

SMITHSONIAN INSTITUTION

Audit of Federal Awards Performed in Accordance with
U.S. Office of Management and Budget Circular A-133

September 30, 2005

(With Independent Auditors' Reports Thereon)

SMITHSONIAN INSTITUTION

Audit of Federal Awards Performed in Accordance with
U.S. Office of Management and Budget Circular A-133

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Financial Statements and Supplementary Schedules of Expenditures of Federal Awards

The Board of Regents
Smithsonian Institution:

We have audited the accompanying statement of financial position of the Smithsonian Institution (Smithsonian) as of September 30, 2005, and the related statements of financial activity and cash flows for the year then ended. These financial statements are the responsibility of the Smithsonian's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Smithsonian's 2004 financial statements and, in our report dated December 22, 2004 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Smithsonian's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Smithsonian as of September 30, 2005, and its changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2005 on our consideration of the Smithsonian's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

KPMG LLP

December 21, 2005

SMITHSONIAN INSTITUTION

Statement of Financial Position

September 30, 2005

(With summarized financial information as of September 30, 2004)

(Dollars in millions)

	Trust funds	Federal funds	Total funds	
			2005	2004
Assets:				
Cash and balances with the U.S. Treasury	\$ 36.2	282.3	318.5	271.4
Receivables and advances	270.3	1.2	271.5	216.9
Prepaid and deferred expenses	29.3	0.3	29.6	29.3
Inventory	15.9	—	15.9	15.4
Investments	864.2	—	864.2	753.3
Property and equipment, net	456.3	792.8	1,249.1	1,210.1
Total assets	\$ 1,672.2	1,076.6	2,748.8	2,496.4
Liabilities:				
Accounts payable and accrued expenses	\$ 56.0	97.0	153.0	156.3
Deferred revenue	42.7	—	42.7	42.7
Long-term debt	203.2	—	203.2	209.7
Unexpended federal appropriations	—	221.5	221.5	205.3
Total liabilities	301.9	318.5	620.4	614.0
Net assets:				
Unrestricted:				
Funds functioning as endowment	521.4	—	521.4	477.2
Operational balances	283.5	758.1	1,041.6	926.2
Total unrestricted net assets	804.9	758.1	1,563.0	1,403.4
Temporarily restricted:				
Funds functioning as endowment	143.5	—	143.5	126.4
Donor contributions for facilities	108.2	—	108.2	94.5
Donor contributions for ongoing programs	152.3	—	152.3	132.9
Total temporarily restricted net assets	404.0	—	404.0	353.8
Permanently restricted:				
True endowments	145.4	—	145.4	117.4
Interest in perpetual and other trusts	16.0	—	16.0	7.8
Total permanently restricted net assets	161.4	—	161.4	125.2
Total net assets	1,370.3	758.1	2,128.4	1,882.4
Commitments and contingencies				
Total liabilities and net assets	\$ 1,672.2	1,076.6	2,748.8	2,496.4

See accompanying notes to financial statements.

SMITHSONIAN INSTITUTION

Statement of Financial Activity

Year ended September 30, 2005

(With summarized financial information for the year ended September 30, 2004)

(Dollars in millions)

	Unrestricted			Temporarily restricted trust funds	Permanently restricted trust funds	Total	
	Trust funds	Federal funds	Total			2005	2004
Operating revenues and other additions:							
Government revenue:							
Federal appropriations	\$ —	604.4	604.4	—	—	604.4	593.3
Government grants and contracts	119.8	—	119.8	—	—	119.8	107.7
Total government revenue	119.8	604.4	724.2	—	—	724.2	701.0
Contributions:							
Program support	31.1	—	31.1	29.8	35.1	96.0	58.3
Construction of facilities	—	—	—	53.6	—	53.6	46.6
Total contributions	31.1	—	31.1	83.4	35.1	149.6	104.9
Business activities and other:							
Business activities	207.5	—	207.5	—	—	207.5	195.0
Short-term investment income	2.8	—	2.8	0.2	—	3.0	3.1
Endowment payout	24.0	—	24.0	11.2	0.9	36.1	34.9
Private grants	5.1	—	5.1	14.1	—	19.2	22.7
Rentals, fees, and commissions	19.7	—	19.7	—	—	19.7	15.5
Total business activities and other	259.1	—	259.1	25.5	0.9	285.5	271.2
Total operating revenues	410.0	604.4	1,014.4	108.9	36.0	1,159.3	1,077.1
Net assets released from restrictions	74.2	—	74.2	(74.2)	—	—	—
Total operating revenues and other additions	484.2	604.4	1,088.6	34.7	36.0	1,159.3	1,077.1
Expenses:							
Research	126.9	116.5	243.4	—	—	243.4	218.9
Collections management	11.5	102.7	114.2	—	—	114.2	100.5
Education, public programs, and exhibitions	69.5	161.1	230.6	—	—	230.6	251.5
Business activities	172.5	—	172.5	—	—	172.5	173.1
Administration	19.8	175.9	195.7	—	—	195.7	195.9
Advancement	21.1	0.4	21.5	—	—	21.5	28.2
Total expenses	421.3	556.6	977.9	—	—	977.9	968.1
Change in net assets from operations	62.9	47.8	110.7	34.7	36.0	181.4	109.0
Nonoperating investment income	39.3	—	39.3	17.5	0.2	57.0	50.2
Gain on sales of real estate	12.7	—	12.7	—	—	12.7	—
Change in interest in net assets of related organization:	1.0	—	1.0	(2.0)	—	(1.0)	(1.7)
Change in net assets related to collection items not capitalized:							
Proceeds from sales	3.0	—	3.0	—	—	3.0	—
Collection items purchased	(5.1)	(2.0)	(7.1)	—	—	(7.1)	(10.3)
Change in net assets	113.8	45.8	159.6	50.2	36.2	246.0	147.2
Net assets, beginning of the year	691.1	712.3	1,403.4	353.8	125.2	1,882.4	1,735.2
Net assets, end of the year	\$ 804.9	758.1	1,563.0	404.0	161.4	2,128.4	1,882.4

See accompanying notes to financial statements.

SMITHSONIAN INSTITUTION

Statement of Cash Flows

Year ended September 30, 2005

(With summarized financial information for the year ended September 30, 2004)

(Dollars in millions)

	Trust funds	Federal funds	Total	
			2005	2004
Cash flows from operating activities:				
Change in net assets	\$ 200.2	45.8	246.0	147.2
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Proceeds from sales of collection items	(3.0)	—	(3.0)	—
Collection items purchased	5.1	2.0	7.1	10.3
Depreciation	21.2	61.9	83.1	70.5
Loss on disposition of assets	2.6	1.1	3.7	1.0
Contributions for permanent endowment	(35.1)	—	(35.1)	(1.0)
Contributions for construction of facilities	(53.6)	—	(53.6)	(46.6)
Appropriations for repair, restoration, and construction	—	(126.1)	(126.1)	(107.6)
Investment income restricted for long-term purposes	(0.9)	—	(0.9)	(0.9)
Net investment gain	(73.2)	—	(73.2)	(70.6)
Decrease (increase) in assets:				
Receivables and advances	(55.1)	0.5	(54.6)	33.4
Prepaid and deferred expenses	(0.5)	0.2	(0.3)	6.7
Inventory	(0.5)	—	(0.5)	(2.1)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(0.6)	4.9	4.3	15.5
Deferred revenue	(7.6)	—	(7.6)	(4.1)
Unexpended federal appropriations	—	16.2	16.2	10.9
Net cash provided (used) by operating activities	(1.0)	6.5	5.5	62.6
Cash flows from investing activities:				
Proceeds from sales of collection items	3.0	—	3.0	—
Collection items purchased	(5.1)	(2.0)	(7.1)	(10.3)
Purchases of property and equipment	(19.3)	(106.5)	(125.8)	(190.2)
Purchases of investment securities	(582.0)	—	(582.0)	(358.2)
Proceeds from sales/maturities of investment securities	544.1	—	544.1	369.5
Net cash used by investing activities	(59.3)	(108.5)	(167.8)	(189.2)
Cash flows from financing activities:				
Contributions for permanent endowment	35.1	—	35.1	1.0
Contributions for construction of facilities	53.6	—	53.6	46.6
Appropriations for repair, restoration, and construction	—	126.1	126.1	107.6
Investment income and gains restricted for long-term purposes	1.1	—	1.1	2.0
Payments on long-term debt	(6.5)	—	(6.5)	(0.9)
Proceeds from issuance of long-term debt	—	—	—	77.5
Net cash provided by financing activities	83.3	126.1	209.4	233.8
Net change in cash and balances with U.S. Treasury	23.0	24.1	47.1	107.2
Cash and balances with U.S. Treasury:				
Beginning of the year	13.2	258.2	271.4	164.2
End of the year	\$ 36.2	282.3	318.5	271.4

Cash paid for interest during fiscal years 2005 and 2004 was approximately \$6.2 and \$4.8, respectively.

See accompanying notes to financial statements.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

(1) Organization

The Smithsonian Institution (Smithsonian) was created by act of Congress in 1846 in accordance with the terms of the will of James Smithson of England, who in 1826 bequeathed property to the United States of America “to found at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge among men.” Congress established the Smithsonian as a trust of the United States and vested responsibility for its administration in the Smithsonian Board of Regents (Board).

The Smithsonian is a museum and an education and research complex consisting of 16 museums and galleries, the National Zoological Park, and other research facilities. It is based in Washington, D.C., but also maintains facilities and operates programs in five states and Panama. Research is carried out in the Smithsonian’s museums and in other facilities throughout the world. The Smithsonian’s extensive collections number over 140 million objects. During fiscal year 2005, over 24 million individuals visited Smithsonian museums and other facilities.

A substantial portion of the Smithsonian’s operations is funded from annual federal appropriations. The Smithsonian also receives federal appropriations for the construction or repair and restoration of its facilities. Construction of certain facilities has been funded entirely by federal appropriations, while others have been funded by a combination of federal and private funds.

In addition to federal appropriations, the Smithsonian receives private support, government grants and contracts, and earns income from investments and its various business activities. Business activities include Smithsonian magazines and other publications, a mail-order catalog, and museum shops and food services.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The financial statements present the financial position, financial activity, and cash flows of the Smithsonian on the accrual basis of accounting. Funds received from direct federal appropriations and related transactions are reported as federal funds. All other funds and related transactions are reported as trust funds. Certain amounts for the prior year have been reclassified to conform to the current-year presentation.

The statement of financial activity includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Smithsonian’s financial statements for the year ended September 30, 2004 from which the summarized information was derived.

These financial statements do not include the accounts of the National Gallery of Art, the John F Kennedy Center for the Performing Arts, or the Woodrow Wilson International Center for Scholars, which were established by Congress within the Smithsonian, but are governed by independent boards of trustees.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Federal Funds

Federal appropriations revenues are classified as unrestricted and recognized as exchange transactions as expenditures are incurred. The net assets of federal funds consist primarily of the Smithsonian's net investment in property and equipment purchased with or constructed using federal funds.

The Smithsonian was appropriated \$489.0 for operations and \$126.1 for construction or repair and restoration of facilities in fiscal year 2005. Federal appropriations for operations are generally available for obligation only in the year received. In accordance with Public Law 101-510, these appropriations are maintained by the Smithsonian for five years following the year of appropriation, after which the appropriation account is closed and any unexpended balances are returned to the U.S. Treasury. During fiscal year 2005, the Smithsonian returned \$3.9 to the U.S. Treasury, which represented the unexpended balance of appropriations for operations for fiscal year 2000. Federal appropriations for construction or repair and restoration of facilities are generally available for obligation until expended.

(c) Trust Funds

Net assets, revenues, and gains and losses of trust funds are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of trust funds are classified and reported as follows:

Unrestricted

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

Temporarily Restricted

Net assets subject to donor-imposed stipulations that may be met by actions of the Smithsonian and/or the passage of time. Funds functioning as endowment in this category represent donor-restricted contributions that have been designated by the Board or management for long-term investment.

Permanently Restricted

Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Smithsonian. Generally, the donors of these assets permit the Smithsonian to use all or part of the income earned on investment of the assets for either general or donor-specified purposes.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

Trust fund revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expiration of temporary restrictions on net assets (i.e., the donor stipulation has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

(d) *Cash and Cash Equivalents*

Short-term investments with maturities at date of purchase of three months or less (except those purchased with funds held by external investment managers) and funds held by U.S. Treasury are considered cash equivalents. At September 30, 2005, cash equivalents consisted of short-term investments of \$4.3 and funds held by U.S. Treasury of \$282.3.

(e) *Contributions*

Contributions, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift, except that contributions of items held as part of the Smithsonian's collections are not capitalized. Contributions restricted to the acquisition of long-lived assets are recorded as temporarily restricted revenue in the period received. The donor's restrictions are considered met and the net assets are released from restriction when the related asset is placed in service.

Contributions receivable are reported net of estimated uncollectible amounts determined based on management's judgment and analysis of the creditworthiness of donors, past collection experience, and other relevant factors. Contributions expected to be collected beyond one year are discounted to present value using a risk-free rate for the expected period of collection. Amortization of the discount is recorded as additional contribution revenue.

In-kind contributions of goods and services totaling \$11.2 were received in fiscal year 2005 and recognized as program support revenues and expenses in the statement of financial activity. In-kind contributions include donated space, equipment, and various other items.

A substantial number of volunteers also make significant contributions of time to the Smithsonian, enhancing its activities and programs. In fiscal year 2005, approximately 5,500 volunteers contributed approximately 530,000 hours of service to the Smithsonian. In accordance with applicable guidance, the value of these contributions is not recognized in the financial statements.

(f) *Deferred Revenues and Expenses*

Revenues from subscriptions to *Smithsonian* and *Air and Space/Smithsonian* magazines are deferred and recognized over the period of the subscription, generally one year.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

Promotion production expenses are recognized when related advertising materials are released. Direct-response advertising relating to the magazines is deferred and amortized over one year. At September 30, 2005, prepaid and deferred expenses included \$7.7 of deferred promotion costs, related primarily to *Smithsonian* magazine. Promotion expense totaled \$20.3 in fiscal year 2005 and is included in business activities expenses in the statement of financial activity.

(g) Inventories

Inventories are reported at the lower of cost or market, and consist primarily of merchandise inventory, books, and office supplies. Cost is determined using the first-in, first-out method.

(h) Investments

Investments in marketable equity and debt securities are reported at fair value based on quoted market prices. Fair value of investments in limited partnerships and similar interests are determined and reported by the general partners or investment managers. Changes in fair value are recognized in the statement of financial activity. Purchases and sales of investments are recorded on the trade date. Investment income is recorded when earned. As mandated by Congress, the Smithsonian maintains two U.S. Treasury investments totaling \$1.0 relating in part to the original gift from James Smithson.

The Smithsonian uses the “total return” approach to management of investments of pooled true endowment funds and funds functioning as endowment (referred to collectively as the endowment). Under this approach, the endowment pays out an amount for annual support of operations based upon a number of factors evaluated and approved by the Board; however, if the market value of any endowment fund is less than 110% of its historical value, the payout is limited to the actual interest and dividends allocable to that fund. The difference between the total return (i.e., dividends, interest and net gain or loss) and the payout is reported as nonoperating investment income or loss in the statement of financial activity.

(i) Split Interest Agreements and Perpetual Trusts

Split interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuities. For the charitable remainder trusts, the assets are included in receivables. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the terms of the trusts for changes in the value of the assets, accretion of discounts, and other changes in the estimated future benefits. For the charitable gift annuities, assets are recognized at fair value at the date of the annuity agreements. An annuity liability is recognized for the present value of future cash flows expected to be paid to the donor and contribution revenues are recognized equal to the difference between the assets and the annuity liability. Liabilities are adjusted during the term of the annuities for payments to donors, accretion of discounts and changes in the life expectancies of the donors.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

The Smithsonian is also the beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

(j) *Property and Equipment*

Property and equipment purchased with federal or trust funds are recorded at cost. Property and equipment acquired through transfer from government agencies are recorded at net book value or fair value at the date of transfer, whichever is more readily determinable. Property and equipment acquired through donation are recorded at their estimated fair value at the date of the gift. These assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	30 years
Major renovations	15 years
Equipment and software	3–10 years

Certain lands occupied by the Smithsonian's buildings, primarily located in the District of Columbia, Maryland, and Virginia, were appropriated and reserved by Congress for the Smithsonian's use. The Smithsonian serves as trustee of these lands for as long as they are used to carry out its mission. These lands are titled in the name of the U.S. Government and are not included in the accompanying financial statements.

(k) *Collections*

The Smithsonian acquires its collections, which include works of art, library books, photographic archives, objects and specimens, by purchase (using federal or trust funds) or by donation. All collections are held for public exhibition, education, or research. The Smithsonian's collections management policy includes guidance on the preservation, care, and maintenance of the collections and procedures relating to the accession/deaccession of collection items.

In conformity with the practice generally followed by museums, no value is assigned to the collections in the statement of financial position. Purchases of collection items are recognized as reductions in unrestricted net assets in the period of acquisition. Proceeds from deaccessions or insurance recoveries for lost or destroyed collection items are recognized as increases in the appropriate net asset class and are designated for future collection acquisitions.

Items that are acquired with the intent to sell, exchange, or otherwise be used for financial gain are not considered collection items and are recorded as other assets at their fair value at the date of acquisition.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

(l) *Financial Instruments*

The carrying value of long-term debt obligations in the financial statements is less than their fair value by approximately \$2.2 at September 30, 2005. The fair value of debt is determined based on quoted market prices for publicly traded issues and on the discounted future payments to be made for other issues. The discount rates used approximate current market rates for loans of similar maturities and credit quality. The carrying values of all other financial instruments in the financial statements approximate their fair values.

(m) *Annual Leave*

The Smithsonian's civil service and trust employees earn annual leave in accordance with federal laws and regulations and internal policies, respectively. Annual leave for all employees is recognized as expense when earned. The liability for unused annual leave is included in accounts payable and accrued expenses in the statement of financial position.

(n) *Sponsored Projects*

The Smithsonian receives grants and enters into contracts with the U.S. Government and state and local governments which generally provide for cost reimbursement to the Smithsonian. Revenues under these agreements are recognized as reimbursable expenditures. These revenues include recoveries of facilities and administrative costs that are generally determined as a negotiated or agreed-upon percentage of direct costs, with certain exclusions.

(o) *Advancement*

The Smithsonian raises private financial support from individual donors, corporations, and foundations to fund programs and other initiatives. Financial support is also generated through numerous membership programs. Fundraising costs are expensed as incurred and reported as advancement expenses in the statement of financial activity. Fundraising expenses for fiscal year 2005 were \$18.1.

(p) *Related Organizations*

The Smithsonian recognizes its interest in the net assets of organizations that are financially interrelated and the changes in its interest using a method similar to the equity method of accounting. Principal financially interrelated organizations are The Friends of the National Zoo (FONZ), which raises funds for the benefit of the Smithsonian's National Zoological Park, and the Conservation Research Center Foundation (CRC), which raises funds for the benefit of the Smithsonian's Conservation Research Center.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

(3) Receivables and Advances

Receivables and advances consisted of the following at September 30, 2005:

	<u>Trust</u>	<u>Federal</u>	<u>Total</u>
Trade receivables, net of \$0.6 in allowances	\$ 19.6	—	19.6
Contributions receivable, net	215.0	—	215.0
Grants and contracts	17.8	—	17.8
Accrued interest and dividends	1.0	—	1.0
Advance payments	0.4	1.2	1.6
Charitable trusts	16.5	—	16.5
	<hr/>	<hr/>	<hr/>
Total receivables and advances	\$ 270.3	1.2	271.5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Contributions receivable, net, are summarized as follows at September 30, 2005:

Due within:		
Less than 1 year		\$ 38.2
1 to 5 years		165.3
More than 5 years		36.1
		<hr/>
		239.6
Less:		
Allowance for uncollectible contributions		(1.7)
Discount to present value (at rates ranging from 2.84% to 6.11%)		(22.9)
		<hr/>
Contributions receivable, net		\$ 215.0
		<hr/> <hr/>

At September 30, 2005, gross contributions receivable included approximately \$94.4 due from two donors for construction of facilities.

At September 30, 2005, the Smithsonian had outstanding conditional contributions totaling \$5.7, which will be recognized if and when the specific conditions are met.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

(4) Federal Appropriations

Federal appropriation revenues recognized in fiscal year 2005 are reconciled to the federal appropriations for fiscal year 2005 as follows:

	<u>Salaries and expenses</u>	<u>Repair and restoration and construction</u>	<u>Total</u>
Federal appropriation revenue	\$ 493.1	111.3	604.4
Unexpended 2005 appropriation	50.7	116.1	166.8
Amounts expended from prior years	(50.5)	(101.3)	(151.8)
Other funding	<u>(4.3)</u>	<u>—</u>	<u>(4.3)</u>
Fiscal year 2005 federal appropriations	<u>\$ 489.0</u>	<u>126.1</u>	<u>615.1</u>

Federal expenses recognized in fiscal year 2005 are reconciled to the federal appropriations for fiscal year 2005 as follows:

	<u>Salaries and expenses</u>	<u>Repair and restoration and construction</u>	<u>Total</u>
Federal appropriation expense	\$ 511.4	45.2	556.6
Unexpended 2005 appropriation	50.7	116.1	166.8
Depreciation	(16.7)	(45.2)	(61.9)
Consumption of supplies	(0.1)	—	(0.1)
Loss on disposition of assets	(1.1)	—	(1.1)
Unfunded annual leave and FECA costs	2.4	—	2.4
Amounts expended from prior years	(50.5)	(101.3)	(151.8)
Capital expenditures	(4.8)	111.3	106.5
Collection items purchased	2.0	—	2.0
Other funding	<u>(4.3)</u>	<u>—</u>	<u>(4.3)</u>
Fiscal year 2005 federal appropriations	<u>\$ 489.0</u>	<u>126.1</u>	<u>615.1</u>

Unexpended appropriations for all fiscal years total \$221.5 at September 30, 2005 and consist of \$105.4 in unexpended operating funds and \$116.1 in unexpended construction funds. Unexpended operating funds represent amounts appropriated for Smithsonian operations. Unexpended construction funds represent amounts appropriated for new facilities or renovations.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

(5) Accessions and Deaccessions

For fiscal year 2005, \$5.1 of trust funds and \$2.0 of federal funds were spent to acquire collection items. For fiscal year 2005, sales of collection items were \$3.0 of trust funds. At September 30, 2005, accumulated proceeds and related earnings from deaccessions amounted to \$22.6.

Noncash deaccessions result from the exchange, donation, or destruction of collection items, and occur because objects deteriorate, are outside the scope of a museum's mission, or are duplicative. During fiscal year 2005 the Smithsonian's noncash deaccessions included works of art, animals, historical objects, and natural specimens. Contributed items held for sale, which are included in other assets, were \$3.7 at September 30, 2005.

(6) Investments

Investments consisted of the following at September 30, 2005:

Short-term investments:

Cash equivalents	\$ 9.0
U.S. Government obligations	53.5
	62.5
Total short-term investments	62.5

Endowment and similar investments:

Pooled investments:

Cash equivalents	5.2
U.S. Government and agency obligations	32.4
Corporate bonds and other obligations	166.7
Common and preferred stocks	551.0
Limited partnership and similar interests	30.2
	785.5
Total pooled investments	785.5

Nonpooled investments:

Common and preferred stocks	0.9
Deposits with U.S. Treasury	1.0
	1.9
Total nonpooled investments	1.9
Total endowment and similar investments	787.4

Gift annuity program investments:

Corporate bonds and other obligations	4.2
Common and preferred stocks	10.1
	14.3
Total gift annuity program investments	14.3
Total investments	\$ 864.2

At September 30, 2005, short-term investments include \$1.3 in unexpended proceeds from long-term debt to be used for specific facilities.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

Investments are professionally managed by outside investment organizations, subject to direction and oversight by a committee of the Board. The Board has established investment policies and guidelines that provide for asset allocation and performance objectives, and impose various restrictions and limitations on the managers. These restrictions and limitations are specific to each asset classification and include concentrations of credit risk, credit quality of fixed-income and short-term investments, and limitations on investments in foreign securities.

Investment income consisted of the following for fiscal year 2005:

Dividend and interest income	\$	24.0
Net realized and unrealized gain		73.2
Investment management fees		<u>(1.1)</u>
Investment income	\$	<u><u>96.1</u></u>

Investment income is classified in the statement of financial activity as follows for fiscal year 2005:

Short-term investment income	\$	3.0
Endowment payout		36.1
Nonoperating investment gain		<u>57.0</u>
Investment income	\$	<u><u>96.1</u></u>

(7) Endowment Funds

Substantially all of the investments of the endowment are pooled, with individual funds buying or disposing of units on the basis of the per-unit market value at the beginning of the month in which the transaction takes place. At September 30, 2005, the market value of the pool equated to seven hundred and seventy-one dollars per unit. The market value of the pool's net assets (i.e., pooled investments minus net receivables and payables related to unsettled investment transactions) at September 30, 2005 was \$779.3.

Each fund participating in the investment pool receives an annual payout equal to the number of units owned times the annual payout amount per unit. The payout for fiscal year 2005 was thirty-six dollars and twenty-five cents per unit or 5% of the average per unit market value of the endowment over the prior five years.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

Net asset balances of the endowment consisted of the following at September 30, 2005:

Unrestricted	281.4
Unrestricted – designated	\$ <u>240.0</u>
Total unrestricted	521.4
Temporarily restricted	143.5
Permanently restricted	<u>145.4</u>
Total endowment net assets	\$ <u><u>810.3</u></u>

(8) Property and Equipment

Property and equipment consisted of the following at September 30, 2005:

	<u>Trust</u>	<u>Federal</u>	<u>Total</u>
Land	\$ 21.1	—	21.1
Buildings and capital improvements	558.4	1,427.6	1,986.0
Equipment and software	53.8	92.5	146.3
Leasehold improvements	<u>3.4</u>	<u>—</u>	<u>3.4</u>
	636.7	1,520.1	2,156.8
Accumulated depreciation	<u>(180.4)</u>	<u>(727.3)</u>	<u>(907.7)</u>
Total property and equipment	\$ <u><u>456.3</u></u>	<u><u>792.8</u></u>	<u><u>1,249.1</u></u>

At September 30, 2005, buildings and capital improvements included \$24.0 and \$236.3 of construction in progress within trust and federal funds, respectively. Depreciation expense for fiscal year 2005 totaled \$21.2 in trust funds and \$61.9 in federal funds.

(9) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following at September 30, 2005:

	<u>Trust</u>	<u>Federal</u>	<u>Total</u>
Accounts payable	\$ 19.6	51.2	70.8
Accrued salaries and benefits	31.8	39.9	71.7
Other accrued liabilities	<u>4.6</u>	<u>5.9</u>	<u>10.5</u>
Total accounts payable and accrued expenses	\$ <u><u>56.0</u></u>	<u><u>97.0</u></u>	<u><u>153.0</u></u>

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

(10) Long-Term Debt

The Smithsonian is obligated with respect to the following issues of long-term debt at September 30, 2005:

Note payable, Rockefeller Foundation, 3%, due June 2011	\$	0.5
District of Columbia issues:		
Series 1997 Revenue Bonds, Serial, principal amounts ranging from \$0.9 to \$1.2, interest rates, 4.25% to 4.75%, due February 1, 2006 through 2012		7.6
Series 1997 Revenue Bonds, Term:		
Interest rate 5.00%, due February 1, 2017		7.2
Interest rate 4.75%, due February 1, 2018		1.6
Interest rate 5.00%, due February 1, 2028		21.6
Series 2000 Revenue Bonds, Series A, principal amounts ranging from \$1.0 to \$5.6, interest rates 4.90% to 6.00%, due November 1, 2005 through 2015		22.9
Series 2000 Revenue Bonds, Series B:		
Variable interest rate, due November 1, 2034		64.8
Series 2003 Revenue Bonds, Series A:		
Variable interest rate, due December 1, 2033		52.5
Series 2003 Revenue Bonds, Series B:		
Variable interest rate, due December 1, 2033		25.0
Less unamortized bond discount		(0.5)
Total long-term debt	\$	203.2

The individual debt components are described as follows:

Note Payable, Rockefeller Foundation

This loan provided capital for the pilot program of the Global Sound Network project. Principal payments were to be payable in quarterly installments beginning in June 2005, but payments have been deferred until the program meets certain conditions.

Series 1997 Revenue Bonds

The series 1997 serial and term revenue bonds were issued by the District of Columbia on behalf of the Smithsonian and represent unsecured general obligations of the Smithsonian. Interest is payable semiannually every August 1 and February 1. Principal and interest payments are funded solely by trust funds.

The term bonds maturing on February 1, 2017 and February 1, 2028 are subject to mandatory redemption by sinking fund installments. Installment payments for the term bond maturing February 1, 2017 begin on February 1, 2013 and range from \$1.3 to \$1.6 per year through the maturity date. Installment payments for the term bond maturing February 1, 2028 begin on February 1, 2019 and range from \$1.7 to \$2.7 per year through the maturity date.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

Series 2000 Revenue Bonds

The series 2000 revenue bonds were issued by the District of Columbia on behalf of the Smithsonian and represent unsecured general obligations of the Smithsonian. Proceeds from the bond issue were used to finance, refinance, and reimburse a portion of acquisition and renovation costs of a facility known as the Victor Building. The series B bonds bear interest at a variable interest rate determined in accordance with the Indenture (2.6% at September 30, 2005). Interest is payable semiannually every May 1 and November 1 for the series A bonds and monthly for the series B bonds. Principal and interest payments are funded solely by trust funds.

Series 2003 Revenue Bonds

The series 2003 revenue bonds were issued by the Fairfax County Economic Development Authority (Virginia) on behalf of the Smithsonian. The bonds were issued to finance a portion of the costs of the Steven F. Udvar-Hazy Center, an extension of the National Air and Space Museum, and are due on December 1, 2033, subject to earlier redemption at the option of the Smithsonian. The series A and B bonds are unsecured, and bear interest, payable monthly, at a variable interest rate determined in accordance with the Indenture (2.5% at September 30, 2005). Principal and interest payments are funded solely by trust funds.

Interest on long-term debt for fiscal year 2005 totaled \$6.2.

The annual maturities of long-term debt for the five fiscal years subsequent to fiscal year 2005 and thereafter are as follows: 2006, \$5.9; 2007, \$6.3; 2008, \$2.0; 2009, \$2.2; 2010, \$2.3; and thereafter, \$185.0.

(11) Employee Benefit Plans

The federal employees of the Smithsonian are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). The terms of these plans are defined in federal regulations. Under both systems, the Smithsonian withholds a specified percentage from each federal employee's salary. The Smithsonian also contributes specified percentages of employees' salaries. The Smithsonian's expense for these plans for fiscal year 2005 was \$23.9 million.

The Smithsonian has a separate defined-contribution retirement plan for trust fund employees in which substantially all such employees are eligible to participate. Under the plan, the Smithsonian contributes specified percentages of employees' salaries that are used to purchase individual annuities, the rights to which are immediately vested with the employees. Employees can make voluntary contributions, subject to certain limitations. The Smithsonian's expense for this plan for fiscal year 2005 was \$13.5 million.

In addition to the Smithsonian's retirement plans, the Smithsonian makes available certain health care and life insurance benefits to active and retired trust fund employees. The plan is contributory for retirees and requires payment of premiums and deductibles. Retiree contributions for premiums are established by an insurance carrier based on the average per capita cost of benefit coverage for all participants. At September 30, 2005, the accrued benefit obligation under this plan was \$9.8 million and is included in accounts payable and accrued expenses in the statement of financial position.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

(12) Income Taxes

The Smithsonian is recognized as exempt from income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code. Organizations described in that section are taxable only on their unrelated business income. Periodical advertising sales are the principal source of unrelated business income for the Smithsonian. The provision for income taxes was not material for fiscal year 2005.

(13) Business Activities

A summary of business activities revenues and expenses for fiscal year 2005 is as follows:

	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Smithsonian Business Ventures:			
Magazines	\$ 63.6	53.9	9.7
Museum shops and mail order	77.4	71.9	5.5
Concessions, licensing, and other	37.2	23.8	13.4
	<u>178.2</u>	<u>149.6</u>	<u>28.6</u>
Unit auxiliary activities	<u>29.3</u>	<u>22.9</u>	<u>6.4</u>
Total business activities	\$ <u><u>207.5</u></u>	<u><u>172.5</u></u>	<u><u>35.0</u></u>

(14) Commitments and Contingencies

(a) Leasing Activities

The Smithsonian leases office and warehouse space under long-term operating leases expiring at various dates to 2023. These leases generally provide for rent escalations for increases in property taxes or operating expenses attributable to the leased properties or based on increases in the Consumer Price Index. The Smithsonian has the authority to enter into leases for up to 30 years using federal funds.

SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2005

(Dollars in millions)

Annual minimum lease payments due under operating leases in effect at September 30, 2005 are summarized as follows:

2006	\$	16.2
2007		17.9
2008		18.8
2009		14.6
2010		14.0
Thereafter		125.7
	\$	<u>207.1</u>

Rental expense under operating leases totaled \$20.9 for fiscal year 2005.

(b) Government Grants and Contracts

The Smithsonian receives funding or reimbursement from governmental agencies for various activities that are subject to audit. Audits of these activities have been completed through fiscal year 2004. Management believes that any adjustments that may result from the audit for fiscal year 2005 will not have a significant effect on the Smithsonian's financial position.

(c) Litigation

The Smithsonian is a party to various litigation arising out of the normal conduct of its operations. In the opinion of the Smithsonian's General Counsel, the ultimate resolution of these matters will not have a significant effect on the Smithsonian's financial position or future results of operations.

(15) Subsequent Events

In November 2005, the Smithsonian completed sales of two properties, the Victor Building, located in Washington, DC, and a warehouse facility located in northern Virginia. The sales resulted in recognition of gains of approximately \$61.8 and \$6.2, respectively, in fiscal year 2006. In connection with the sale of the Victor Building, the Smithsonian leased a portion of the building back from the purchaser. The lease has a term of fifteen years and provides for an annual minimum rent of approximately \$4.8.

SMITHSONIAN INSTITUTION

Summary Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

(In thousands)

Federal agency sponsor	Research and development		Total research and development	Other programs	Total	Amounts provided to subrecipients
	Washington, DC (Mall-based) awards	Smithsonian Astrophysical Observatory awards				
United States Postal Service	\$ —	—	—	3,173	3,173	—
National Aeronautics and Space Administration	1,287	85,101	86,388	2,169	88,557	17,273
Department of Defense	293	536	829	—	829	31
Department of the Interior	400	—	400	455	855	—
National Science Foundation	3,797	6,464	10,261	130	10,391	2,500
Department of Health and Human Services	1,547	—	1,547	—	1,547	102
Department of Commerce	1,379	—	1,379	1,397	2,776	30
Department of Agriculture	4	—	4	28	32	—
Environmental Protection Agency	619	—	619	20	639	16
Agency for International Development	101	—	101	—	101	—
Department of Education	114	—	114	188	302	—
Department of Energy	875	2,726	3,601	—	3,601	1,937
Department of Homeland Security	975	—	975	—	975	—
Department of State	4	—	4	—	4	—
Other agencies	61	—	61	—	61	31
Total expenditures of federal awards	\$ 11,456	94,827	106,283	7,560	113,843	21,920

See accompanying independent auditors' report.

SMITHSONIAN INSTITUTION

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

(In thousands)

<u>Federal grantor (pass-through grantor)</u>	<u>Agency or pass-through award number</u>	<u>Total expenses</u>
WASHINGTON, DC MALL-BASED AWARDS		
Research and Development		
National Aeronautics and Space Administration		
	NAG5-10256	\$ 9
	NAG5-10375	3
	NAG5-10390	108
	NAG5-10468	44
	NAG5-11075	36
	NAG5-11198	19
	NAG5-11510	8
	NAG5-12168	25
	NAG5-11642	6
	NAG5-11743	21
	NAG5-11913	12
	NAG5-11997	8
	NAG5-12180	12
	NAG5-12155	31
	NAG5-12746	46
	NCC5-698	128
	NAG5-13300	56
	NAG5-13422	47
	NAG5-13327	11
	NAG5-13464	16
	NNG04GD86G	143
	NNG04G072G	96
	NNG04GD45G	11
	NNG04G165G	30
	NNG04G-J21G	11
	NNG04GK47G	3
	NNG04GN88G	11
	NNG05GJ126	5
	NNG05GD19G	12
	NNG05GJ06G	4
	NNG05G186G	1
State of New York	RF# 1030112-1-27737	14
	NNG05GE56G	12
Jet Propulsion Lab – California Institute of Technology	JPL-1237302 mod 2	123
Jet Propulsion Lab – California Institute of Technology	JPL-1243174/University of Arizona-Y771000	49
University of Arizona	Y771000	16
Jet Propulsion Lab – California Institute of Technology	1249472	35
Carnegie Institution of Washington	DTM3159-03	46
Carnegie Institution of Washington	DTM-3218-18 (C/D)	(7)
Malin Space Science Systems, Inc.	NASW-05-0140	26
		<hr/> 1,287 <hr/>
Department of Defense		
	DACA87-00-H-0006	(4)
	DAMD17-99-2-9024-02	1
	DACA87-01-H-0010	2
	10ACA87.05-H-0004	8
	N00167-02-2-0028	9
	N00014-02-1-0582	78
	HE125420033532579001	173
	NMIPR04860269	9

SMITHSONIAN INSTITUTION
 Detail Schedule of Expenditures of Federal Awards
 Year ended September 30, 2005
 (In thousands)

Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
	W912HZ-04-P-0164	\$ 13
	MIPR4GYLR00336	4
		<u>293</u>
Department of Interior		
	01-FC-40-5590	9
	04ERGR0001	163
	50181-1-J002	1
	98210-G036	14
	98210-3-G639	13
	301814J255	22
	SI# 02080	34
	MT-2210-02-NC-07	1
	H399203001	9
	MT-2255-03-1364	43
	H987040016	38
	J8130-04-0003	2
	04ERS0363	15
	4-2070-00185	3
	CA – H3097020003	9
	P9922020049	10
	H3097020003 Task2	7
	P4190040012	6
	Task # J309720303	1
		<u>400</u>
National Science Foundation		
	DEB 02-074	83
	OPP-9509761	(6)
	DEB-9521773	16
	DEB-9712484	1
	ESI-9730174	(10)
	HRD-9732790	5
	DEB-9978086	5
	BCS-9911104	9
	DEB-9981535	200
	DEB-0072506	62
	DEB-0196222	6
	DEB-0090311	113
	DEB-0089565	37
	EAR-0105543	35
	DEB-0103746	46
	DEB-0108389	3
	DEB-0108248	5
	DEB-0129208	2
	BCS-0137235	(2)
	OCE-0202218	64
	DEB-0137624	97
	OPP-0127037	81
Chesapeake Research Consortium, Inc.	DEB-0235884	183
	BCS-0218511	490
	DBI-020-4082	7
	EAR-0230024	1
	OCE-0317707	5
	DBI-0243512	11
	EAR 0312171	73

SMITHSONIAN INSTITUTION
 Detail Schedule of Expenditures of Federal Awards
 Year ended September 30, 2005
 (In thousands)

Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
	ESI 0303818	\$ 476
	SES-0310157	5
	INT-0405123	20
	DBI-0353759	89
	OPP-0352249	155
	OPP-0352634	32
	DEB-0451345	295
	ARC-0503475	9
	DEB-0453665	100
	DEB-0508754	4
Chesapeake Research Consortium, Inc.	CRC, CA:SI-NSF1098	5
George Washington University	DEB-9712463	(1)
University of Hawaii	Univ of Hawaii, Z534361	97
University of Texas	UTA02-044	126
University of California	S0123693	26
University of Delaware	MCB-0132070	61
Lehigh University	540262-78002	15
American Museum of Natural History	EAR 0228699	5
George Washington University	22585-1019395/2	14
Carnegie Museum of Natural History	DEB-0206520 Subgrant No. 2	28
University of Utah	2207061	25
State of Maryland	0752414-3732, -3734	11
American Association for the Advancement of Science	Letter 11/24/2003	2
University of Wisconsin at Madison	P596971	62
University of Rochester	PO# 412421-001G	51
Chesapeake Research Consortium, Inc.	CA 11.03	118
Columbia University in the City of New York	540833	80
University of Louisiana at Lafayette	02-0285	10
American Museum of Natural History	1-2004	20
University of California	PO 10240118	23
University of Connecticut	4498	5
	DBI-0132303	50
State of California	012465-01	76
	OCE-0351050	45
	EF 0431242	4
	DEB-0210972	5
	DEB-0444590	27
		<hr/> 3,797 <hr/>
Department of Health and Human Services		
	5-K01-RR00135-03	1
	1R01GM63258-01	140
	U50/CCU320544-01	19
	2 R01RR08769-0641	336
	1 K 01 RR17310-01	98
	5U01TW006634-02	736
	5 R24 AT001808-02	170
	5R0 RR020022-20	4
	2210225A	2
	23YS080A	5
	PO 23YS116A	5
	03FR0337	10
	2302101-03	1
Academy of Natural Sciences of Philadelphia	1504-02	8
	NIH-1698-01	12
		<hr/> 1,547 <hr/>

SMITHSONIAN INSTITUTION
 Detail Schedule of Expenditures of Federal Awards
 Year ended September 30, 2005
 (In thousands)

Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
Department of Commerce		
University of Maryland	SA07528009A	\$ 3
Academy of Natural Sciences	NA03NOS4780008	129
Sea Grant College (Maryland)	SA7528063-A	2
Sea Grant College (Maryland)	SA7528061-F	11
University of North Carolina	2003-Ruiz-550133SERC	2
	NA03NMF4570244	80
Sea Grant College (Maryland)	SA7528068-E R/IS-7	89
Sea Grant College (Maryland)	SA7528068-D R/IS-16	98
	NA03NMF4390404	55
Sea Grant College (Maryland)	SA7528051-X	34
Sea Grant College (Maryland)	NA04OAR4170152	124
	NA04NMF4390005	8
	NA04NMF4570418	4
	NA040AR4170145	1
	NA04NMF4570420	2
	NA05OAR4171042	42
	NA05OAR4171107	1
	SC 035-27565A	261
Academy of Natural Sciences	359-SERC	(5)
Academy of Natural Sciences	NA03NOS4780009	19
University of Connecticut	PSA 4500	58
Academy of Natural Sciences	SA75280051-T	5
Academy of Natural Sciences	856-ACAD-Riedel	31
Academy of Natural Sciences	856-ACAD-Riedel	139
	NA160P2793	37
	NA1341-01-W-144	(1)
	NA1341-02-W-1058	1
	VA Inst of Marine Science 538801/3	(1)
	NA04AANRG0100	(18)
	DG133E-03-SE-1069	19
	DG133R04SE1250	17
	SB134104W1471	45
National Fish and Wildlife Foundation	2003-0124-000	87
		1,379
Department of Agriculture		
	01-DG-11120105-001	1
	01-7407-0375	2
	02 DG 1111129067	1
	30-7665	1
	03-PA-11080821-03a	(2)
	03-7100-0109-CA	1
		4
Environmental Protection Agency		
	CR-826817-01-0	7
	RD-83087801-0	248
Chesapeake Research Consortium, Inc	Agreement # 04-3-0001	31
Academy of Natural Sciences	CB-98396501	65
University of Connecticut	PSA 4499	59
	CB-98396501	1
	4B0293NANA	2
Penn State University	2004-SI-EPA-8401	149
	0D-6044-NTNX	10

SMITHSONIAN INSTITUTION
 Detail Schedule of Expenditures of Federal Awards
 Year ended September 30, 2005
 (In thousands)

Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
	OD-6045-NTNX	\$ 1
	OD-6046-NTNX	8
St. Johns River Water Management	SF632RA	38
		<u>619</u>
Agency for International Development		<u>101</u>
	512-G-00-99-00021-00	101
		<u>101</u>
Department of Education		
	S215X010242	23
New York Department of Education	R303A000002	8
	032-B-01	(1)
Yonkers Public Schools	YPS-014-04	2
Creighton School District	PO# 403564	(19)
Creighton School District	PO# 502286	30
New York Institute of Technology	17993 NY Inst. of Tech.	45
	PO# 9001849-000 Sch. Dist. of Charlotte	26
		<u>114</u>
Department of Energy		
	DE-FG0295ER61993	617
	DE-FG0795ID13402	(3)
	DE-FG02-97ER62458	261
		<u>875</u>
Department of Homeland Security		
	DTCG23-99-X-MM1E67	1
	DTCG23-00-X-E00112	(4)
	DTCG23-03-X-MMS001	731
Portland State University	DTCG32-02-C-R00005	81
U.S. Department of Transportation	DTCG32-03-C-R00016	73
	HSCG32-04-C-R00006	93
		<u>975</u>
Department of State		
	SAQMPDO04M2025	4
		<u>4</u>
Other Agencies		
	2614	2
	National Endowment for Humanities/ Montgomery Community College P.O. 20365035	(5)
	03-M-092	3
	038-1B-05	46
	G005	15
		<u>61</u>
	Total Research and Development	<u>11,456</u>

SMITHSONIAN INSTITUTION
 Detail Schedule of Expenditures of Federal Awards
 Year ended September 30, 2005
 (In thousands)

<u>Federal grantor (pass-through grantor)</u>	<u>Agency or pass-through award number</u>	<u>Total expenses</u>
Other Programs		
United States Postal Service		
	FY02 Funding for NPM	\$ (4)
	FY03 Funding for NPM	(1)
	FY04 Funding for NPM	256
	FY05 Funding for NPM	2,922
		<u>3,173</u>
National Aeronautics and Space Administration		
	NAG5-9058	(1)
	NAG5-10081	9
	NCC 9-152	2,063
Rice University	R52173-42900004	89
	Order No.W24710	9
		<u>2,169</u>
Department of Interior		
	98210-1J098	5
	MT-2255-9-001	389
	MT-255-02-005	18
	NAP040057	43
		<u>455</u>
National Science Foundation		
	AST-0083463	50
	ESI-0125417	80
		<u>130</u>
Department of Commerce		
	NA04OAR4600060	1,440
	NA03AANRG0162	(43)
		<u>1,397</u>
Department of Agriculture		
	A-3A75-2-52	28
		<u>28</u>
Environmental Protection Agency		
	X4-83127301-0	20
	3W-3759-NNNX	3
	X-83049001	(3)
		<u>20</u>
Department of Education		
Miami Museum of Science	R215K000033	48
	P342A990032-00	6
	R215K010175	134
		<u>188</u>
	Total other programs	<u>7,560</u>
	Total Washington, DC Mall-based awards	<u>19,016</u>

SMITHSONIAN INSTITUTION
 Detail Schedule of Expenditures of Federal Awards
 Year ended September 30, 2005
 (In thousands)

Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
SMITHSONIAN ASTROPHYSICAL OBSERVATORY AWARDS		
Research and Development		
National Aeronautics and Space Administration		
	NCC2-1350	\$ 5
	NCC2-1390	299
	NCC5-261	4
	NAG5-7405	(2)
	NCC5-368	67
	NAG5-8420	(3)
	NAG5-8847	46
	NAG5-9105	60
	NAG5-9217	198
	NAG5-9206	8
	NAG5-9322	87
	NAG5-9281	63
	NAG5-9361	256
	NAG5-5269	269
	NAG5-9363	47
	NAG5-9516	3
	NAG5-9520	9
	NAG5-9670	38
	NAG5-9819	(1)
	NAG5-9985	11
	NAG5-9914	8
	NAG5-9978	2
	NAG5-10029	23
	NCC5-528	923
	NAG5-10311	30
	NAG5-10365	3
	NAG5-10545	41
	NAG5-10630	(5)
	NAG5-10659	39
	NAG5-10705	54
	NAG5-10777	67
	NAG5-10854	8
	NAG5-10889	56
	NAG5-10864	(1)
	NAG5-10872	5
	NAG5-10873	2
	NAG5-10996	139
	NCC5-568	60
	NAG5-11093	15
	NAG5-11321	10
	NAG5-11455	9
	NAG5-11520	18
	NAG5-11420	2
	NAG5-11627	99
	NAG5-11777	3
	NAG5-11784	25
	NAG5-11857	66
	NAG5-11913	50
	NAG5-11893	142
	NAG5-5354	91
	NAG5-5362	136
	NAG5-12295	29

SMITHSONIAN INSTITUTION
 Detail Schedule of Expenditures of Federal Awards
 Year ended September 30, 2005
 (In thousands)

Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
	NAG5-12386	\$ 18
	NAG5-12420	2
	NAG5-12446	8
	NAG5-12478	12
	NAG5-12571	15
	NAG5-12612	(2)
	NAG5-12751	97
	NAG5-12668	38
	NAG5-12781	25
	NAG5-12814	49
	NAG5-12827	12
	NAG5-12863	8
	NAG5-12931	17
	NAG5-12932	29
	NCC5-706	1,725
	NAG5-13003	20
	NAG5-13056	173
	NAG5-13041	61
	NAG5-13050	78
	NAG5-13045	64
	NAG5-13161	43
	NAG5-13197	(1)
	NAG5-13267	(1)
	NAG5-13276	(1)
	NAG5-13226	28
	NCC5-716	660
	NAG5-13250	34
	NAG5-13210	62
	NAG5-13287	106
	NAG5-13331	65
	NAG5-13355	4
	NAG5-13278	47
	NAG5-13281	(5)
	NAG5-13501	39
	NAG5-13394	8
	NAG5-13395	40
	NAG5-13547	14
	NAG5-13545	7
	NAG5-13581	7
	NAG5-13674	8
	NAG5-13692	3
	NAG5-13741	7
	NAG5-13748	44
	NAG5-13534	303
	NNG04GA99G	9
	NNG04GC60G	2
	NNG04GC57G	141
	NNG04GC63G	13
	NNG04GD27G	18
	NNG04GD22G	13
	NNG04GD14G	5
	NNG04GD49G	37
	NNG04GD57G	72
	NNG04GD83G	29
	NNG04GE15G	219
	NNG04GE57G	20

SMITHSONIAN INSTITUTION
 Detail Schedule of Expenditures of Federal Awards
 Year ended September 30, 2005
 (In thousands)

Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
	NNG04GE84G	\$ 1,339
	NNG04GF19G	35
	NNG04GF98G	3
	NNG04GF97G	44
	NNG04GE77G	137
	NNG04GF09G	20
	NNG04GF80G	3
	NNG04GG30G	5
	NNG04GG28G	4
	NNG04GG65G	33
	NNG04GG80G	10
	NNG04GG97G	4
	NNG04GH15G	8
	NNG04GG96G	16
	NNG04GG74G	30
	NNG04GH89G	7
	NNG04GH26G	10
	NNG04GI02G	(4)
	NNG04GF20G	(1)
	NNG04GJ28G	213
	NNG04GI75G	30
	NNG04GK72G	12
	NNG04GK71G	11
	NNG04GK28G	92
	NNG04GL05G	2
	NNG04GL12G	6
	NNG04GL54G	32
	NNG04GL89G	47
	NNG04GK64G	36
	NNG04GL69G	121
	NNG04GM92G	43
	NNG04GM96G	8
	NNG04GM97G	10
	NNG04GM85G	7
	NNG04GL97G	35
	NNG04GM86G	2
	NNG04GM84G	7
	NNG04GM87G	25
	NNG04GN74G	208
	NNG04GN17G	3
	NNG04G014G	4
	NNG04GO86G	1
	NNG04GP22G	30
	NNG04GP48G	6
	NNG04GP44A	707
	NNG04GP58G	27
	NNG04GQ39G	64
	NNG04GQ21G	15
	NNG05GA38G	13
	NNG05GA55G	5
	NNG05GB31G	12
	NNG05GB47G	4
	NNG05GC01G	16
	NNG05GD52G	2
	NNG05GD27G	5
	NNG05GD58G	19

SMITHSONIAN INSTITUTION

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

(In thousands)

Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
	NNG05GD77G	\$ 8
	NNG05GE16G	12
	NNG05GE09G	3
	NNG05GF11G	48
	NNG05GH83G	18
	NNG04GH00G	110
	NNG05WC15G	19
	NNG05GI66G	16
	NNG05GI54G	44
	NNG05GI81G	2
	NNG05WC27G	55
	NNG05GK32G	1
	NNG05GG38G	610
	NNG05GK78G	6
	NNG05GK80G	14
	NNG05GN43G	5
	NNG05GN25G	6
	NAG9-1166	20
	NAG9-1489	100
	NAG8-1605	(3)
	NAG3-2878	23
	NAG3-2881	267
	NAG3-1933	96
	NNC04GBG03	92
	NAS5-30702	530
	NAS5-00172	157
	NAS5-01113	187
	NAS1-02079	63
	NAS8-39073	3,651
	NAS8-01003	3,319
	NAS8-01130	28
	NAS8-03060	49,428
Stanford University	PR 6750	745
Jet Propulsion Laboratory	960541	1
Massachusetts Institute of Technology	5710001241	3
Jet Propulsion Laboratory	1233601	2
Jet Propulsion Laboratory	1236045	29
Jet Propulsion Laboratory	1237162	31
Museum of Science Boston	232.1.02	109
Jet Propulsion Laboratory	1240091	139
University of Texas	UTA02-370	163
California Institute of Technology	1046805	126
Jet Propulsion Laboratory	1243936	6
Jet Propulsion Laboratory	1242314	53
Jet Propulsion Laboratory	1249196	23
Lockheed Martin Missiles and Space	SP02A3901R	61
Jet Propulsion Laboratory, Georgia State University	BLF57-04,SAO	49
Princeton University	00000748	5
California Institute of Technology	32-1062296	710
Lockheed Martin Missiles and Space	SP02D4301R	796
Jet Propulsion Laboratory	1256790	1,600
Jet Propulsion Laboratory	1256791	73
Jet Propulsion Laboratory	1257242	3
Jet Propulsion Laboratory	1259554	442
Jet Propulsion Laboratory	1260769	8
Stevens Institute of Technology	527006-01/P099414	(2)

SMITHSONIAN INSTITUTION

Detail Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

(In thousands)

Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
Jet Propulsion Laboratory	1260535	\$ 138
	P975961	15
Jet Propulsion Laboratory	1260987	106
Jet Propulsion Laboratory	1262605	12
Orbital Technology Services	OTC-GS-0151-2	26
Lockheed Martin Missiles and Space	SP02H1701R	6,089
	1265774	1
	1265772	14
	1265775	10
	1265776	8
	1265779	11
	1265773	3
	1265586	22
	1265590	1
	1265584	3
	1265578	3
	1265582	12
	1265583	2
	527049-01	17
	1263753	12
	1265333	2
	SP02H8201R	236
	1267105	11
	1267110	11
	1267875	8
	1267873	24
	1270064	7
	5002981-00	8
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO0-1069X	(3)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO1-2092A	(5)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO1-2082X	(2)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO1-2083X	(1)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3103X	1
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3092A	51
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3018X	19
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3165X	3
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3148A	5
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3101X	21
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3135X	18
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3150X	(1)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3164X	23
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3179A	2
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3019A	14
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3172X	(6)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3102X	(2)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3080A	(2)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3127X	(1)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3171X	(6)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3128X	(2)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3032X	5
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3177X	(3)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3020X	1
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3166X	12
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3021X	(2)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	1M3-4006A	4
Smithsonian Astrophysical Observatory Chandra Sub-Grant	AR3-4007A	2

SMITHSONIAN INSTITUTION

Detail Schedule of Expenditures of Federal Awards

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(In thousands)

Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4133X	\$ 37
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4124A	10
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4043X	4
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4170X	21
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4067X	(3)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4022X	30
Smithsonian Astrophysical Observatory Chandra Sub-Grant	AR3-4018X	6
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4035X	4
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4175X	16
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4138A	8
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4009B	1
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4161X	18
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-3111X	9
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4008C	9
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4069A	2
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4100X	7
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO2-3184X	7
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4152X	28
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4131X	8
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4176A	58
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4062A	23
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4042B	6
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4132X	3
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4120X	47
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4074X	24
Smithsonian Astrophysical Observatory Chandra Sub-Grant	PF3-40027	16
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4003X	(12)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4049X	3
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4119X	12
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4163X	3
Smithsonian Astrophysical Observatory Chandra Sub-Grant	DD3-4024X	17
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4109X	6
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4107X	54
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4181X	17
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5131X	4
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5099X	1
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5024A	4
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5147X	36
Smithsonian Astrophysical Observatory Chandra Sub-Grant	TM4-5004X	43
Smithsonian Astrophysical Observatory Chandra Sub-Grant	AR4-5017X	112
Smithsonian Astrophysical Observatory Chandra Sub-Grant	AR4-5016X	8
Smithsonian Astrophysical Observatory Chandra Sub-Grant	AR4-5001X	23
Smithsonian Astrophysical Observatory Chandra Sub-Grant	AR4-5002X	41
Smithsonian Astrophysical Observatory Chandra Sub-Grant	AR4-5012X	6
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4172X	42
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5138X	(8)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5154X	26
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5158X	41
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5140X	3
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5030A	7
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5127X	12
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5126X	19
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5098X	27
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5136X	1
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5146B	11

SMITHSONIAN INSTITUTION

Detail Schedule of Expenditures of Federal Awards

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(In thousands)

Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5027X	\$ 56
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5017X	(5)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5059X	8
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5077X	1
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5159X	91
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5130B	(5)
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5155X	21
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5109X	43
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5101X	9
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5100X	11
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5047X	17
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5168X	23
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5071X	2
Smithsonian Astrophysical Observatory Chandra Sub-Grant	PF4-50034	74
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5033X	22
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5011X	40
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5092X	34
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5152X	82
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5043X	4
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5122X	29
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5013X	23
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5068X	25
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5026B	14
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5051X	4
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-6098A	3
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-6110X	8
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-6118X	5
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-6120A	11
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-6007A	3
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-5034X	30
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO4-6088A	11
Smithsonian Astrophysical Observatory Chandra Sub-Grant	TM5-6002X	5
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6055X	15
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6124X	12
Smithsonian Astrophysical Observatory Chandra Sub-Grant	TM5-6005X	2
Smithsonian Astrophysical Observatory Chandra Sub-Grant	AR5-6002A	4
Smithsonian Astrophysical Observatory Chandra Sub-Grant	AR5-6012X	12
Smithsonian Astrophysical Observatory Chandra Sub-Grant	AR5-6011X	10
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6130A	15
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6102X	19
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6097X	4
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6028X	7
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6019A	56
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO3-4115B	8
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6083X	2
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6018X	5
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6031X	4
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6027X	3
Smithsonian Astrophysical Observatory Chandra Sub-Grant	GO5-6140X	23
Space Telescope Science Institute	GO-08713.01-A	9
Space Telescope Science Institute	GO-09146.01-A	13
Space Telescope Science Institute	GO-09173.03-A	18
Space Telescope Science Institute	GO-09047.01-A	1
Space Telescope Science Institute	GO-09161.05-A	5
Space Telescope Science Institute	GO-09055.02-A	6
Space Telescope Science Institute	GO-09280.01-A	11

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Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
Space Telescope Science Institute	GO-09282.01-A	\$ 2
Space Telescope Science Institute	GO-09105.02-A	6
Space Telescope Science Institute	AR-09524.01-A	18
Space Telescope Science Institute	HF-01155.01-A	(4)
Space Telescope Science Institute	GO-09363.01-A	2
Space Telescope Science Institute	GO-09464.01-A	9
Space Telescope Science Institute	GO2-09684.01-A	1
Space Telescope Science Institute	GO-09380.01-A	8
Space Telescope Science Institute	GO-09510.03-A	4
Space Telescope Science Institute	GO-09447.03-A	4
Space Telescope Science Institute	GO-09896.03-A	15
Space Telescope Science Institute	AR-09909.02-A	6
Space Telescope Science Institute	AR-09955.02-A	4
Space Telescope Science Institute	GO-09730.04-A	2
Space Telescope Science Institute	GO-09805.02-A	3
Space Telescope Science Institute	GO-09729.08-A	10
Space Telescope Science Institute	GO-09810.01-A	40
Space Telescope Science Institute	GO-09867.01-A	3
Space Telescope Science Institute	GO-09852.01-A	17
Space Telescope Science Institute	GO-09744.03-A	13
Space Telescope Science Institute	GO-09796.01-A	10
Space Telescope Science Institute	AR-09547.05-A	22
Space Telescope Science Institute	GO-09785.01-A	12
Space Telescope Science Institute	GO-09280.03-A	4
Space Telescope Science Institute	GO-10260.01-A	3
Space Telescope Science Institute	HF-01170.01-A	53
Space Telescope Science Institute	GO-10212.01-A	5
Space Telescope Science Institute	GO-10138.01-A	22
Space Telescope Science Institute	GO-10007.01-A	9
Space Telescope Science Institute	GO-10006.01-A	25
Space Telescope Science Institute	GO-10250.01-A	13
Space Telescope Science Institute	GO-10200.01-A	2
Space Telescope Science Institute	GO-10351.08-A	2
Space Telescope Science Institute	AR-10661.01-A	19
Space Telescope Science Institute	AR-10669.01-A	5
		<hr/>
		85,101
National Science Foundation		
	ESI-9909705	50
	AST-9987367	51
	EAR-0125518	71
	EAR-0125517	70
	PHY-0140320	478
	OPP-0126090	508
	AST-0123444	17
	ATM-0222531	7
	ATM-0207641	2
	DUE-0226354	186
	AST-0243915	148
	ATM-0318390	45
	AST-0234268	2,856
	CHE-0353693	104
	AST-0406183	76
	ATM-0335184	1
	AST-0456581	13
	AST-0507637	10

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Detail Schedule of Expenditures of Federal Awards
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Federal grantor (pass-through grantor)	Agency or pass-through award number	Total expenses
	ANT-0441756	\$ 47
	GSSP04-0005	2
	GSSP004-0011	22
University of Massachusetts	M262673 S105/22	(3)
	HSUB-0113844	(5)
Johns Hopkins University	8203-53654	195
University of Massachusetts	0001015849, M522761	122
The University of Chicago	23132-D	173
National Optical Astronomy Observatories; the Association of Universities for Research in Astronomy	C10410T	1,049
UNAVCO, Inc.	EAR 0318549-03	83
	5710001760	46
	44B-1074141	33
	108008-02	5
	44E-1078519	2
		<u>6,464</u>
Department of Defense		
	N00014-04-1-0006	1
	N00014-04-1-0546	346
	F19628-02-C-0085	3
Harvard University	PHY050103	89
Mount Wilson Institute	MWL Dated 05/30	97
		<u>536</u>
Department of Energy		
	DE-FG02-91ER406	2,446
California Institute of Technology	PC280658	(1)
	13B38185/UNR-03-63	(2)
California Institute of Technology	65W-1066268	283
		<u>2,726</u>
	Total Smithsonian Astrophysical Observatory Awards research and development program	<u>94,827</u>
	Total Federal Awards	<u>\$ 113,843</u>

SMITHSONIAN INSTITUTION

Notes to Schedules of Expenditures of Federal Awards

Year ended September 30, 2005

(1) Background

Basis of Presentation and Description of Major Program

The accompanying schedules of expenditures of federal awards were prepared in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The purpose of these schedules is to present information relating to expenditures of the Smithsonian Institution (Smithsonian) under programs of the federal government for the year ended September 30, 2005. The summary schedule on page 21 presents total expenditures by both federal agency and principal Smithsonian research location. The schedule from pages 22-36 provides more-detailed award information supporting the summary schedule.

The Smithsonian's federal awards are received either directly from the federal government or indirectly through "pass-through" organizations. Most awards received by the Smithsonian are classified within the cluster of "research and development" in the accompanying schedules of expenditures of federal awards.

The schedules do not include expenditures funded by the Smithsonian's federal appropriation, which is subject to separate compliance requirements.

(2) Summary of Significant Accounting Policies for Federal Award Expenditures

(a) *Basis of Accounting*

The accompanying schedules of expenditures of federal awards were prepared using the accrual method of accounting. Expenses are recognized as incurred using the cost accounting principles contained in the OMB Circular A-122, *Costs Principles for Non-Profit Organizations*, and *Cost Accounting Standards*. Under those cost principles, certain types of expenses are not allowable or are limited as to reimbursement.

Expenditures include facilities and administrative (F&A) costs, relating primarily to facilities operation and maintenance and general and administrative services, which are allocated to direct cost objectives (including federal awards) based on negotiated percentages of direct expenditures, with certain exclusions. F&A costs allocated to such awards for the year ended September 30, 2005 were based on rates negotiated with the cognizant federal agency, the National Aeronautics and Space Administration.

(3) CFDA Numbers

Catalog of Federal Domestic Assistance (CFDA) numbers for awards included in the schedules, if applicable, are available at the federal agency level in the accounting records of the Smithsonian. Additional detail is available upon request from the Smithsonian.



KPMG LLP
2001 M Street, NW
Washington, DC 20036

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Regents
Smithsonian Institution:

We have audited the financial statements of the Smithsonian Institution (Smithsonian) as of and for the year ended September 30, 2005, and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Smithsonian's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting and its operation that we have reported to management of the Smithsonian in a separate letter dated December 21, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Smithsonian's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of the Board of Regents, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 21, 2005



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Regents
Smithsonian Institution:

Compliance

We have audited the compliance of the Smithsonian Institution (Smithsonian) with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2005, except those requirements discussed in the third following paragraph. The Smithsonian's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the Smithsonian's management. Our responsibility is to express an opinion on the Smithsonian's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Smithsonian's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Smithsonian's compliance with those requirements.

In our opinion, the Smithsonian complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2005, other than those requirements discussed in the following paragraph which were excluded from the scope of our audit. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2005-01 and 2005-02.

We did not audit the Smithsonian's compliance with requirements applicable to Smithsonian Astrophysical Observatory (SAO) federal awards, except for direct and material requirements related to Cash Management; Davis-Bacon Act; Matching, Level of Effort, and Earmarking; Program Income; Real Property Acquisition and Relocation Assistance; and Reporting. We also did not audit compliance with requirements relating to facilities and administrative and fringe benefit costs allocated to Washington, DC (Mall-based) federal awards. During the year ended September 30, 2005, SAO's federal awards were approximately \$94.8 million and facilities and administrative and fringe benefit costs allocated to Washington, DC (Mall-based) federal awards were approximately \$4.3 million. Since we did not apply



auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. The Smithsonian's compliance with those requirements was audited by other auditors whose report included qualifications for a scope limitation related to testing of certain subcontractor locations that was unable to be completed.

Internal Control over Compliance

The management of the Smithsonian is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Smithsonian's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Internal control over compliance with requirements related to SAO federal awards, except for direct and material requirements related to Cash Management; Davis-Bacon Act; Matching, Level of Effort, Earmarking; Program Income; Real Property Acquisition and Relocation Assistance; and Reporting, was reported on by other auditors. Internal control over compliance with requirements relating to facilities and administrative and fringe benefit costs allocated to Washington, DC (Mall-based) federal awards was also reported on by other auditors.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely effect the Smithsonian's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1 and 2005-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Regents, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 2, 2006

SMITHSONIAN INSTITUTION

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

I. Summary of Auditors' Results:

Financial Statements

The type of report issued on the financial statements: Unqualified opinion

Internal control over financial reporting:

- Material weaknesses identified: No
- Reportable conditions identified that are not considered to be material weaknesses: None reported

Noncompliance which is material to the financial statements: No

Federal Awards

Internal control over major program:

- Material weaknesses identified: No
- Reportable conditions identified that are not considered to be material weaknesses: Yes

The type of report issued on compliance for major program: Unqualified opinion

Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: Yes

Major programs: Research and Development
United States Postal Service

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: No

II. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: None

SMITHSONIAN INSTITUTION

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

III. Findings and Questioned Costs Relating to Federal Awards:

Finding 2005-01: Allowable Costs – *Fringe Benefits*

Program: Research and Development Washington, D.C. Mall-Based Awards Programs as follows:

- | | |
|---|---|
| 43.RD National Aeronautics and Space Administration | 12.RD Department of Defense |
| 15.RD Department of the Interior | 47.RD National Science Foundation |
| 99.RD Other Agencies | 06.RD National Endowment for the Humanities |
| 19.RD Department of State | 98.RD U.S. Agency for International Development |
| 84.RD Department of Education | 81.RD Department of Energy |
| 97.RD Department of Homeland Security | 93.RD Department of Health and Human Services |
| 11.RD Department of Commerce | 10.RD Department of Agriculture |
| 66.RD Environmental Protection Agency | |

Criteria

Per Attachment B of OMB Circular A-122, § ____ .8.g.2, fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are allowable, provided such costs are absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each.

Condition

Other than the individuals at the Smithsonian Astrophysical Observatory (SAO), the cost of paid leave is charged directly to the project that employees are working on at the time the leave is taken. In our sample of 25 employees, we noted two individuals who charged time to more than one federally funded project during the year. As a result of our testwork, an analysis was performed by Smithsonian for all individuals who have charged time to more than one project during each pay period. However, no analysis had been performed to determine if the annual leave of individuals who charged only one project during each pay period, but worked on more than one federally funded project during the year, was charged proportionately for federal grants based on actual effort for the year.

Questioned Costs

As a result of the analysis, known questioned costs are \$2,028, the amount of annual leave as well as related overhead charged to the grant related to two individuals. Total payroll salaries tested within the sample is \$49,963 (not including the payroll salaries tested related to the two individuals above). Total payroll salaries expense for the fiscal year 2005 for the research and development major program other than at SAO is \$3.2 million (not including the payroll salaries expense related to individuals that was included in the analysis). Because questioned costs for the two individuals are \$2,082, it is likely that total questioned costs would be greater than \$10,000 when extrapolated to the entire population.

Effect

Benefit costs were not allocated to federal awards as specified by OMB Circular A-122 for those individuals working on more than one project.

SMITHSONIAN INSTITUTION

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

Recommendation

We recommend the Smithsonian change its procedures for employees who expend time on more than one project, to ensure that costs related to leave are absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each.

Views of Responsible Officials

The recommendation is a repeat of finding No. 04-04 in the prior year report. At that time, the Smithsonian did not agree that its Mall-based leave accounting practice required change but expressed its willingness to periodically review its matrix of labor charge options to identify changed circumstances. Two calendar year 2005 reviews by the Office of Sponsored Project concluded that there had been no material change. The Smithsonian performed additional actions to demonstrate that any potential error would not be significant. The Smithsonian will continue to periodically assess the potential impact. No further action is required at this time.

Finding 2005-02: Allowable Costs – Direct Costs Other than Payroll

Program: 22. United States Postal Service (fiscal year 2005 funding for the National Postal Museum) (USPS)

Criteria

Per Attachment A of OMB Circular A-122, § ____A.2.g, all costs must be adequately documented.

Condition

During our review of 15 nonpayroll-related direct costs charged to the program, we noted one cost related to a \$75,000 payment made to the Smithsonian Office of Protection Services (OPS). This payment was made to reimburse OPS for security labor costs incurred by the museum during the year, which were initially paid with federal appropriations. The \$75,000 charge was determined using a budgeted amount, which was included in the June 2005 revised operating budget that was approved by the National Postal Museum Coordinating Committee. However, SI could not provide supporting documentation to substantiate the amount of the payment at the time the cost was charged to the program.

Questioned Costs

There are no questioned costs associated with this finding as the Smithsonian was able to provide evidence during the audit that OPS had incurred security labor costs in excess of \$75,000.

Effect

Documentation supporting the composition of the amount at the time the cost was charged to the program was not available. We were, however, provided other records that indicated that the amount of the security labor costs in fiscal year 2005 exceeded the \$75,000 payment.

SMITHSONIAN INSTITUTION

Schedule of Findings and Questioned Costs

Year ended September 30, 2005

Recommendation

We recommend the Smithsonian enhance their procedures over disbursements to ensure that all costs charged to the program are adequately documented prior to being charged to federal awards, including documenting the basis for future amounts reimbursed to OPS for security labor costs.

Views of Responsible Officials

The Smithsonian concurs and will implement the recommendation.