



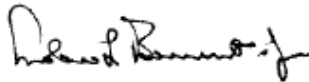
## A MESSAGE FROM THE DIRECTOR

I am pleased to share with you the *Annual Financial Report (AFR)* of the National Science Foundation (NSF) for Fiscal Year (FY) 2008. This report focuses on the agency's financial management, the results of the agency's financial audit, and compliance with the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA).

NSF is the only federal agency dedicated to the support of fundamental research across all fields of science and engineering and all levels of science and engineering education. NSF funds the best ideas and most promising people, searching out the frontiers of science and engineering to foster high-risk, potentially transformative research that will generate important discoveries and new technology. An example of the outstanding research supported by NSF is the work reported this year by investigators at the University of Michigan. Professor Victor Li and his team have developed a new type of concrete that maintains all the advantages of current concrete but can be bent without fracturing when overloaded. It also exhibits self-healing properties that enhance its durability. NSF's Advisory Committee for Government Performance and Results Act (GPRA) Performance Assessment commented in their report that this work "may establish the United States as the global leader in 'designer' cement-based composites ... and has potential consequences in the design of sustainable structures resistant to earthquakes and weather events." In FY 2008, NSF received nearly 45,000 proposals and made 11,484 new awards to almost 1,900 colleges, universities, and other public and private institutions throughout the country.

It is NSF's commitment to efficient and effective management practices and sound financial oversight that allows the Foundation to pursue critical investments in science and engineering research and education like the work of Professor Li. Ultimately, NSF's investments in basic research and education help ensure the nation remains globally competitive, prosperous, and secure. Two notable NSF management accomplishments in FY 2008 are the annual financial audit and the full implementation of NSF's new internal control program. NSF received its eleventh consecutive unqualified ("clean") audit opinion from an independent audit of its financial statements. No material weaknesses or significant deficiencies were identified and all prior year significant deficiencies were closed. As discussed in more detail in the report's management assurance discussion, based on a review of entity-level controls, NSF is able to provide reasonable assurance that the agency is in substantial compliance with FMFIA and FFMIA, and that internal control over financial reporting is operating effectively to produce reliable financial reporting. I invite you to peruse the report for information about additional NSF management accomplishments.

For a second year, NSF is participating in OMB's Pilot Program for Alternative Approaches to Performance and Accountability Reporting. The *Annual Financial Report* is the first part of this activity. In January 2009, NSF will provide an *Annual Performance Report* which will include a comprehensive discussion of the Foundation's FY 2008 GPRA performance results. In addition, NSF will prepare a *Budget, Financial, and Performance Snapshot* and a *Citizens' Report*. The *Citizens' Report*—previously the *Performance Highlights* report—is a summary report of NSF's key performance and financial information. The *Snapshot* will be available in December; the *Citizens' Report* will be available in January 2009. All reports will be accessible on NSF's website at [www.nsf.gov/about/performance](http://www.nsf.gov/about/performance).

A handwritten signature in black ink, appearing to read "Arden L. Bement, Jr.", with a stylized flourish at the end.

Arden L. Bement, Jr.  
Director

November 14, 2008