An aerial photograph of a coastal city, likely San Francisco, showing the Golden Gate Bridge and the bay. A satellite is visible in orbit above the city. The image is overlaid with a semi-transparent teal filter.

Chapter 2 **Financials**



A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Credit: Sandy Schaeffer

I am pleased to report that for fiscal year (FY) 2011 the National Science Foundation (NSF) received its fourteenth consecutive unqualified audit opinion, affirming that NSF's financial statements for the year ended September 30, 2011, were presented fairly in all material respects and in conformity with U.S. generally accepted accounting principles. The audit report included no material weaknesses. In addition, the report no longer includes the prior year significant deficiency related to the monitoring of cost reimbursement contracts, primarily as a result of NSF's efforts to obtain incurred cost audits for high-risk contracts to ensure the reasonableness and accuracy of costs paid on contracts. However, the audit report includes a significant deficiency on cooperative agreements with contingency funding. Although management has expressed disagreement with the auditor's conclusions, NSF will continue to work towards reaching agreement and resolving the concerns reported.

In an environment of increasing fiscal austerity, NSF is working to incorporate performance and accountability into all its operations and programmatic activities. We are committed to improving efficiency, maintaining a robust internal control program, and providing timely and reliable information to enable smarter, more effective management and resource allocation decisions. Notable accomplishments during the year include the following:

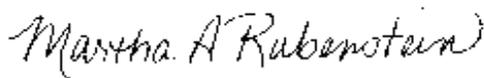
- In compliance with OMB Circular A-123, we conducted our annual assessment of the effectiveness of internal controls over financial reporting. Based on the results of a review of key financial processes and the testing of key internal controls, the Director is able to provide reasonable assurance that NSF's internal controls over financial reporting are operating effectively.
- Management of our American Recovery and Reinvestment Act (ARRA) portfolio continued to be a priority in FY 2011. Establishment of a robust, comprehensive review program for recipient reporting resulted in a 99 percent compliance rate over the last seven reporting quarters. NSF was recognized as a leader in recipient reporting by both the Office of Management and Budget and the Recovery Accountability and Transparency Board. NSF is an important agency in the Administration's ARRA implementation efforts because advancements in technology resulting from fundamental research are a major driver in the long-term growth and overall strength of the American economy.
- Significant progress was made on NSF's *iTRAK* initiative to replace an aging financial system with a fully integrated financial management solution. Planning activities in FY 2011 included conducting market research to understand industry best practices, available software options, and associated costs; conducting stakeholder outreach activities, including a website, newsletter, town hall meetings, and questionnaires; documenting current processes and developing future processes, requirements, and interfaces; developing and executing data clean-up tasks for the existing financial accounting

system in preparation for migration to a new system; and developing the acquisition strategy including the acquisition plan, evaluation plan, cost estimate, and statement of work. A competitive Request for Proposals has now been issued to potential industry and government service providers and an implementation contract is expected to be awarded in FY 2012.

- In an ongoing effort to improve grant administration, significant upgrades were made to the suite of policy, procedures, and award terms and conditions in order to align with major changes in federal regulations, legislative mandates, and NSF-specific requirements. In conjunction with the Office of Inspector General, our audit resolution policy has been upgraded and will be strengthened by ongoing dialogue. As part of our post-award monitoring effort, the number of site visits conducted by the Award Monitoring and Business Assistance Program (AMBAP) increased to 26 in FY 2011. The AMBAP site visit focuses on the awardee's general financial and management systems and awardee understanding and compliance with the requirements of its award agreement and federal regulations.
- Contract administration remains a critical function for NSF. As such, NSF has taken a comprehensive approach to improving in this area, through both policy and human capital initiatives. Guidance in the *Contract Manual* has been strengthened to address policy gaps related to cost reimbursement contracting. Also, onsite training was established to address acquisition personnel competency gaps in both requirements definition and contract monitoring.

A more detailed discussion of these activities and others appears elsewhere in this report. NSF's *FY 2011 Annual Financial Report* also includes a brief discussion of our efforts in implementing the GPRA Modernization Act of 2010. The results of our FY 2011 performance goals will be discussed in our *Agency Performance Report*, which will be included in NSF's *FY 2013 Budget Request to Congress*. The congressional budget will be available in February 2012.

Moving forward, we are working to develop a workforce that is agile and multi-skilled, equipped with the right tools and technology to meet the complexity of new challenges. Sound financial management and effective operations enable NSF to pursue the critical investments in science and engineering research and education that help ensure our nation's security and economic future. As always, I welcome your feedback on how we can make this report more informative to our stakeholders and readers.



Martha A. Rubenstein
Chief Financial Officer and
Director, Office of Budget, Finance and Award Management

November 15, 2011



National Science Foundation • 4201 Wilson Boulevard • Arlington, Virginia 22230
Office of the Inspector General

November 14, 2011

TO: Dr. Subra Suresh
Director, National Science Foundation

Dr. Ray M. Bowen
Chair, National Science Board

FROM: Allison Lerner 
Inspector General, National Science Foundation

SUBJECT: Audit of the National Science Foundation's
Fiscal Years 2011 and 2010 Financial Statements

This memorandum transmits Clifton Gunderson LLP's financial statement audit report of the National Science Foundation (NSF) for Fiscal Years 2011 and 2010.

Results of Independent Audit

The Chief Financial Officer's (CFO) Act of 1990 (P.L. 101-576), as amended, requires NSF's Inspector General or an independent external auditor, as determined by the Inspector General, to audit NSF's financial statements. Under a contract monitored by the Office of Inspector General (OIG), Clifton Gunderson LLP, an independent public accounting firm, performed an audit of NSF's Fiscal Years 2011 and 2010 financial statements. The contract required that the audit be performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States, and Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended, issued by the United States Office of Management and Budget (OMB).

Clifton Gunderson LLP issued an unqualified opinion on NSF's financial statements. In its Report on Internal Control over Financial Reporting, Clifton Gunderson LLP reported a significant deficiency related to NSF's monitoring of construction type cooperative agreements and did not report any material weaknesses in internal control. As we have communicated with NSF management and the awardees during the recently completed audit work, we will continue to work closely with NSF management and the Defense Contract Audit Agency (DCAA) as DCAA examines additional proposal information, including contingency funds. Clifton Gunderson LLP also reported that there were no reportable instances in which NSF's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). Finally, Clifton Gunderson LLP found no reportable instances of noncompliance with laws and regulations it tested.

In its FY 2010 Report, Clifton Gunderson LLP reported a significant deficiency related to NSF's monitoring of cost reimbursement contracts. However, as noted in Exhibit II to its report, Clifton Gunderson LLP determined that in FY 2011 NSF substantially addressed the conditions that led to the reporting of this issue as a significant deficiency. As a result, Clifton Gunderson LLP no longer considers this condition to be a significant deficiency for purposes of its Audit Report, but will report the remaining conditions related to this issue in a separate letter to NSF management. Additionally, the OIG encourages NSF management to continue to implement its remaining planned corrective actions to ensure that it maintains adequate control over cost reimbursement contracts.

NSF management's response, dated November 11, 2011, follows Clifton Gunderson LLP's report.

Evaluation of Clifton Gunderson LLP's Audit Performance

To fulfill our responsibilities under the CFO Act of 1990, as amended, and other related federal financial management requirements, the OIG:

- Reviewed Clifton Gunderson LLP's approach and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings with NSF management to discuss audit progress, findings, and recommendations;
- Reviewed Clifton Gunderson LLP's audit report to ensure compliance with Government Auditing Standards and OMB Bulletin No. 07-04, as amended; and
- Coordinated issuance of the audit report.

Clifton Gunderson LLP is responsible for the attached auditor's report dated November 11, 2011, and the conclusions expressed in the report. We do not express any opinion on NSF's financial statements or conclusions on the effectiveness of internal control, on compliance with laws and regulations, or on whether NSF's financial management systems substantially complied with FFMIA.

The Office of Inspector General appreciates the courtesies and cooperation NSF extended to Clifton Gunderson LLP and OIG staff during the audit. If you or your staff has any questions, please contact me or Dr. Brett M. Baker, Assistant Inspector General for Audit on 703-292-2985.

Attachment

cc: Mr. Arthur K. Reilly, Chair, Audit and Oversight Committee

Independent Auditor's Report

Inspector General, National Science Foundation
Director, National Science Foundation
Chair of National Science Board

In our audit of the National Science Foundation (NSF) for fiscal year (FY) 2011 we found:

- The balance sheets of NSF as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended (hereinafter referred to as "consolidated financial statements") are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- No material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations, although internal control could be improved;
- Progress has been made in FY 2011 on the significant deficiency condition noted in the FY 2010 auditor's report; however, one of the conditions detailed in that report continues to exist and is reported herein as a significant deficiency; and
- No reportable instances of noncompliance with laws and regulations we tested, including the Federal Financial Management Improvement Act of 1996 (FFMIA).

The following sections discuss in more detail: (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis (MD&A) and other supplementary information, (3) our audit objectives, scope and methodology, and (4) agency comments and our evaluation.

OPINION ON FINANCIAL STATEMENTS

In our opinion, the accompanying financial statements including the accompanying notes present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States, NSF's assets, liabilities, and net position as of September 30, 2011 and 2010; and net costs; changes in net position; and budgetary resources for the years then ended.

CONSIDERATION OF INTERNAL CONTROL

In planning and performing our audit, we considered NSF's internal control over financial reporting as a basis for designing our auditing procedures and to comply with the Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting or on management's assertion on internal control included in the MD&A.

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 misstatements on a timely basis. A material weakness is a deficiency, or a 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. We consider the deficiency described in Exhibit I to be a significant deficiency in internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described in Exhibit I is a material weakness.

We also noted certain other non-reportable matters involving internal control and its operation that we will communicate in a separate letter to NSF management.

SYSTEMS' COMPLIANCE WITH FFMIA REQUIREMENTS

Under the Federal Financial Management Improvement Act of 1996 (FFMIA), we are required to report whether the financial management systems used by NSF substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger (SGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

The objective of our audit was not to provide an opinion on compliance with FFMIA. Accordingly, we do not express such an opinion. However, our work disclosed no instances in which NSF's financial management systems did not substantially comply with Federal financial management systems requirements, Federal accounting standards or the SGL at the transaction level.

COMPLIANCE WITH LAWS AND REGULATIONS

Our tests of NSF's compliance with selected provisions of laws and regulations for FY 2011 disclosed no instances of noncompliance that would be reportable under United States generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

STATUS OF PRIOR YEAR'S CONTROL DEFICIENCY

As required by United States generally accepted government auditing standards and OMB Bulletin No. 07-04, as amended, we have reviewed the status of NSF's corrective actions with respect to the finding and recommendations included in the prior year's Independent Auditor's Report dated November 11, 2010.

The prior year audit report noted one control deficiency: *Monitoring of Cost Reimbursement Contracts*. Even though NSF made improvements in its contract monitoring policies and

procedures in FY 2011, continued improvements are needed to address the matter relating to Cooperative Agreements detailed in an NSF Office of Inspector General (OIG) FY 2010 report. Accordingly, this remaining matter, along with additional findings noted in similar reports issued by the OIG in FY 2011, is included in this report (**Exhibit I**) as a significant deficiency.

Exhibit II summarizes the prior year conditions for which NSF has implemented changes to its policies and procedures to substantially resolve such conditions and, accordingly, which are no longer considered a Significant Deficiency for purposes of this report.

CONSISTENCY OF OTHER INFORMATION

NSF Management's Discussion and Analysis (MD&A) and other required supplementary information contains a wide range of information, some of which is not directly related to the financial statements. We compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with NSF officials. Based on this limited work, we found no material inconsistencies with the financial statements, accounting principles generally accepted in the United States, or OMB guidance. However, we do not express an opinion on this information.

Other information, exclusive of the MD&A and the Financial Statements sections listed in the table of contents of the FY 2011 Agency Financial Report, is presented for additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

OBJECTIVES, SCOPE AND METHODOLOGY

NSF management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the United States, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act (FMFIA), are met, (3) ensuring that NSF's financial management systems substantially comply with FFMIA requirements, and (4) complying with other applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States. We are also responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing whether NSF's financial management systems substantially comply with the three FFMIA requirements, (3) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (4) performing limited procedures with respect to certain other information appearing in the Agency Financial Report.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements, (2) assessed the accounting principles used and significant estimates made by management, (3) evaluated the overall presentation of the financial statements, (4) obtained an understanding of NSF and its operations, including its

internal control related to financial reporting (including safeguarding of assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority), (5) tested relevant internal controls over financial reporting, and compliance, and evaluated the design and operating effectiveness of internal control, (6) considered the design of the process for evaluating and reporting on internal control and financial management systems under FMFIA, (7) tested whether NSF's financial management systems substantially complied with the three FFMIA requirements, and (8) tested compliance with selected provisions of certain laws and regulations.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to NSF. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to NSF's financial statements for the fiscal year ended September 30, 2011. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audits in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB guidance. We believe our audits provide a reasonable basis for our opinion.

AGENCY COMMENTS AND OUR EVALUATION

NSF's response to the findings identified in our audit is described in the accompanying **Exhibit III**. We did not audit NSF's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of NSF's management, the National Science Board, NSF's Office of Inspector General, OMB, the Government Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Clifton Henderson LLP

Calverton, Maryland
November 11, 2011

**NATIONAL SCIENCE FOUNDATION
CONSIDERATION OF INTERNAL CONTROL
SIGNIFICANT DEFICIENCY
September 30, 2011**

Monitoring of Construction Type Cooperative Agreements

Background and Control Deficiency Criteria:

As of September 30, 2011, NSF had 14 active cooperative agreements totaling about \$1.9 billion that included about \$334 million in contingency funds, or 18 percent of the total award amount. For FY 2011, cooperative agreement awardees had received NSF funds of approximately \$151 million in contingency costs, which are of higher risk to be disallowed once subjected to audit.

In our FY 2010 Audit Report, we noted that a Defense Contract Audit Agency (DCAA) report, issued on behalf of the NSF OIG, questioned the allowability of \$88 million of contingency costs included in a proposed budget (total proposal of \$386 million) related to a large construction Cooperative Agreement proposal. Unallowable “contingency” costs in construction type Cooperative Agreements are defined in the Cost Principles section of Title 2 Code of Federal Regulations.

OMB Circular A-50, *Audit Follow Up*, requires the resolution of audit findings to take place within six months of report issuance. However, certain findings in the FY 2010 DCAA report remain unresolved. In FY 2011, DCAA issued audit reports/memoranda on three other NSF awardees that identified similar issues. These repeated findings continue to bring into question the adequacy of NSF’s proposal review process and ongoing monitoring of its awardees cost accounting activities, especially with respect to costs allocated to contingency funding activities. Contingency costs approximated \$138 million for these awardees.

In summary, the four audit reports and memoranda issued by DCAA in FY 2010 and 2011 disclosed a number of discrepancies relating to NSF’s Cooperative Agreement award and monitoring process. The significant findings in those reports were as follows:

- There was a lack of adequate documentation for proposal cost amounts under audit for two of NSF’s awardees,
- Contingency costs reflected in proposals for three awardees were noted as unallowable under federal cost principles, and
- In two Cooperative Agreements, the awardee can draw down contingency funds without advance approval by NSF.

In addition, other tests of internal controls that we performed to evaluate NSF’s monitoring of contingency funds also noted weaknesses over use of such funds.

Conditions:

The following paragraphs describe the specific conditions that exist at September 30, 2011.

1. DCAA Audits on Cooperative Agreements with Contingency Funds

As noted in our FY 2010 audit report, DCAA determined that \$88 million in contingency costs (total proposal of \$386 million) were unallowable based on cost principles specified in Title 2 Code of Federal Regulations (CFR). The awardee stated that the contingency costs were required by NSF and that such costs could only be used if the awardee overruns the budget due to “unforeseeable factors.” Such costs do not meet the definition of “contingency” costs. DCAA also noted that the awardee could draw down the contingency funds in the same manner as normal funds (i.e. without NSF’s advance approval). Accordingly, DCAA concluded that controls were insufficient for this special type of funding. NSF management deferred resolving this finding until the OIG completes a performance audit on contingency funds, which is not yet completed. Even though NSF management worked with the OIG on these matters throughout the year, direct meetings were not held between NSF and DCAA until September 21, 2011, almost a year after the initial DCAA report was issued.

In April 2011, the OIG provided a DCAA inadequacy memorandum relating to an audit of a \$298 million Cooperative Agreement construction proposal to NSF, which stated that the proposal was unacceptable for audit due to the lack of adequate supporting documentation. The proposed costs also included \$62 million of “contingency” costs. DCAA specifically indicated that the contingency costs were unallowable both because they did not appear to reflect allowable “contingency” costs pursuant to federal cost principles and adequate supporting documentation was not available for their review.

In September 2011, DCAA issued another inadequacy memorandum to the OIG relating to its attempted audit of a \$434 million construction project proposal. The DCAA memorandum noted a lack of documentation for the \$76 million of contingency costs included in this proposal, and stated that these costs were unallowable pursuant to federal cost principles.

NSF management met during the past year with the NSF OIG to discuss the contingency issue in general, as well as the specific DCAA issues with the various awardees. In September 2011 NSF management met directly with representatives of both the NSF OIG and DCAA together to discuss the findings in the three cost proposal audits. The following is a brief summary of the results of that meeting:

- DCAA confirmed that contingency costs that are expected to be incurred can be included in the proposal as long as they are supported by adequate verifiable cost data and can be estimated with some degree of reliability, as defined by federal cost principles.
- NSF management continued to dispute DCAA’s “lack of cost proposal documentation” findings and requested the opportunity to work with the OIG, DCAA and the awardees to ensure that the awardees provide the information required by DCAA to reconsider its audit findings.
- DCAA agreed to re-evaluate the results of its three cost proposal audits, if the awardees provide additional adequate supporting data for the proposal amounts. Accordingly, a meeting was held in October 2011 between NSF management, NSF OIG and DCAA to begin this re-evaluation process.

2. DCAA Audit on Awardee Accounting System and Estimating Practices

In March 2011, DCAA issued a report on an audit of the accounting system and estimating practices of an NSF Cooperative Agreement awardee. This awardee was also audited for supporting documentation of proposal contingency costs referred to in condition number one above. DCAA's examination disclosed eight deficiencies in the awardee's accounting system and estimating practices that could result in misstated costs, and therefore deemed the awardee's accounting system and estimating practices unacceptable for award. In addition, DCAA found that the awardee could draw down contingency funds without NSF's prior approval.

NSF management did issue a timely audit resolution memo in response to this DCAA audit report. NSF accepted the corrective actions implemented or planned by the awardee. Such actions/plans included the awardee's plan to develop estimating policies and procedures that would include addressing the scope and nature of the estimating process including timeliness of quotes, content, basis of estimates, and cost/price analysis, consistent with the requirements of 2 CFR 215.45. NSF has indicated that it will review the awardee's implementation of its revised policies and procedures in connection with its normal Business System Review process, planned for FY 2012.

3. Internal Controls for Monitoring Use of Contingency Funds

In addition to DCAA's audits, we examined five Cooperative Agreements with contingency funds, noting the following exceptions:

- Awardees can draw down on the contingency funds budget without prior NSF approval, and there are no systematic barriers to prevent them from doing so.
- Even though NSF had a manual control requiring prior approval by NSF for draw downs of contingency costs over \$250,000, it had not yet implemented this control on two of the Cooperative Agreements examined. Accordingly, prior to the control being put into place, NSF had not independently reviewed and approved the use of the contingency funds prior to disbursement. This allowed the awardee to incur costs against the contingency funds without having to provide support for those costs to show that they were reasonable, allowable, or allocable.
- For one cooperative agreement examined, the Awardee had not been reporting the allocation of the contingency budget to specific project elements to NSF monthly, as required by NSF. This lack of information on how the contingency funds are being spent limits NSF management's ability to assess how and when the contingency funds are being used.

In summary, the DCAA's audits performed in the last two years and our other internal control tests, collectively indicate there is significant risk concerning cooperative agreements with budgeted contingency funds in terms of the validity of cost proposals, the allowability of contingency funds budgeted, and the adequacy of NSF's controls over the use of contingency funds. NSF has approximately \$1.9 billion in cooperative agreements outstanding, which include contingency funds budgeted of approximately \$334 million. In FY 2011, approximately \$151 million of this amount had been drawn by the awardees. The OIG is currently conducting a performance audit on NSF's oversight of contingency funds for one completed project, which consisted of three cooperative agreements, and expects to issue its report in March 2012.

Recommendations:

We recommend that NSF focus its efforts in the following areas:

1. NSF management should develop a formal plan to obtain timely audit status information from the OIG and its audit contractors (i.e. DCAA or other auditors) on all audits of proposed contingency costs in construction type cooperative agreements. Such plan should ensure NSF management has the opportunity to participate in key discussions with both the OIG and its audit contractors before final audit reports are issued. This should help to expedite the audit resolution process.
2. NSF should reemphasize to its Cooperative Agreement awardees that it must maintain proposal cost data in accordance with OMB A-110. Such data should be in a format that both reconciles to the underlying database and is auditable, and failure to do so should result in suspension of draw down privileges.
3. Once DCAA issues a supplemental report, or reconfirms the original findings, for the three cost proposal audits previously completed, NSF should develop a plan to resolve DCAA's final audit findings immediately, or within 6 months after the original audit report/memorandum was issued, as applicable. Based on the results of these supplemental DCAA audits, NSF should revise its proposal review process as needed.
4. NSF should reevaluate the effectiveness of its controls over the awardee draw down of contingency funds and ensure that all of its cooperative agreements provide adequate controls and oversight procedures to reduce the risk of funds being used for unallowable purposes.
5. NSF should ensure that all cooperative agreements with contingency funding contain a requirement for NSF approval in advance of individual expenditures of contingency funds that exceed a prescribed cost threshold.
6. NSF should establish and implement a standard monthly report format which requires awardees to allocate the contingency budget authority to specific project elements.

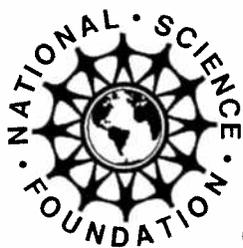
EXHIBIT II

**NATIONAL SCIENCE FOUNDATION
INDEPENDENT AUDITOR'S REPORT
STATUS OF PRIOR YEAR CONTROL DEFICIENCY
September 30, 2011**

Prior Year Control Deficiency	Status As Reported at September 30, 2010	Status as of September 30, 2011
<p>1. Monitoring of Cost Reimbursement Contracts</p>	<p>1. Cost Incurred Audits (CIA) were not being performed in a timely manner for its large volume and/or high risk contractors.</p> <p>2. Documentation and Effectiveness of Oversight Procedures:</p> <p style="padding-left: 20px;">a) Implementation of Contracting Manual improvements were needed.</p> <p style="padding-left: 20px;">b) Routine oversight procedures needed to be strengthened. NSF OIG reports and communications needed to be addressed.</p>	<p>1. CIAs are either in progress, scheduled, or requested for NSF's large volume and high risk contractors. Even though NSF needs to continue to monitor the progress of these CIAs and to continue to require them on an ongoing basis, this matter is no longer considered a Significant Deficiency.</p> <p>2. a/b) NSF has made substantial progress and implemented changes to its policies and procedures in this area. Accordingly, these matters are no longer considered a Significant Deficiency.</p> <p>c) Continued improvements are needed related to a matter detailed in an OIG FY 2010 report concerning the monitoring of cooperative agreement awards. Additional OIG reports were issued in FY 2011 noting similar conditions to those reported in FY 2010. Accordingly, this specific matter is repeated and included in Exhibit I as a standalone Significant Deficiency for FY 2011.</p>

EXHIBIT III

**NATIONAL SCIENCE FOUNDATION
MANAGEMENT'S RESPONSE TO FY 2011
INDEPENDENT AUDITOR'S REPORT
November 11, 2011**



OFFICE OF BUDGET, FINANCE & AWARD MANAGEMENT

MEMORANDUM

Date: NOV 11 2011

To: Allison Lerner, Inspector General

From: Martha A. Rubenstein^{Marty}, Chief Financial Officer

Subject: Management's Response to Independent Auditor's Report for Fiscal Year 2011

I am pleased to respond to the National Science Foundation's (NSF) Fiscal Year (FY) 2011 Financial Statements Audit Report. For the fourteenth consecutive year we have achieved an unqualified audit opinion on the financial statements. The dedication and outstanding effort by NSF staff in support of the financial statement audit was critical in accomplishing the unqualified opinion. I commend my staff's efforts in addressing the prior year significant deficiency on contract monitoring of cost reimbursement contracts. I also appreciate the cooperation and professionalism displayed by your staff and Clifton Gunderson (CG) throughout the audit.

This year the Audit Report contains a new significant deficiency related to construction type cooperative agreements with budgeted contingency amounts. We continue to believe that inclusion of contingency funding in proposal budgets for large facility construction projects is valid and allowable under established Office of Management and Budget guidelines. In addition, as stated in the Financial Statement Audit Report, the auditors are revisiting the findings in their cost proposal audits and re-evaluating the results, which may impact their conclusions on whether certain contingency costs are allowable. Although we do not concur with the significant deficiency, NSF is committed to developing a mutually acceptable solution.

To achieve this mutually acceptable solution, we believe it is important that the OIG partner with us to work on the following issues, given the OIG's responsibility for managing the audit process:

- Improving coordination of management's support of audits of proposed contingency costs, including participation in key discussions and sharing timely audit information.
- Increasing communication among the OIG, management, and the awardee concerning the types of issues being identified during an audit.
- Developing a better understanding of the documentation required to complete the audit and criteria used for evaluation.

We look forward to continued collaboration with the OIG as we strive to enhance our stewardship of taxpayer funds. If you have any questions concerning our responses, please contact me at (703) 292-8200 or Shirl Ruffin, Deputy Chief Financial Officer at (703) 292-8280.

Copies: Dr. Subra Suresh
Dr. Cora B. Marrett



National Science Foundation

Principal Financial Statements

As of and for the years ended
September 30, 2011 and 2010

National Science Foundation
Balance Sheet
As of September 30, 2011 and 2010
(Amounts in Thousands)

Assets	<u>2011</u>	<u>2010</u>
Intragovernmental Assets		
Fund Balance With Treasury (Note 2)	\$ 12,175,088	\$ 12,458,688
Accounts Receivable	10,726	14,390
Advances	69,228	9,782
Total Intragovernmental Assets	<u>12,255,042</u>	<u>12,482,860</u>
Cash and Other Monetary Assets	51,380	44,683
Accounts Receivable, Net	186	126
General Property, Plant and Equipment, Net (Notes 3 and 4)	278,126	276,754
Total Assets	\$ <u>12,584,734</u>	\$ <u>12,804,423</u>
Liabilities		
Intragovernmental Liabilities		
Advances From Others	\$ 20,773	\$ 42,224
Employer Contributions	550	1,612
FECA Employee Benefits	345	340
Other Intragovernmental Liabilities	984	3,000
Total Intragovernmental Liabilities	<u>22,652</u>	<u>47,176</u>
Accounts Payable	54,016	55,709
FECA Employee Benefits	1,272	1,356
Accrued Liabilities - Grants	437,269	440,796
Accrued Liabilities - Contracts and Payroll	48,645	33,560
Accrued Annual Leave	17,269	17,413
Total Liabilities	\$ <u>581,123</u>	\$ <u>596,010</u>
Net Position		
Unexpended Appropriations - Other Funds	\$ 11,330,889	\$ 11,548,234
Cumulative Results of Operations - Earmarked Funds (Note 6)	324,083	335,454
Cumulative Results of Operations - Other Funds	348,639	324,725
Total Net Position	<u>12,003,611</u>	<u>12,208,413</u>
Total Liabilities and Net Position	\$ <u>12,584,734</u>	\$ <u>12,804,423</u>

The accompanying notes are an integral part of these statements.

**National Science Foundation
Statement of Net Cost
For the Years Ended September 30, 2011 and 2010
(Amounts in Thousands)**

Program Costs	<u>2011</u>	<u>2010</u>
Research and Related Activities		
Gross Costs	\$ 6,004,357	\$ 5,871,545
Less: Earned Revenues	(110,458)	(93,667)
Net Research and Related Activities	<u>5,893,899</u>	<u>5,777,878</u>
Education and Human Resources		
Gross Costs	\$ 836,755	\$ 775,422
Less: Earned Revenues	(8,350)	(8,859)
Net Education and Human Resources	<u>828,405</u>	<u>766,563</u>
Major Research Equipment and Facilities Construction		
Gross Costs	\$ 261,705	\$ 178,840
Less: Earned Revenues	-	-
Net Major Research Equipment and Facilities Construction	<u>261,705</u>	<u>178,840</u>
Costs Not Assigned to Other Programs		
Gross Costs	\$ 155,985	\$ 171,825
Less: Earned Revenues	-	-
Net Costs Not Assigned to Other Programs	<u>155,985</u>	<u>171,825</u>
Net Cost of Operations (Notes 7 and 13)	<u>\$ 7,139,994</u>	<u>\$ 6,895,106</u>

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, 2011
(Amounts in Thousands)

	<u>2011</u>		
	<u>Earmarked</u>	<u>All Other</u>	<u>Total</u>
Cumulative Results of Operations			
Beginning Balances (Note 6)	\$ 335,454	324,725	660,179
Budgetary Financing Sources			
Appropriations Used	-	6,982,432	6,982,432
Non-exchange Revenue	-	118	118
Donations	-	53,036	53,036
Appropriated Earmarked Receipts Transferred In (Note 6)	104,780	-	104,780
Other Financing Sources			
Imputed Financing From Costs Absorbed By Others	-	12,475	12,475
Other	-	(304)	(304)
Total Financing Sources	104,780	7,047,757	7,152,537
Net Cost of Operations (Notes 6 and 7)	(116,151)	(7,023,843)	(7,139,994)
Cumulative Results of Operations (Note 6)	\$ 324,083	348,639	672,722
Unexpended Appropriations			
Beginning Balances	\$ -	11,548,234	11,548,234
Budgetary Financing Sources			
Appropriations Received	-	6,873,615	6,873,615
Appropriations Transferred In / (Out)	-	(53,892)	(53,892)
Other Adjustments	-	(54,636)	(54,636)
Appropriations Used	-	(6,982,432)	(6,982,432)
Total Budgetary Financing Sources	-	(217,345)	(217,345)
Total Unexpended Appropriations	-	11,330,889	11,330,889
Net Position	\$ 324,083	11,679,528	12,003,611

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, 2010
(Amounts in Thousands)

	<u>2010</u>		
	<u>Earmarked</u>	<u>All Other</u>	<u>Total</u>
Cumulative Results of Operations			
Beginning Balances (Note 6)	\$ 355,872	309,722	665,594
Budgetary Financing Sources			
Appropriations Used	-	6,730,584	6,730,584
Non-exchange Revenue	-	229	229
Donations	-	54,300	54,300
Appropriated Earmarked Receipts Transferred In (Note 6)	91,221	-	91,221
Other Financing Sources			
Imputed Financing From Costs Absorbed By Others	-	13,066	13,066
Other	-	291	291
Total Financing Sources	91,221	6,798,470	6,889,691
Net Cost of Operations (Notes 6 and 7)	(111,639)	(6,783,467)	(6,895,106)
Cumulative Results of Operations (Note 6)	\$ 335,454	324,725	660,179
 Unexpended Appropriations			
Beginning Balances	\$ -	11,439,991	11,439,991
Budgetary Financing Sources			
Appropriations Received	-	6,926,510	6,926,510
Appropriations Transferred In / (Out)	-	(54,000)	(54,000)
Other Adjustments	-	(33,683)	(33,683)
Appropriations Used	-	(6,730,584)	(6,730,584)
Total Budgetary Financing Sources	-	108,243	108,243
Total Unexpended Appropriations	-	11,548,234	11,548,234
Net Position	\$ 335,454	11,872,959	12,208,413

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, 2011 and 2010
(Amounts in Thousands)

	<u>2011</u>	<u>2010</u>
Budgetary Resources		
Unobligated Balance - Brought Forward, October 1	\$ 206,534	\$ 881,665
Recoveries of Prior Year Unpaid Obligations	148,106	58,155
Budget Authority		
Appropriation	7,031,548	7,072,259
Spending Authority From Offsetting Collections		
Earned		
Collected	122,495	100,185
Change in Receivables From Federal Sources	(3,663)	2,393
Change in Unfilled Customer Orders		
Advance Received	(21,451)	(2,156)
Without Advance From Federal Sources	44,685	5,697
Subtotal - Budget Authority	<u>7,173,614</u>	<u>7,178,378</u>
Nonexpenditure Transfers, Net - Anticipated and Actual	(53,892)	(54,000)
Permanently Not Available	(54,636)	(33,682)
Total Budgetary Resources	<u>\$ 7,419,726</u>	<u>\$ 8,030,516</u>
 Status of Budgetary Resources		
Obligations Incurred		
Direct (Note 10)	\$ 7,056,497	\$ 7,715,530
Reimbursable (Note 10)	134,329	108,452
Total Obligations Incurred	<u>7,190,826</u>	<u>7,823,982</u>
Unobligated Balance - Apportioned (Note 2)	125,610	105,102
Unobligated Balance - Not Available	103,290	101,432
Total Status of Budgetary Resources	<u>\$ 7,419,726</u>	<u>\$ 8,030,516</u>

The accompanying notes are an integral part of these statements.

National Science Foundation
Statement of Budgetary Resources (page 2 of 2)
For the Years Ended September 30, 2011 and 2010
(Amounts in Thousands)

	<u>2011</u>	<u>2010</u>
Change in Obligated Balances		
Obligated Balance, Net		
Unpaid Obligations - Brought Forward, October 1	\$ 12,395,142	\$ 11,502,924
Less: Uncollected Customer Payments From Federal Sources - Brought Forward, October 1	(98,305)	(90,215)
Total Unpaid Obligated Balance, Net	<u>12,296,837</u>	<u>11,412,709</u>
Obligations Incurred	7,190,826	7,823,982
Less: Gross Outlays	(7,300,968)	(6,873,609)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(148,106)	(58,155)
Change in Uncollected Customer Payments From Federal Sources	(41,022)	(8,090)
Subtotal	<u>\$ 11,997,567</u>	<u>\$ 12,296,837</u>
Obligated Balance, Net - End of Period		
Unpaid Obligations	12,136,893	12,395,142
Less: Uncollected Customer Payments From Federal Sources	(139,326)	(98,305)
Total Unpaid Obligated Balance, Net - End of Period (Note 2)	<u>\$ 11,997,567</u>	<u>\$ 12,296,837</u>
Net Outlays		
Gross Outlays	7,300,968	6,873,609
Less: Offsetting Collections	(101,044)	(98,030)
Less: Distributed Offsetting Receipts	(53,717)	(55,459)
Net Outlays	<u>\$ 7,146,207</u>	<u>\$ 6,720,120</u>

The accompanying notes are an integral part of these statements.

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, 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, comprised 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 an ex officio member 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 (U.S. 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 in accordance with U.S. GAAP for federal entities using the accrual method of accounting. 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. The accompanying financial statements also include budgetary accounting transactions that ensure compliance with legal constraints and controls over the use of federal funds.

D. Revenues and Other Financing Sources

NSF traditionally receives the majority of its funding through appropriations contained in the Commerce, Justice, Science, 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 via warrant from a special earmarked receipt account that is reported as H-1B funds. Additional amounts are obtained from reimbursements for services provided to other federal agencies, as well as 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 and excess cash advances to grantees is returned to the Treasury at the end of each fiscal year.

In FY 2011, the Department of Defense and Full-Year Continuing Appropriations Act, 2011 under Public Law 112-10 provided funding for each of NSF's appropriations and an across-the-board rescission. Appropriations are recognized as a financing source at the time the related "funded" program or administrative expenditures are incurred. Appropriations are also recognized when used to purchase property, plant, and equipment (PP&E). "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.

Under the general authority of the Foundation, NSF is authorized to accept funds into the NSF Donations Account and to use both U.S. and foreign funds. In accordance with 42 U.S.C. 1862 Section 3 (a)(3), NSF has authority "to foster the interchange of scientific and engineering information among scientists and engineers in the United States and foreign countries" and in 42 U.S.C. 1870 Section 11 (f), NSF is authorized to receive and use funds donated by others. Donations may be received from foreign governments, private companies, academic institutions, non-profit foundations, and individuals. These funds must be donated without restriction other than that they be used in furtherance of one or more of the general purposes of the Foundation. 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 and undeposited collections.

F. Accounts Receivable, Net

Accounts Receivable consists of amounts due from governmental agencies, private organizations, and individuals. Additionally, NSF has the right to conduct audits on awardees to verify billed amounts. These audits may result in monies owed back to NSF. Upon resolution of the amount owed by the awardee to the NSF, a receivable is recorded.

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

G. Advances

Advances consist of advances to grantees, contractors, and federal agencies. Advance payments are made to grant recipients so that recipients may incur expenditures 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. Advances to contractors are payments made in advance of incurring expenditures. Advances to federal agencies are issued when agencies are operating under working capital funds or 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

NSF capitalizes Property, Plant and Equipment (PP&E) with costs exceeding \$25 thousand and useful lives of two or more years; items not meeting these criteria are recorded as operating expenses. NSF currently reports capitalized PP&E at original acquisition cost; assets acquired from the General Services Administration (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.

The PP&E balance consists of Equipment, Software, Software in Development, Aircraft and Satellites, Buildings and Structures, Leasehold Improvements, and Construction in Progress (CIP). These balances are comprised of PP&E maintained “in-house” by NSF to support operations and PP&E under the U.S. Antarctic Program (USAP). The majority of USAP property is currently under the custodial responsibility of the NSF prime contractor for the program.

Costs incurred to construct buildings and structures are accumulated and tracked as construction in progress. At 75 percent completion of construction, an onsite Conditional Occupancy inspection is performed to inspect for compliance to the approved plans, design, specifications, and changes. Items that pertain to the safety and health of any future occupants of the facility must be corrected before a Conditional Occupancy is granted and the facility occupied. When Conditional Occupancy is granted, the completed project is transferred from construction in progress to real property or capital equipment and depreciated over the respective useful life of the asset.

Depreciation expense is calculated using the straight-line half-year convention. The economic useful 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 or 15 years	Generators, Department of Defense equipment
20 years	Movable buildings (e.g. trailers)

Aircraft and Satellites

7 years	Aircraft, aircraft conversions, and satellites
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Buildings and Structures

31.5 years	Buildings and structures placed in service prior to 1994
39 years	Buildings and structures placed in service after 1993

Leasehold Improvements

The NSF Headquarter buildings are leased through 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. Therefore, the cost of the Headquarter buildings is not capitalized by NSF.

The cost of leasehold improvements performed by GSA is financed with NSF appropriated funds. Amortization is calculated using the straight-line half-year convention upon transfer from construction in progress. In FY 2011, leasehold improvements completed during the year were amortized over two years, the remaining number of years on NSF’s lease with GSA.

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 \$500,000 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 5-year period using the straight-line half-year convention.

Assets Owned by NSF in the Custody of Other Entities: NSF awards grants, cooperative agreements, and contracts to various organizations, including colleges and universities, nonprofit organizations, state and local governments, Federally Funded Research and Development Centers (FFRDCs), 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 of the assets to these entities. NSF's authorizing legislation specifically prohibits the Foundation 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 stipulates 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); 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*. Very few entities disclose information on NSF titled property in their audited financial statements. Therefore, NSF has elected to disclose only the number of entities in possession of NSF-owned property. Entities that separately present the book value of NSF titled property in their audited financial statements and all FFRDCs are listed in Note 4 along with the book value of the property held.

I. Advances From Others

Advances From Others consist of 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 1K, *Accrued Liabilities—Grants*. The amount to be allocated by Trading Partner is based on a percentage of reimbursable grant expenditures to total grant expenditures.

J. Accounts Payable

Accounts Payable consist of liabilities to federal agencies, commercial vendors, contractors, and disbursements in transit. Accounts Payable to federal agencies, 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 expenditures to commercial vendors for which invoices have not been received, but goods and services have been delivered and rendered. Accounts Payable also consist of disbursements in transit recorded by NSF but not paid by Treasury.

K. Accrued Liabilities—Grants

General Grant Accrual Methodology

NSF applies a grant accrual methodology that nets advances to grantees and the accrued grant liability. The accrued expenditure is first applied to liquidate the balance of Advances to Grantees. Any remaining accrual is then applied as an accrued grant liability.

Regular Grants

The total grant liabilities for the year include an estimate of prior quarter expenditures incurred. The majority of NSF's grantees are reimbursed for incurred costs but, due to the timing of the receipt of expenditure reports, grantees draw down funds prior to the recognition of the reimbursement for incurred costs. The timing difference causes funding to grantees to be recorded as an advance. The grant accrual calculation is based on historical trend analyses prepared by NSF. NSF uses a methodology to track the spending patterns by fiscal year and quarter for each of its fund groups. NSF 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.

ARRA Grants

By Presidential and Congressional direction, ARRA funding is meant to be expended as expediently as possible. As a result, NSF applies an accelerated approach to recognizing ARRA grant expenditures. The accrual method for ARRA grants in the Research and Related Activities (R&RA) and Education and Human Resources (EHR) appropriations applies statistical analysis based on the historical change in actual ARRA grant expenditures. For ARRA related grants in the Major Research Equipment and Facilities Construction (MREFC) appropriation, the Large Facilities Office provides estimated expenditures based on the progress of individual construction projects.

L. Accrued Liabilities—Contracts and Payroll

Accrued Liabilities—Contracts and Payroll consist of contract accruals and accrued payroll. The total contracts liabilities for the year are determined based on an estimate of prior quarter expenditures incurred by the three contractors that are funded on an advance basis. Expenditures are estimated for each contractor by computing an average of the previous four quarters of actual expenditures reported. The accrual increases expenditures and decreases advances for the account. If the estimated accrual amount exceeds total advances, a liability is accrued for the excess. NSF's payroll services are provided by the Department of the Interior's National Business Center. Accrued payroll relates to services rendered by NSF employees, for which they are not yet paid. At year end, NSF accrues the amount of wages earned, but not yet paid.

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 Agency Operations and Award Management (AOAM) appropriations will be used for DOL's estimated reimbursement.

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 AOAM appropriations. Sick leave and other types of non-vested leave are expensed as taken.

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 undelivered orders and unobligated balances of 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 represent the net results of NSF's operations since the Foundation's inception.

O. Retirement Plan

In FY 2011, approximately 14 percent of NSF employees participated in the Civil Service Retirement System (CSRS), to which NSF matches 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 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 Foundation has no liability for future payments to employees under these plans, nor does NSF report CSRS, FERS, 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 on the OPM Benefit Administration website: <http://www.opm.gov/retire/pubs/bals/2011/11-305.pdf>.

P. Contingencies and Possible Future Costs

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 (and the payment amounts can be reasonably estimated), 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.

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 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 and 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 Foundation'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, including FFRDCs, 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 and drilling. In some instances, a decision is made to continue operation of a facility with a different entity performing operation and management duties. Those occurrences do not classify the facility as terminated. Claims submitted by the previous managing entity for expenditures not covered by the indirect cost rate included in the initial award are subject to audit and typically paid with existing program funds.

Agreements with FFRDCs include a clause that commits NSF to seek appropriations for termination expenses, if necessary, in the event an agreement is terminated. NSF considers termination of these cooperative agreements only remotely possible. Should a Facility be terminated, NSF is obligated to pay termination expenses in excess of the limitation of funds set forth in the agreements, including any post-retirement benefit liabilities, only if funds are appropriated for this specific purpose. Nothing in these agreements can be construed as implying that Congress will appropriate funds to meet the terms of any claims. Termination costs that may be payable to an FFRDC operator cannot be estimated until such time as the cooperative agreement is terminated.

Environmental Liabilities: NSF manages the USAP. The Antarctic Conservation Act and its implementing regulations identify the requirements for environmental clean-up in Antarctica. NSF continually monitors the USAP 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*.

While NSF is not legally liable for environmental clean-up costs in the Antarctic, there are occasions when the NSF Office of Polar Programs (OPP) chooses to accept responsibility and commit funds toward clean-up efforts of various sites as resources permit. Those decisions are in no way driven by concerns of probable legal liability for failure to engage in such efforts, but rather, a commitment to environmental stewardship of Antarctic natural resources. Environmental clean-up projects started and completed during the year are reflected in NSF's financial statements as expenses for the current fiscal year. An estimated cost is accrued for approved projects that are anticipated to be performed after the fiscal year end or will take more than one fiscal year to complete.

Q. Use of Estimates

Management has made certain estimates and assumptions when reporting assets, liabilities, revenues, and expenses, and also in the note disclosures. Estimates underlying the accompanying financial statements include accounting for grants, contracts, accounts payable, payroll, and PP&E. 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.

Note 2. Fund Balance With Treasury

Fund Balance With Treasury (FBWT) consisted of the following components as of September 30, 2011 and 2010:

(Amounts in Thousands)	2011			
	Appropriated Funds	Donated Funds	Earmarked Funds	Total
Obligated	\$ 11,684,724	\$ 45,845	\$ 266,999	\$ 11,997,568
Unobligated Available	13,409	52,242	59,959	125,610
Unobligated Unavailable	102,227	93	970	103,290
Less: Budgetary Non-FBWT	-	(51,380)	-	(51,380)
Total FBWT	\$ 11,800,360	\$ 46,800	\$ 327,928	\$ 12,175,088

(Amounts in Thousands)	2010			
	Appropriated Funds	Donated Funds	Earmarked Funds	Total
Obligated	\$ 11,974,777	\$ 34,174	\$ 287,886	\$ 12,296,837
Unobligated Available	12,451	45,625	47,026	105,102
Unobligated Unavailable	98,304	4	3,124	101,432
Less: Budgetary Non-FBWT	-	(44,683)	-	(44,683)
Total FBWT	\$ 12,085,532	\$ 35,120	\$ 338,036	\$ 12,458,688

The Donations Account includes amounts donated to NSF from all sources. Funds in the Donations Account may be used to further one or more of the general purposes of the Foundation. The donated funds are held as FBWT or as non-FBWT with budgetary resources, which represent cash held outside of Treasury at commercial banks in interest-bearing accounts. These funds are collateralized up to \$53.5 million by the bank, through the Federal Reserve Bank of St. Louis, in accordance with Treasury Financial Manual Volume 1, Chapter 6-9000. Unobligated Unavailable balances include recoveries of prior year obligations and other unobligated expired funds that are unavailable for new obligations.

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

Note 3. General Property, Plant and Equipment, Net

The components of General Property, Plant and Equipment as of September 30, 2011 and 2010 were:

(Amounts in Thousands)	2011		
	Acquisition Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 135,785	\$ (109,646)	\$ 26,139
Aircraft and Satellites	138,487	(138,487)	-
Buildings and Structures	297,609	(99,599)	198,010
Leasehold Improvements	10,981	(7,048)	3,933
Construction in Progress	17,491	-	17,491
Internal Use Software	8,096	(7,192)	904
Software in Development	31,649	-	31,649
Total PP&E	\$ 640,098	\$ (361,972)	\$ 278,126

(Amounts in Thousands)	2010		
	Acquisition Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 131,182	\$ (104,549)	\$ 26,633
Aircraft and Satellites	138,487	(138,487)	-
Buildings and Structures	279,361	(92,201)	187,160
Leasehold Improvements	8,798	(4,904)	3,894
Construction in Progress	33,470	-	33,470
Internal Use Software	7,091	(7,091)	-
Software in Development	25,597	-	25,597
Total PP&E	\$ 623,986	\$ (347,232)	\$ 276,754

Note 4. General Property, Plant and Equipment 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 (see Note 1H). 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 required to disclose the dollar amount of NSF PP&E held by others in the footnotes based on information contained in the most recently issued audited financial statements of the organization holding the assets.

At September 30, 2011, there were 25 colleges or universities, and 10 commercial entities that held property titled to NSF. None of the colleges, universities or commercial entities reported NSF titled property separately.

The amount of PP&E owned by NSF but in the custody of an FFRDC is identified in the table below. In some cases, FFRDCs operate on a fiscal year-end basis other than September 30. If NSF PP&E is not separately stated on the FFRDC's audited financial statements or the FFRDC is not audited, 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>Amount</u>	<u>Fiscal Year Ending</u>
National Astronomy & Ionosphere Center (Cornell) - NAIC	\$ N/A	6/30
University Corporation for Atmospheric Research - UCAR	171,213	9/30
Association of Universities for Research in Astronomy, Inc. - AURA	N/A	9/30
National Radio Astronomy Observatory - AUI	N/A	9/30

Note 5. Leases

NSF leases its Headquarter buildings under an operating lease with the GSA. The following is a schedule of future minimum lease payments for the Headquarter buildings and office space in Denver, Colorado. The current leases are active through FY 2021.

(Amounts in Thousands)

<u>Fiscal Year</u>	<u>Operating Lease Amount</u>
2012	\$ 22,243
2013	20,788
2014	4,876
2015	73
2016	77
After 2016	377
Total Minimum Lease Payments	\$ 48,434

In addition to the Headquarter buildings, NSF occupies common spaces with other federal agencies overseas through the State Departments International Cooperative Administrative Support Services (ICASS) system. NSF uses ICASS in Beijing, Paris, and Tokyo for residential and non-residential space. ICASS is a voluntary cost distribution system and the agreement to receive ICASS services is through an annual Memorandum of Understanding (MOU) between the NSF and the State Department. Additionally, NSF occupies residential space in Tokyo; the lease to occupy the space is a cancellable agreement between the U.S. Government and the lessor. All NSF leases are cancellable and/or for a period not more than a year.

Note 6. 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 Nonimmigrant petitioner account in the General Fund of the U.S. Treasury. Funding is established from fees collected for alien, nonimmigrant status petitions. This law requires 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, and
- Systemic Reform Activities.

The H-1B Nonimmigrant Petitioner fees are available to the Director of NSF until expended. The funds may be used for: (i) scholarships to low income students or (ii) to carry out a direct or matching grant

Notes to the Principal Financial Statements
September 30, 2011, and 2010

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. These funds are included in the President's budget. The earmarked funds are accounted for in a separate Treasury Account Fund Symbol (TAFS), and the budgetary resources for the earmarked fund are recorded as Appropriated Earmarked Receipts Transferred In, and reported according to the guidance for earmarked funds in SFFAS No. 27, *Identifying and Reporting Earmarked Funds*.

(Amounts in Thousands)	2011 Earmarked Funds	2010 Earmarked Funds
Balance Sheet as of September 30, 2011 and 2010		
Fund Balance with Treasury	\$ 327,928	\$ 338,036
Total Assets	327,928	338,036
Other Liabilities	3,845	2,582
Total Liabilities	3,845	2,582
Cumulative Results of Operations	324,083	335,454
Total Liabilities and Net Position	\$ 327,928	\$ 338,036
Statement of Net Cost for the Years Ended September 30, 2011 and 2010		
Program Costs	\$ 116,151	\$ 111,639
Net Cost of Operations	\$ 116,151	\$ 111,639
Statement of Changes in Net Position For the Years Ended September 30, 2011 and 2010		
Net Position Beginning of Period	\$ 335,454	\$ 355,872
Appropriated Earmarked Receipts Transferred In	104,780	91,221
Net Cost of Operation	(116,151)	(111,639)
Change in Net Position	(11,371)	(20,418)
Net Position End of Period	\$ 324,083	\$ 335,454

Note 7. Statement of Net Cost

Net costs are presented for the three primary appropriations that fund NSF's programmatic activities (R&RA, EHR, and MREFC) and for donations and earmarked funds that are classified in the Statement of Net Cost and its related footnote as "Costs Not Assigned To Other Programs."

In pursuit of its mission, NSF incurs costs related to its strategic plan for FY 2011–2016, *Empowering the Nation Through Discovery and Innovation*. The strategic goals outlined are: *Transform the Frontiers*, *Innovate for Society*, and *Perform as a Model Organization*. *Transform the Frontiers* emphasizes the seamless integration of research and education as well as the close coupling of research infrastructure and discovery. *Innovate for Society* points to the tight linkage between NSF programs and societal needs and highlights the role that new knowledge and creativity play in economic prosperity and society's general welfare. *Perform as a Model Organization* emphasizes the importance to NSF of attaining excellence and inclusion in all operational aspects.

Stewardship costs directly reflect the third strategic goal, *Perform as a Model Organization*, and are prorated among the Net Cost Programs. Stewardship costs include expenditures incurred from the AOAM, NSB, and Office of Inspector General (OIG) appropriations. These appropriations support salaries and benefits of persons employed at NSF; general operating expenses, including support of NSF's information systems technology; staff training, audit and OIG activities; and OPM and DOL benefits costs paid on behalf of NSF.

At September 30, 2011, approximately 95 percent of NSF's expenses amounting to \$6.9 billion were directly related to the *Transform the Frontiers* and *Innovate for Society* strategic outcome goals. At September 30, 2010, approximately 96 percent of NSF's expenses amounting to \$6.7 billion were directly related to the *Transform the Frontiers* and *Innovate for Society* strategic outcome goals. At September 30, 2011 and 2010, costs related to the Stewardship activities totaled \$337.2 million and \$312.3 million, respectively.

In accordance with OMB *Circular A-136*, costs incurred for services provided by other federal entities are reported in the full costs of NSF programs and are separately identified in this note as "Federal." All earned revenues are offsetting collections 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. NSF applies a cost recovery fee on other federal entities consistent with applicable legislation and GAO decisions. NSF recovers the costs incurred in the management, administration, and oversight of activities authorized and/or funded by interagency agreements where NSF is the performing agency.

Notes to the Principal Financial Statements
September 30, 2011, and 2010

Intragovernmental and Public Costs and Earned Revenue by Program

(Amounts in Thousands)		2011	
	Federal	Public	Total
Research and Related Activities			
Gross Costs	\$ 214,429	5,789,928	6,004,357
Less: Earned Revenue	(110,458)	-	(110,458)
Net Research and Related Activities	<u>103,971</u>	<u>5,789,928</u>	<u>5,893,899</u>
Education and Human Resources			
Gross Costs	\$ 5,388	831,367	836,755
Less: Earned Revenue	(8,350)	-	(8,350)
Net Education and Human Resources	<u>(2,962)</u>	<u>831,367</u>	<u>828,405</u>
Major Research Equipment and Facilities Construction			
Gross Costs	\$ 504	261,201	261,705
Less: Earned Revenue	-	-	-
Net Major Research Equipment and Facilities Construction	<u>504</u>	<u>261,201</u>	<u>261,705</u>
Costs Not Assigned To Other Programs			
Gross Costs	\$ 877	155,108	155,985
Less: Earned Revenue	-	-	-
Net Costs Not Assigned To Other Programs	<u>877</u>	<u>155,108</u>	<u>155,985</u>
Net Cost of Operations	<u>\$ 102,390</u>	<u>7,037,604</u>	<u>7,139,994</u>

(Amounts in Thousands)		2010	
	Federal	Public	Total
Research and Related Activities			
Gross Costs	\$ 212,562	5,658,983	5,871,545
Less: Earned Revenue	(93,667)	-	(93,667)
Net Research and Related Activities	<u>118,895</u>	<u>5,658,983</u>	<u>5,777,878</u>
Education and Human Resources			
Gross Costs	\$ 3,719	771,703	775,422
Less: Earned Revenue	(8,859)	-	(8,859)
Net Education and Human Resources	<u>(5,140)</u>	<u>771,703</u>	<u>766,563</u>
Major Research Equipment and Facilities Construction			
Gross Costs	\$ 6,645	172,195	178,840
Less: Earned Revenue	-	-	-
Net Major Research Equipment and Facilities Construction	<u>6,645</u>	<u>172,195</u>	<u>178,840</u>

Costs Not Assigned To Other Programs			
Gross Costs	\$	192	171,633
Less: Earned Revenue		-	-
Net Costs Not Assigned To Other Programs		192	171,633
Net Cost of Operations	\$	120,592	6,774,514
		6,895,106	

Note 8. American Recovery and Reinvestment Act (ARRA) of 2009

In FY 2009, Congress passed the American Recovery and Reinvestment Act of 2009 under Public Law 111-5. ARRA provided NSF with 2-year funding to the R&RA, EHR, and MREFC appropriations in the amount of \$3.0 billion. ARRA also provided NSF with 5-year funding to the OIG in the amount of \$2.0 million for the purpose of audits and oversight of ARRA funds. As of September 30, 2011 and 2010, NSF obligated R&RA, EHR, and MREFC ARRA funds in the amount of \$3.0 billion. As of September 30, 2011 and 2010, NSF obligated OIG ARRA funds in the amount of \$155.2 thousand and \$72.3 thousand, respectively. For details on ARRA disbursements and reporting requirements, refer to NSF's Recovery Act website at www.nsf.gov/recovery.

Note 9. Permanent Indefinite Appropriations

NSF maintains permanent indefinite appropriations for R&RA, MREFC, and EHR. The R&RA appropriation is used for polar research and operations support and for reimbursement to other federal agencies for operational and science support and logistical and other related activities for the USAP. In FYs 2011 and 2010, the permanent indefinite appropriations for R&RA were \$441.1 million and \$452.7 million, respectively, and are reported as current year transfers from the annual R&RA appropriation.

The MREFC appropriation supports the procurement and construction of unique national research platforms and major research equipment. In FYs 2011 and 2010, the permanent indefinite appropriations for MREFC were \$117.3 million for both fiscal years.

The EHR appropriation is used to carry out science and engineering education and human resources programs and activities. In FYs 2011 and 2010, the permanent indefinite appropriations for EHR were \$86.8 million and \$87.0 million, respectively, and are reported as current year transfers from the annual EHR appropriation.

Note 10. Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, requires direct and reimbursable obligations be reported as Category A, Category B, or Exempt from Apportionment. In FYs 2011 and 2010, NSF's SF-132, *Apportionment and Reapportionment Schedule*, apportions all obligations incurred under Category B, which is by activity, project, or object. In FYs 2011 and 2010, direct obligations amounted to \$7.1 billion and \$7.7 billion, respectively, and reimbursable obligations amounted to \$134.3 million and \$108.5 million, respectively.

Note 11. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. 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 Statement of Budgetary Resources (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 2011 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in the spring of FY 2012 and can be found on the OMB website: <http://www.whitehouse.gov/omb>.

Balances reported in the FY 2010 SBR and the related President’s Budget are shown in a table below for Budgetary Resources, Obligations Incurred, Unobligated Balance–Unavailable, and any related differences. The differences reported are due to differing reporting requirements 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.

(Amounts in Thousands)	2010		
	Budgetary Resources	Obligations Incurred	Unobligated Balance - Unavailable
Combined Statement of Budgetary Resources	\$ 8,030,516	\$ 7,823,982	\$ 101,432
Budget of the U.S. Government	\$ 7,931,399	\$ 7,821,270	\$ 5,027
Difference	\$ 99,117	\$ 2,712	\$ 96,405

Note 12. Undelivered Orders at the End of the Period

In accordance with SFFAS No. 7, Accounting for Revenue and Other Financing Sources, the amount of budgetary resources obligated for undelivered orders for the periods ended September 30, 2011 and 2010, amounted to \$11.7 billion and \$11.9 billion, respectively.

Note 13. Reconciliation of Net Cost of Operations to Budget

(Amounts in Thousands)	2011	2010
Resources Used To Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$ 7,190,826	\$ 7,823,982
Less: Spending Authority from Offsetting Collections and Recoveries	(290,172)	(164,274)
Obligations Net of Offsetting Collections and Recoveries	6,900,654	7,659,708
Less: Offsetting Receipts	(53,717)	(55,459)
Net Obligations	6,846,937	7,604,249
Other Resources		
Imputed Financing	12,475	13,066
Other Resources	(304)	291
Net Other Resources Used to Finance Activities	12,171	13,357
Total Resources Used to Finance Activities	6,859,108	7,617,606
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided		
	231,824	(763,350)
Resources that Fund Expenses Recognized in Prior Periods	(3,286)	(20)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations		
	53,717	55,459
Resources that Finance the Acquisition of Assets	(18,372)	(29,673)
Other Resources or Adjustments to Net Obligated Resources that do not affect Net Cost of Operations		
	-	-
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	263,883	(737,584)
Total Resources Used to Finance Net Cost of Operations	7,122,991	6,880,022
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Other	5	591
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	5	591
Components Not Requiring or Generating Resources		
Depreciation and Amortization	16,754	14,920
Other	244	(427)
Total Components of Net Cost of Operations that will not Require or Generate Resources	16,998	14,493
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	17,003	15,084
Net Cost of Operations	\$ 7,139,994	\$ 6,895,106

Required Supplementary Stewardship Information

Stewardship Investments

For the Years Ended September 30, 2011 and 2010

Required Supplementary Stewardship Information

September 30, 2011 and 2010

**Stewardship Investments
Research and Human Capital**

(Dollar Amounts in Thousands)

Research and Human Capital Activities

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Basic Research	\$ 5,401,356	\$ 5,249,579	\$ 4,413,407	\$ 4,449,062	\$ 4,195,444
Applied Research	404,596	416,008	498,544	409,516	432,820
Education and Training	1,115,680	1,019,776	867,333	911,369	808,642
Non-Investing Activities	337,170	312,269	332,623	283,245	275,993
Total Research & Human Capital Activities	\$ 7,258,802	\$ 6,997,632	\$ 6,111,907	\$ 6,053,192	\$ 5,712,899

Inputs, Outputs and/or Outcomes**Research and Human Capital Activities**Investments In:

Universities	\$ 5,192,332	\$ 5,103,835	\$ 4,340,871	\$ 4,189,050	\$ 4,016,101
Industry	350,115	286,419	253,114	251,695	208,696
Federal Agencies	195,652	203,635	219,367	256,186	203,759
Small Business	254,215	268,697	209,343	224,793	220,602
Federally Funded R&D Centers	231,234	246,217	232,319	229,259	335,731
Non-Profit Organizations	522,958	408,441	381,882	444,236	421,775
Other	512,296	480,388	475,011	457,973	306,235
	\$ 7,258,802	\$ 6,997,632	\$ 6,111,907	\$ 6,053,192	\$ 5,712,899

Support To:

Scientists	\$ 540,865	\$ 568,140	\$ 695,389	\$ 512,147	\$ 496,431
Postdoctoral Programs	196,071	188,665	252,639	164,519	163,896
Graduate Students	564,021	602,990	933,063	615,621	585,308
	\$ 1,300,957	\$ 1,359,795	\$ 1,881,091	\$ 1,292,287	\$ 1,245,635

Outputs & Outcomes:

Number of:

Award Actions	22,000	24,000	28,000	23,000	23,000
Senior Researchers	53,000	55,000	54,000	43,000	41,000
Other Professionals	14,000	15,000	15,000	12,000	13,000
Postdoctoral Associates	7,000	7,000	8,000	6,000	6,000
Graduate Students	40,000	40,000	54,000	37,000	35,000
Undergraduate Students	27,000	34,000	33,000	24,000	23,000
K-12 Students	86,000	59,000	14,000	13,000	11,000
K-12 Teachers	48,000	85,000	63,000	62,000	61,000

NSF's mission is to support basic scientific research and research fundamental to the engineering process as well as science and engineering education programs. NSF's Stewardship Investments fall principally into the categories of Research and Human Capital. For expenses incurred under the Research category, the majority of 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. In Fiscal Year 2011, NSF slightly modified the methodology for developing the Basic Research, Applied Research, Education and Training, and Non-Investing Activity costs. Basic and applied research and education and training expenses are determined by prorating the program costs of NSF's R&RA, EHR, and MREFC appropriations and donations and earmarked funds reported on the Statement of Net Cost. The proration uses the basic and applied research and education and training percentages of total estimated research and development obligations reported in the fiscal year 2012 Budget Request to Congress. The actual numbers are not available until later in the following fiscal year. Non-Investing activities reflect stewardship costs incurred from the AOAM, NSB, and OIG appropriations.

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 of the total FY 2011 amounts obtained annually from the NSF Directorates. These estimates are reported in the annual Budget Request to OMB.

NSF's Human Capital investments focus principally on education and training to advance the 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 significant increase in K-12 students was due to a change in methodology. The amounts presented in prior year reports for K-12 students involved in NSF activities were based on estimates provided by staff in the Graduate Teaching Fellowships in K-12 Education (GK-12) program within EHR. This year, the information is based on the collection of prior year actual data.

Required Supplementary Information

Deferred Maintenance

For the Years Ended September 30, 2011 and 2010

Deferred Maintenance

NSF performs condition assessment surveys in accordance with FASAB Standards No. 6 and No. 14 for capitalized PP&E 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 the period for fiscal years 2011 and 2010. Assets deemed to be in excellent, good, or fair condition are considered to be in acceptable condition. Assets in 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 poor condition is considered critical in order to maintain operational status.

At September 30, 2011, NSF determined that scheduled maintenance on three items of Antarctic capital equipment in poor condition was not completed and was deferred or delayed for a future period. The largest dollar amount of deferred maintenance for any single item in poor condition approximated \$3.3 thousand. The items are light mobile equipment, heavy mobile equipment, and power distribution. They are considered critical to NSF operations and are estimated to require \$6.2 thousand in maintenance.

At September 30, 2010, NSF determined that scheduled maintenance on two items of Antarctic capital equipment in 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 in poor condition was approximately \$43.0 thousand. The items included light and heavy mobile equipment. All items were considered critical to NSF operations and were estimated to require \$50.7 thousand in maintenance.

Required Supplementary Information

Budgetary Resources by Major Budget Accounts

In the following table, NSF budgetary information for the fiscal years ended September 30, 2011 and 2010, as presented in the Statement of Budgetary Resources, is disaggregated for each of NSF's major budget accounts. ARRA funds are shown in a separate schedule.

Department of Defense and Full-Year Continuing Appropriations Act Funds Combining Statement of Budgetary Resources (page 1 of 2)

2011

(Amounts in Thousands)

	Research and Related	Education	Major Research Equipment	OIG, AOAM, and NSB	Special and Donated	Total
SCHEDULE OF BUDGETARY RESOURCES						
Unobligated Balance - Brought Forward, October 1	\$ 70,313	24,901	9,172	4,180	95,779	\$ 204,345
Recoveries of Prior Year Obligations	130,638	9,449	20	2,984	2,390	145,481
Budget Authority						
Appropriation	5,575,025	862,760	117,290	318,541	157,932	7,031,548
Spending Authority from Offsetting Collections						
Earned						
Collected	108,309	6,841	-	7,345	-	122,495
Change in Receivable from Federal Sources	(5,112)	960	-	489	-	(3,663)
Change in Unfilled Customer Orders						
Advance Received	(19,574)	(1,886)	-	9	-	(21,451)
Without Advance from Federal Sources	41,094	3,655	-	(64)	-	44,685
Subtotal - Budget Authority	5,699,742	872,330	117,290	326,320	157,932	7,173,614
Nonexpenditure Transfers, Net -						
Anticipated and Actual	(53,892)	-	-	-	-	(53,892)
Permanently Not Available	(37,830)	(13,599)	(235)	(2,972)	-	(54,636)
Total Budgetary Resources	\$ 5,808,971	893,081	126,247	330,512	256,101	\$ 7,414,912
Status of Budgetary Resources						
Obligations Incurred						
Direct	\$ 5,609,058	861,104	125,370	318,046	142,836	\$ 7,056,414
Reimbursable	120,925	5,632	-	7,772	-	134,329
Total Obligations Incurred	5,729,983	866,736	125,370	325,818	142,836	7,190,743
Unobligated Balance - Apportioned	6,060	4,417	858	229	112,202	123,766
Unobligated Balance - Not Available	72,928	21,928	19	4,465	1,063	100,403
Total Status Of Budgetary Resources	\$ 5,808,971	893,081	126,247	330,512	256,101	\$ 7,414,912

Department of Defense and Full-Year Continuing Appropriations Act Funds Combining Statement of Budgetary Resources (page 2 of 2)

2011

(Amounts in Thousands)

	<u>Research and Related</u>	<u>Education</u>	<u>Major Research Equipment</u>	<u>OIG, AOAM, and NSB</u>	<u>Special and Donated</u>	<u>Total</u>
Change in Obligated Balances						
Obligated Balance, Net						
Unpaid Obligations - Brought forward,						
October 1	\$ 7,841,275	1,513,783	232,216	83,641	322,060	\$ 9,992,975
Less: Uncollected Customer Payments from						
Federal Sources Brought Forward, October 1	(90,823)	(7,088)	-	(394)	-	(98,305)
Total Unpaid Obligated Balance, Net	7,750,452	1,506,695	232,216	83,247	322,060	9,894,670
Obligations Incurred	5,729,983	866,736	125,370	325,818	142,836	7,190,743
Less: Gross Outlays	(5,126,069)	(780,610)	(134,308)	(329,128)	(149,662)	(6,519,777)
Less: Recoveries of Prior Year Unpaid						
Obligations, Actual	(130,638)	(9,449)	(20)	(2,984)	(2,390)	(145,481)
Change in Uncollected Customer Payments						
from Federal Sources	(35,982)	(4,615)	-	(425)	-	(41,022)
Subtotal	\$ 8,187,746	1,578,757	223,258	76,528	312,844	\$ 10,379,133
Obligated Balance, Net - End of Period						
Unpaid Obligations	8,314,550	1,590,460	223,258	77,347	312,844	10,518,459
Less: Uncollected Customer						
Payments from Federal Sources	(126,804)	(11,703)	-	(819)	-	(139,326)
Total Unpaid Obligated Balance, Net - End of Period	\$ 8,187,746	1,578,757	223,258	76,528	312,844	\$ 10,379,133
Net Outlays						
Gross Outlays	5,126,069	780,610	134,308	329,128	149,662	6,519,777
Less: Offsetting Collections	(88,736)	(4,955)	-	(7,353)	-	(101,044)
Less: Distributed Offsetting Receipts	-	-	-	-	(53,717)	(53,717)
Net Outlays	\$ 5,037,333	775,655	134,308	321,775	95,945	\$ 6,365,016

ARRA Funds Combining Statement of Budgetary Resources (page 1 of 2)

2011

(Amounts in Thousands)

	<u>Research and Related</u>	<u>Education</u>	<u>Major Research Equipment</u>	<u>OIG</u>	<u>Total</u>
Budgetary Resources					
Unobligated Balance - Brought Forward, October 1	\$ 243	19	-	1,927	\$ 2,189
Recoveries of Prior Year Obligations	2,614	11	-	-	2,625
Budget Authority					
Appropriation	-	-	-	-	-
Spending Authority from Offsetting Collections					
Earned					
Collected	-	-	-	-	-
Change in Receivable from Federal Sources	-	-	-	-	-
Change in Unfilled Customer Orders					
Advance Received	-	-	-	-	-
Without Advance from Federal Sources	-	-	-	-	-
Subtotal - Budget Authority	-	-	-	-	-
Nonexpenditure Transfers, Net -					
Anticipated and Actual	-	-	-	-	-
Permanently Not Available	-	-	-	-	-
Total Budgetary Resources	\$ 2,857	30	-	1,927	\$ 4,814
Status of Budgetary Resources					
Obligations Incurred					
Direct	\$ -	-	-	83	\$ 83
Reimbursable	-	-	-	-	-
Total Obligations Incurred	-	-	-	83	83
Unobligated Balance - Apportioned	-	-	-	1,844	1,844
Unobligated Balance - Not Available	2,857	30	-	-	2,887
Total Status Of Budgetary Resources	\$ 2,857	30	-	1,927	\$ 4,814

ARRA Funds Combining Statement of Budgetary Resources (page 2 of 2)

2011

(Amounts in Thousands)

	<u>Research and Related</u>	<u>Education</u>	<u>Major Research Equipment</u>	<u>OIG</u>	<u>Total</u>
Change in Obligated Balances					
Obligated Balance, Net					
Unpaid Obligations - Brought forward, October 1	\$ 1,944,504	93,005	364,658	-	\$ 2,402,167
Less: Uncollected Customer Payments from Federal Sources Brought Forward, October 1	-	-	-	-	-
Total Unpaid Obligated Balance, Net	1,944,504	93,005	364,658	-	2,402,167
Obligations Incurred	-	-	-	83	83
Less: Gross Outlays	(670,169)	(16,891)	(94,048)	(83)	(781,191)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(2,614)	(11)	-	-	(2,625)
Change in Uncollected Customer Payments from Federal Sources	-	-	-	-	-
Subtotal	<u>\$ 1,271,721</u>	<u>76,103</u>	<u>270,610</u>	<u>-</u>	<u>\$ 1,618,434</u>
Obligated Balance, Net - End of Period					
Unpaid Obligations	1,271,721	76,103	270,610	-	1,618,434
Less: Uncollected Customer Payments from Federal Sources	-	-	-	-	-
Total Unpaid Obligated Balance, Net - End of Period	<u>\$ 1,271,721</u>	<u>76,103</u>	<u>270,610</u>	<u>-</u>	<u>\$ 1,618,434</u>
Net Outlays					
Gross Outlays	670,169	16,891	94,048	83	781,191
Less: Offsetting Collections	-	-	-	-	-
Less: Distributed Offsetting Receipts	-	-	-	-	-
Net Outlays	<u>\$ 670,169</u>	<u>16,891</u>	<u>94,048</u>	<u>83</u>	<u>\$ 781,191</u>

Consolidated Appropriations Act Funds Combining Statement of Budgetary Resources (page 1 of 2)

2010

(Amounts in Thousands)

	<u>Research and Related</u>	<u>Education</u>	<u>Major Research Equipment</u>	<u>OIG, AOAM, and NSB</u>	<u>Special and Donated</u>	<u>Total</u>
Budgetary Resources						
Unobligated Balance - Brought Forward, October 1	\$ 111,092	20,107	57,730	5,106	87,292	\$ 281,327
Recoveries of Prior Year Obligations	36,706	12,597	50	3,602	3,127	56,082
Budget Authority						
Appropriation	5,617,920	872,760	117,290	318,540	145,749	7,072,259
Spending Authority from Offsetting Collections:						
Earned						
Collected	83,290	11,196	-	5,699	-	100,185
Change in Receivable from Federal Sources	5,499	(2,799)	-	(307)	-	2,393
Change in Unfilled Customer Orders						
Advance Received	2,080	(4,141)	-	(95)	-	(2,156)
Without Advance from Federal Sources	3,864	1,844	-	(11)	-	5,697
Subtotal - Budget Authority	5,712,653	878,860	117,290	323,826	145,749	7,178,378
Nonexpenditure Transfers, Net - Anticipated and Actual	(54,000)	-	-	-	-	(54,000)
Permanently Not Available	(22,744)	(7,672)	-	(3,266)	-	(33,682)
Total Budgetary Resources	\$ 5,783,707	903,892	175,070	329,268	236,168	\$ 7,428,105
Status of Budgetary Resources						
Obligations Incurred						
Direct	\$ 5,616,384	872,788	165,898	319,849	140,389	\$ 7,115,308
Reimbursable	97,010	6,203	-	5,239	-	108,452
Total Obligations Incurred	5,713,394	878,991	165,898	325,088	140,389	7,223,760
Unobligated Balance - Apportioned	967	56	9,169	332	92,651	103,175
Unobligated Balance - Not Available	69,346	24,845	3	3,848	3,128	101,170
Total Status of Budgetary Resources	\$ 5,783,707	903,892	175,070	329,268	236,168	\$ 7,428,105

Consolidated Appropriations Act Funds Combining Statement of Budgetary Resources (page 2 of 2)

2010
(Amounts in Thousands)

	<u>Research and Related</u>	<u>Education</u>	<u>Major Research Equipment</u>	<u>OIG, AOAM, and NSB</u>	<u>Special and Donated</u>	<u>Total</u>
Change in Obligated Balances						
Obligated Balance, Net						
Unpaid Obligations - Brought forward, October 1	\$ 7,102,642	1,407,920	188,101	76,948	352,475	\$ 9,128,086
Less: Uncollected Customer Payments from Federal Sources Brought Forward, October 1	(81,461)	(8,043)	-	(711)	-	(90,215)
Total Unpaid Obligated Balance, Net	7,021,181	1,399,877	188,101	76,237	352,475	9,037,871
Obligations Incurred	5,713,391	878,992	165,898	325,089	140,390	7,223,760
Less: Gross Outlays	(4,938,052)	(760,532)	(121,733)	(314,795)	(167,677)	(6,302,789)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(36,706)	(12,597)	(50)	(3,601)	(3,128)	(56,082)
Change in Uncollected Customer Payments from Federal Sources	(9,362)	955	-	317	-	(8,090)
Subtotal	\$ 7,750,452	1,506,695	232,216	83,247	322,060	\$ 9,894,670
Obligated Balance, Net - End of Period						
Unpaid Obligations	7,841,275	1,513,783	232,216	83,641	322,060	9,992,975
Less: Uncollected Customer Payments from Federal Sources	(90,823)	(7,088)	-	(394)	-	(98,305)
Total Unpaid Obligated Balance, Net - End of Period	\$ 7,750,452	1,506,695	232,216	83,247	322,060	\$ 9,894,670
Net Outlays						
Gross Outlays	4,938,052	760,532	121,733	314,795	167,677	6,302,789
Less: Offsetting Collections	(85,371)	(7,055)	-	(5,604)	-	(98,030)
Less: Distributed Offsetting Receipts	-	-	-	-	(55,459)	(55,459)
Net Outlays	\$ 4,852,681	753,477	121,733	309,191	112,218	\$ 6,149,300

ARRA Funds Combining Statement of Budgetary Resources (page 1 of 2)

2010

(Amounts in Thousands)

	<u>Research and Related</u>	<u>Education</u>	<u>Major Research Equipment</u>	<u>OIG</u>	<u>Total</u>
Budgetary Resources					
Unobligated Balance - Brought Forward, October 1	\$ 437,356	15,000	146,000	1,982	\$ 600,338
Recoveries of Prior Year Obligations	2,054	19	-	-	2,073
Budget Authority					
Appropriation	-	-	-	-	-
Spending Authority from Offsetting Collections					
Earned					
Collected	-	-	-	-	-
Change in Receivable from Federal Sources	-	-	-	-	-
Change in Unfilled Customer Orders					
Advance Received	-	-	-	-	-
Without Advance from Federal Sources	-	-	-	-	-
Subtotal - Budget Authority	-	-	-	-	-
Nonexpenditure Transfers, Net - Anticipated and Actual	-	-	-	-	-
Permanently Not Available	-	-	-	-	-
Total Budgetary Resources	\$ 439,410	15,019	146,000	1,982	\$ 602,411
Status of Budgetary Resources					
Obligations Incurred					
Direct	\$ 439,167	15,000	146,000	55	\$ 600,222
Reimbursable	-	-	-	-	-
Total Obligations Incurred	439,167	15,000	146,000	55	600,222
Unobligated Balance - Apportioned	-	-	-	1,927	1,927
Unobligated Balance - Not Available	243	19	-	-	262
Total Status Of Budgetary Resources	\$ 439,410	15,019	146,000	1,982	\$ 602,411

ARRA Funds Combining Statement of Budgetary Resources (page 2 of 2)

2010

(Amounts in Thousands)

	<u>Research and Related</u>	<u>Education</u>	<u>Major Research Equipment</u>	<u>OIG</u>	<u>Total</u>
Change in Obligated Balances					
Obligated Balance, Net					
Unpaid Obligations - Brought forward, October 1	\$ 2,035,860	84,977	254,000	1	\$ 2,374,838
Less: Uncollected Customer Payments from Federal Sources Brought Forward, October 1	-	-	-	-	-
Total Unpaid Obligated Balance, Net	2,035,860	84,977	254,000	1	2,374,838
Obligations Incurred	439,167	15,000	146,000	55	600,222
Less: Gross Outlays	(528,468)	(6,954)	(35,342)	(56)	(570,820)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(2,055)	(18)	-	-	(2,073)
Change in Uncollected Customer Payments from Federal Sources	-	-	-	-	-
Subtotal	<u>\$ 1,944,504</u>	<u>93,005</u>	<u>364,658</u>	<u>-</u>	<u>\$ 2,402,167</u>
Obligated Balance, Net - End of Period					
Unpaid Obligations	1,944,504	93,005	364,658	-	2,402,167
Less: Uncollected Customer Payments from Federal Sources	-	-	-	-	-
Total Unpaid Obligated Balance, Net - End of Period	<u>\$ 1,944,504</u>	<u>93,005</u>	<u>364,658</u>	<u>-</u>	<u>\$ 2,402,167</u>
Net Outlays					
Gross Outlays	528,468	6,954	35,342	56	570,820
Less: Offsetting Collections	-	-	-	-	-
Less: Distributed Offsetting Receipts	-	-	-	-	-
Net Outlays	<u>\$ 528,468</u>	<u>6,954</u>	<u>35,342</u>	<u>56</u>	<u>\$ 570,820</u>