITHSONIAN INSTITUTION**

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA	Total expenditures	Amounts provided to subrecipients
640325	National Science Foundation	AST-1509375	47.049	95,575	—
640334	National Science Foundation	AGS-1560313	47.049	\$ 143,039	—
640336	National Science Foundation	AST-1615847	47.049	81,429	—
640338	National Science Foundation	CHE-1566266	47.049	130,149	—
640340	National Science Foundation	PHY-1607128	47.049	669	—
640348	National Science Foundation	AST-1659473	47.049	106,131	—
642096	National Science Foundation	AGS-1156076	47.049	74,691	—
742063	Harvard University	131278	47.049	(843)	—
742071	Harvard University	123564-5045551	47.049	428	—
742081	Massachusetts Institute of Technology	5710003643	47.049	65,361	—
742089	Harvard University	131433-5091001	47.049	290,738	—
742091	National Radio Astronomy Observatory	352403	47.049	108,961	71,655
742092	National Radio Astronomy Observatory	353038	47.049	8,980	—
742094	Harvard University	131455-5097556	47.049	140,396	—
742096	National Radio Astronomy Observatory	352730	47.049	740	—
742098	National Radio Astronomy Observatory	352738 SOSPA3-003	47.049	19,399	—
742099	National Radio Astronomy Observatory	352720 SOSPA3-009	47.049	880	—
Subtotal National Science Foundation - Mathematical and Physical Sciences (CFDA 47.049)				<u>4,189,090</u>	<u>1,372,235</u>
640299	National Science Foundation	AGS-1358342	47.050	154,020	—
640323	National Science Foundation	AGS-1460165	47.050	68,757	—
640332	National Science Foundation	AGS-1531312	47.050	45,848	—
640356	National Science Foundation	AGS-1723313	47.050	827	—
742084	Georgia State University	SP00011663-01	47.050	42,034	—
Subtotal National Science Foundation - Geosciences (CFDA 47.050)				<u>311,486</u>	<u>—</u>
640306	National Science Foundation	DRL-1433345	47.076	113,896	—
640319	National Science Foundation	DRL-1502798	47.076	48,645	—
640342	National Science Foundation	DRL-1611985	47.076	33,524	—
640277	National Science Foundation	DRL-1118577	47.076	(1,434)	—
742085	Harvard University	131407-5091340	47.076	61,700	—
742086	Harvard University	131403-5094253	47.076	62,983	—
742097	Harvard University	131386-5098803	47.076	10,282	—
Subtotal National Science Foundation - Educational and Human Resources (CFDA 47.076)				<u>329,596</u>	<u>—</u>
640293	National Science Foundation	ECCS-1408075	47.041	3,331	—
742076	University of California - Los Angeles	1000 G QB252	47.UNK	2,608	—
742077	Harvard University	131330-5058517	47.UNK	11	—
742078	University of Virginia	GA10962-142211	47.UNK	(185)	—
742090	Ohio State University	60054183 PO#RF01429282	47.UNK	6,936	—
Total National Science Foundation				<u>4,842,873</u>	<u>1,372,235</u>
Other Agencies:					
692346	National Institute of Standards & Technology	60NANB15D351	11.609	740	35,543
656003	National Institute of Standards & Technology	60NANB17D014	11.609	44,962	29,758
Subtotal Measurement and Engineering Research and Standards (CFDA 11.609)				<u>45,702</u>	<u>65,301</u>
656004	National Institute of Standards & Technology	60NANB17D270	11.618	6,327	—
792050	Harvard University	144800-5079188	45.301	1,958	—
Total Other Agencies				<u>53,987</u>	<u>65,301</u>
<b>Total Research and Development: Smithsonian Astrophysical Observatory</b>				<b><u>94,348,099</u></b>	<b><u>21,802,821</u></b>
<b>Total Research and Development</b>				<b><u>102,912,530</u></b>	<b><u>22,309,336</u></b>
U.S. Postal Service:					
692345	U.S. Postal Service	Not applicable	99.UNK	206,993	—
692351	U.S. Postal Service	2017 NPM-SI Ops General	99.UNK	2,879,245	—
Total U.S. Postal Service				<u>3,086,238</u>	<u>—</u>
<b>Other (Mail-based) Programs:</b>					
U.S. Agency for International Development:					
692341	The Bridge Fund	AID-486-A14-0000	98.001	432,547	—
Total U.S. Agency for International Development				<u>432,547</u>	<u>—</u>
U.S. Department of Education:					
692342	Albemarle County Public Schools	N/A	84.411	25,055	—
680009	U.S. Department of Education	U396B100097-10A	84.396	237,817	205,895
Total U.S. Department of Education				<u>262,872</u>	<u>205,895</u>
U.S. Department of the Interior:					
634052	U.S. Department of the Interior	P14AP00179	15.933	(1,985)	300
Total U.S. Department of the Interior				<u>(1,985)</u>	<u>300</u>

**SMITHSONIAN INSTITUTION**

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Smithsonian designated code	Federal grantor (PASS-THROUGH GRANTOR)	Agency or pass-through award number	CFDA	Total expenditures	Amounts provided to subrecipients
	U.S. Department of State:				
668021	U.S. Department of State	SIZ-100-15-GR026	19.021	\$ 171,629	—
668020	U.S. Department of State	S-TS800-15-CA-059/PDPR08	19.021	125,935	—
	Subtotal Investing in People in The Middle East and North Africa (CFDA 19.021)			<u>297,564</u>	<u>—</u>
668017	U.S. Department of State	S-BR250-13-GR150-M002	19.040	4,584	—
668019	U.S. Department of State	S-LMAQM-14-GR-018	19.700	112,285	—
	Total U.S. Department of State			<u>414,433</u>	<u>—</u>
	National Aeronautics and Space Administration:				
717532	Space Telescope Science Institute	STSci-509913	43.008	3,782	—
610230	NASA - Shared Services Center	NNX4AQ78G	43.008	95,062	—
	Total National Aeronautics and Space Administration			<u>98,844</u>	<u>—</u>
	National Science Foundation:				
642101	University of Illinois At Urbana-Champaign	DGE 1069157-Subaward	47.076	33,048	—
642136	The University of Rhode Island	0005471/102216	47.076	14,812	—
640321	National Science Foundation	DRL-1511155	47.076	7,572	—
	Subtotal National Science Foundation - Education and Human Resources (CFDA 47.076)			<u>55,432</u>	<u>—</u>
640337	National Science Foundation	1560088	47.050	18,597	—
640331	National Science Foundation	OCE-1560088	47.050	156,857	—
	Subtotal National Science Foundation - Geosciences (CFDA 47.050)			<u>175,454</u>	<u>—</u>
640295	National Science Foundation	DBI-1359299	47.074	9,889	—
	Total National Science Foundation			<u>240,775</u>	<u>—</u>
	National Endowment for the Humanities:				
692352	University of Maryland	41360-Z9238101 #A-V24847316	45.163	14,631	—
	Total National Endowment for the Humanities			<u>14,631</u>	<u>—</u>
	<b>Total Other (Mall-based) Programs</b>			<u>1,462,117</u>	<u>206,195</u>
	<b>Total expenditures of federal awards</b>			<u>\$ 107,460,885</u>	<u>22,515,531</u>

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

## SMITHSONIAN INSTITUTION

### Notes to Schedules of Expenditures of Federal Awards

Year ended September 30, 2017

#### **(1) Basis of Presentation and Description of Major Program**

The accompanying schedules of expenditures of federal awards (the schedules) were prepared in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2017. The schedules present only a selected portion of the operations of Smithsonian, and are not intended to, and do not, present the financial position, changes in net assets, or cash flows of the Smithsonian. The summary schedule on page 26 presents total expenditures by both federal agency and principal Smithsonian research location. The schedule on pages 27-35 provides more detailed award information supporting the summary schedule. The designated code column on the detailed schedule includes additional identifying information utilized by the Smithsonian to internally track and monitor federal awards.

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 the Uniform Guidance.

#### **(2) Basis of Accounting**

The accompanying schedules of expenditures of federal awards were prepared using the accrual method of accounting. Such expenditures are recognized as incurred using the cost accounting principles contained in the Uniform Guidance. Under the guidance, certain types of expenditures 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).

#### **(3) Indirect Cost**

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, 2017 were negotiated with the cognizant federal rate agency, the Office of Naval Research. Because the Smithsonian has received a negotiated indirect cost rate, it is not eligible for and has not elected to use the 10-percent de minimus indirect cost rate under the Uniform Guidance.



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Washington, DC 20006

## **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, 2017, and the related statements of financial 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, 2018.

### **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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Washington, District of Columbia  
January 22, 2018



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## **Independent Auditors' Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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

### **Report on Compliance for the Major Federal Program**

We have audited the Smithsonian Institution's (Smithsonian) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Smithsonian's major federal program for the year ended September 30, 2017. Smithsonian's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of Smithsonian's compliance.

### **Opinion on the 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 its major federal program for the year ended September 30, 2017.

### **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 its 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 the Uniform Guidance, 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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Smithsonian Institution as of and for the year ended September 30, 2017, and have issued our report thereon dated January 22, 2018, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*KPMG LLP*

Washington, D.C.  
February 26, 2018

**SMITHSONIAN INSTITUTION**

Schedule of Findings and Questioned Costs

Year ended September 30, 2017

**(1) Summary of Auditor's Results**

A. The type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles:	Unmodified opinion
B. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:	
• Material weaknesses:	No
• Significant deficiencies:	None reported
C. Noncompliance which is material to the financial statements:	No
D. Internal control deficiencies over major program disclosed by the audit:	
• Material weaknesses:	No
• Significant deficiencies:	None reported
E. Type of report issued on compliance for major program:	Unmodified opinion
F. Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a):	No
G. Major program:	Research and Development Cluster - various CFDA numbers
H. Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
I. Auditee qualified as a low-risk auditee:	Yes

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

None

**(3) Findings and Questioned Costs Relating to Federal Awards**

None