



# **National Science Foundation**

**FINANCIAL STATEMENTS**  
as of and for the years ended  
September 30, 2006 and 2005



**National Science Foundation**  
**Balance Sheet**  
**As of September 30, 2006 and 2005**  
**(Amounts in Thousands)**

**ASSETS**

	<u><b>2006</b></u>	<u><b>2005</b></u>
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 7,823,954	\$ 7,674,185
Accounts Receivable (Note 4)	37,530	35,825
Advances (Note 5)	35,189	26,531
Total Intragovernmental Assets	<u>7,896,673</u>	<u>7,736,541</u>
Cash and Other Monetary Assets (Note 3)	12,941	11,196
Accounts Receivable, Net (Note 4)	139	97
Advances (Note 5)	76,511	69,661
General Property, Plant and Equipment, Net (Note 6)	<u>261,347</u>	<u>257,564</u>
<b>Total Assets</b>	<b>\$ <u>8,247,611</u></b>	<b>\$ <u>8,075,059</u></b>

**LIABILITIES**

Intragovernmental Liabilities		
Advances From Others	\$ 1,593	\$ 15,171
Employer Contributions & Other (Note 9)	712	671
FECA Employee Benefits (Note 8)	284	281
Other Intragovernmental Liabilities (Notes 11 and 12)	<u>3,050</u>	<u>3,000</u>
Total Intragovernmental Liabilities	<u>5,639</u>	<u>19,123</u>
Accounts Payable	43,932	44,019
FECA Employee Benefits (Note 8)	1,287	1,381
Estimated Clean Up Cost Liability (Note 11)	-	116
Accrued Liabilities - Grants, Payroll & Other (Note 9)	376,970	299,953
Accrued Annual Leave (Note 8)	<u>13,892</u>	<u>12,951</u>
<b>Total Liabilities (Note 8)</b>	<b>\$ <u>441,720</u></b>	<b>\$ <u>377,543</u></b>

Commitments and Contingencies (Notes 11 and 12)

**NET POSITION**

Unexpended Appropriations	\$ 7,255,489	\$ 7,198,420
Cumulative Results of Operations – Earmarked Funds (Note 13)	279,282	-
Cumulative Results of Operations	<u>271,120</u>	<u>499,096</u>
<b>Total Net Position</b>	<u>7,805,891</u>	<u>7,697,516</u>
<b>Total Liabilities and Net Position</b>	<b>\$ <u>8,247,611</u></b>	<b>\$ <u>8,075,059</u></b>



**National Science Foundation**  
**Statement of Net Cost**  
**For the Years Ended September 30, 2006 and 2005**  
**(Amounts in Thousands)**

<b>Program Costs</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Ideas</b>		
Fundamental Science & Engineering	\$ 2,333,848	\$ 2,327,110
Centers	182,486	176,183
Capability Enhancements	214,013	202,855
Total Ideas Program Costs	2,730,347	2,706,148
Less: Earned Revenue	(78,944)	(119,826)
<b>Net Ideas Program Costs</b>	<b><u>2,651,403</u></b>	<b><u>2,586,322</u></b>
<b>Tools</b>		
Large Facilities	\$ 535,284	\$ 531,911
Infrastructure and Instrumentation	418,095	321,155
Polar Tools, Facilities and Logistics	361,910	312,784
Federally Funded Research & Development Centers	227,158	209,570
Total Tools Program Costs	1,542,447	1,375,420
Less: Earned Revenue	(31,954)	(324)
<b>Net Tools Program Costs</b>	<b><u>1,510,493</u></b>	<b><u>1,375,096</u></b>
<b>People</b>		
Individuals	\$ 863,438	\$ 894,227
Institutions	158,259	179,356
Collaborations	427,089	379,489
Total People Program Costs	1,448,786	1,453,072
Less: Earned Revenue	(14,921)	(6,316)
<b>Net People Program Costs</b>	<b><u>1,433,865</u></b>	<b><u>1,446,756</u></b>
<b>Net Cost of Operations (Note 14)</b>	<b><u>\$ 5,595,761</u></b>	<b><u>\$ 5,408,174</u></b>

*The accompanying notes are an integral part of these statements.*



**National Science Foundation**  
**Statement of Changes in Net Position**  
**For the Year Ended September 30, 2006**  
**(Amounts in Thousands)**

	<b>2006</b>		
	<b>Earmarked</b>	<b>All Other</b>	<b>Total</b>
<b>Cumulative Results of Operations</b>			
<b>Beginning Balances (Note 13)</b>	<b>\$ 217,955</b>	<b>281,141</b>	<b>499,096</b>
<b>Budgetary Financing Sources</b>			
Appropriations Used	-	5,501,447	5,501,447
Non-exchange Revenue and Other	-	278	278
Donations	-	31,142	31,142
Appropriated Earmarked Receipts Transferred In	105,324	-	105,324
<b>Other Financing Sources</b>			
Transfers In / (Out) Without Reimbursement	-	(257)	(257)
Imputed Financing From Costs Absorbed By Others	-	9,151	9,151
Other	-	(18)	(18)
<b>Total Financing Sources</b>	<b>105,324</b>	<b>5,541,743</b>	<b>5,647,067</b>
<b>Net Cost of Operations</b>	<b>43,997</b>	<b>5,551,764</b>	<b>5,595,761</b>
<b>Cumulative Results of Operations (Note 13)</b>	<b>\$ 279,282</b>	<b>271,120</b>	<b>550,402</b>
<b>Unexpended Appropriations</b>			
<b>Beginning Balances</b>	<b>\$ -</b>	<b>7,198,420</b>	<b>7,198,420</b>
<b>Budgetary Financing Sources</b>			
Appropriations Received	-	5,653,370	5,653,370
Appropriations Transferred In / (Out) (Note 15)	-	7,975	7,975
Other Adjustments	-	(102,829)	(102,829)
Appropriations Used	-	(5,501,447)	(5,501,447)
<b>Total Budgetary Financing Sources</b>	<b>-</b>	<b>57,069</b>	<b>57,069</b>
<b>Unexpended Appropriations</b>	<b>\$ -</b>	<b>7,255,489</b>	<b>7,255,489</b>



**National Science Foundation**  
**Statement of Changes in Net Position**  
**For the Year Ended September 30, 2005**  
**(Amounts in Thousands)**

	<u><b>2005</b></u>	
	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>
<b>Beginning Balances</b>	\$ <b>435,907</b>	\$ <b>7,097,014</b>
<b>Budgetary Financing Sources</b>		
Appropriations Received (Net of Offsetting Receipts)	-	5,516,960
Appropriations Transferred In / (Out) (Note 15)	-	9,670
Other Adjustments	-	(78,395)
Appropriations Used	5,346,829	(5,346,829)
Non-exchange Revenue and Other	87	-
Donations	31,077	-
Appropriated Earmarked Receipts Transferred In	83,677	-
<b>Other Financing Sources</b>		
Transfers In / (Out) Without Reimbursement	675	-
Imputed Financing From Costs Absorbed By Others	9,002	-
Other	16	-
<b>Total Financing Sources</b>	<u><b>5,471,363</b></u>	<u><b>101,406</b></u>
<b>Net Cost of Operations</b>	<b>5,408,174</b>	-
<b>Ending Balances (Note 13)</b>	\$ <u><u><b>499,096</b></u></u>	\$ <u><u><b>7,198,420</b></u></u>

*The accompanying notes are an integral part of these statements.*



**National Science Foundation**  
**Statement of Budgetary Resources (page 1 of 2)**  
**For the Years Ended September 30, 2006 and 2005**  
**(Amounts in Thousands)**

	<u>2006</u>	<u>2005</u>
<b>Budgetary Resources</b>		
<b>Unobligated Balance - Brought Forward, October 1</b>	<b>\$ 243,674</b>	<b>\$ 179,144</b>
<b>Recoveries of Prior Year Obligations</b>	<b>44,781</b>	<b>43,510</b>
Budget Authority		
Appropriation	5,790,114	5,631,800
Spending Authority From Offsetting Collections:		
Earned		
Collected	124,165	114,517
Change in Receivable From Federal Sources	1,705	11,949
Change in Unfilled Customer Orders		
Advance Received	(13,577)	(8,240)
Without Advance From Federal Sources	(14,458)	(6,378)
Anticipated for Rest of Year, Without Advances	-	-
<b>Subtotal - Budget Authority</b>	<b><u>5,887,949</u></b>	<b><u>5,743,648</u></b>
<b>Non-expenditure Transfers, Net –</b>		
<b>Anticipated and Actual (Note 15)</b>	<b>7,975</b>	<b>9,670</b>
<b>Permanently Not available</b>	<b><u>(102,829)</u></b>	<b><u>(78,395)</u></b>
<b>Total Budgetary Resources (Note 17)</b>	<b>\$ <u><u>6,081,550</u></u></b>	<b>\$ <u><u>5,897,577</u></u></b>



**National Science Foundation**  
**Statement of Budgetary Resources (page 2 of 2)**  
**For the Years Ended September 30, 2006 and 2005**  
**(Amounts in Thousands)**

	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Status of Budgetary Resources</b>		
Obligations Incurred:		
Direct (Note 16)	5,777,489	5,542,061
Reimbursable (Note 16)	100,517	111,842
Total Obligations Incurred (Note 15)	<u>5,878,006</u>	<u>5,653,903</u>
Unobligated Balance – Apportioned (Note 15)	120,872	155,531
Unobligated Balance - Not Available (Note 15)	82,672	88,143
<b>Total Status of Budgetary Resources (Note 17)</b>	<b>\$ <u>6,081,550</u></b>	<b>\$ <u>5,897,577</u></b>
<b>Change in Obligated Balance</b>		
Obligated Balance, Net		
Unpaid Obligations - Brought Forward, October 1	7,570,194	7,498,420
Less: Uncollected Customer Payments From		
Federal Sources, Brought Forward, October 1	<u>(139,683)</u>	<u>(134,112)</u>
Total Unpaid Obligated Balance, Net	<u>7,430,511</u>	<u>7,364,308</u>
Obligations Incurred	5,878,006	5,653,903
Less: Gross Outlays	(5,656,078)	(5,538,620)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(44,781)	(43,510)
Change in Uncollected Customer Payments From Federal Sources	<u>12,753</u>	<u>(5,570)</u>
Subtotal	<b>\$ <u>7,620,411</u></b>	<b>\$ <u>7,430,511</u></b>
Obligated Balance, Net - End of Period		
Unpaid Obligations	7,747,341	7,570,194
Less: Uncollected Customer Payments From Federal Sources	<u>(126,930)</u>	<u>(139,683)</u>
Total Unpaid Obligated Balance, Net - End of Period	<b>\$ <u>7,620,411</u></b>	<b>\$ <u>7,430,511</u></b>
<b>Net Outlays</b>		
Gross Outlays	5,656,078	5,538,620
Less: Offsetting Collections	(110,588)	(106,277)
Less: Distributed Offsetting Receipts (Note 17)	<u>(4,207)</u>	<u>(31,164)</u>
<b>Net Outlays (Note 17)</b>	<b>\$ <u>5,541,283</u></b>	<b>\$ <u>5,401,179</u></b>

*The accompanying notes are an integral part of these statements.*



**National Science Foundation**  
**Statement of Financing**  
**For the Years Ended September 30, 2006 and 2005**  
**(Amounts in Thousands)**

<b>Resources Used to Finance Activities</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$ 5,878,006	\$ 5,653,903
Less: Spending Authority for Offsetting Collections and Recoveries	(142,616)	(155,358)
Obligations Net of Offsetting Collections and Recoveries	5,735,390	5,498,545
Less: Offsetting Receipts	(4,207)	(31,164)
Net Obligations	5,731,183	5,467,381
<b>Other Resources</b>		
Transfers In	-	675
Imputed Financing	9,151	9,002
Net Other Resources Used to Finance Activities	9,151	9,677
<b>Total Resources Used to Finance Activities</b>	<b>5,740,334</b>	<b>5,477,058</b>
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	(148,852)	(83,636)
Resources that Fund Expenses Recognized in Prior Periods	(143)	(85)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	4,207	31,164
Resources that Finance the Acquisition of Assets	(22,431)	(35,793)
<b>Total Resources Used to Finance Items Not Part of the Net Cost of Operations</b>	<b>(167,219)</b>	<b>(88,350)</b>
<b>Total Resources Used to Finance Net Cost of Operations</b>	<b>5,573,115</b>	<b>5,388,708</b>
<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period</b>		
Other	3,993	790
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods (Note 19)	3,993	790
Components Not Requiring or Generating Resources		
Depreciation and Amortization	18,666	18,655
Other	(13)	21
Total Components of Net Cost of Operations that will not Require or Generate Resources	18,653	18,676
<b>Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period</b>	<b>22,646</b>	<b>19,466</b>
<b>Net Cost of Operations (Note 14)</b>	<b>\$ <u>5,595,761</u></b>	<b>\$ <u>5,408,174</u></b>



## NOTES TO THE PRINCIPAL FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

#### A. Reporting Entity

The National Science Foundation (NSF or “Foundation”) is an independent federal agency created by the National Science Foundation Act of 1950, as amended (42 U.S.C. 1861-75). Its mission is to promote and advance scientific progress in the United States. NSF initiates and supports scientific research and research fundamental to the engineering process and programs to strengthen the Nation’s science and engineering potential. NSF also supports education programs at all levels in all fields of science and engineering. NSF funds research and education in science and engineering by awarding grants and contracts to educational and research institutions in all parts of the United States. NSF, by law, cannot operate research facilities except in the polar regions. By award, NSF enters into relationships to fund the research operations conducted by grantees.

NSF is led by a presidentially-appointed director and the policy-making National Science Board (NSB). The NSB, composed of 24 members, represents a cross section of American leaders in science and engineering research and education, who are appointed by the President for six-year terms. The NSF Director is a member *ex officio* of the Board.

#### B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of NSF as required by the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, the Reports Consolidation Act of 2000, and the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. While the statements have been prepared from the books and records of NSF in accordance with United States generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

#### C. Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting in addition to recognizing certain budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. NSF records grant expenses from expenditure reports submitted by the grantees.

#### D. Revenues and Other Financing Sources

NSF received the majority of its funding through appropriations contained in the Science, State, Justice, Commerce, and related Agencies Appropriations Act. NSF receives annual, multi-year, and no-year appropriations that may be expended, within statutory limits. NSF also receives funding from a special funds receipt account that is reported as Earmarked funds. Additional amounts are obtained from reimbursements for services provided to other federal agencies and allocation transfers from other federal agencies. NSF receives funds from receipts to the donation account. Also, NSF receives interest earned on overdue receivables and excess cash advances to grantees. The interest earned on overdue receivables is returned to the Treasury. Interest earned on excess cash advances to grantees is sent directly to the



Department of Health and Human Services in accordance with OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non Profit Organizations*.

Appropriations are recognized as a financing source at the time the related “funded” program or administrative expenses are incurred. Appropriations are also recognized when used to purchase property, plant and equipment. “Unfunded” liabilities result from liabilities not covered by budgetary resources and will be paid when future appropriations are made available for these purposes. Donations are recognized as revenues when funds are received. Revenues from reimbursable agreements are recognized when the services are provided and the related expenditures are incurred. Reimbursable agreements are mainly for grant administrative services provided by NSF on behalf of other federal agencies.

NSF is authorized to accept and use U.S. and foreign funds into the NSF Donation Account per the General Authority of the Foundation as found in 42 U.S.C. 1862 Section 3 (a)(3), “to foster the interchange of scientific and engineering information among scientists and engineers in the United States and foreign countries”, and also 42 U.S.C. 1870 Section 11 (f) which allows NSF to receive and use funds donated by others. Donations are received from foreign governments, private companies, academic institutions, non-profit foundations, and individuals. Donated funds are either earmarked for a specific NSF program or unrestricted, which can be used on one or more of the general purposes of the Foundation. NSF maintains four interest bearing donation accounts. Interest earned on the bank deposits are used for the same purpose as the principal donations. When needed for program support, donations are transferred to the U.S. Treasury. Funds are made available for obligations as necessary to support NSF programs.

#### **E. Fund Balance with Treasury and Cash and Other Monetary Assets**

Cash receipts and disbursements are processed by the Treasury. Fund Balance with Treasury is composed primarily of appropriated funds that are available to pay current liabilities and finance authorized purchase commitments. Cash and Other Monetary Assets primarily include non-appropriated funding sources from donations, non-convertible Indian rupees, and undeposited collections.

NSF has also established commercial bank accounts to hold some donated funds in trust, in interest bearing accounts as permitted by the contributors. These funds are collateralized by the bank through the U.S. Treasury.

#### **F. Accounts Receivable, Net**

Accounts Receivable consists of amounts due from governmental agencies, private organizations, and individuals. NSF establishes an allowance for loss on accounts receivable from private sources that are deemed uncollectible, but regards amounts due from other federal agencies as fully collectible. NSF writes off delinquent debt that is more than two years old. NSF also analyzes each account independently to assess collectability and the need for an offsetting allowance or write-off.

#### **G. Advances**

Advances consist of advances to grantees, contractors, and federal agencies. Advance payments are made to grant recipients so that recipients may incur expenses related to the approved grant. Payments are only made within the amount of the recorded grant obligation and are intended to cover immediate cash needs. The total grant expenditures for the year include an estimate of the fourth quarter amounts due from and payable to grantees. The majority of NSF’s grantees are on a reimbursement basis. The grant accrual



calculation is based on historical trend analysis prepared by NSF. NSF uses a methodology to track the spending patterns by fiscal year and quarter for each of its fund groups. NSF has determined that each appropriation and the year of the appropriation have a noted spending pattern. Based on historical information NSF applies an average percentage rate to the current year grant related obligations for each individual appropriation within a fund group. The calculation provides NSF with the accrued expenditure. NSF estimates the ending cash on hand balance in total for its grantees after the accrued grant expenditure has been determined. Based on an average of six years of historical cash on hand data, NSF applies the negative cash on hand rate to the estimated ending cash on hand to determine the amount to record as a liability. The difference between the total expenditure amount accrued and the liability recorded is used to reduce the asset. Advances to contractors are payments made in advance of incurring expenses. Advances to federal agencies are only issued when agencies are operating under working capital funds and are unable to incur costs on a reimbursable basis. Advances are reduced when documentation supporting expenditures is received and recorded.

#### H. General Property, Plant and Equipment (PP&E)

PP&E: NSF capitalizes acquisition costs exceeding \$25 thousand and useful lives of two or more years. Acquisitions not meeting these criteria are recorded as operating expenses. NSF currently reports capitalized PP&E at original acquisition cost; assets acquired from General Services Administration's (GSA) excess property schedules are recorded at the value assigned by the donating agency; assets transferred in from other agencies are at the cost recorded by the transferring entity for the asset net of accumulated depreciation or amortization. Completed buildings under the U.S. Antarctic Program (USAP) are transferred from Construction in Progress to Real Property at NSF's acceptance. Depreciation expense is calculated using the half year convention rule. The economic life classifications for capitalized assets are as follows:

##### Equipment

- 5 years - computers and peripheral equipment, fuel storage tanks, laboratory equipment, and vehicles
- 7 years - communications equipment, office furniture and equipment, pumps and compressors
- 10 years - generators, Department of Defense equipment
- 20 years - long duration balloon facilities (LDB)

##### Aircraft and Satellites

- 7 years - aircraft, aircraft conversions, and satellites

##### Buildings and Structures

- 31.5 years - buildings and structures placed in service prior to 1993
- 39 years - buildings and structures placed in service after 1993

##### Internal Use Software

- 5 years - internal use software

##### Leasehold Improvements

The economic life of Leasehold Improvements is amortized over the number of years remaining on the occupancy agreement for the NSF headquarters building. In FY 2006, Leasehold Improvements completed during the year were amortized over 7 years. This represents the remaining years on NSF's lease with GSA.



The PP&E balance consists of Equipment, Aircraft and Satellites, Buildings and Structures, Leasehold Improvements, and Construction in Progress. Costs are accumulated in construction in progress until the complete project is accepted by NSF and at that time, project costs are capitalized and depreciated over the respective useful life of the asset. These balances are comprised of PP&E maintained “in-house” by NSF to support agency operations and PP&E under the U.S. Antarctic Program (USAP). The majority of USAP property is currently the custodial responsibility of Raytheon Technical Services Company, the NSF contractor for the program. Additionally, the U.S. Navy’s Space and Naval Warfare Center, the Air National Guard 109<sup>th</sup>, and Ken Borek Air have custodial responsibility for some USAP property.

Office Space: The NSF headquarters buildings are leased through the GSA under an occupancy agreement. The cancellation clause within the agreement allows NSF to terminate use with a 120 day notice. NSF is billed by GSA for the leased space as rent based upon estimated lease payments made by GSA plus an administrative fee. The cost of the headquarters building is not capitalized by NSF. The cost of leasehold improvements performed by GSA is financed with NSF appropriated funds. The leasehold improvements are capitalized by NSF as they are transferred from Construction in Progress. Amortization is calculated using the half year convention rule over the lesser of their useful lives or the unexpired lease term.

Internal Use Software: NSF controls, values and reports purchased or developed software as tangible property assets, in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 10 – “Accounting for Internal Use Software.” NSF identifies software investments as accountable property for items that, in the aggregate, cost \$500 thousand or more to purchase, develop, enhance or modify a new or existing NSF system. Software projects that are not completed at year-end and are expected to exceed the capitalization threshold are recorded as software in development. All internal use software meeting the capitalization threshold is amortized over a five-year period using the half year convention rule.

Assets Owned by NSF in the Custody of Other Entities: NSF awards grants, cooperative agreements, and contracts to various organizations, including colleges and universities, non-profit organizations, state and local governments, Federally Funded Research and Development Centers (FFRDC), and private entities. The funds provided may be used in certain cases to purchase or construct (PP&E) to be used for operations or research on projects or programs sponsored by NSF. In these instances, NSF funds the acquisition of property, but transfers control to these entities. NSF’s authorizing legislation specifically prohibits it from operating such property directly. In practice, NSF’s ownership interest in such PP&E is similar to a reversionary interest. To address the accounting and reporting of these assets, specific guidance was sought by NSF and provided by the Federal Accounting Standards Advisory Board (FASAB). This guidance stipulated that NSF should: (i) disclose the value of such PP&E held by others in its financial statements based on information contained in the audited financial statements of these entities (if available). Where separate audited amounts are not available for a specific entity, NSF should name the entity and note that these amounts are unavailable; and (ii) report information on costs incurred to acquire the research facilities, equipment, and platforms in the Research and Human Capital Activity costs as required by the SFFAS No. 8, *Supplementary Stewardship Reporting*.

## I. Advances from Others

Advances from Others consist of prior year amounts obligated and advanced by other federal entities to NSF for grant administration and other services to be furnished under reimbursable agreements. Balances at the end of the year are adjusted by an allocated amount from the fourth quarter grantee expenditure



estimate described under Note 1G, *Advances*. The amount to be allocated is based on a percentage of reimbursable grant expenditures, by trading partner, to total grant expenditures.

#### J. Accounts Payable

Accounts Payable consists of liabilities to commercial vendors, contractors, and disbursements in transit. Accounts payable to commercial vendors and contractors are expenses for goods and services received but not yet paid by NSF at the end of the fiscal year. At year-end, NSF accrues for the amount of estimated unpaid expenses to commercial vendors. Accounts payable also consists of disbursements in transit recorded by NSF but not paid by Treasury.

#### K. Other Liabilities

Other liabilities consist of grant accruals, contract accruals, accrued payroll and benefits. Grant liabilities are estimated grantee expenses over and above the amount of advances given to grantees. At year-end, NSF accrues for the amount of estimated grantee expenses not covered by advances given to grantees. Contract accruals are estimated expenses over and above the amount of advances given to contractors. At year-end, NSF accrues the amount of estimated expenses not covered by advances given to contractors. Accrued payroll and benefits relate to services rendered by NSF employees but not yet paid. At year-end, NSF accrues the amount of wages and benefits earned, but not yet paid. NSF's payroll services are provided by the Department of the Interior.

#### L. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect changes. To the extent current and prior-year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future Salaries and Expenses appropriations. Sick leave and other types of nonvested leave are expensed as taken.

#### M. Employee Benefits

A liability is recorded for estimated and actual future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The liability consists of the net present value of estimated future payments calculated by the U.S. Department of Labor (DOL) and the actual unreimbursed cost paid by DOL for compensation paid to recipients under FECA. The actual costs incurred are reflected as a liability because NSF will reimburse DOL two years after the actual payment of expenses. Future NSF Salary and Expense Appropriations will be used for DOL's estimated reimbursement.

#### N. Net Position

Net position is the residual difference between assets and liabilities and is composed of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations is the net result of NSF's operations since inception.

In 2006, the NSF has accounted for revenues and other financing sources for earmarked funds separately from other funds. This new method was adopted in accordance with the provisions of the FASAB's SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, which became effective October 1, 2006.



This new standard amended SFFAS No. 7, *Revenue and Other Financing Sources*, by:

- elaborating the special accountability needs associated with dedicated collections;
- separating dedicated collections into two categories – earmarked funds and fiduciary activity; and
- defining and providing accounting and reporting guidance for earmarked funds.

In accordance with SFFAS No. 27, NSF did not restate the prior period columns of the financial statements and related disclosures. See Note 13 for specific required disclosures related to NSF's earmarked funds.

#### O. Retirement Plan

In FY 2006, approximately 25 percent of NSF employees participated in the Civil Service Retirement System (CSRS), to which NSF made matching contributions equal to 7 percent of pay. The majority of NSF employees are covered by the Federal Employees Retirement System (FERS) and Social Security. A primary feature of FERS is that it offers a thrift savings plan to which NSF automatically contributes 1 percent of pay and matches employee contributions up to an additional 4 percent of pay. NSF also contributes the employer's matching share for Social Security for FERS participants.

Although NSF funds a portion of the benefits under FERS and CSRS relating to its employees and withholds the necessary payroll deductions, the agency has no liability for future payments to employees under these plans, nor does NSF report CSRS, FERS, or Social Security assets, or accumulated plan benefits, on its financial statements. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM) and The Federal Retirement Thrift Investment Board.

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future, and provide these factors to the agency for current period expense reporting. Information is also provided by OPM regarding the full cost of health and life insurance benefits.

#### P. Commitments, Contingencies, and Possible Future Costs

Commitments: Commitments are contractual agreements involving financial obligations. NSF is committed for goods and services that have been ordered, but have not yet been delivered.

Contingencies - Claims and Lawsuits: NSF is a party to various legal actions and claims brought against it. In the opinion of NSF management and legal counsel, the ultimate resolution of the actions and claims will not materially affect the financial position or operations of the Foundation. NSF recognizes the contingency in the financial statements when claims are expected to result in a material loss, whether from NSF's appropriations or the "Judgment Fund" administered by the Department of Justice under Section 1304 of Title 31 of the United States Code, and, the payment amounts can be reasonably estimated.

Claims and lawsuits have also been made and filed against awardees of the Foundation by third parties. NSF is not a party to these actions and NSF believes there is no possibility that NSF will be legally required to satisfy such claims. Judgments or settlements of the claims against awardees that impose financial obligation on them may be claimed as costs under the applicable contract, grant, or cooperative agreement and thus may affect the allocation of program funds in future fiscal years. In the event that the claim becomes probable, amounts can be reasonably estimated, the claim will be recognized.



Contingencies – Unasserted Claims: For claims and lawsuits that have not been made and filed against the Foundation, NSF management and legal counsel determine, in their opinion, whether resolution of the actions and claims it is aware of will materially affect the agency's financial position or operations. NSF recognizes a contingency in the financial statements when unasserted claims are probable of assertion, and if asserted would be probable of an unfavorable outcome, and expected to result in a measurable loss, whether from NSF's appropriations or the "Judgment Fund." NSF discloses unasserted claims if materiality or measurability of a potential loss cannot be determined or the loss is more likely than not to occur rather than probable.

Termination Claims: NSF engages organizations in cooperative agreements and contracts to manage, operate and maintain research facilities for the benefit of the scientific community. As part of these agreements and contracts, NSF funds on a pay-as-you-go basis certain employee benefit costs, (accrued vacation and other employee related liabilities, severance pay and medical insurance), long term leases and vessel usage. These agreements permit awardees to make claims for any unpaid costs upon termination or non-renewal of the agreements and contracts.

NSF considers the likelihood of termination or non-renewal to be remote, and has not recorded liabilities for these termination claims on its financial statements. However, one FFRDC operator has identified these payments as obligations of NSF. The termination provision of the cooperative agreement clearly states that NSF's liability for such costs exists only upon termination and is limited to the lesser of available appropriations or \$25 million. NSF, at the discretion of its Director, has offered to use its best efforts to obtain these additional funds, including efforts to obtain such funds from Congress. However, nothing in the agreements or contracts can be construed as implying that Congress will appropriate funds to meet the terms of these claims.

Environmental Liabilities: NSF manages the U.S. Antarctic Program. The Antarctic Conservation Act and its implementing regulations identify the requirements for environmental clean-up in Antarctica. NSF continually monitors the U.S. Antarctic Program in regards to environmental issues. NSF establishes its environmental liability estimates in accordance with the requirements of the SFFAS No. 5, "*Accounting for Liabilities of the Federal Government*," and as amended by SFFAS No. 12, "*Recognition of Contingent Liabilities Arising from Litigation*," and the Federal Financial Accounting and Auditing Technical Release No. 2, "*Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*."

#### Q. Use of Estimates

Management has made certain estimates and assumptions when reporting assets, liabilities, revenue, and expenses, and also in the note disclosures. Significant estimates underlying the accompanying financial statements include accounting for grants, contracts, accounts payable and USAP property. Actual results may differ from these estimates, and the difference will be adjusted for and included in the financial statements of the following fiscal year.

#### R. Reclassification of Statement of Budgetary Resources

The presentation used for the Statement of Budgetary Resources (SBR) prior to FY 2006 has been revised to reflect a new format required pursuant to the OMB Circular A-136, "*Financial Reporting Requirements*". Circular A-136 requires agencies to present both the FY 2006 and 2005 SBR in the same format. Accordingly, certain reclassifications were made to the previously issued FY 2005 SBR to conform to the new format.

**Note 2. Fund Balance with Treasury**

Fund Balance with Treasury consisted of the following components as of September 30, 2006 and 2005:

(Amounts in Thousands)		2006			
		Appropriated Funds	Donated Funds	Earmarked Funds	Total
Obligated	\$	7,431,272	5,852	183,286	7,620,410
Unobligated Available		7,662	17,709	95,501	120,872
Unobligated Unavailable		79,595	391	2,686	82,672
Total Fund Balance with Treasury	\$	7,518,529	23,952	281,473	7,823,954

(Amounts in Thousands)		2005			
		Appropriated Funds	Donated Funds	Earmarked Funds	Total
Obligated	\$	7,279,716	20,678	130,117	7,430,511
Unobligated Available		54,064	14,495	86,972	155,531
Unobligated Unavailable		85,324	213	2,606	88,143
Total Fund Balance with Treasury	\$	7,419,104	35,386	219,695	7,674,185

The Donations Account includes amounts donated to NSF from all sources. Amounts in the Donations Account are restricted for intended purposes. Unavailable balances include recovered expired appropriations and other amounts related to expired authority and holdings, which are unavailable for NSF use.

In 1999, in accordance with P.L. 105-277, NSF established a special fund called H-1B Nonimmigrant Petitioner Fees Account. These funds are considered Earmarked Funds and are not included in Appropriated Funds. The funds are fees collected for each petition for nonimmigrant status. Under the law, NSF was prescribed a percentage of these fees for specific programs.

**Note 3. Cash and Other Monetary Assets**

NSF's Cash and Other Monetary Assets as of September 30, 2006 and 2005 consisted of the following:

(Amounts in Thousands)		2006	2005
Cash	\$	12,898	10,879
Foreign Currency		43	317
Total Cash and Other Monetary Assets	\$	12,941	11,196



## Note 4. Accounts Receivable, Net

### Intragovernmental

The Intragovernmental Accounts Receivable consists of reimbursements and repayments due from other government agencies. As of September 30, 2006 and 2005, the amount of intragovernmental accounts receivable was \$37,530 thousand and \$35,825 thousand respectively.

### Public

As of September 30, 2006 and 2005, Accounts Receivable (net) due from private organizations and individuals consisted of:

(Amounts in Thousands)	2006	2005
Accounts Receivable	\$ 146	\$ 98
Allowance for Uncollectible Accounts	(7)	(1)
Net Amount Due	\$ 139	\$ 97

As of September 30, 2006 and 2005, the reconciliation of the allowance for uncollectible accounts is as follows:

(Amounts in Thousands)	2006	2005
Beginning Allowance	\$ (1)	\$ -
Additions	(7)	(1)
Reductions (write-offs)	1	-
Ending Allowance	\$ (7)	\$ (1)

## Note 5. Advances

As of September 30, 2006 and 2005, Advances consisted of the following components:

### Intragovernmental

(Amounts in Thousands)	2006	2005
Advances to Others	\$ 35,189	\$ 26,531

### Public

(Amounts in Thousands)	2006	2005
Advances to Grantees	\$ 76,413	\$ 65,123
Advances to Others	-	448
Advances to Contractors	98	4,090
Total Advances with the Public	\$ 76,511	\$ 69,661

**Note 6. General Property, Plant and Equipment, Net**

The components of General Property Plant and Equipment as of September 30, 2006 and 2005 were:

(Amounts in Thousands)		2006		
		Acquisition Cost	Accumulated Depreciation	Net Book Value
Equipment	\$	129,604	\$ 110,148	\$ 19,456
Aircraft and Satellites		138,487	122,485	16,002
Buildings and Structures		129,025	51,181	77,844
Leasehold Improvements		3,686	1,112	2,574
Construction in Progress		141,880	-	141,880
Internal Use Software		7,879	5,203	2,676
Software in Development		915	-	915
Total PP&E	\$	551,476	\$ 290,129	\$ 261,347

  

(Amounts in Thousands)		2005		
		Acquisition Cost	Accumulated Depreciation	Net Book Value
Equipment	\$	98,659	\$ 79,592	\$ 19,067
Aircraft and Satellites		138,487	116,084	22,403
Buildings and Structures		132,209	48,125	84,084
Construction in Progress		127,975	-	127,975
Internal Use Software		7,881	3,846	4,035
Total PP&E	\$	505,211	\$ 247,647	\$ 257,564

**Note 7. Property, Plant and Equipment in the Custody of Other Entities**

As explained in Note 1-H, *Assets Owned by NSF in the Custody of Other Entities*, NSF received a ruling from FASAB on accounting for PP&E owned by NSF but in the custody of and used by others. The FASAB guidance requires PP&E in the custody of others be excluded from NSF PP&E as defined in the SFFAS No. 6 *Accounting for Property, Plant and Equipment*. NSF is however required to disclose the dollar amount of NSF PP&E held by others in the footnotes based on information contained in the audited financial statements of the organization holding the assets.

At September 30, 2006 there were 23 Colleges or Universities that held NSF property but for which relevant net book value of such property was unavailable. There were 29 commercial entities that held NSF property, of which Vista Engineering, Inc. was the only entity to separately report NSF titled property in its audited financial statements. Per the financial statements, Vista Engineering, Inc. held NSF titled property with a net book value of \$195 thousand.

At September 30, 2005 there were 14 Colleges or Universities, and 23 commercial entities, that held NSF property but for which relevant net book value of such property was unavailable.

The amount of PP&E owned by NSF but in the custody of a FFRDC is identified in the following table and was obtained from the respective entities' audited financial statements. If NSF PP&E is not



separately stated on the entities' audited financial statements, the related amounts are annotated as Not Available (N/A) in the table.

(Amounts in Thousands)

<u>Federally Funded Research and Development Centers</u>	<u>2006</u>	<u>2005</u>	<u>Year End</u>
National Astronomy & Ionosphere Center - NAIC			
Cornell	\$ N/A	\$ N/A	6/30
National Center for Atmospheric Research - UCAR	N/A	179,884	9/30
National Optical Astronomy Observatories - AURA	N/A	432,105	9/30
National Radio Astronomy Observatory - AUI	N/A	N/A	9/30

### Note 8. Liabilities Not Covered by Budgetary Resources

Certain liabilities are not funded by current budgetary resources. As of September 30, 2006 and 2005, Liabilities Not Covered by Budgetary Resources consisted of the following:

(Amounts in Thousands)	2006	2005
Intragovernmental: FECA Employee Benefits	\$ 284	\$ 281
Public: FECA Employee Benefits	1,287	1,381
Accrued Annual Leave	13,892	12,951
Total Liabilities Not Covered by Budgetary Resources	15,463	14,613
Total Liabilities Covered by Budgetary Resources	426,257	362,930
Total Liabilities	\$ 441,720	\$ 377,543

### Note 9. Other Liabilities

These are current accrued liabilities, which consist of grant and contract accruals, accrued employer contributions for payroll and benefits, accrued payroll and benefits, and various employee related liabilities for payroll and benefit deductions. As of September 30, 2006 and 2005, these liabilities consisted of the following:

(Amounts in Thousands)	2006	2005
<u>Intragovernmental – Employer Contributions</u>		
Employer Contributions for Payroll Benefits and Other	\$ 712	\$ 671
Total Intragovernmental Employer Contributions	\$ 712	\$ 671

(Amounts in Thousands)	2006	2005
<u>Accrued Liabilities - Grants and Payroll</u>		
Contract Accrual	\$ 22,480	\$ -
Grant Accrual	347,737	293,631
Total Accrued Liabilities	\$ 370,217	\$ 293,631
Accrued Payroll and Benefits	6,753	6,322
Total Accrued Liabilities - Grants and Payroll	\$ 376,970	\$ 299,953



## Note 10. Leases

NSF leases its headquarter buildings under an operating lease with the GSA. The following are schedules of future minimum rental payments required under leases that have initial or remaining terms in excess of a year.

(Amounts in Thousands)	
Fiscal Year	Operating Lease Amount
2007	\$ 19,347
2008	19,477
2009	20,117
2010	20,275
2011	20,591
2012 and thereafter	45,374
Total Minimum Lease Payments	\$ 145,181

## Note 11. Estimated Clean up Cost Liability

Environmental and Clean up Costs: The Toolik Field Station is operated by the Institute of Arctic Biology at the University of Alaska, Fairbanks. As the primary customer for the Institute, in FY 2006, NSF paid \$116 thousand which was the remaining balance of remediation costs for the Toolik Field Station oil spill that occurred on August 25, 2001.

Joint planning for the clean up of Cape Hallett, the former U.S. and New Zealand station was successful and no U.S. funds were spent during this period and the U.S. commitment is complete.

NSF is continuing its actions to assess the condition of the Columbia Scientific Balloon Facility (CSBF) site before completing a no-cost transfer through the GSA to the National Aeronautics and Space Administration (NASA). NASA engineers have reported 10 wells on the NSBF site and are aware of one contaminated well from battery disposal. NSF estimates, in consultation with the general counsel office, that the clean-up costs will range between \$50 thousand and \$200 thousand, the lower of which is reflected on the balance sheet as *Other Intragovernmental Liabilities*. This estimate is based upon the proposed NSF share of Phase II Environmental Due Diligence Audit (EDDA) of the CSBF assessment resulting from findings in the EDDA Phase I. A final report is due December 2007 at which time NSF will be able to evaluate whether future outflow is necessary.

## Note 12. Commitments and Contingencies

Cost Incurred Audits: Raytheon Polar Services Company (Raytheon), a NSF contractor, manages one of NSF's major programs, USAP. Raytheon has undergone cost incurred audits for FY 2000 through FY 2004. As a result of these audits, \$55,500 thousand of costs are being questioned. The cost incurred audits for FY 2005 and FY 2006 have not been completed. A receivable related to this contingency is not reflected in the balance sheet due to the uncertainty of NSF recouping any of the questioned costs.

Claims: Contractor claims for additional compensation under a contract awarded by the United States Air Force for the reconfiguration of three NSF owned LC130 aircrafts, were paid by the Judgment Fund for \$3,000 thousand and are reflected on the *Other Intragovernmental Liabilities* line of the balance sheet.



NSF submitted a request for funds in its FY 2007 budget submission in order to reimburse the Judgment Fund. However, based on the Senate Appropriation Report, NSF may not be required to reimburse the Judgment Fund.

### Note 13. Earmarked Funds

In FY 1999, Title IV of the American Competitiveness and Workforce Improvement Act of 1998 (P.L. 105-277) established an H-1B Non immigrant petitioner account in the General Fund of the U.S Treasury. Funding is established from fees collected for alien, non immigrant status petitions. This law required that a prescribed percentage of the funds in the account be made available to NSF for the following activities:

- Computer Science, Engineering, and Mathematics Scholarship (CSEMS)
- Grants for Mathematics, Engineering, or Science Enrichment Courses
- Systemic Reform Activities

The H-1B Non immigrant Petitioner fees are available to the Director of NSF until expended. The funds may be used for scholarships to low income students, or to carry out a direct or matching grant program to support private and/or public partnerships in K-12 education. The H-1B Fund is set up as a permanent, indefinite appropriation by NSF and is enacted by legislation. These funds are included in the President's budget. The budgetary resources for the earmarked fund are recorded in the *Appropriated Earmarked Receipts Transferred In* general ledger account, and reported according to the guidance for earmarked funds.

(Amounts in Thousands)

#### 2006 Earmarked Funds

##### Balance Sheet as of September 30, 2006

Fund Balance with Treasury	\$	281,473
Advances		588
Total Assets	\$	<u>282,061</u>
Other Liabilities	\$	2,779
Total Liabilities	\$	<u>2,779</u>
Unexpended Appropriations	\$	-
Cumulative Results of Operations		279,282
Total Liabilities and Net Position	\$	<u>282,061</u>

##### Statement of Net Cost For the Year Ended September 30, 2006

Program Costs	\$	43,997
Less Earned Revenues		-
Net Program Costs		<u>43,997</u>
Net Cost of Operations	\$	<u>43,997</u>



(Amounts in Thousands)

**2006  
Earmarked Funds****Statement of Changes in Net Position For the Year Ended  
September 30, 2006**

Net Position Beginning of Period	\$	217,955
Net Cost of Operation		(43,997)
Appropriated Earmarked Receipts Transferred In		105,324
Change in Net Position		<u>61,327</u>
Net Position End of Period	\$	<u>279,282</u>

New requirements under OMB Circular A-136 – Revised July 2006, state that material net position balances attributable to earmarked funds are reported separately from other funds. In addition, requirements advise that beginning balances shall agree with the amounts reported as net position on the prior year's balance sheet.

(Amounts in Thousands)

Net Position – Cumulative results of operations as previously reported at September 30, 2005	\$	499,096
Less: non-earmarked funds	\$	(281,141)
Net Position – Cumulative results of operations – Earmarked funds, as reclassified at September 30, 2005	\$	217,955

**Note 14. Statement of Net Cost*****Major Program Descriptions***

NSF's primary business is to make merit-based grants and cooperative agreements to individual researchers and groups, in partnership with colleges, universities, and other public, private, state, local, and federal institutions, throughout the U.S. By providing these resources, NSF contributes to the health and vitality of the U.S. research and education enterprise, which enables and enhances the Nation's capacity to sustain growth and prosperity. These grants are managed through eight programmatic organizations within NSF that review and evaluate competitive proposals submitted by the science and engineering community for its consideration.

NSF is a single entity for net cost reporting purposes. NSF's programmatic organizations are the Directorates for the Biological Sciences; Computer and Information Science and Engineering; Education and Human Resources; Engineering; Geosciences; Mathematical and Physical Sciences; Social, Behavioral and Economic Sciences; and the Office of Polar Programs.

The Statement of Net Cost is a general overall presentation of NSF-wide expenses incurred by the agency. The presentation of the Statement of Net Cost is aligned with NSF's strategic goals of *Ideas, Tools, and People*. NSF's fourth strategic goal, *Organizational Excellence*, focuses on NSF's administrative and management activities. NSF has assigned ten investment categories that align to *Ideas, Tools and People*. The Investment categories for *Ideas* are Fundamental Science and Engineering; Centers; and Capability Enhancements. For *Tools* they are Large Facilities; Infrastructure and



Instrumentation; Polar Tools, Facilities and Logistics; and FFRDCs. For *People* they are Individuals; Institutions; and Collaborations. These goals are outlined in NSF's FY 2003 – 2008 Strategic Plan.

In pursuit of its mission, NSF makes investments in *Ideas*, *Tools* and *People*. These goals reflect outcomes at the heart of the research enterprise: discoveries across the frontier of science and engineering, connected to learning, innovation and service to society (*Ideas*); broadly accessible, state-of-the-art science and engineering facilities (*Tools*); and a diverse, competitive, and globally-engaged U.S. workforce of scientists, engineers, technologists and well-prepared citizens (*People*). *People* produce the *Ideas* that are the currency of the new knowledge-based economy. The need for more sophisticated *Tools* has paralleled recent advances in science and engineering, creating a growing demand for access to them. NSF's overall strategy is to invest in state-of-the-art tools that add unique value to research and are accessible and widely shared among researchers across the Nation.

In FY 2006 and 2005, approximately 94 and 95 percent respectively, of NSF's budget authority is directly related to the *Ideas*, *Tools*, and *People* strategic areas of focus. The remaining percentage of NSF's investments supports *Organizational Excellence* activities. In FY 2006 and 2005, *Organizational Excellence* costs amounted to \$321,085 thousand and \$292,426 thousand, respectively. All organizational excellence costs are assigned on a prorated basis to the *Ideas*, *Tools* and *People* strategic areas.

In FY 2006 and 2005, organizational excellence activities include Salary & Expenses, NSB and Office of Inspector General (OIG) expenses which provide for salaries and benefits of persons employed at the NSF; general operating expenses, including key activities to advance NSF's information systems technology and to enhance staff training, audit and OIG activities, and OPM and DOL benefits costs paid on behalf of NSF. These indirect costs are allocated to NSF programs based on each program's direct costs.

In accordance with OMB Circular A-136, *Financial Reporting Requirements*, costs incurred for services provided by other federal entities are reported in the full costs of NSF programs and are identified as "intragovernmental." All earned revenues are funding sources provided through reimbursable agreements with other federal entities and are retained by NSF. Earned revenues are recognized when the related program or administrative expenses are incurred and are deducted from the full cost of the programs to arrive at the net cost of operating NSF's programs. In FY 2006, NSF re-categorized a number of program reference codes, which caused expenditures to be assigned to a different investment category than in FY 2005. NSF also refined its methodology for reporting on incomplete code strings. NSF applies an administrative fee for grant management services provided to other federal entities. The administrative fee is based on the ratio of prior year administrative costs to total expenses. The intragovernmental costs are as follows:

*Intragovernmental and Public Costs and Earned Revenue by Investment Category*

(Amounts in Thousands)		2006		
		<u>Federal</u>	<u>Public</u>	<u>Total</u>
<u>Ideas</u>				
Fundamental Science & Engineering	\$	9,187	2,324,661	2,333,848
Centers		-	182,486	182,486
Capability Enhancements		-	214,013	214,013
Total Ideas Program Cost		9,187	2,721,160	2,730,347
Less: Earned Revenue		(78,944)	-	(78,944)
Net Ideas		(69,757)	2,721,160	2,651,403
<u>Tools</u>				
Large Facilities	\$	10,992	524,292	535,284
Infrastructure and Implementation		16,398	401,697	418,095
Polar Tools, Facilities and Logistics		167,709	194,201	361,910
Federally Funded R&D Centers		9,400	217,758	227,158
Total Tools Program Cost		204,499	1,337,948	1,542,447
Less: Earned Revenue		(31,954)	-	(31,954)
Net Tools		172,545	1,337,948	1,510,493
<u>People</u>				
Individuals	\$	2,769	860,669	863,438
Institutions		568	157,691	158,259
Collaborations		46	427,043	427,089
Total People Program Cost		3,383	1,445,403	1,448,786
Less: Earned Revenue		(14,921)	-	(14,921)
Net People		(11,538)	1,445,403	1,433,865
Total Net Costs	\$	91,250	5,504,511	5,595,761



(Amounts in Thousands)		2005		
		Federal	Public	Total
<u>Ideas</u>				
Fundamental Science & Engineering	\$	28,167	2,298,943	2,327,110
Centers		-	176,183	176,183
Capability Enhancements		-	202,855	202,855
Total Ideas Program Cost		28,167	2,677,981	2,706,148
Less: Earned Revenue		(119,826)	-	(119,826)
Net Ideas		(91,659)	2,677,981	2,586,322
<u>Tools</u>				
Large Facilities	\$	10,399	521,512	531,911
Infrastructure and Implementation		16,836	304,319	321,155
Polar Tools, Facilities and Logistics		105,351	207,433	312,784
Federally Funded R&D Centers		6,067	203,503	209,570
Total Tools Program Cost		138,653	1,236,767	1,375,420
Less: Earned Revenue		(324)	-	(324)
Net Tools		138,329	1,236,767	1,375,096
<u>People</u>				
Individuals	\$	4,116	890,111	894,227
Institutions		206	179,150	179,356
Collaborations		130	379,359	379,489
Total People Program Cost		4,452	1,448,620	1,453,072
Less: Earned Revenue		(6,316)	-	(6,316)
Net People		(1,864)	1,448,620	1,446,756
Total Net Costs	\$	44,806	5,363,368	5,408,174

Gross Cost and Earned Revenue by Budget Functional Classification

Total Gross Cost and Earned Revenue by Budget Functional Classification for FY 2006 and 2005 were as follows:

<u>Budget Functional Classification</u>			
NSF - General Science, Space and Technology (Code 250)			
(Amounts in Thousands)		2006	2005
Gross Cost	\$	5,721,580	\$ 5,534,640
Earned Revenue		(125,819)	(126,466)
Net Cost	\$	5,595,761	\$ 5,408,174

Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification

Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification for FY 2006 and 2005 were as follows:

<u>Budget Functional Classification</u>			
NSF - General Science, Space and Technology (Code 250)			
<u>(Amounts in Thousands)</u>		<u>2006</u>	<u>2005</u>
Gross Cost	\$	217,069	\$ 171,272
Earned Revenue		(125,819)	(126,466)
Net Cost	\$	91,250	\$ 44,806

**Note 15. Budgetary Resources**

In FY 2006 and 2005, Budget Authority increased as a result of non-expenditure transfers from the U.S. Agency for International Development in the amount of \$7,975 thousand and \$9,670 thousand, respectively. Budget Authority in FY 2006 was also adjusted for Congressional initiated rescissions contained in P.L. 109-108 and P.L. 109-148 totaling \$72,205 thousand. In FY 2005, Budget Authority was adjusted for Congressional initiated rescissions contained in P.L. 108-447 totaling \$44,136 thousand.

NSF maintains permanent indefinite appropriations for Research and Related Activities - 49x0100 and Major Research Equipment - 49x0551. NSF also maintains permanent indefinite accounts for Donations - 49x8960 and H-1B Nonimmigrant Petitioner fees - 49x5176.

The status of Budgetary Resources as of September 30, 2006, consisted of Budgetary Resources obligated of \$5,878,006 thousand available authority of \$120,872 thousand and unavailable authority of \$82,672 thousand. The status of Budgetary Resources as of September 30, 2005, consisted of Budgetary Resources obligated of \$5,653,903 thousand available authority of \$155,531 thousand and unavailable authority of \$88,143 thousand.

**Note 16. Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations**

OMB, Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, requires that direct and reimbursable obligations are reported as Category A, Category B, or Exempt from Apportionment. In FY 2006 and FY 2005, NSF's SF-132, *Apportionment and Reapportionment Schedule*, apportions all obligations incurred by activity, project, or object (Category B). In FY 2006 and FY 2005, direct obligations amounted to \$5,777,489 thousand and \$5,542,061 thousand, respectively; and reimbursable obligations amounted to \$100,517 thousand and \$111,842 thousand respectively.



## Note 17. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations of material differences between amounts reported in the SBR and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget that will include FY 2006 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2007 and can be found on the OMB web site: <http://www.whitehouse.gov/omb>.

Balances reported in the FY 2005 SBR and the related President's Budget are shown in a table below for Budgetary Resources, Obligations Incurred, Distributed Offsetting Receipts, and Net Outlays and any related difference. The difference reported under Budgetary Resources is due to reporting requirement differences for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President's Budget. The SBR includes both unexpired and expired appropriations, while the President's Budget discloses only unexpired budgetary resources that are available for new obligations. The differences reported under Distributed Offsetting Receipts and Net Outlays are the amounts of budgeted receipts reported in the donations account. In FY 2006, NSF corrected its reporting of budgeted receipts and excluded them from offsetting receipts.

(Amounts in Thousands)		FY 2005			
	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays	
Combined Statement of Budgetary Resources	\$ 5,897,577	\$ 5,653,903	\$ (31,164)	\$ 5,401,179	
Budget of the U.S. Government	\$ 5,809,000	\$ 5,649,000	\$ -	\$ 5,432,000	
Difference	\$ 88,577	\$ 4,903	\$ (31,164)	\$ (30,821)	

## Note 18. Undelivered Orders at the end of the Period

Beginning with FY 2006, the format of the SBR has changed and the amount of undelivered orders at the end of the period is no longer required to be reported on the face of the statement. SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the years ended September 30, 2006 and 2005, Undelivered Orders amounted to \$7,338,624 thousand and \$7,233,315 thousand, respectively.



## Note 19. Statement of Financing Disclosures

### Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods.

Liabilities Not Covered by Budgetary Resources of \$15,463 thousand and \$14,613 thousand for FY 2006 and FY 2005, respectively, represent NSF's FECA liability to DOL and employees, leave earned but not taken, and lease liabilities. The amount reported on the Statement of Financing as *Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods* of \$3,993 thousand for FY 2006 and \$790 thousand for FY 2005, represents the change in NSF's expenses for unfunded liabilities for FECA, leave earned but not taken, and lease liabilities.

*This information is an integral part of the Financial Statement*



**Required Supplementary Stewardship Information**  
Stewardship Investments



## Stewardship Investments Research and Human Capital

(Dollar Amounts in Thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Research and Human Capital Activities</b>					
Basic Research	\$ 3,682,266	\$ 3,564,093	\$ 3,494,302	\$ 3,519,159	\$ 3,092,060
Applied Research	339,757	291,169	209,225	218,152	193,788
Education and Training	1,378,472	1,386,952	1,224,058	867,489	767,734
Non-Investing Activities	321,085	292,426	268,298	196,363	183,887
<b>Total Research &amp; Human Capital Activities</b>	<u>\$ 5,721,580</u>	<u>\$ 5,534,640</u>	<u>\$ 5,195,883</u>	<u>\$ 4,801,163</u>	<u>\$ 4,237,469</u>

### Inputs, Outputs and/or Outcomes

#### Research and Human Capital Activities

##### Investments In:

Universities	\$ 3,994,682	\$ 3,970,851	\$ 3,705,751	\$ 3,310,365	\$ 2,919,897
Industry	199,523	223,563	196,260	178,000	185,062
Federal Agencies	221,002	143,316	107,212	144,792	106,458
Small Business	218,334	193,199	200,995	186,400	144,844
Federally Funded R&D Centers	1,088,039	1,003,711	985,665	981,606	881,208
	<u>\$ 5,721,580</u>	<u>\$ 5,534,640</u>	<u>\$ 5,195,883</u>	<u>\$ 4,801,163</u>	<u>\$ 4,237,469</u>

##### Support To:

Scientists	\$ 473,457	\$ 454,053	\$ 477,970	\$ 427,304	\$ 394,144
Postdoctoral Programs	158,528	162,132	175,680	163,239	148,334
Graduate Students	544,513	538,233	546,084	475,315	402,620
	<u>\$ 1,176,498</u>	<u>\$ 1,154,418</u>	<u>\$ 1,199,734</u>	<u>\$ 1,065,858</u>	<u>\$ 945,098</u>

#### Outputs & Outcomes:

##### Number Of:

Awards Actions	22,000	22,000	23,000	23,000	21,000
Senior Researchers	32,000	32,000	31,000	30,000	28,000
Other Professionals	11,000	12,000	15,000	12,000	11,000
Postdoctoral Associates	5,000	6,000	6,000	6,000	6,000
Graduate Students	26,000	27,000	29,000	27,000	26,000
Undergraduate Students	27,000	33,000	35,000	32,000	32,000
K-12 Students	8,000	11,000	14,000	14,000	11,000
K-12 Teachers	59,000	74,000	86,000	85,000	84,000



NSF's mission is to support basic scientific research and research fundamental to the engineering process as well as science and engineering education programs. Toward this end, NSF's Stewardship Investments fall principally into the categories of Research and Human Capital. In Research, most NSF funding is devoted to basic research, with a relatively small share going to applied research. This funding supports both the conduct of research and the necessary supporting infrastructure, including state-of-the-art instrumentation, equipment, computing resources, and multi-user facilities such as digital libraries, observatories, and research vessels and aircraft. Basic and applied research costs are determined by prorating the program costs of *Tools* and *Ideas* reported on the *Statement of Net Cost*. The proration uses the basic and applied research percentages of total estimated research and development obligations reported in the current year Budget Request to OMB. The actual numbers are not available until later in the following fiscal year. Education and Training costs equate to *People* costs and Non-Investing activities reflect *Organizational Excellence* costs.

The data provided for Scientists, Postdoctoral Associates, and Graduate Students are obtained from NSF's proposal system and is information reported by each Principal Investigator. The number of award actions are actual values from NSF's Enterprise Information System (EIS). The remaining outputs and outcomes are estimates obtained annually from the NSF Directorates. They are reported in the annual Budget Request to OMB.

NSF's Human Capital investments focus principally on education and training, toward a goal of creating a diverse, internationally competitive and globally engaged workforce of scientists, engineers and well-prepared citizens. NSF supports activities to improve formal and informal science, mathematics, engineering and technology education at all levels, as well as public science literacy projects that engage people of all ages in life-long learning. The decrease in the number of people involved in NSF activities in FY 2006 reflects decreased funding for programmatic activities related to science and engineering education.



## **Required Supplementary Information**

Deferred Maintenance



## Deferred Maintenance

NSF performs condition assessment surveys in accordance with FASAB standards for capitalized property, plant and equipment to determine if any maintenance is needed to keep an asset in an acceptable condition or restore an asset to a specific level of performance. NSF considers deferred maintenance to be any maintenance that is not performed on schedule, unless it is determined from the condition of the asset that scheduled maintenance does not have to be performed. Deferred maintenance also includes any other type of maintenance that, if not performed, would render the PP&E non-operational. Circumstances such as non-availability of parts or funding are considered reasons for deferring maintenance.

NSF considered whether any scheduled maintenance necessary to keep fixed assets of the agency in an acceptable condition was deferred at the end of FY 2006 and FY 2005. Assets deemed to be in excellent or good condition are considered to be in acceptable condition. Assets in fair or poor condition are in unacceptable condition and the deferred maintenance required to get them to an acceptable condition are reported. NSF determines the condition of an asset in accordance with standards comparable to those used in the private industry. Due to the environment and remote location of Antarctica, all deferred maintenance on assets in fair or poor condition is considered critical in order to maintain operational status.

At September 30 for FY 2006, NSF determined that scheduled maintenance on 136 items of Antarctic equipment in fair or poor condition were not completed and were deferred or delayed for a future period. The largest dollar amount of deferred maintenance for any single item approximated \$60 thousand. The items included light and heavy mobile equipment with a few items of power distribution. 127 items were rated to be in fair condition, and 9 were rated to be in poor condition. All of the equipment is considered critical to NSF operations and estimated to require \$170 thousand in maintenance.

At September 30 for FY 2005, NSF determined that scheduled maintenance on 141 items of Antarctic equipment was not completed and was deferred or delayed for a future period. The largest dollar amount of deferred maintenance for any single item approximated \$8 thousand dollars. The items included light and heavy mobile equipment with a few items of power distribution and shop equipment. 134 items were rated to be in fair condition and 7 were rated to be in poor condition. All of the equipment is considered critical to NSF operations and estimated to require \$95 thousand in maintenance.



**Required Supplementary Information**  
Budgetary Resources by Major Budgetary Accounts

In the following table, NSF budgetary information for the fiscal periods ended September 30, 2006 and 2005, as presented in the Statement of Budgetary Resources, is disaggregated for each of NSF's major budgetary accounts.



Combining Statement of Budgetary Resources (page 1 of 2)

<p style="text-align: center;"><b>2006</b> (Amounts in Thousands)</p>						
	<u>Research and Related</u>	<u>Education</u>	<u>Major Research Equipment</u>	<u>OIG, S&amp;E, and NSB</u>	<u>Special and Donated</u>	<u>Total</u>
<b>Budgetary Resources</b>						
Unobligated Balance – Brought Forward, October 1	\$ 56,813	29,232	45,682	7,661	104,286	\$ 243,674
Recoveries of Prior Year Obligations	26,789	12,766	28	2,121	3,077	44,781
Budget Authority:						
Appropriation	4,387,520	807,000	193,350	265,500	136,744	5,790,114
Spending Authority from Offsetting Collections:						
Earned:						
Collected	104,819	14,839	-	4,506	1	124,165
Change in Receivable from Federal Sources	474	1,141	-	90	-	1,705
Change in Unfilled Customer Orders:						
Advance Received	(2,192)	(11,385)	-	-	-	(13,577)
Without Advance from Federal Sources	(15,945)	1,492	-	(5)	-	(14,458)
Anticipated for Rest of Year, Without Advances	-	-	-	-	-	-
Subtotal – Budget Authority	4,474,676	813,087	193,350	270,091	136,745	5,887,949
Nonexpenditure Transfers, Net – Anticipated and Actual	7,725	-	-	250	-	7,975
Permanently Not Available	(75,524)	(19,467)	(2,469)	(5,369)	-	(102,829)
<b>Total Budgetary Resources</b>	<b>\$ 4,490,479</b>	<b>835,618</b>	<b>236,591</b>	<b>274,754</b>	<b>244,108</b>	<b>\$ 6,081,550</b>
<b>Status of Budgetary Resources</b>						
Obligations Incurred:						
Direct	4,353,308	799,721	233,814	262,825	127,821	5,777,489
Reimbursable	87,401	8,604	-	4,512	-	100,517
Total Obligations Incurred	4,440,709	808,325	233,814	267,337	127,821	5,878,006



## Combining Statement of Budgetary Resources (page 2 of 2)

2006

(Amounts in Thousands)

Unobligated Balance - Apportioned	3,722	128	2,777	1,035	113,210	120,872
Unobligated Balance - Not Available	46,048	27,165	-	6,382	3,077	82,672
<b>Total Status of Budgetary Resources</b>	<b>\$ 4,490,479</b>	<b>835,618</b>	<b>236,591</b>	<b>274,754</b>	<b>244,108</b>	<b>\$ 6,081,550</b>
<b>Change in Obligated Balances</b>						
Obligated Balance, Net						
Unpaid Obligations - Brought Forward, October 1	5,599,212	1,556,429	211,273	52,485	150,795	7,570,194
Less: Uncollected Customer Payments from Federal Sources - Brought Forward, October 1	(130,325)	(9,188)	-	(170)	-	(139,683)
Total Unpaid Obligated Balance, Net	5,468,887	1,547,241	211,273	52,315	150,795	7,430,511
Obligations Incurred	4,440,709	808,325	233,814	267,337	127,821	5,878,006
Less: Gross Outlays	(4,244,939)	(882,529)	(180,929)	(261,280)	(86,401)	(5,656,078)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(26,789)	(12,766)	(28)	(2,121)	(3,077)	(44,781)
Change in Uncollected Customer Payments from Federal Sources	15,470	(2,632)	-	(85)	-	12,753
Subtotal	<b>\$ 5,653,338</b>	<b>1,457,639</b>	<b>264,130</b>	<b>56,166</b>	<b>189,138</b>	<b>\$ 7,620,411</b>
Obligated Balance, Net – End of Period						
Unpaid Obligations	5,768,192	1,469,459	264,130	56,422	189,138	7,747,341
Less: Uncollected Customer Payments from Federal Sources	(114,854)	(11,820)	-	(256)	-	(126,930)
Total Unpaid Obligated Balance, Net - End of Period	<b>\$ 5,653,338</b>	<b>1,457,639</b>	<b>264,130</b>	<b>56,166</b>	<b>189,138</b>	<b>\$ 7,620,411</b>
<b>Net Outlays</b>						
Gross Outlays	4,244,938	882,529	180,930	261,280	86,401	5,656,078
Less: Offsetting Collections	(102,627)	(3,454)	-	(4,506)	(1)	(110,588)
Less: Distributed Offsetting Receipts	-	-	-	-	(4,207)	(4,207)
<b>Net Outlays</b>	<b>\$ 4,142,311</b>	<b>879,075</b>	<b>180,930</b>	<b>256,774</b>	<b>82,193</b>	<b>\$ 5,541,283</b>



Combining Statement of Budgetary Resources (page 1 of 2)

<u>2005</u>						
(Amounts in Thousands)						
	<u>Research and Related</u>	<u>Education</u>	<u>Major Research Equipment</u>	<u>OIG, S&amp;E, and NSB</u>	<u>Special and Donated</u>	<u>Total</u>
<b>Budgetary Resources</b>						
Unobligated Balance – Brought Forward, October 1	\$ 58,948	32,768	37,124	7,564	42,740	\$ 179,144
Recoveries of Prior Year Obligations	27,517	11,192	49	1,790	2,962	43,510
Budget Authority						
Appropriation	4,254,593	848,207	175,050	239,110	114,840	5,631,800
Spending Authority from Offsetting Collections:						
Earned:						
Collected	98,848	10,618	-	5,050	1	114,517
Change in Receivable from Federal Sources	11,847	146	-	(44)	-	11,949
Change in Unfilled Customer Orders:						
Advance Received	(2,463)	(5,777)	-	-	-	(8,240)
Without Advance from Federal Sources	(10,070)	3,692	-	-	-	(6,378)
Anticipated for Rest of Year, without Advances	-	-	-	-	-	-
Subtotal – Budget Authority	4,352,755	856,886	175,050	244,116	114,841	5,743,648
Non Expenditure Transfers, Net	9,420	-	-	250	-	9,670
Permanently Not Available	(55,103)	(18,743)	(1,400)	(3,149)	-	(78,395)
<b>Total Budgetary Resources</b>	<b>\$ 4,393,537</b>	<b>882,103</b>	<b>210,823</b>	<b>250,571</b>	<b>160,543</b>	<b>\$ 5,897,577</b>
<b>Status of Budgetary Resources</b>						
Obligations Incurred:						
Direct	4,238,499	844,210	165,141	237,954	56,257	5,542,061
Reimbursable	98,225	8,661	-	4,956	-	111,842
Total Obligations Incurred	4,336,724	852,871	165,141	242,910	56,257	5,653,903



## Combining Statement of Budgetary Resources (page 2 of 2)

2005

(Amounts in Thousands)

Unobligated Balances - Apportioned	6,613	402	45,633	1,416	101,467	155,531
Unobligated Balances Not Available	50,200	28,830	49	6,245	2,819	88,143
<b>Total Status of Budgetary Resources</b>	<b>\$ 4,393,537</b>	<b>882,103</b>	<b>210,823</b>	<b>250,571</b>	<b>160,543</b>	<b>\$ 5,897,577</b>
<b>Change in Obligated Balances</b>						
Obligated Balance, Net						
Unpaid Obligations, Brought Forward, October 1	5,446,258	1,623,390	219,704	49,145	159,923	7,498,420
Less: Uncollected Customer Payments from Federal Sources - Brought Forward, October 1	(128,547)	(5,351)	-	(214)	-	(134,112)
Total Unpaid Obligated Balance, Net	5,317,711	1,618,039	219,704	48,931	159,923	7,364,308
Obligations Incurred	4,336,724	852,871	165,141	242,910	56,257	5,653,903
Less: Gross Outlays	(4,156,256)	(908,639)	(173,522)	(237,778)	(62,425)	(5,538,620)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(27,517)	(11,192)	(49)	(1,790)	(2,962)	(43,510)
Change in Uncollected Customer Payments from Federal Sources	(1,776)	(3,838)	-	44	-	(5,570)
Subtotal	\$ 5,468,886	1,547,241	211,274	52,317	150,793	\$ 7,430,511
Obligated Balance, Net - End of Period						
Unpaid Obligations	5,599,211	1,556,429	211,274	52,487	150,793	7,570,194
Less: Uncollected Customer Payments from Federal Sources	(130,325)	(9,188)	-	(170)	-	(139,683)
Total Unpaid Obligated Balance, Net - End of Period	\$ 5,468,886	1,547,241	211,274	52,317	150,793	\$ 7,430,511
<b>Net Outlays</b>						
Gross Outlays	4,156,256	908,639	173,522	237,778	62,425	5,538,620
Less: Offsetting Collections	(96,385)	(4,841)	-	(5,050)	(1)	(106,277)
Less: Distributed Offsetting Receipts	-	-	-	-	(31,164)	(31,164)
<b>Net Outlay</b>	<b>\$ 4,059,871</b>	<b>903,798</b>	<b>173,522</b>	<b>232,728</b>	<b>31,260</b>	<b>\$ 5,401,179</b>