



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

November 12, 2009

TO: Dr. Arden L. Bement, Jr.  
Director, National Science Foundation

Dr. Steven C. Beering  
Chair, National Science Board

FROM: Allison Lerner /s/  
Inspector General, National Science Foundation

SUBJECT: Audit of the National Science Foundation's  
Fiscal Years 2009 and 2008 Financial Statements

This memorandum transmits Clifton Gunderson LLP's financial statement audit report of the National Science Foundation (NSF) for Fiscal Years 2009 and 2008.

### **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 2009 and 2008 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.

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 contract monitoring of cost reimbursement contracts and did not report any material weaknesses in internal control. 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.

NSF management's response, dated November 12, 2009, 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 Office of Management and Budget 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 12, 2009, 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 Deborah H. Cureton, Associate Inspector General for Audit on 703-292-4985.

Attachment

cc: Dr. Dan E. Arvizu, 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) 2009 we found:

- The balance sheets of NSF as of September 30, 2009 and 2008, 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, however we did note a significant deficiency;
- 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, 2009 and 2008; 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in **Exhibit I** to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. 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 are communicated 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 2009 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 DEFICIENCIES AND NONCOMPLIANCE ISSUES**

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 findings and recommendations included in the prior year's Independent Auditor's Report dated November 10, 2008.

The prior year audit report did not disclose any deficiencies considered a Significant Deficiency; however, the report did disclose that NSF was evaluating a potential Anti-Deficiency Act (ADA) violation pertaining to a payment made to a contractor possibly in excess of its related appropriation. In April 2009, in consultation with the Government Accountability Office, and additional accounting research, NSF legal counsel determined that NSF had not violated the ADA.

## **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.

The introductory information, performance information and appendixes listed in the table of contents of the MD&A are presented for additional analysis and are 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 them.

## **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 Annual 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, 2009. 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 audit in accordance with auditing standards generally accepted in the United States; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB guidance.

## **AGENCY COMMENTS AND OUR EVALUATION**

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

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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 12, 2009

NATIONAL SCIENCE FOUNDATION  
CONSIDERATION OF INTERNAL CONTROL  
SIGNIFICANT DEFICIENCY  
September 30, 2009

**Contract Monitoring on Cost Reimbursement Contracts**

**Background and Control Deficiency Assessment Criteria:**

In prior years' internal control reports, we noted that NSF had weaknesses in its contract monitoring policies and procedures, especially with respect to cost reimbursement contracts. Even though improvements had been made over the years, in FY 2009 NSF has not addressed the most pressing conditions previously reported. The lack of progress in these areas, coupled with weaknesses noted by the NSF OIG during various contract administration reviews, and a report issued by GAO on October 30, 2009 specifically mentioning NSF and several other agencies describing the inadequate cost surveillance controls over these cost reimbursement type contracts, has again raised this matter to the level of a significant deficiency in internal control.

The weaknesses noted during our audit are as follows:

1. Delays in securing Incurred Cost Audits for NSF's largest and riskiest contracts, and not properly monitoring the receipt, audit, and approval of Cost Accounting Standards (CAS) disclosure statements.
2. Contract oversight procedures are inadequate and ineffective, including evaluation of contractor's accounting systems prior to awarding cost reimbursement type contracts.
3. Contracting Manual of policies and procedures is incomplete for the administration of cost reimbursement contracts.

Without improvements in these areas, management cannot ensure the reasonableness and accuracy of costs paid on contracts, especially those contracts considered "high risk."

**Conditions:**

In FY 2009, NSF obligated approximately \$480 million for contracts for the delivery of products and services. Of this amount, \$361 million was obligated for cost reimbursement contracts, of which \$270 million allow advance payments for services on programs with three contractors, with the majority going to one contractor.

The following paragraphs describe the specific conditions that exist at September 30, 2009.

**1. Incurred Cost Audits**

Incurred cost audits are an important tool that enables management to assess a contractor's compliance with financial terms and conditions of a contract. For contracts subject to Cost Accounting Standards (CAS), an incurred cost audit can only be performed with an approved CAS disclosure statement.

In the FY 2000 to 2004 incurred cost audits of NSF's largest contractor, the Defense Contract Audit Agency (DCAA) questioned approximately \$56 million for the five-year period. This

audit conclusion was based in part on the contractor's lack of compliance with the CAS disclosure statement effective under the terms of its contract with NSF. Due primarily to the uncertainties surrounding the enforceability of the CAS disclosure statement, approximately \$21 million of the questioned costs were allowed; leaving approximately \$30 million unresolved, after reviewing and accepting additional supporting documentation for \$5 million in direct costs. The impact of NSF's allowance of these DCAA identified questioned costs is not clear with respect to evaluating similar costs in future years' audits. The contractor provided a subsequent disclosure statement, which has not been reviewed or approved. Without an audited and approved CAS disclosure statement in place for this contractor, NSF may not be able to collect future questioned costs for the remainder of the contract. Beginning in 2005, NSF has been approving advanced payments without an approved CAS disclosure statement, therefore uncertainties remain about the enforceability of the disclosure statement and the collectability of any questioned costs identified over the remaining term of the contract.

NSF has not obtained these audits of its largest contractor since the last ones were performed for FYs 2000 – 2004. In June 2009, NSF did attempt to obtain an incurred cost audit of NSF's largest contractor for FYs 2005 – 2007 with DCAA. However, DCAA informed NSF in September 2009 that they could not perform the audit due to staffing limitations. NSF has not explored other options to have these audits performed.

In summary, without approved disclosure statements and the performance of related incurred costs audits, NSF does not have assurance that it has not overpaid for services provided by its largest contractors.

## **2. Effectiveness of Oversight Procedures**

- a) NSF does have a program in place to perform examinations of the costs claimed by its three advance payment contractors. However, the program is not sufficiently comprehensive or risk-based. NSF has contracted with DCAA to perform Quarterly Expenditure Report (QER) reviews to assist NSF in monitoring the contractors' billings. Two of these QER reviews result in audit opinions, but the other is limited to the performance of certain agreed-upon procedures (AUPs). For NSF's largest contractor, DCAA provides the more limited AUP QERs which are less detailed. Although these QERs (AUPs and opinion level work) add value, they are not a substitute for incurred cost audits that do test for allowability of costs, both direct and indirect. An oversight program based on these two types of QER reviews alone provides little assurance that the amounts paid were reasonable and benefited the NSF projects. Relying on only these two types of QER reviews for oversight purposes highlights even further the need for timely cost incurred audits for high risk contracts. Therefore, without routinely performing incurred cost audits, NSF does not have the information needed to detect significant over-spending on its advance payment contracts.
- b) GAO conducted a performance audit focused on the extensive use of cost-reimbursement contracts by Federal agencies. GAO's report dated October 30, 2009, *Contract Management, Extent of Federal Spending under Cost-Reimbursement Contracts Unclear and Key Controls Not Always Used*, identified improvements needed in various federal agencies' contract administration. GAO specifically made the following observations regarding NSF's oversight and contract monitoring activities:

- The rationale for using cost-reimbursement type contracts was unclear or not documented.
- There was no evidence in certain cost-reimbursement contract files that an analysis was conducted to determine if contract types with firmer pricing was considered.
- A pre or post-award review of the adequacy of the contractor's accounting system on contracts selected for review had not been performed for 4 of 10 contracts.
- Cost surveillance was considered inadequate, and specific mention was made of recent cost incurred audits findings relating to the billing of indirect costs as direct costs.

Even though NSF has taken various actions beginning in late FY 2007 to improve its pre and post-award oversight procedures to avoid these problems, NSF needs to address deficiencies with contracts in place before these procedural changes were made. Based on our review of NSF's contract monitoring procedures during our FY 2009 audit, we concur with GAO's overall assessment that NSF's cost surveillance practices need improvement.

- c) The NSF OIG issued various reports and communications pointing out ongoing weaknesses in NSF's contract administration, including missing or unapproved CAS disclosure statements for two of NSF's three largest cost reimbursement contractors.

### **3. Completeness of Contracting Manual**

Even though NSF has made many improvements in its Contracting Manual since FY 2007, when we last reported a significant deficiency in this area, the manual does not include adequate policies and procedures relevant to the conditions noted above. Specifically the Manual does not have adequate policies for:

- a) Considering and documenting the pricing history of cost reimbursement contracts to determine if there is a basis to convert to a contract type with firmer pricing;
- b) Complying with the requirements of FAR 9.105-1 related to "Responsible Prospective Contractors" to include procedures to document the review to ensure the adequacy of prospective contractors' accounting systems prior to, or shortly after, making the award;
- c) Obtaining all contractors' applicable CAS disclosure statements as required by the FAR, and ensuring that they are audited and approved timely.
- d) Performing periodic validation of incurred costs on cost-reimbursement and other high risk contracts; and
- e) Obtaining and reviewing incurred cost submissions within the 6-month period following the expiration of each of the contractors' fiscal years.

In summary, NSF's contract funds may not have been adequately protected from waste, fraud, and mismanagement, especially for NSF's three advance payment contractors, representing FY 2009 obligations of \$270 million. The risk will continue to be high until NSF improves its cost surveillance procedures.

### **Recommendations:**

Overall, NSF needs to reevaluate the effectiveness of its current Contracting Monitoring program to oversee and monitor its contract system, and redesign it to incorporate more comprehensive risk-based policies and procedures. The program must refocus its cost surveillance procedures on

cost reimbursement contracts, which are more susceptible to waste and abuse. This will likely require an evaluation of the adequacy of the contract department's current staffing levels and financial resources for contract audit and other oversight needs. This refocus may also require a reprioritization of staff responsibilities within the contract department.

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

**1. Incurring Cost Audits and Expenditure Reviews**

- a) Obtain all contractors' CAS disclosure statements as required by FAR 52.230-2 "Cost Accounting Standards" and FAR 52.230-6 "Administration of Cost Accounting Standards" and ensure that they are audited and approved timely. Such CAS disclosure statements must cover the proper business unit(s) of the contractor entity.
- b) Continue the Quarterly Expenditure Report (QER) review program, but reevaluate the scope of the review (i.e. Opinion report vs. Agreed-Upon Procedures report) based on risk of cost error in the contract.
- c) Depending on materiality and risk, obtain incurred cost audits for cost reimbursable type contracts to obtain assurance of the validity of costs billed to NSF.
- d) Immediately obtain cost incurred audits on NSF's largest contractor for FY 2005 through FY 2009. If DCAA is unavailable, NSF should explore the feasibility of procuring the audit services from another audit organization.
- e) Continue to work on resolving the remaining audit findings relating to the FY 2000 – 2004 incurred cost audits for its largest contractor.

**2. Oversight Procedures**

- a) Fully document the rationale for contract type selection, including consideration of pricing history under cost-reimbursement contracts.
- b) Update the Contracting Manual, Section 4.4.8 "Responsible Prospective Contractors" to specify what review steps are required to determine if the contractor's accounting system has been deemed to be adequate within 4 years prior to the award process.
- c) Ensure that contractors that are subject to the allowable cost and payment clause submit cost incurred submissions within 6 months following the expiration of each of their fiscal years in accordance with the FAR and obtain audits of these submissions depending on materiality and risk.

**3. Contracting Manual**

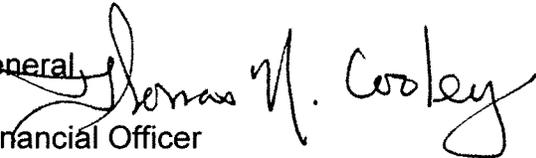
- a) Revise the Contracting Manual to add procedures to address the issues noted above.
- b) Meet with the NSF OIG to evaluate the recommendations detailed in its reports and alert memos issued in the last two years, and agree upon those matters that require the most attention for updating the Contracts Manual.

**EXHIBIT II**

**NATIONAL SCIENCE FOUNDATION  
MANAGEMENT'S RESPONSE TO FY 2009  
INDEPENDENT AUDITOR'S REPORT  
November 12, 2009**

NATIONAL SCIENCE FOUNDATION  
4201 WILSON BOULEVARD  
ARLINGTON, VIRGINIA 22230

NOV 12 2009

To: Allison Lerner, Inspector General   
From: Thomas N. Cooley, Chief Financial Officer  
Subject: Management's Response to Independent Auditor's Report for  
Fiscal Year 2009

I welcome the National Science Foundation's (NSF) Audit Report for its Fiscal Year (FY) 2009 Financial Statements. For the twelfth consecutive year we have achieved an unqualified opinion on the Financial Statements. The achievement of this unqualified opinion was due to the high level of technical expertise, and commitment demonstrated by both of our organizations. During the audit process, NSF worked in partnership with the audit team to provide timely and constructive information to improve our financial reporting.

NSF concurs with the significant deficiency recommendations described in your report. The Foundation continued to make progress during FY 2009 in addressing financial management deficiencies in contract monitoring and more can and will be done. With your recommendations and the specific observations from the Government Accountability Office Report, corrective actions are either underway or will be in place to address the recommendations. Highlights of these actions include a detailed workforce analysis of the Contracts Division to assess staffing needs, roles and responsibilities; audits that will commence in FY 2010 of NSF's most high risk cost-reimbursement contracts; working with the Office of Inspector General (OIG) to evaluate issues in its written reports and memos; and improvements to the NSF Contracting Manual. NSF anticipates providing a detailed corrective action plan that highlights its activities to address these matters, by December 7, 2009.

The Foundation is committed to continuing efforts to improve management over agency programs and to better serve our stakeholders and taxpayers. We appreciate the continuing professional, cooperative relationship that exists with both Clifton Gunderson and the OIG.

copies: Dr. Arden L. Bement, Jr.  
Dr. Cora Marrett



**National Science Foundation**

**FINANCIAL STATEMENTS**  
**As of and for the periods ended**  
**September 30, 2009 and 2008**

**National Science Foundation**  
**Balance Sheet**  
**As of September 30, 2009 and 2008**  
**(Amounts in Thousands)**

<b>Assets</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Intragovernmental Assets		
Fund Balance With Treasury (Note 2)	\$ 12,233,069	\$ 8,672,672
Accounts Receivable	11,996	11,928
Advances (Note 3)	19,187	15,284
Total Intragovernmental Assets	<u>12,264,252</u>	<u>8,699,884</u>
Cash and Other Monetary Assets	61,305	30,410
Accounts Receivable, Net	290	391
Advances (Note 3)	39,893	54,549
General Property, Plant and Equipment, Net (Notes 4 and 5)	261,389	269,794
<b>Total Assets</b>	<b>\$ <u>12,627,129</u></b>	<b>\$ <u>9,055,028</u></b>
<b>Liabilities</b>		
Intragovernmental Liabilities		
Advances From Others	\$ 44,380	\$ 97,260
Employer Contributions	1,454	1,270
FECA Employee Benefits	310	298
Other Intragovernmental Liabilities (Note 6)	3,000	3,050
Total Intragovernmental Liabilities	<u>49,144</u>	<u>101,878</u>
Accounts Payable	47,849	50,066
FECA Employee Benefits	1,319	1,198
Accrued Liabilities - Grants	370,857	339,652
Accrued Liabilities - Contracts and Payroll	35,486	46,779
Accrued Annual Leave	16,889	15,475
<b>Total Liabilities</b>	<b>\$ <u>521,544</u></b>	<b>\$ <u>555,048</u></b>
Commitments and Contingencies (Note 6)		
<b>Net Position</b>		
Unexpended Appropriations - Other Funds	\$ 11,439,991	\$ 7,813,135
Cumulative Results of Operations - Earmarked Funds (Note 8)	355,872	364,640
Cumulative Results of Operations - Other Funds	309,722	322,205
<b>Total Net Position</b>	<u>12,105,585</u>	<u>8,499,980</u>
<b>Total Liabilities and Net Position</b>	<b>\$ <u>12,627,129</u></b>	<b>\$ <u>9,055,028</u></b>

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

**National Science Foundation**  
**Statement of Net Cost**  
**For the Years Ended September 30, 2009 and 2008**  
(Amounts in Thousands)

<b>Program Costs</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Research and Related Activities		
Gross Costs	\$ 5,014,818	\$ 4,835,276
Less: Earned Revenues	(100,934)	(99,471)
<b>Net Research and Related Activities</b>	<b><u>4,913,884</u></b>	<b><u>4,735,805</u></b>
Education and Human Resources		
Gross Costs	\$ 796,311	\$ 870,111
Less: Earned Revenues	(8,593)	(8,914)
<b>Net Education and Human Resources</b>	<b><u>787,718</u></b>	<b><u>861,197</u></b>
Major Research Equipment and Facilities Construction		
Gross Costs	\$ 146,683	\$ 232,158
Less: Earned Revenues	-	-
<b>Net Major Research Equipment and Facilities Construction</b>	<b><u>146,683</u></b>	<b><u>232,158</u></b>
Costs Not Assigned to Other Programs		
Gross Costs	\$ 154,095	\$ 115,647
Less: Earned Revenues	-	-
<b>Net Costs Not Assigned to Other Programs</b>	<b><u>154,095</u></b>	<b><u>115,647</u></b>
<b>Net Cost of Operations (Note 9)</b>	<b><u>\$ 6,002,380</u></b>	<b><u>\$ 5,944,807</u></b>

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

**National Science Foundation**  
**Statement of Changes in Net Position**  
**For the Year Ended September 30, 2009**  
**(Amounts in Thousands)**

	<u>2009</u>		
	<u>Earmarked</u>	<u>All Other</u>	<u>Total</u>
<b>Cumulative Results of Operations</b>			
<b>Beginning Balances (Note 8)</b>	\$ 364,640	322,205	686,845
<b>Budgetary Financing Sources</b>			
Appropriations Used	-	5,835,603	5,835,603
Non-exchange Revenue	-	567	567
Donations	-	46,857	46,857
Appropriated Earmarked Receipts Transferred In (Note 8)	88,657	-	88,657
<b>Other Financing Sources</b>			
Imputed Financing From Costs Absorbed By Others	-	10,149	10,149
Other	-	(704)	(704)
<b>Total Financing Sources</b>	<b>88,657</b>	<b>5,892,472</b>	<b>5,981,129</b>
<b>Net Cost of Operations (Notes 8 and 9)</b>	<b>(97,425)</b>	<b>(5,904,955)</b>	<b>(6,002,380)</b>
<b>Cumulative Results of Operations (Note 8)</b>	<b>\$ 355,872</b>	<b>309,722</b>	<b>665,594</b>
<b>Unexpended Appropriations</b>			
<b>Beginning Balances</b>	\$ -	7,813,135	7,813,135
<b>Budgetary Financing Sources</b>			
Appropriations Received	-	9,492,400	9,492,400
Appropriations Transferred In / (Out)	-	3,214	3,214
Other Adjustments	-	(33,155)	(33,155)
Appropriations Used	-	(5,835,603)	(5,835,603)
<b>Total Budgetary Financing Sources</b>	<b>-</b>	<b>3,626,856</b>	<b>3,626,856</b>
<b>Total Unexpended Appropriations</b>	<b>-</b>	<b>11,439,991</b>	<b>11,439,991</b>
<b>Net Position</b>	<b>\$ 355,872</b>	<b>11,749,713</b>	<b>12,105,585</b>

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

**National Science Foundation**  
**Statement of Changes in Net Position**  
**For the Year Ended September 30, 2008**  
**(Amounts in Thousands)**

	<u>2008</u>		
	<u>Earmarked</u>	<u>All Other</u>	<u>Total</u>
<b>Cumulative Results of Operations</b>			
<b>Beginning Balances (Note 8)</b>	\$ 334,664	288,641	623,305
<b>Budgetary Financing Sources</b>			
Appropriations Used	-	5,833,031	5,833,031
Non-exchange Revenue	-	509	509
Donations	-	61,495	61,495
Appropriated Earmarked Receipts Transferred In (Note 8)	104,430	-	104,430
<b>Other Financing Sources</b>			
Imputed Financing From Costs Absorbed By Others	-	9,048	9,048
Other	-	(166)	(166)
<b>Total Financing Sources</b>	<b>104,430</b>	<b>5,903,917</b>	<b>6,008,347</b>
<b>Net Cost of Operations (Notes 8 and 9)</b>	<b>(74,454)</b>	<b>(5,870,353)</b>	<b>(5,944,807)</b>
<b>Cumulative Results of Operations (Note 8)</b>	<b>\$ 364,640</b>	<b>322,205</b>	<b>686,845</b>
<b>Unexpended Appropriations</b>			
<b>Beginning Balances</b>	\$ -	7,587,271	7,587,271
<b>Budgetary Financing Sources</b>			
Appropriations Received	-	6,127,500	6,127,500
Appropriations Transferred In / (Out)	-	(2,240)	(2,240)
Other Adjustments	-	(66,365)	(66,365)
Appropriations Used	-	(5,833,031)	(5,833,031)
<b>Total Budgetary Financing Sources</b>	<b>-</b>	<b>225,864</b>	<b>225,864</b>
<b>Total Unexpended Appropriations</b>	<b>-</b>	<b>7,813,135</b>	<b>7,813,135</b>
<b>Net Position</b>	<b>\$ 364,640</b>	<b>8,135,340</b>	<b>8,499,980</b>

*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, 2009 and 2008**  
(Amounts in Thousands)

<b>Budgetary Resources</b>	<u><b>2009</b></u>	<u><b>2008</b></u>
Unobligated Balance - Brought Forward, October 1	\$ 243,570	\$ 218,677
Recoveries of Prior Year Unpaid Obligations	62,113	59,168
Budget Authority		
Appropriation	9,628,481	6,293,934
Spending Authority From Offsetting Collections		
Earned		
Collected	109,561	121,234
Change in Receivables From Federal Sources	69	(12,634)
Change in Unfilled Customer Orders		
Advance Received	(52,881)	25,243
Without Advance From Federal Sources	<u>61,637</u>	<u>(31,520)</u>
Subtotal - Budget Authority	<u>9,746,867</u>	<u>6,396,257</u>
Nonexpenditure Transfers, Net - Anticipated and Actual	3,214	(2,240)
Permanently Not Available	(33,155)	(66,365)
<b>Total Budgetary Resources (Note 13)</b>	<b>\$ <u><u>10,022,609</u></u></b>	<b>\$ <u><u>6,605,497</u></u></b>

*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, 2009 and 2008**  
(Amounts in Thousands)

	<u>2009</u>	<u>2008</u>
<b>Status of Budgetary Resources</b>		
Obligations Incurred		
Direct (Note 12)	\$ 9,021,671	\$ 6,259,622
Reimbursable (Note 12)	119,273	102,305
Total Obligations Incurred (Note 13)	<u>9,140,944</u>	<u>6,361,927</u>
Unobligated Balance - Apportioned (Note 2)	787,497	157,926
Unobligated Balance - Not Available (Note 13)	94,168	85,644
<b>Total Status of Budgetary Resources</b>	<b>\$ <u>10,022,609</u></b>	<b>\$ <u>6,605,497</u></b>
<b>Change in Obligated Balances</b>		
Obligated Balance, Net		
Unpaid Obligations - Brought Forward, October 1	8,488,021	8,180,395
Less: Uncollected Customer Payments From Federal Sources - Brought Forward, October 1	(28,509)	(72,662)
Total Unpaid Obligated Balance, Net	<u>8,459,512</u>	<u>8,107,733</u>
Obligations Incurred	9,140,944	6,361,927
Less: Gross Outlays	(6,063,928)	(5,995,134)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(62,113)	(59,168)
Change in Uncollected Customer Payments From Federal Sources	(61,706)	44,154
Subtotal	<u>\$ 11,412,709</u>	<u>\$ 8,459,512</u>
Obligated Balance, Net - End of Period		
Unpaid Obligations	11,502,924	8,488,021
Less: Uncollected Customer Payments From Federal Sources	(90,215)	(28,509)
Total Unpaid Obligated Balance, Net - End of Period (Note 2)	<u>\$ 11,412,709</u>	<u>\$ 8,459,512</u>
<b>Net Outlays</b>		
Gross Outlays	6,063,928	5,995,134
Less: Offsetting Collections	(56,680)	(146,476)
Less: Distributed Offsetting Receipts	(2,091)	(1,038)
<b>Net Outlays</b>	<b>\$ <u>6,005,157</u></b>	<b>\$ <u>5,847,620</u></b>

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

**NOTES TO THE PRINCIPAL FINANCIAL STATEMENTS**  
**(Dollar Amounts in Thousands)**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

NSF is led by a presidentially-appointed Director and the policy-making National Science Board (NSB). The NSB, composed of 24 members, represents a cross section of American leaders in science and engineering research and education, who are appointed by the President for six-year terms. The NSF Director is 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 receives the majority of its funding through appropriations contained in the Science, State, Justice, Commerce, and Related Agencies Appropriations Act. NSF receives annual, multi-year, and no-year appropriations that may be expended, within statutory limits. NSF also receives funding 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.

The Fiscal Year 2009 Omnibus Appropriations Act under Public Law 111-8 provided funding for each of NSF's appropriations. Additionally, on February 17, 2009, Congress passed the American Recovery and Reinvestment Act (ARRA) of 2009 under Public Law 111-5. Note 10 contains additional details on ARRA funding.

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. "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. 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 only issued when agencies are operating under working capital funds and are unable to incur costs on a reimbursable basis. Advances are reduced when documentation supporting expenditures is received and recorded.

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

NSF capitalizes PP&E with costs exceeding \$25 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, Aircraft and Satellites, Buildings and Structures, Leasehold Improvements, and Construction in Progress. 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 prime NSF contractor for the program.

Costs incurred to construct buildings and structures are accumulated and tracked as construction in progress. At 75% completion of construction, an on-site 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 the buildings, structures or equipment account 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 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 fiscal year 2009, leasehold improvements completed during the year were amortized over four years, the remaining years on NSF's lease with GSA.

*Office Space:* The NSF Headquarter buildings are leased through the GSA under an occupancy agreement. The cancellation clause within the agreement allows NSF to terminate use with a 120 day notice. NSF is billed by GSA for the leased space as rent based upon estimated lease payments made by GSA plus an administrative fee. Therefore, the cost of the Headquarter buildings is not capitalized by NSF.

### 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 or more to purchase, develop, enhance, or modify a new or existing NSF system. Software projects that are not completed at year end and are expected to exceed the capitalization threshold are recorded as software in development. All internal use software meeting the capitalization threshold is amortized over a five-year period using the 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, non-profit 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 5 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**

The total grant liabilities for the year are determined based on an estimate of prior quarter expenditures incurred and cash on hand held by the grantees. 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. This timing constraint causes funding to

grantees to be recorded as advances. 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. NSF estimates the ending cash on hand balance in total for its grantees after the accrued grant expenditures have been determined. Based on a weighted average of three years of historical cash on hand data, NSF applies the negative cash on hand rate to the estimated ending cash on hand to determine the amount to record as a liability. The difference between the total expenditure amount accrued and the liability recorded is used to reduce the advance.

The American Recovery and Reinvestment Act (ARRA) grant accrual uses a similar methodology as the grant accrual described above. Fiscal year 2009 is the first year that ARRA funds were expended, and therefore no historical information exists. The methodology for calculating the accrual expenditure is based on the similarity of spending trends between the ARRA grants and standard grants. NSF has three appropriations that received ARRA funding for grants in fiscal year 2009. The current year accrual rates for the Research and Related Activities (R&RA) and Education and Human Resources (EHR) appropriations are determined based on the three year average of first year outlays for non-ARRA grants and cooperative agreements in those appropriations. The first year spending rates are prorated and applied to corresponding ARRA obligations by fund group and award type. Due to the late timing of the ARRA grant awards in 2009 for the Major Research Equipment and Facilities Construction (MREFC) appropriation, no expenditures will be recorded in MREFC until fiscal year 2010.

#### **L. Accrued Liabilities – Contracts and Payroll**

Accrued Liabilities - Contracts, Payroll, and Other consist of contract accruals, accrued payroll, and benefits. 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 and benefits relate to services rendered by NSF employees, for which they are not yet paid. At year end, NSF accrues the amount of wages and benefits earned, but not yet paid.

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 Agency Operations and Award Management appropriations. Sick leave and other types of non-vested leave are expensed as taken.

#### **M. Employee Benefits**

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

#### **N. Net Position**

Net position is the residual difference between assets and liabilities and is composed of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amount of 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 fiscal year 2009, approximately 18 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 at <http://www.opm.gov/retire/pubs/bals/2009/09-304.pdf> on the OPM Benefit Administration Website.

#### **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 NSF believes there is no possibility that NSF will be legally required to satisfy such claims. Judgments or settlements of the claims against awardees that impose financial obligation on them may be claimed as costs under the applicable contract, grant, or cooperative agreement and thus may affect the allocation of program funds in future fiscal years. In the event that the claim becomes probable 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.

*Contingencies - Cost Incurred Audits:* A large NSF contractor provides maintenance and operations services to the United States Antarctic Program. Cost incurred audits have been completed on the contractor for fiscal years 2000 to 2004. Of the amount originally questioned, \$28,190 remains unresolved. A corresponding receivable is not reflected in the balance sheet due to the uncertainty of NSF recovering any of these questioned costs.

*Termination Claims:* NSF engages organizations, including Federally Funded Research and Development Centers (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. Agreements with FFRDCs include a clause that commits NSF to seek appropriations for termination expenses, if necessary, in the event that an agreement is not renewed or is terminated.

NSF is obligated to pay termination expenses for FFRDCs 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. Although one FFRDC operator has identified these payments as a current obligation of NSF, the termination clause of the agreement clearly states that any obligation for these expenses exists only upon termination of the agreement and is limited to the lesser of available appropriations or \$25,000. NSF considers non-renewal or termination of these cooperative agreements to be only remotely possible. Termination costs that may be payable to an FFRDC operator cannot be estimated until such a time as the cooperative agreement is terminated.

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

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 property, plant and equipment. 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 consisted of the following components as of September 30, 2009 and 2008:

(Amounts in Thousands)	2009			
	Appropriated Funds	Donated Funds	Earmarked Funds	Total
Obligated	\$ 11,060,235	\$ 44,414	\$ 308,060	\$ 11,412,709
Unobligated Available	702,435	34,647	50,415	787,497
Unobligated Unavailable	91,938	26	2,204	94,168
Less: Budgetary Non-FBWT	-	(61,305)	-	(61,305)
<b>Total FBWT</b>	<b>\$ 11,854,608</b>	<b>\$ 17,782</b>	<b>\$ 360,679</b>	<b>\$ 12,233,069</b>

(Amounts in Thousands)	2008			
	Appropriated Funds	Donated Funds	Earmarked Funds	Total
Obligated	\$ 8,104,439	\$ 37,853	\$ 317,220	\$ 8,459,512
Unobligated Available	66,934	44,028	46,964	157,926
Unobligated Unavailable	81,779	-	3,865	85,644
Less: Budgetary Non-FBWT	-	(30,410)	-	(30,410)
<b>Total FBWT</b>	<b>\$ 8,253,152</b>	<b>\$ 51,471</b>	<b>\$ 368,049</b>	<b>\$ 8,672,672</b>

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 Fund Balance With Treasury (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 \$61,200 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 fiscal year 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. Advances**

*Intragovernmental*

As of September 30, 2009 and 2008, Intragovernmental Advances were \$19,187 and \$15,284 respectively.

*Public*

(Amounts in Thousands)	2009	2008
Advances to Grantees	\$ 26,699	\$ 54,549
Advances to Contractors	13,194	-
Total Advances to the Public	\$ 39,893	\$ 54,549

**Note 4. General Property, Plant and Equipment, Net**

The components of General Property, Plant and Equipment as of September 30, 2009 and 2008 were:

(Amounts in Thousands)	2009		
	Acquisition Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 119,427	\$ (99,595)	\$ 19,832
Aircraft and Satellites	138,487	(138,487)	-
Buildings and Structures	278,208	(85,063)	193,145
Leasehold Improvements	7,173	(3,618)	3,555
Construction in Progress	26,326	-	26,326
Internal Use Software	7,091	(6,929)	162
Software in Development	18,369	-	18,369
Total PP&E	\$ 595,081	\$ (333,692)	\$ 261,389

(Amounts in Thousands)	2008		
	Acquisition Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 117,839	\$ (94,592)	\$ 23,247
Aircraft and Satellites	138,487	(135,287)	3,200
Buildings and Structures	274,776	(76,848)	197,928
Leasehold Improvements	6,490	(2,580)	3,910
Construction in Progress	26,167	-	26,167
Internal Use Software	7,091	(6,447)	644
Software in Development	14,698	-	14,698
Total PP&E	\$ 585,548	\$ (315,754)	\$ 269,794

**Note 5. Property, Plant and Equipment in the Custody of Other Entities**

As explained in Note 1H, in the Assets Owned by NSF in the Custody of Other Entities section, NSF received a ruling from FASAB on accounting for PP&E owned by NSF but in the custody of and used by others. The FASAB guidance requires PP&E in the custody of others be excluded from NSF PP&E as defined in the SFFAS No. 6 "Accounting for Property, Plant and Equipment." NSF is 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, 2009, there were 28 colleges or universities, and 31 commercial entities that held property titled to NSF. None of the colleges or universities reported NSF titled property separately; however, one commercial entity, UNAVCO Inc., reported NSF titled property with a net book value of \$20,607.

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><i>Federally Funded Research and Development Centers</i></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	169,710	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 6. Other Intragovernmental Liabilities**

The balance of Other Intragovernmental Liabilities is primarily made up of Contingent and Custodial Liabilities.

Contingent liabilities include environmental contingent liabilities. At September 30, 2009 and 2008, no funds were accrued for multi-year environmental clean-up projects in the Antarctic.

In fiscal year 2009, NSF had contractor claims of \$3,000 for compensation under a contract awarded by the United States Air Force (USAF) for the reconfiguration of three NSF owned LC130 aircraft. The \$3,000 was paid by the Department of Justice's Judgement Fund. While NSF maintains that the USAF is the party responsible for the claim, and is seeking a decision from the Department of Justice's legal counsel to that effect, NSF has requested \$3,000 in its fiscal year 2010 budget submission in a good faith effort to reimburse the Judgement Fund.

**Note 7. 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. The current leases are active through fiscal year 2013. The small amount in fiscal year 2014 is the residual amortization.

(Amounts in Thousands)

Fiscal Year	Operating Lease Amount
2010	20,912
2011	21,242
2012	21,569
2013	20,269
2014	4,581
Total Minimum Lease Payments	\$ 88,573

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 utilizes 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 and office space in Denver, Colorado. The agreement to occupy space in Denver, Colorado is an annual MOU with the Department of Commerce and the lease to occupy residential space in Tokyo is a cancellable agreement between the United States Government and the lessor. All NSF leases are cancellable and/or for a period not more than a year.

**Note 8. Earmarked Funds**

In fiscal year 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
- Systemic Reform Activities

The H-1B Nonimmigrant Petitioner fees are available to the Director of NSF until expended. The funds may be used for scholarships to low income students, or to carry out a direct or matching grant program to support private and/or public partnerships in K-12 education. The H-1B Fund is set up as a permanent, indefinite appropriation by NSF. 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."

*Notes to the Principal Financial Statements*  
*September 30, 2009 and 2008 (Dollar Amounts in Thousands)*

(Amounts in Thousands)	2009 Earmarked Funds	2008 Earmarked Funds
<b>Balance Sheet as of September 30, 2009 and 2008</b>		
Fund Balance with Treasury	\$ 360,679	\$ 368,049
Advances	403	631
Total Assets	<u>361,082</u>	<u>368,680</u>
Other Liabilities	5,210	4,040
Total Liabilities	<u>5,210</u>	<u>4,040</u>
Unexpended Appropriations	-	-
Cumulative Results of Operations	355,872	364,640
Total Liabilities and Net Position	<u>\$ 361,082</u>	<u>\$ 368,680</u>

**Statement of Net Cost for the Years Ended September 30, 2009 and 2008**

Program Costs	\$ 97,425	\$ 74,454
Less: Earned Revenues	-	-
Net Cost of Operations	<u>\$ 97,425</u>	<u>\$ 74,454</u>

**Statement of Changes in Net Position For the Years Ended September 30, 2009 and 2008**

Net Position Beginning of Period	\$ 364,640	\$ 334,664
Appropriated Earmarked Receipts Transferred In	88,657	104,430
Net Cost of Operation	(97,425)	(74,454)
Change in Net Position	<u>(8,768)</u>	<u>29,976</u>
Net Position End of Period	<u>\$ 355,872</u>	<u>\$ 364,640</u>

**Note 9. Statement of Net Cost**

*Major Program Descriptions*

The Statement of Net Cost presents the NSF-wide expenses incurred by the Foundation. The presentation of the NSF's net cost by strategic goal is included in this note. The Statement of Net Cost reflects the Foundation's strategic framework set forth in NSF's strategic plan, "Investing in America's Future: Strategic Plan FY 2006-2011."

The strategic goals outlined are: Discovery, Learning, and Research Infrastructure. NSF's fourth strategic goal, Stewardship, focuses on NSF's administrative and management activities. In pursuit of its mission, NSF makes investments in Discovery, Learning, and Research Infrastructure. These goals reflect outcomes at the heart of the research enterprise: fostering research that will advance the frontiers of knowledge (Discovery); cultivating a world-class, broadly inclusive science and engineering workforce and expanding the scientific literacy of all citizens (Learning); and building the nation's research

capability through critical investments in advanced instrumentation, facilities, cyberinfrastructure, and experimental tools (Research Infrastructure).

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'. Stewardship costs are prorated among them. Stewardship costs include expenditures incurred from the Agency Operations and Award Management (AOAM), National Science Board (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 Office of Personnel Management (OPM) and Department of Labor (DOL) benefits costs paid on behalf of NSF.

At September 30, 2009 and 2008, approximately 95 percent of NSF's expenses were directly related to the Discovery, Learning, and Research Infrastructure strategic outcome goals. Net costs for each strategic goal is determined by allocating total costs by the percentage for which obligations for each strategic outcome goal accounted for total obligations in the current year. All NSF earmarked funds are allocated to the Learning strategic goal. The remaining portion of NSF's expenses relate to the Stewardship strategic goal.

At September 30, 2009 and 2008, costs related to the Stewardship activities totaled \$332,623 and \$283,245, respectively. All Stewardship costs are prorated to the other three strategic goals based on the percentage that each Strategic Goal's expenditures account for the total expenditures of appropriated, trust, and earmarked funds.

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 identified 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 Government Accountability Office 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, 2009 and 2008 (Dollar Amounts in Thousands)*

*Intragovernmental and Public Costs and Earned Revenue by Strategic Goal*

(Amounts in Thousands)	Federal	2009 Public	Total
<b>Research and Related Activities</b>			
Discovery	\$ 142,555	2,819,698	2,962,253
Learning	32,990	652,536	685,526
Research Infrastructure	65,787	1,301,252	1,367,039
<b>Total Research and Related Activities</b>	<b>241,332</b>	<b>4,773,486</b>	<b>5,014,818</b>
Less: Earned Revenue	(100,934)	-	(100,934)
<b>Net Research and Related Activities</b>	<b>140,398</b>	<b>4,773,486</b>	<b>4,913,884</b>
<b>Education and Human Resources</b>			
Discovery	\$ 4,018	466,363	470,381
Learning	930	107,926	108,856
Research Infrastructure	1,854	215,220	217,074
<b>Total Education and Human Resources</b>	<b>6,802</b>	<b>789,509</b>	<b>796,311</b>
Less: Earned Revenue	(8,593)	-	(8,593)
<b>Net Education and Human Resources</b>	<b>(1,791)</b>	<b>789,509</b>	<b>787,718</b>
<b>Major Research Equipment and Facilities Construction</b>			
Discovery	\$ 1,353	85,293	86,646
Learning	313	19,739	20,052
Research Infrastructure	624	39,361	39,985
<b>Total Major Research Equipment and Facilities Construction</b>	<b>2,290</b>	<b>144,393</b>	<b>146,683</b>
Less: Earned Revenue	-	-	-
<b>Net Major Research Equipment and Facilities Construction</b>	<b>2,290</b>	<b>144,393</b>	<b>146,683</b>
<b>Costs Not Assigned To Other Programs</b>			
Learning	\$ 353	101,675	102,028
Research Infrastructure	2	52,065	52,067
<b>Total Costs Not Assigned To Other Programs</b>	<b>355</b>	<b>153,740</b>	<b>154,095</b>
Less: Earned Revenue	-	-	-
<b>Net Costs Not Assigned To Other Programs</b>	<b>355</b>	<b>153,740</b>	<b>154,095</b>
<b>Net Cost of Operations</b>	<b>\$ 141,252</b>	<b>5,861,128</b>	<b>6,002,380</b>

*Notes to the Principal Financial Statements*  
*September 30, 2009 and 2008 (Dollar Amounts in Thousands)*

(Amounts in Thousands)	Federal	2008 Public	Total
<b>Research and Related Activities</b>			
Discovery	\$ 155,978	2,621,404	2,777,382
Learning	40,162	674,975	715,137
Research Infrastructure	75,410	1,267,347	1,342,757
<b>Total Research and Related Activities</b>	<b>271,550</b>	<b>4,563,726</b>	<b>4,835,276</b>
Less: Earned Revenue	(99,471)	-	(99,471)
<b>Net Research and Related Activities</b>	<b>172,079</b>	<b>4,563,726</b>	<b>4,735,805</b>
<b>Education and Human Resources</b>			
Discovery	\$ 2,942	496,850	499,792
Learning	758	127,932	128,690
Research Infrastructure	1,422	240,207	241,629
<b>Total Education and Human Resources</b>	<b>5,122</b>	<b>864,989</b>	<b>870,111</b>
Less: Earned Revenue	(8,914)	-	(8,914)
<b>Net Education and Human Resources</b>	<b>(3,792)</b>	<b>864,989</b>	<b>861,197</b>
<b>Major Research Equipment and Facilities Construction</b>			
Discovery	\$ 4,350	129,002	133,352
Learning	1,120	33,216	34,336
Research Infrastructure	2,103	62,367	64,470
<b>Total Major Research Equipment and Facilities Construction</b>	<b>7,573</b>	<b>224,585</b>	<b>232,158</b>
Less: Earned Revenue	-	-	-
<b>Net Major Research Equipment and Facilities Construction</b>	<b>7,573</b>	<b>224,585</b>	<b>232,158</b>
<b>Costs Not Assigned To Other Programs</b>			
Learning	\$ 542	76,863	77,405
Research Infrastructure	-	38,242	38,242
<b>Total Costs Not Assigned To Other Programs</b>	<b>542</b>	<b>115,105</b>	<b>115,647</b>
Less: Earned Revenue	-	-	-
<b>Net Costs Not Assigned To Other Programs</b>	<b>542</b>	<b>115,105</b>	<b>115,647</b>
<b>Net Cost of Operations</b>	<b>\$ 176,402</b>	<b>5,768,405</b>	<b>5,944,807</b>

**Note 10. American Recovery and Reinvestment Act (ARRA) of 2009**

ARRA provided NSF with multi-year funding to the R&RA, EHR, MREFC, and OIG in the amount of \$3,002,000. ARRA funds are distributed directly to researchers and graduate students and are used for the development of advanced scientific tools and infrastructures that are available to the research community. As of September 30, 2009, ARRA funds in the amount of \$2,401,662 were obligated. For details on ARRA disbursements and reporting requirements, visit NSF's Recovery Act website at [www.nsf.gov/recovery](http://www.nsf.gov/recovery).

**Note 11. 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 United States Antarctic program. In fiscal years 2009 and 2008 the permanent indefinite appropriations for R&RA were \$472,170 and \$444,010, respectively, and are reported as current year transfers from the annual R&RA appropriation. The MREFC appropriation supports the construction and procurement of unique national research platforms and major research equipment. In fiscal years 2009 and 2008, the permanent indefinite appropriations for MREFC were \$152,010 and \$220,740, respectively. The EHR appropriation is used to carry out science and engineering education and human resources programs and activities. In fiscal year 2009, the permanent indefinite appropriations for EHR were recorded as a current year transfer from the annual appropriation and amounted to \$55,000. NSF did not receive permanent indefinite appropriations for EHR in fiscal year 2008.

**Note 12. 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 fiscal years 2009 and 2008, NSF's SF-132, "Apportionment and Reapportionment Schedule," apportions all obligations incurred under Category B which is by activity, project, or object. In fiscal years 2009 and 2008, direct obligations amounted to \$9,021,671 and \$6,259,622, respectively, and reimbursable obligations amounted to \$119,273 and \$102,305, respectively.

**Note 13. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government**

SFFAS No. 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," calls for explanations of material differences between amounts reported in the 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 fiscal year 2009 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in the spring of Fiscal Year 2010 and can be found on the OMB web site: <http://www.whitehouse.gov/omb>.

Balances reported in the fiscal year 2008 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)	2008		
	Budgetary Resources	Obligations Incurred	Unobligated Balance - Unavailable
Combined Statement of Budgetary Resources	\$ 6,605,497	\$ 6,361,927	\$ 85,644
Budget of the U.S. Government	\$ 6,519,918	\$ 6,356,942	\$ 5,050
Difference	\$ 85,579	\$ 4,985	\$ 80,594

**Note 14. 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, 2009 and 2008, amounted to \$11,106,372 and \$8,120,099, respectively.

**Note 15. Related Party Transactions**

The National Science Board (NSB) is a group of 24 members appointed by the President and confirmed by the Senate. Board Members are drawn from industry and universities. On September 30, 2009, there were 22 seated members and 2 vacancies. Members of the Board may be affiliated with institutions that are eligible to receive grants and awards from NSF. The Director of NSF is also a member of the NSB but does not receive any awards or grants from NSF. In accordance with GAAP reporting requirements, NSF identifies those transactions as Related Party Transactions and discloses the total awards for those transactions to the public.

Total new awards issued and the total outstanding balances for Related Party Transactions as of September 30 are as follows:

(Amounts in Thousands)	2009		2008	
New Awards and Modifications	\$	742,399	\$	523,575
Total Outstanding at September 30	\$	855,131	\$	604,846

**Note 16. Reconciliation of Net Cost of Operations to Budget**

(Amounts in Thousands)	2009	2008
<b>Resources Used To Finance Activities</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,140,944	\$ 6,361,927
Less: Spending Authority from Offsetting Collections and Recoveries	(180,499)	(161,491)
Obligations Net of Offsetting Collections and Recoveries	8,960,445	6,200,436
Less: Offsetting Receipts	(2,091)	(1,038)
Net Obligations	8,958,354	6,199,398
Other Resources		
Imputed Financing	10,149	9,048
Other Resources	(704)	(166)
Net Other Resources Used to Finance Activities	9,445	8,882
<b>Total Resources Used to Finance Activities</b>	<b>8,967,799</b>	<b>6,208,280</b>
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	(2,977,516)	(256,022)
Resources that Fund Expenses Recognized in Prior Periods	44	(144)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	2,091	1,038
Resources that Finance the Acquisition of Assets	(12,120)	(34,945)
<b>Total Resources Used to Finance Items Not Part of the Net Cost of Operations</b>	<b>(2,987,501)</b>	<b>(290,073)</b>
<b>Total Resources Used to Finance Net Cost of Operations</b>	<b>5,980,298</b>	<b>5,918,207</b>
<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period</b>		
Components Requiring or Generating Resources in Future Periods		
Other	1,548	1,243
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	1,548	1,243
Components Not Requiring or Generating Resources		
Depreciation and Amortization	19,590	25,248
Other	944	109
Total Components of Net Cost of Operations that will not Require or Generate Resources	20,534	25,357
<b>Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period</b>	<b>22,082</b>	<b>26,600</b>
<b>Net Cost of Operations</b>	<b>\$ 6,002,380</b>	<b>\$ 5,944,807</b>

**Required Supplementary Stewardship Information**  
Stewardship Investments  
For the Periods Ended September 30, 2009 and 2008

**Stewardship Investments  
Research and Human Capital**

(Dollar Amounts in Thousands)

**Research and Human Capital Activities**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Basic Research	\$ 4,413,407	\$ 4,449,062	\$ 4,195,444	\$ 3,682,266	\$ 3,564,093
Applied Research	498,544	409,516	432,820	339,757	291,169
Education and Training	867,333	911,369	808,642	1,378,472	1,386,952
Non-Investing Activities	332,623	283,245	275,993	321,085	292,426
<b>Total Research &amp; Human Capital Activities</b>	<u>\$ 6,111,907</u>	<u>\$ 6,053,192</u>	<u>\$ 5,712,899</u>	<u>\$ 5,721,580</u>	<u>\$ 5,534,640</u>

**Inputs, Outputs and/or Outcomes**

**Research and Human Capital Activities**

Investments In:

Universities	\$ 4,340,871	\$ 4,189,050	\$ 4,016,101	\$ 3,994,682	\$ 3,970,851
Industry	253,114	251,695	208,696	199,523	223,563
Federal Agencies	219,367	256,186	203,759	221,002	143,316
Small Business	209,343	224,793	220,602	218,334	193,199
Federally Funded R&D Centers	232,319	229,259	335,731	299,802	278,542
Non-Profit Organizations	381,882	444,236	421,775	428,648	418,209
Other	475,011	457,973	306,235	359,589	306,960
	<u>\$ 6,111,907</u>	<u>\$ 6,053,192</u>	<u>\$ 5,712,899</u>	<u>\$ 5,721,580</u>	<u>\$ 5,534,640</u>

Support To:

Scientists	\$ 695,389	\$ 512,147	\$ 496,431	\$ 473,457	\$ 454,053
Postdoctoral Programs	252,639	164,519	163,896	158,528	162,132
Graduate Students	933,063	615,621	585,308	544,513	538,233
	<u>\$ 1,881,091</u>	<u>\$ 1,292,287</u>	<u>\$ 1,245,635</u>	<u>\$ 1,176,498</u>	<u>\$ 1,154,418</u>

**Outputs & Outcomes:**

<u>Number of:</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Awards Actions	28,000	23,000	23,000	22,000	22,000
Senior Researchers	54,000	43,000	41,000	32,000	32,000
Other Professionals	15,000	12,000	13,000	11,000	12,000
Postdoctoral Associates	8,000	6,000	6,000	5,000	6,000
Graduate Students	54,000	37,000	35,000	26,000	27,000
Undergraduate Students	33,000	24,000	23,000	27,000	33,000
K-12 Students	14,000	13,000	11,000	8,000	11,000
K-12 Teachers	63,000	62,000	61,000	59,000	74,000

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. Basic and applied research expenses are determined by prorating the program costs of NSF's strategic goals on Research Infrastructure and Discovery reported on the Statement of Net Cost. The proration uses the basic and applied research percentages of total estimated research and development obligations reported in the current year Budget Request to OMB. The actual numbers are not available until later in the following fiscal year. Education and Training costs equate to NSF's third strategic goal, Learning, and the costs related to Non-Investing activities reflect the fourth strategic goal, Stewardship.

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 numbers of award actions are actual values from NSF's Enterprise Information System (EIS). The remaining outputs and outcomes are estimates of the total fiscal year 2009 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, toward a goal of creating a diverse, internationally competitive and globally engaged workforce of scientists, engineers and well-prepared citizens. NSF supports activities to improve formal and informal science, mathematics, engineering and technology education at all levels, as well as public science literacy projects that engage people of all ages in life-long learning.

**Required Supplementary Information**  
Deferred Maintenance  
For the Periods Ended September 30, 2009 and 2008

**Deferred Maintenance**  
**(Dollar Amounts in Thousands)**

NSF performs condition assessment surveys in accordance with FASAB Standards No. 6 and No. 14 for capitalized property, plant and equipment to determine if any maintenance is needed to keep an asset in an acceptable condition or restore an asset to a specific level of performance. NSF considers deferred maintenance to be any maintenance that is not performed on schedule, unless it is determined from the condition of the asset that scheduled maintenance does not have to be performed. Deferred maintenance also includes any other type of maintenance that, if not performed, would render the PP&E non-operational. Circumstances such as non-availability of parts or funding are considered reasons for deferring maintenance.

NSF considered whether any scheduled maintenance necessary to keep fixed assets of the agency in an acceptable condition was deferred at the end of the period for fiscal years 2009 and 2008. 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, 2009, NSF determined that scheduled maintenance on 7 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 \$26. The items include light and heavy mobile equipment. All items are considered critical to NSF operations and are estimated to require \$89 in maintenance.

At September 30, 2008, NSF determined that scheduled maintenance on 14 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 approximated \$24. The items include light and heavy mobile and power distribution equipment, all of which is considered critical to NSF operations and estimated to require \$98 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, 2009 and 2008, as presented in the Statement of Budgetary Resources, is disaggregated for each of NSF's major budget accounts. For FY 2009, ARRA funds are shown in a separate schedule.

**Omnibus Funds Combining Statement of Budgetary Resources (page 1 of 2)**

	<u>2009</u> (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>
<b>Budgetary Resources</b>						
Unobligated Balance - Brought Forward, October 1	\$ 57,084	18,855	66,433	6,342	94,856	\$ 243,570
Recoveries of Prior Year Obligations	44,163	12,953	43	2,725	2,229	62,113
Budget Authority						
Appropriation	5,183,100	845,260	152,010	310,030	136,081	6,626,481
Spending Authority from Offsetting Collections						
Earned						
Collected	95,864	8,582	-	5,106	9	109,561
Change in Receivable from Federal Sources	37	(414)	-	446	-	69
Change in Unfilled Customer Orders						
Advance Received	(50,588)	(2,293)	-	-	-	(52,881)
Without Advance from Federal Sources	58,450	3,191	-	(4)	-	61,637
Anticipated for Rest of Year, Without Advances	-	-	-	-	-	-
Subtotal - Budget Authority	<u>5,286,863</u>	<u>854,326</u>	<u>152,010</u>	<u>315,578</u>	<u>136,090</u>	<u>6,744,867</u>
Nonexpenditure Transfers, Net -						
Anticipated and Actual	3,066	-	-	148	-	3,214
Permanantly Not Available	(20,857)	(9,296)	-	(3,002)	-	(33,155)
<b>Total Budgetary Resources</b>	<b><u>\$ 5,370,319</u></b>	<b><u>876,838</u></b>	<b><u>218,486</u></b>	<b><u>321,791</u></b>	<b><u>233,175</u></b>	<b><u>\$ 7,020,609</u></b>
<b>Status of Budgetary Resources</b>						
Obligations Incurred						
Direct	\$ 5,154,513	847,670	160,756	311,187	145,883	\$ 6,620,009
Reimbursable	104,714	9,061	-	5,498	-	119,273
Total Obligations Incurred	<u>5,259,227</u>	<u>856,731</u>	<u>160,756</u>	<u>316,685</u>	<u>145,883</u>	<u>6,739,282</u>
Unobligated Balance - Apportioned	44,290	23	57,710	74	85,062	187,159
Unobligated Balance - Not Available	66,802	20,084	20	5,032	2,230	94,168
<b>Total Status Of Budgetary Resources</b>	<b><u>\$ 5,370,319</u></b>	<b><u>876,838</u></b>	<b><u>218,486</u></b>	<b><u>321,791</u></b>	<b><u>233,175</u></b>	<b><u>\$ 7,020,609</u></b>

**Omnibus Funds Combining Statement of Budgetary Resources (page 2 of 2)**

<u>2009</u>						
(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>
<b>Change in Obligated Balances</b>						
Obligated Balance, Net						
Unpaid Obligations - Brought forward, October 1	6,558,083	1,322,440	176,703	75,722	355,073	8,488,021
Less: Uncollected Customer Payments from Federal Sources Brought Forward, October 1	(22,973)	(5,266)	-	(270)	-	(28,509)
Total Unpaid Obligated Balance, Net	<u>6,535,110</u>	<u>1,317,174</u>	<u>176,703</u>	<u>75,452</u>	<u>355,073</u>	<u>8,459,512</u>
Obligations Incurred	5,259,228	856,732	160,755	316,683	145,884	6,739,282
Less: Gross Outlays	(4,670,507)	(758,299)	(149,314)	(312,731)	(146,253)	(6,037,104)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(44,163)	(12,953)	(43)	(2,725)	(2,229)	(62,113)
Change in Uncollected Customer Payments from Federal Sources	(58,487)	(2,777)	-	(442)	-	(61,706)
Subtotal	<u>\$ 7,021,181</u>	<u>1,399,877</u>	<u>188,101</u>	<u>76,237</u>	<u>352,475</u>	<u>\$ 9,037,871</u>
Obligated Balance, Net - End of Period						
Unpaid Obligations	7,102,642	1,407,920	188,101	76,948	352,475	9,128,086
Less: Uncollected Customer Payments from Federal Sources	(81,461)	(8,043)	-	(711)	-	(90,215)
Total Unpaid Obligated Balance, Net - End of Period	<u>\$ 7,021,181</u>	<u>1,399,877</u>	<u>188,101</u>	<u>76,237</u>	<u>352,475</u>	<u>\$ 9,037,871</u>
<b>Net Outlays</b>						
Gross Outlays	4,670,507	758,299	149,314	312,731	146,253	6,037,104
Less: Offsetting Collections	(45,276)	(6,289)	-	(5,106)	(9)	(56,680)
Less: Distributed Offsetting Receipts	-	-	-	-	(2,091)	(2,091)
<b>Net Outlays</b>	<u>\$ 4,625,231</u>	<u>752,010</u>	<u>149,314</u>	<u>307,625</u>	<u>144,153</u>	<u>\$ 5,978,333</u>

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

2009  
(Amounts in Thousands)

	<u>Research and Related</u>	<u>Education</u>	<u>Major Research Equipment</u>	<u>OIG</u>	<u>Total</u>
<b>Budgetary Resources</b>					
Unobligated Balance - Brought Forward, October 1	\$ -	-	-	-	\$ -
Recoveries of Prior Year Obligations	-	-	-	-	-
Budget Authority					
Appropriation	2,500,000	100,000	400,000	2,000	3,002,000
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	-	-	-	-	-
Anticipated for Rest of Year, Without Advances	-	-	-	-	-
Subtotal - Budget Authority	2,500,000	100,000	400,000	2,000	3,002,000
Nonexpenditure Transfers, Net -					
Anticipated and Actual	-	-	-	-	-
Permanantly Not Available	-	-	-	-	-
<b>Total Budgetary Resources</b>	<b>\$ 2,500,000</b>	<b>100,000</b>	<b>400,000</b>	<b>2,000</b>	<b>\$ 3,002,000</b>
<b>Status of Budgetary Resources</b>					
Obligations Incurred					
Direct	\$ 2,062,644	85,000	254,000	18	\$ 2,401,662
Reimbursable	-	-	-	-	-
Total Obligations Incurred	2,062,644	85,000	254,000	18	2,401,662
Unobligated Balance - Apportioned	437,356	15,000	146,000	1,982	600,338
Unobligated Balance - Not Available	-	-	-	-	-
<b>Total Status Of Budgetary Resources</b>	<b>\$ 2,500,000</b>	<b>100,000</b>	<b>400,000</b>	<b>2,000</b>	<b>\$ 3,002,000</b>

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

2009  
(Amounts in Thousands)

	<u>Research and Related</u>	<u>Education</u>	<u>Major Research Equipment</u>	<u>OIG</u>	<u>Total</u>
<b>Change in Obligated Balances</b>					
Obligated Balance, Net					
Unpaid Obligations - Brought forward, October 1	-	-	-	-	-
Less: Uncollected Customer Payments from Federal Sources Brought Forward, October 1	-	-	-	-	-
Total Unpaid Obligated Balance, Net	-	-	-	-	-
Obligations Incurred	2,062,644	85,000	254,000	18	2,401,662
Less: Gross Outlays	(26,784)	(23)	-	(17)	(26,824)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	-	-	-	-	-
Change in Uncollected Customer Payments from Federal Sources	-	-	-	-	-
Subtotal	\$ 2,035,860	84,977	254,000	1	\$ 2,374,838 \$
Obligated Balance, Net - End of Period					
Unpaid Obligations	2,035,860	84,977	254,000	1	2,374,838
Less: Uncollected Customer Payments from Federal Sources	-	-	-	-	-
Total Unpaid Obligated Balance, Net - End of Period	\$ 2,035,860	84,977	254,000	1	\$ 2,374,838 \$
<b>Net Outlays</b>					
Gross Outlays	26,784	23	-	17	26,824
Less: Offsetting Collections	-	-	-	-	-
Less: Distributed Offsetting Receipts	-	-	-	-	-
<b>Net Outlays</b>	\$ 26,784	23	-	17	\$ 26,824 \$

**Omnibus Funds Combining Statement of Budgetary Resources (page 1 of 2)**

**2008**  
**(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>
<b>Budgetary Resources</b>						
Unobligated Balance - Brought Forward, October 1	\$ 70,495	18,937	27,600	6,897	94,748	\$ 218,677
Recoveries of Prior Year Obligations	37,741	13,375	214	3,571	4,267	59,168
Budget Authority						
Appropriation	4,843,974	765,600	220,740	297,186	166,434	6,293,934
Spending Authority from Offsetting Collections:						
Earned						
Collected	107,856	8,102	-	5,274	2	121,234
Change in Receivable from Federal Sources	(12,568)	448	-	(514)	-	(12,634)
Change in Unfilled Customer Orders						
Advance Received	20,017	5,176	-	50	-	25,243
Without Advance from Federal Sources	(27,024)	(4,528)	-	32	-	(31,520)
Anticipated for Rest of Year, Without Advance	-	-	-	-	-	-
Subtotal - Budget Authority	<u>4,932,255</u>	<u>774,798</u>	<u>220,740</u>	<u>302,028</u>	<u>166,436</u>	<u>6,396,257</u>
Nonexpenditure Transfers, Net -						
Anticipated and Actual	(2,240)	-	-	-	-	(2,240)
Permanently Not Available	(36,665)	(11,578)	(15,275)	(2,847)	-	(66,365)
<b>Total Budgetary Resources</b>	<b>\$ <u>5,001,586</u></b>	<b><u>795,532</u></b>	<b><u>233,279</u></b>	<b><u>309,649</u></b>	<b><u>265,451</u></b>	<b>\$ <u>6,605,497</u></b>
<b>Status of Budgetary Resources</b>						
Obligations Incurred						
Direct	\$ 4,856,135	767,446	166,846	298,600	170,595	\$ 6,259,622
Reimbursable	88,367	9,231	-	4,707	-	102,305
Total Obligations Incurred	<u>4,944,502</u>	<u>776,677</u>	<u>166,846</u>	<u>303,307</u>	<u>170,595</u>	<u>6,361,927</u>
Unobligated Balance - Apportioned	133	6	66,398	398	90,991	157,926
Unobligated Balance - Not Available	56,951	18,849	35	5,944	3,865	85,644
<b>Total Status of Budgetary Resources</b>	<b>\$ <u>5,001,586</u></b>	<b><u>795,532</u></b>	<b><u>233,279</u></b>	<b><u>309,649</u></b>	<b><u>265,451</u></b>	<b>\$ <u>6,605,497</u></b>

**Omnibus Funds Combining Statement of Budgetary Resources (page 2 of 2)**

	<b>2008</b>					
	(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>
<b>Change in Obligated Balances</b>						
Obligated Balance, Net						
Unpaid Obligations - Brought forward, October 1	6,204,685	1,398,516	222,241	56,757	298,196	8,180,395
Less: Uncollected Customer Payments from Federal Sources Brought Forward, October 1	(62,564)	(9,346)	-	(752)	-	(72,662)
Total Unpaid Obligated Balance, Net	<u>6,142,121</u>	<u>1,389,170</u>	<u>222,241</u>	<u>56,005</u>	<u>298,196</u>	<u>8,107,733</u>
Obligations Incurred	4,944,505	776,677	166,845	303,305	170,595	6,361,927
Less: Gross Outlays	(4,553,367)	(839,378)	(212,169)	(280,769)	(109,451)	(5,995,134)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(37,741)	(13,375)	(214)	(3,571)	(4,267)	(59,168)
Change in Uncollected Customer Payments from Federal Sources	39,592	4,080	-	482	-	44,154
Subtotal	<u>\$ 6,535,110</u>	<u>1,317,174</u>	<u>176,703</u>	<u>75,452</u>	<u>355,073</u>	<u>\$ 8,459,512</u>
Obligated Balance, Net - End of Period						
Unpaid Obligations	6,558,083	1,322,440	176,703	75,722	355,073	8,488,021
Less: Uncollected Customer Payments from Federal Sources	(22,973)	(5,266)	-	(270)	-	(28,509)
Total Unpaid Obligated Balance, Net - End of Period	<u>\$ 6,535,110</u>	<u>1,317,174</u>	<u>176,703</u>	<u>75,452</u>	<u>355,073</u>	<u>\$ 8,459,512</u>
<b>Net Outlays</b>						
Gross Outlays	4,553,367	839,378	212,169	280,769	109,451	5,995,134
Less: Offsetting Collections	(127,873)	(13,278)	-	(5,323)	(2)	(146,476)
Less: Distributed Offsetting Receipts	-	-	-	-	(1,038)	(1,038)
Net Outlays	<u>\$ 4,425,494</u>	<u>826,100</u>	<u>212,169</u>	<u>275,446</u>	<u>108,411</u>	<u>\$ 5,847,620</u>

## **OTHER FINANCIAL REPORTING INFORMATION**

### **Debt Collection Improvement Act of 1996**

Net Accounts Receivable totaled \$12,286 thousand at September 30, 2009. Of that amount, \$11,996 thousand is due from other federal agencies. The remaining \$290 thousand is due from the public. NSF fully participates in the Department of the Treasury Cross-Servicing Program. In accordance with the Debt Collection Improvement Act, this program allows NSF to refer debts that are delinquent more than 180 days to the Department of the Treasury for appropriate action to collect those accounts. In FY 2004, OMB issued M-04-10, Memorandum on Debt Collection Improvement Act Requirements which reminded agencies of their responsibility to comply with the policies for writing-off and closing-out debt. Based on this memo, NSF has now incorporated the policy of writing-off delinquent debt more than two years old. Additionally, NSF seeks Department of Justice concurrence for action on items over \$100,000.

### **Cash Management Improvement Act (CMIA)**

In FY 2009, NSF had no awards covered under CMIA Treasury-State Agreements. NSF's FastLane system with grantee draws of cash make the timeliness of payments issue under the Act essentially not applicable to the agency. No interest payments were made in FY 2009.