



Chapter 2

Financials



National Science Foundation • Office of Inspector General
2415 Eisenhower Avenue, Alexandria, Virginia 22314

MEMORANDUM

DATE: November 14, 2022

TO: Dr. Dan Reed
Chair
National Science Board

Dr. Sethuraman Panchanathan
Director
National Science Foundation

FROM: Allison C. Lerner *Allison C. Lerner*
Inspector General
National Science Foundation

SUBJECT: Audit Report No. 23-2-002, Audit of the National Science Foundation's Fiscal Years 2022 and 2021 Financial Statements

This memorandum transmits the Kearney & Company, P.C.'s reports on its financial statement audit of the National Science Foundation (NSF) for FY 2022, which include FY 2021 comparative information.

Audit Reports on Financial Statements; Internal Control over Financial Reporting; and Compliance with Laws, Regulations, Contracts, and Grant Agreements

The *Chief Financial Officers Act of 1990* (CFO Act, Pub. L. No. 101-576), as amended, requires that NSF's Inspector General or an independent external auditor, as determined by the Inspector General, audit NSF's financial statements in accordance with *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. We contracted with the independent certified public accounting firm Kearney & Company, P.C. (Kearney) to audit NSF's financial statements as of September 30, 2020, and for the fiscal year then ended. The contract requires that the audit be performed in accordance with GAS; Office of Management and Budget Bulletin 22-01, *Audit Requirements for Federal Financial Statements*; and the U.S. Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency *Financial Audit Manual*.

For FY 2022, Kearney provided: (1) its opinion on the financial statements, (2) a report on internal control over financial reporting, and (3) a report on compliance with laws, regulations, contracts, and grant agreements. In its audit of NSF, Kearney:

- Found that the financial statements referred to above present fairly, in all material respects, the financial position of NSF as of September 30, 2022 and 2021, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.
- Identified no material weaknesses in internal control over financial reporting.¹
- Identified no instances in which NSF's financial management systems did not substantially comply with the *Federal Financial Management Improvement Act of 1996* (FFMIA, Pub. L. No. 104-208).
- Identified no reportable instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements tested or other matters.

NSF's response to the draft reports, dated November 14, 2022, follows Kearney's reports.

Kearney is responsible for the attached auditor's reports dated November 14, 2022, and the conclusions expressed therein. We do not express opinions on NSF's financial statements or internal control over financial reporting or on whether NSF's financial management systems substantially complied with the requirements of FFMIA, or conclusions on compliance and other matters.

Kearney's Independent Auditor's Report is meant only to be distributed and read as part of the Agency Financial Report (AFR).

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact Mark Bell, Assistant Inspector General, Office of Audits, at 703.292.7100 or OIGpublicaffairs@nsf.gov.

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

INDEPENDENT AUDITOR'S REPORT

To the Director and Inspector General of the National Science Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Science Foundation (NSF), which comprise the Balance Sheets as of September 30, 2022 and 2021, the related Statements of Net Cost and Changes in Net Position, and the combined Statements of Budgetary Resources (hereinafter referred to as the “financial statements”) for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the NSF as of September 30, 2022 and 2021 and its net cost of operations, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the NSF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for: 1) the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 2) the preparation, measurement, and presentation of Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles; 3) the preparation and presentation of Other Information included in the NSF's Agency Financial Report (AFR), as well as ensuring the consistency of that information with the audited financial statements and the RSI; and 4) the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NSF's ability to continue as a going concern for 12 months beyond the financial statement date.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NSF's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the NSF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Deferred Maintenance and Repairs, and Combining Statement of Budgetary Resources by Major Budget Accounts (hereinafter referred to as the RSI) be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by OMB and the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing it for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the Other Information included in the AFR. The Other Information comprises the Summary of Financial Statement Audit and Management Assurances, Management Challenges, Payment Integrity Reporting, Fraud Reduction Report, Undisbursed Balances in Expired Grants Accounts, Grant Oversight and New Efficiency Act Requirements, Reduce the Footprint, Awards to Affiliated Institutions, Awards to Assistant Director Intergovernmental Personnel Act's Home Institutions, and Patents and Inventions Resulting from NSF Support, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the Other Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the Other Information and the financial statements or the Other Information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the Other Information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01, we have also issued reports, dated November 14, 2022, on our consideration of the NSF's internal control over financial reporting and on our tests of the NSF's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters for the year ended September 30, 2022. The purpose of those reports 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 internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 and should be considered in assessing the results of our audits.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia
November 14, 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Director and Inspector General of the National Science Foundation

We have audited, 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 Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, the financial statements of the National Science Foundation (NSF) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the NSF's basis financial statements, and we have issued our report thereon dated November 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the NSF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NSF's internal control. Accordingly, we do not express an opinion on the effectiveness of the NSF's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 22-01. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain additional matters involving internal control over financial reporting that we will report to the NSF's management in a separate letter.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the NSF's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia
November 14, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS,
REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS**

To the Director and Inspector General of National Science Foundation

We have audited, 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 Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, the financial statements of the National Science Foundation (NSF) as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the NSF's basic financial statements, and we have issued our report thereon dated November 14, 2022.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NSF's financial statements are free from 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 the financial statement, and provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the NSF. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 22-01.

The results of our tests of compliance with FFMIA disclosed no instances in which the NSF's financial management systems did not comply substantially with the Federal financial management system's requirements, applicable Federal accounting standards, or application of the United States Standard General Ledger at the transaction level.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia
November 14, 2022

**Attachment I –
National Science Foundation’s
Management Response**



OFFICE OF BUDGET, FINANCE & AWARD MANAGEMENT

MEMORANDUM

Date: November 14, 2022

To: Allison Lerner, Inspector General

From: Janis Coughlin-Piester, Chief Financial Officer *Janis Coughlin-Piester*

Subject: Management's Response to Independent Auditor's Report for Fiscal Year (FY) 2022

I am pleased that the Independent Public Auditor's Report on the FY 2022 financial statements resulted in an unmodified opinion. This is a significant accomplishment that highlights the adaptability of NSF's staff in successfully navigating the challenges of the pandemic recovery while prioritizing the highest standards of financial stewardship. I have also been impressed with the innovation and professionalism that your staff and Kearney & Company (Kearney) demonstrated during the audit.

We look forward to collaborating with the Office of Inspector General and Kearney in future audits. If you have any questions or require additional information, please contact Mike Wetklow, Deputy Chief Financial Officer and Division Director for Financial Management at mwetklow@nsf.gov.



National Science Foundation

FINANCIAL STATEMENTS

As of and for the Fiscal Years ended
September 30, 2022 and 2021

Financial Statements
September 30, 2022 and 2021

National Science Foundation
Balance Sheet
As of September 30, 2022 and 2021
(Amounts in Thousands)

Assets	<u>2022</u>	<u>2021</u>
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 18,711,159	\$ 17,856,554
Accounts Receivable, Net		
Assets for Custodial and Non-Entity Liabilities		
Other Than the General Fund of the US Government	10,827	8,747
Accounts Receivable, Net	<u>6,782</u>	<u>10,855</u>
Total Accounts Receivable, Net	17,609	19,602
Advances and Prepayments (Note 8B)	<u>24,144</u>	<u>32,729</u>
Total Intragovernmental	18,752,912	17,908,885
Other Than Intragovernmental		
Cash and Other Monetary Assets	25	16
Accounts Receivable, Net	2,426	900
General Property, Plant and Equipment, Net (Note 3)	<u>477,798</u>	<u>439,079</u>
Total Other Than Intragovernmental	480,249	439,995
Total Assets	<u>\$ 19,233,161</u>	<u>\$ 18,348,880</u>
Liabilities		
Intragovernmental		
Accounts Payable		
Accounts Payable	<u>\$ 61,120</u>	<u>\$ 30,727</u>
Total Accounts Payable	61,120	30,727
Other Liabilities		
Other Liabilities (Without Reciprocals)	2,428	2,810
Liability to the General Fund of US Government -		
for Custodial and Other Non-Entity Assets	2,037	837
Other Current Liabilities - Benefit Program Contributions Payable	1,399	2,881
Other Liabilities - Reimbursable Activities	<u>2,526</u>	<u>2,781</u>
Total Other Liabilities	8,390	9,309
Total Intragovernmental	<u>69,510</u>	<u>40,036</u>
Other Than Intragovernmental		
Accounts Payable	76,386	65,588
Federal Employee Benefits Payable	27,748	27,798
Environmental and Disposal Liabilities (Note 6)	13,139	13,006
Other Liabilities		
Accrued Grant Liabilities	524,199	506,525
Accrued Payroll	5,105	12,264
Liability for Non-Fiduciary Deposit Funds and Undeposited Collections (Note 2)	<u>79,442</u>	<u>16</u>
Total Other Liabilities	608,746	518,805
Total Other Than Intragovernmental	<u>726,019</u>	<u>625,197</u>
Total Liabilities	<u>\$ 795,529</u>	<u>\$ 665,233</u>

Financial Statements
September 30, 2022 and 2021

Net Position

Unexpended Appropriations		
Unexpended Appropriations - Funds from Other Than Dedicated Collections	\$ 17,249,150	\$ 16,561,541
Total Unexpended Appropriations	<u>17,249,150</u>	<u>16,561,541</u>
Cumulative Results of Operations		
Cumulative Results of Operations - Dedicated Collections (Note 7)	715,947	657,863
Cumulative Results of Operations - Funds from Other Than Dedicated Collections	<u>472,535</u>	<u>464,243</u>
Total Cumulative Results of Operations	1,188,482	1,122,106
Total Net Position	<u>\$ 18,437,632</u>	<u>\$ 17,683,647</u>
Total Liabilities and Net Position	<u>\$ 19,233,161</u>	<u>\$ 18,348,880</u>

The accompanying notes are an integral part of these statements.

Financial Statements
September 30, 2022 and 2021

National Science Foundation
Statement of Net Cost
For the Fiscal Years Ended September 30, 2022 and 2021
(Amounts in Thousands)

Program Costs	<u>2022</u>	<u>2021</u>
Research and Related Activities		
Gross Costs	\$ 7,076,948	\$ 6,314,994
Less: Earned Revenue	<u>(92,339)</u>	<u>(74,971)</u>
Net Research and Related Activities	<u>\$ 6,984,609</u>	<u>\$ 6,240,023</u>
 Education and Human Resources		
Gross Costs	\$ 921,660	\$ 843,324
Less: Earned Revenue	<u>(6,131)</u>	<u>(5,545)</u>
Net Education and Human Resources	<u>\$ 915,529</u>	<u>\$ 837,779</u>
 Major Research Equipment and Facilities Construction		
Gross Costs	\$ 149,567	\$ 126,420
Less: Earned Revenue	<u>-</u>	<u>-</u>
Net Major Research Equipment and Facilities Construction	<u>\$ 149,567</u>	<u>\$ 126,420</u>
 Donations and Dedicated Collections		
Gross Costs	\$ 140,556	\$ 172,116
Less: Earned Revenue	<u>-</u>	<u>-</u>
Net Donations and Dedicated Collections	<u>\$ 140,556</u>	<u>\$ 172,116</u>
 Net Cost of Operations (Notes 10 and 12)	<u>\$ 8,190,261</u>	<u>\$ 7,376,338</u>

The accompanying notes are an integral part of these statements.

Financial Statements
September 30, 2022 and 2021

National Science Foundation
Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2022
(Amounts in Thousands)

	<u>2022</u>		
	Funds From Dedicated Collections (Note 7)	Funds from Other Than Dedicated Collections	Total
Unexpended Appropriations			
Beginning Balances	\$ -	\$ 16,561,541	\$ 16,561,541
Appropriations Received	-	8,863,000	8,863,000
Other Adjustments (Canceled Authority)	-	(87,830)	(87,830)
Appropriations Used	-	(8,087,561)	(8,087,561)
Net Change in Unexpended Appropriations	-	687,609	687,609
Unexpended Appropriations, Ending	\$ -	\$ 17,249,150	\$ 17,249,150
 Cumulative Results of Operations			
Beginning Balances	\$ 657,863	\$ 464,243	\$ 1,122,106
Adjustments			
Change in Accounting Principle (Note 2)	-	(48,717)	(48,717)
Beginning Balances, Adjusted	657,863	415,526	1,073,389
Appropriations Used	-	8,087,561	8,087,561
Non-Exchange Revenue	-	9	9
Donations	-	20,230	20,230
Transfers In / (Out) Without Reimbursement	189,940	2	189,942
Imputed Financing	-	14,439	14,439
Other	-	(6,827)	(6,827)
Net Cost of Operations (Notes 10 and 12)	(131,856)	(8,058,405)	(8,190,261)
Net Change in Cumulative Results of Operations	58,084	57,009	115,093
Cumulative Results of Operations, Ending	\$ 715,947	\$ 472,535	\$ 1,188,482
 Net Position (Note 12)	 \$ 715,947	 \$ 17,721,685	 \$ 18,437,632

The accompanying notes are an integral part of these statements.

Financial Statements
September 30, 2022 and 2021

National Science Foundation
Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2021
(Amounts in Thousands)

	<u>2021</u>		
	<u>Funds From</u>	<u>Funds from Other Than</u>	<u>Total</u>
	<u>Dedicated Collections</u>	<u>Dedicated Collections</u>	
	<u>(Note 7)</u>		
Unexpended Appropriations			
Beginning Balances	\$ -	\$ 14,830,495	\$ 14,830,495
Appropriations Received	-	9,086,759	9,086,759
Other Adjustments (Canceled Authority)	-	(92,050)	(92,050)
Appropriations Used	-	(7,263,663)	(7,263,663)
Net Change in Unexpended Appropriations	<u>-</u>	<u>1,731,046</u>	<u>1,731,046</u>
Unexpended Appropriations, Ending	<u>\$ -</u>	<u>\$ 16,561,541</u>	<u>\$ 16,561,541</u>
 Cumulative Results of Operations			
Beginning Balances	\$ 616,843	\$ 412,835	\$ 1,029,678
Appropriations Used	-	7,263,663	7,263,663
Non-Exchange Revenue	-	6	6
Donations	-	32,243	32,243
Transfers In / (Out) Without Reimbursement	162,485	60,008	222,493
Imputed Financing	-	13,483	13,483
Other	-	(63,122)	(63,122)
Net Cost of Operations (Notes 10 and 12)	(121,465)	(7,254,873)	(7,376,338)
Net Change in Cumulative Results of Operations	<u>41,020</u>	<u>51,408</u>	<u>92,428</u>
Cumulative Results of Operations, Ending	<u>\$ 657,863</u>	<u>\$ 464,243</u>	<u>\$ 1,122,106</u>
 Net Position (Note 12)	 <u>\$ 657,863</u>	 <u>\$ 17,025,784</u>	 <u>\$ 17,683,647</u>

The accompanying notes are an integral part of these statements.

Financial Statements
September 30, 2022 and 2021

National Science Foundation
Statement of Budgetary Resources
For the Fiscal Years Ended September 30, 2022 and 2021
(Amounts in Thousands)

	<u>2022</u>	<u>2021</u>
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net	\$ 1,054,941	\$ 589,136
Appropriations	9,071,091	9,272,739
Spending Authority from Offsetting Collections	91,462	113,864
Total Budgetary Resources (Note 8C)	<u>\$ 10,217,494</u>	<u>\$ 9,975,739</u>
 Status of Budgetary Resources		
New Obligations and Upward Adjustments (Note 8C)	\$ 9,523,708	\$ 9,018,208
Unobligated Balance, End of Year		
Apportioned, Unexpired (Note 2)	326,625	775,024
Unapportioned, Unexpired (Note 2)	<u>183,877</u>	<u>15,121</u>
Unobligated Balance, Unexpired, End of Year	510,502	790,145
Unobligated Balance, Expired, End of Year (Note 2)	<u>183,284</u>	<u>167,386</u>
Total Unobligated Balance, End of Year	693,786	957,531
Total Status of Budgetary Resources	<u>\$ 10,217,494</u>	<u>\$ 9,975,739</u>
 Net Outlays (Notes 8C and 10)		
Net Outlays	\$ 8,159,356	\$ 7,389,780
Distributed Offsetting Receipts	<u>(26,554)</u>	<u>(35,391)</u>
Net Agency Outlays	<u>\$ 8,132,802</u>	<u>\$ 7,354,389</u>

The accompanying notes are an integral part of these statements.

NOTES TO THE PRINCIPAL FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The National Science Foundation (NSF or “Foundation”) is an independent federal agency created by the National Science Foundation Act of 1950, as amended (42 United States Code (U.S.C.) 1861-75). Its primary mission is to promote the progress of science; to advance the national health, prosperity, and welfare; and to secure the national defense. NSF initiates and supports scientific research and research fundamental to the engineering process and programs to strengthen the Nation’s science and engineering potential. NSF also supports critical education programs in science, technology, engineering, and mathematics (STEM) fields, which help prepare future generations of scientists and engineers. NSF funds research and education in science and engineering by awarding grants and contracts to educational and research institutions throughout the United States and its territories. NSF, by law, cannot operate research facilities except in the polar regions. NSF enters into relationships through awards to fund the research operations conducted by grantees. Information on NSF funding by institution can be found at <https://www.fiscal.treasury.gov/files/reports-statements/combined-statement/cs2021/2021-cs-final.pdf>.

NSF is led by a presidentially-appointed, Senate-confirmed Director and a 24-member National Science Board (NSB). As of September 30, 2022, there were 15 members serving on the NSB, including the Director. The NSB members represent a cross section of prominent leaders in science and engineering research and education, and are appointed by the President for 6-year terms. The NSF Director is an ex officio member of the Board. The NSF workforce, including staff in the NSB Office and the Office of the Inspector General, is comprised of approximately 1,500 federal employees and 200 scientists from research institutions in temporary positions. NSF provides the opportunity for scientists, engineers, and educators to join the Foundation as temporary program directors and advisors. These “rotators” provide input during the merit review process of proposals; provide insight for new directions in the fields of science, engineering, and education; and support cutting-edge interdisciplinary research. Rotators can come to NSF under multiple mechanisms. The largest numbers come on Intergovernmental Personnel Act assignments, or IPAs, and remain employees of their home institutions. NSF facilitates IPA assignments through grants to their institution as a reimbursement in whole or in part for salary and benefits, and that reimbursement is then paid by the institution to their employee. All rotators are subject to criminal conflict of interest statutes as well as the government-wide *Standards of Ethical Conduct of Employees of the Executive Branch*, which prohibit them from participating in NSF proposals and awards affecting themselves and their home organizations.

B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of NSF as required by the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, the Reports Consolidation Act of 2000, and the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, revised June 3, 2022. While the statements have been prepared from the books and records of NSF in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP) for federal entities and the formats prescribed by OMB, the

statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

C. Basis of Accounting

The accompanying financial statements have been prepared in accordance with U.S. GAAP for federal entities using the accrual method of accounting. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The accompanying financial statements also include budgetary accounting transactions that ensure compliance with legal constraints and controls over the use of federal funds.

In FY 2022, NSF implemented a prospective change in accounting principle to record and report foreign contributions in a Department of Treasury (Treasury) deposit fund account that were previously recorded in a Trust Fund account. NSF coordinated with OMB and Treasury to discuss the presentation and reporting requirements outlined in OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, OMB Circular No. A-136, *Financial Reporting Requirements*, and Statement of Federal Financial Accounting Standards (SFFAS) No. 21, *Reporting Corrections of Errors and Changes in Accounting Principles*. This preferred reporting resulted in adjustments to NSF's liability and budgetary accounts and balances, as reflected in the accompanying financial statements, including Note 2, *Fund Balance With Treasury*.

D. Budgetary Terms

The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with the law. The following Budgetary Terms are commonly used:

Appropriations are a provision of law authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

Budgetary Resources are amounts available to incur obligations in a given year.

Offsetting Collections are payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. Offsetting collections usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts.

Offsetting Receipts are payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. They are usually deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. Offsetting receipts are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that

purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, offsetting receipts usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.

Obligations are binding agreements that will result in outlays, immediately or in the future.

Outlays are payments to liquidate an obligation. Outlays generally are equal to cash disbursements but are also recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending.

For further information about *Budgetary Terms* and concepts, please refer to the "Budget Concepts" chapter of the Analytical Perspectives volume of the President's Budget.

<https://www.whitehouse.gov/omb/analytical-perspectives/>

E. Revenues and Other Financing Sources

NSF receives a majority of its funding through appropriations contained in the Commerce, Justice, Science, and Related Agencies Appropriations Act. NSF receives annual, multi-year, and no-year appropriations that may be expended within statutory limits. NSF also receives funding via warrant from a receipt account for dedicated collections reported as Nonimmigrant Petitioner Account (H-1B) funds. Additional amounts are obtained from reimbursements for services provided to other federal agencies, and receipts to the NSF Donations Account. NSF also receives interest earned on overdue receivables, which is subsequently returned to Treasury at the end of each fiscal year.

In FY 2022, the Consolidated Appropriations Act, 2022 under Public Law (P.L. 117-103), provided funding for NSF's appropriations. In addition, the Science Appropriations Act, 2022 provided an administrative provision allowing NSF to transfer up to 5 percent of current year funding between appropriations, but no appropriation may be increased by more than 10 percent. Appropriations are recognized as a financing source at the time the related "funded" program or administrative expenditures are incurred. Donations are recognized as revenues when funds are received. Revenues from reimbursable agreements are recognized when the services are provided and the related expenditures are incurred. Reimbursable agreements are mainly for grant administrative services provided by NSF on behalf of other federal agencies.

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

NSF accepts contributions from foreign governments in support of various NSF funded projects and the use of these funds is restricted to the awardee for which it is contributed. NSF does not retain

ownership of funds contributed by foreign governments and solely acts as an intermediary to transfer the funds from foreign partners to the awardee. In accordance with OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, funds received by NSF from foreign governments are deposited and held in a deposit fund account at Treasury.

F. Fund Balance With Treasury and Cash and Other Monetary Assets

Fund Balance With Treasury (FBWT) is composed of appropriated funds that are available to pay current liabilities and finance authorized purchase commitments and non-appropriated funding sources from donations and foreign contributions. Foreign contributions are considered non-entity assets and are used to support awardees pursuant to agreement between NSF and foreign governments. *Cash and Other Monetary Assets* consist of undeposited collections, which are funds received by NSF, but not remitted to Treasury by September 30. FBWT is an asset to NSF and a liability of the General Fund. FBWT is primarily increased by appropriations and decreased by disbursements. When disbursements are made, Treasury finances those disbursements in the same way it finances all other disbursements, using a combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit). Cash receipts and disbursements are processed by Treasury.

G. Accounts Receivable, Net

Accounts Receivable, Net consists of amounts due from governmental agencies, private organizations, and individuals. It includes debts related to criminal restitutions adjudicated by the Department of Justice, where NSF is identified as the payee. Additionally, NSF has the right to conduct audits of awardees to verify billed amounts. These audits may result in monies owed back to NSF. Upon resolution of the amount owed by the awardee to NSF, a receivable is recorded.

NSF establishes an allowance for loss on accounts receivable that are deemed uncollectible in accordance with SFFAS 1, *Accounting for Selected Assets and Liabilities* and Federal Accounting Standards Advisory Board (FASAB) Technical Bulletin 2020-1, *Loss for Intragovernmental Receivables*. NSF analyzes each account independently to assess collectability and the need for an offsetting allowance or write-off. NSF writes off delinquent debt from non-federal sources that is more than 2 years old. NSF's intragovernmental receivables are not written off, but rather the allowance is used to present the net realizable value.

Assets for Custodial and Non-Entity Liabilities – Other Than the General Fund of the US Government consist of a receivable of sequestered H-1B funds due from the Department of Homeland Security.

H. Advances and Prepayments

Advances and Prepayments consist of advances to federal agencies which are issued when agencies are operating under working capital funds or are unable to incur costs on a reimbursable basis. Advances are reduced when documentation supporting expenditures is received. Payments are only made within the amount of the recorded obligation.

I. General Property, Plant and Equipment, Net

NSF capitalizes PP&E with costs exceeding \$25 thousand and useful lives of 2 or more years; items not meeting these criteria are recorded as operating expenses. NSF currently reports capitalized PP&E at original acquisition cost; assets acquired from the General Services Administration (GSA) excess property schedules are recorded at the value assigned by the donating agency; and assets transferred in from other agencies are valued at the cost recorded by the transferring entity for the asset net of accumulated depreciation or amortization.

The PP&E balance includes Equipment, Aircraft and Satellites, Buildings and Structures, Leasehold Improvements, Construction in Progress, Internal Use Software, and Software in Development. These balances are comprised of PP&E maintained “in-house” by NSF to support operations and PP&E under the U.S. Antarctic Program (USAP). The majority of USAP property is under the custodial responsibility of the NSF prime contractor for the program. The USAP is undergoing a multi-year modernization project initiated in FY 2019.

Depreciation expense is calculated using the straight-line method with a half-year convention. The half-year convention recognizes one-half of the annual depreciation expense in both the first and last years of an asset's useful life regardless of when it is placed in service. The economic useful life classifications for capitalized assets are as follows:

Equipment

5 years	Computers and peripheral equipment, fuel storage tanks, laboratory equipment, and vehicles
7 years	Communications equipment, office furniture and equipment, pumps and compressors
10 or 15 years	Generators, air traffic control, weather forecasting aids, and landing systems equipment
20 years	Movable buildings (e.g., trailers)

Aircraft and Satellites

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

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

Leasehold Improvements

NSF's headquarters is leased through GSA under a non-cancelable occupancy agreement. Leasehold improvements performed by GSA are financed with NSF appropriated funds. Amortization is calculated using the straight-line half-year convention upon transfer from construction in progress.

Construction in Progress

Costs incurred for construction projects are accumulated and tracked as construction in progress until the asset is placed in service. Beneficial Occupancy is the point in time when the facility is ready for safe occupancy and use by NSF. Items that pertain to the safety and health of

any future occupants of the facility must be corrected before a Beneficial Occupancy is granted and the facility occupied. All construction efforts at the construction site may not be completed (e.g., punch list items or other minor construction activities may still be required for construction to be considered complete), but the facility space can be used for its intended purpose. When Beneficial Occupancy is granted, the project is transferred from construction in progress to real property and depreciated over the respective useful life of the asset.

Internal Use Software and Software in Development

NSF controls, values, and reports purchased or developed software as tangible property assets, in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 10, *Accounting for Internal Use Software*. NSF identifies software investments as capital property for items that, in the aggregate, cost \$500 thousand or more to purchase, develop, enhance, or modify a new or existing NSF system, or configure a government-wide system for NSF needs. Software projects that are not completed at year end and are expected to exceed the capitalization threshold are recorded as software in development. All internal use software meeting the capitalization threshold is amortized over a 5-year period using the straight-line half-year convention.

J. General Property, Plant and Equipment in the Custody of Other Entities

NSF awards grants, cooperative agreements, and contracts to various organizations, including colleges and universities, non-profit organizations, state and local governments, Federally Funded Research and Development Centers (FFRDCs), and private entities. The funds provided may be used in certain cases to purchase or construct PP&E to be used for operations or research on projects or programs sponsored by NSF. In these instances, NSF funds the acquisition of property, but transfers custody of the assets to these entities. NSF's authorizing legislation specifically prohibits the Foundation from operating such property directly.

In practice, NSF's ownership interest in such PP&E is similar to a reversionary interest. To address the accounting and reporting of these assets, specific guidance was sought by NSF and provided by the FASAB. This guidance stipulates that NSF should disclose the value of Federally Owned Property (FOP) held by others in its financial statements based on information contained in the audited financial statements of these entities (if available). Entities that separately present the book value of NSF-owned property in their audited financial statements are listed in Note 4, *General Property, Plant and Equipment in the Custody of Other Entities*, along with the book value of the property held. Entities which hold FOP but do not separately present the book value of NSF-owned property in their audited financial statements are also listed in Note 4, *General Property, Plant and Equipment in the Custody of Other Entities*, with an unavailable note.

K. Accounts Payable

Accounts Payable consists of liabilities to commercial vendors, contractors, and federal agencies. Accounts Payable are expenses for goods and services received but not yet paid for by NSF. At year end, NSF accrues for the amount of estimated unpaid expenses to vendors and contractors for which invoices have not been received, but goods and services have been delivered and performed.

L. Other Intragovernmental Liabilities

Other Intragovernmental Liabilities consist primarily of the employer portion of payroll taxes and benefits, payroll taxes associated with unfunded leave, unfunded Federal Employees' Compensation Act (FECA), and liabilities for non-entity assets. A liability is recorded for payments made for workers' compensation pursuant to the FECA because NSF will reimburse the U.S. Department of Labor (DOL) 2 years after the payment of expenses. Liabilities for non-entity assets are recorded to offset accounts receivable balances associated with canceled appropriations. *Other Liabilities - Reimbursable Activities* consists of a rental credit liability.

M. Other Liabilities (Other Than Intragovernmental)

Other Liabilities (Other Than Intragovernmental) consist of *Accrued Grant Liabilities*, *Accrued Payroll*, and a *Liability for Non-Fiduciary Deposit Funds* and *Undeposited Collections*.

Accrued Grant Liabilities consist of estimated liabilities to grantees for expenses incurred but not reported (IBNR) by September 30. For standard grants and cooperative agreements, NSF's grant accrual methodology utilizes a linear regression model based on the statistical correlation between prior year unliquidated obligations and prior year expenses IBNR.

Accrued Grant Liabilities also consist of an accrual specifically for Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants. SBIR and STTR awards have unique terms and conditions compared to standard NSF grants and cooperative agreements. This methodology calculates any SBIR and STTR funds approved for payment, but not yet disbursed to the grantee as of September 30.

Accrued Payroll relates to services performed by NSF employees and the Department of Interior's Business Center is NSF's payroll service provider. NSF accrues the amount of salaries earned but not paid as of the end of the reporting period.

Liability for Non-Fiduciary Deposit Funds and Undeposited Collections consists of foreign contributions and undeposited collections. NSF does not own or use the funds contributed by its foreign partners. NSF acts solely as an intermediary to transfer the funds from the foreign partner to the awardee which manages the applicable project. The *Liability for Non-Fiduciary Deposit Funds* does not have budgetary impacts. At year end, NSF also records *Undeposited Collections* which are funds received by NSF, but not remitted to Treasury by September 30.

N. Federal Employee Benefits Payable

Federal Employee Benefits Payable consists of liabilities for actuarial FECA and unfunded employee leave. An actuarial liability is recorded for estimated future payments for workers' compensation pursuant to the FECA. The actuarial FECA liability is the present value of estimated future payments calculated by DOL and is recorded as an unfunded liability. Future appropriations will be used for DOL's estimated reimbursement.

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

O. Liabilities Not Covered by Budgetary Resources

Liabilities Not Covered by Budgetary Resources may include liabilities associated with future environmental cleanup, legal claims, FECA, unfunded leave, and a rental credit liability.

NSF cannot pay for liabilities unless authorized by law and covered by budgetary resources. Liabilities covered by budgetary resources are those for which appropriated funds are available as of the Balance Sheet date and include new budget authority, unobligated balances of budgetary resources, spending authority from offsetting collections, and recoveries of budget authority through downward adjustments of prior year obligations.

P. Net Position

Net Position is the residual difference between assets and liabilities and is composed of unexpended appropriations and cumulative results of operations, presented separately by dedicated collections and all other funds. *Unexpended Appropriations* represent the amount of undelivered orders and unobligated balances of budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. *Cumulative Results of Operations* represent the net results of NSF's operations since the Foundation's inception.

Q. Retirement Plan

In FY 2022, approximately 2 percent of NSF employees participated in the Civil Service Retirement System (CSRS), to which NSF matches contributions up to 7 percent of pay. The majority of NSF employees are covered by the Federal Employees Retirement System (FERS) and Social Security. A primary feature of FERS is the thrift savings plan to which NSF automatically contributes 1 percent of pay. The maximum NSF matching contribution is 5 percent of employee pay, of which 3 percent is fully matched, and 2 percent is matched at 50 percent. NSF also contributes to the employer's matching share for Social Security for FERS participants.

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

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits

expected to be paid in the future, and provide these factors to the agency for current period expense reporting. Information is also provided by OPM regarding the full cost of health and life insurance benefits on OPM's Benefit Administration website: <https://www.opm.gov/retirement-services/publications-forms/benefits-administration-letters/2022/22-303.pdf>.

R. Contingencies and Possible Future Costs

Contingencies - Claims and Lawsuits: NSF is a party to various legal actions and claims brought against it. In the opinion of NSF management and legal counsel, the ultimate resolution of these actions and claims will not materially affect the financial position or operations of the Foundation. NSF recognizes the contingency in the financial statements when claims are probable, expected to result in a material loss, and the payment amounts can be reasonably estimated, whether from NSF's appropriations or the Judgment Fund, administered by the Department of Justice under Section 1304 of Title 31 of the U.S.C. There are some cases where the likelihood of loss is deemed reasonably possible. A contingent liability is not required to be recorded but the estimated loss must be disclosed in the footnotes. In addition, there are cases where the likelihood of loss is deemed remote. A contingent liability is not required to be recorded or disclosed for these cases.

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

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

Termination Claims: NSF engages organizations, including FFRDCs, in cooperative agreements and contracts to manage, operate, and maintain research facilities for the benefit of the scientific community. As part of these agreements and contracts, NSF funds on a pay-as-you-go basis certain employee benefit costs (accrued vacation and other employee related liabilities, severance pay and medical insurance), long-term leases, and vessel usage and drilling. In some instances, an award decision is made to continue operation of a facility with a different entity performing operation and management duties. In such an occurrence, NSF does not classify the facility as terminated. Claims submitted by the previous managing entity for expenditures not covered by the indirect cost rate included in the initial award are subject to audit and typically paid with existing program funds.

Agreements with FFRDCs include a clause that commits NSF to seek appropriations for termination expenses, if necessary, in the event a facility is terminated. NSF considers termination of these facilities only remotely possible. Should a facility be terminated, NSF is obligated to seek termination expenses

for FFRDCs in excess of the limitation of funds set forth in the agreements, including any Post-Retirement Benefit liabilities, from Congress. Nothing in these agreements can be construed as implying that Congress will appropriate funds to meet the terms of any claims. Termination costs that may be payable to an FFRDC operator cannot be estimated until such time as the facility is terminated.

Environmental and Disposal Liabilities: NSF assesses the likelihood of required cleanup and establishes its environmental liability estimates in accordance with the requirements of the SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, and as amended by SFFAS No. 12, *Recognition of Contingent Liabilities Arising from Litigation*, and SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, and the Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*.

Special attention is paid to USAP to ensure compliance with the Antarctic Conservation Act requirements for environmental cleanup in Antarctica. NSF continually monitors USAP in regard to environmental issues. While NSF is not legally liable for environmental cleanup costs in the Antarctic, there are occasions when the NSF Office of Polar Programs chooses to accept responsibility and commit funds toward cleanup efforts of various sites as resources permit. Decisions to commit funds are in no way driven by concerns of probable legal liability for failure to engage in such efforts, but rather a commitment to environmental stewardship of Antarctic natural resources. Environmental cleanup projects started and completed during the year are reflected in NSF's financial statements as expenses for the current fiscal year. An estimated cost would be accrued for approved projects that are anticipated to be performed after the fiscal year end or will take more than one fiscal year to complete.

S. Use of Estimates

Management has made certain estimates and assumptions when reporting assets, liabilities, revenues, expenses, and note disclosures. Estimates underlying the accompanying financial statements can include accounting for grant liabilities, accounts payable, environmental liabilities, payroll, and PP&E. Actual results may differ from these estimates, and the difference will be adjusted for and included in the financial statements of the following quarter.

T. Permanent Indefinite Appropriations

NSF maintains permanent indefinite appropriations for Research and Related Activities (R&RA), Education and Human Resources (EHR), and Major Research Equipment and Facilities Construction (MREFC). The R&RA appropriation is used for polar research and operations support, reimbursements to other federal agencies for operational and science support, and logistical and other related activities for USAP. The EHR appropriation is used to support science and engineering education, and human resources programs and activities. The MREFC appropriation supports the procurement and construction of unique national research platforms, major research equipment, and USAP modernization projects.

U. Classified Activities

Accounting Standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Note 2. Fund Balance With Treasury

Fund Balance With Treasury (FBWT) consists of the following components as of September 30, 2022 and 2021:

(Amounts in Thousands)	2022
Obligated, Not Yet Disbursed	\$ 17,937,943
Unobligated Available, Unexpired	326,625
Unobligated Unavailable, Unexpired	183,877
Unobligated Unavailable, Expired	183,284
Add: Non-Budgetary FBWT and Donations Sequestration	79,430
Total FBWT	\$ 18,711,159

(Amounts in Thousands)	2021
Obligated, Not Yet Disbursed	\$ 16,899,010
Unobligated Available, Unexpired	775,024
Unobligated Unavailable, Unexpired	15,121
Unobligated Unavailable, Expired	167,386
Add: Non-Budgetary FBWT and Donations Sequestration	13
Total FBWT	\$ 17,856,554

Obligated, Not Yet Disbursed balances include obligations for which outlays have not been made. *Unobligated Available* balances include current period amounts available for obligation or commitment. *Unobligated Unavailable* balances include recoveries of prior year obligations and other unobligated expired funds that are unavailable for new obligations. *Non-Budgetary FBWT and Donations Sequestration* includes sequestered amounts totaling \$13 thousand recorded from FY 2018 through FY 2020. *Non-Budgetary FBWT* includes a non-fiduciary deposit fund account for foreign contributions, which was established in FY 2022 as a result of a change in accounting principle. The deposit fund account is a liability to NSF totaling \$79 million as of September 30, 2022, of which \$49 million related to foreign contributions received in prior fiscal years. *Non-Budgetary FBWT and Donations Sequestration* are considered non-entity assets.

Note 3. General Property, Plant and Equipment, Net

To support the Financial Report of the United States Government (FR) compilation process, the General Property, Plant, and Equipment, Net reconciliation as of September 30, 2022 and 2021 is below:

(Amounts in Thousands)	2022	2021
	Net PP&E	Net PP&E
Balance Beginning of Fiscal Year	\$ 439,079	\$ 377,862
Capitalized Acquisitions	56,948	77,640
Dispositions/Revaluations	123	735
Depreciation Expense	(18,352)	(17,158)
Balance as of September 30, 2022 and 2021	\$ 477,798	\$ 439,079

The components of *General Property, Plant and Equipment, Net* as of September 30, 2022 and 2021 are shown below. As of September 30, 2022, NSF determined that scheduled maintenance or repairs on one item of Antarctic capital equipment in poor condition was not completed and was deferred or delayed for a future period. Further details on asset impairments and deferred maintenance are included in the Required Supplementary Information.

(Amounts in Thousands)	2022		
	Acquisition Value	Accumulated Depreciation/Amortization	Net PP&E
Equipment	\$ 183,571	\$ (157,388)	\$ 26,183
Aircraft and Satellites	13,180	(13,180)	-
Buildings and Structures	376,365	(186,597)	189,768
Leasehold Improvements	29,729	(10,808)	18,921
Construction in Progress	120,967	-	120,967
Internal Use Software	87,642	(87,642)	-
Software in Development	121,959	-	121,959
Total PP&E	\$ 933,413	\$ (455,615)	\$ 477,798

(Amounts in Thousands)	2021		
	Acquisition Value	Accumulated Depreciation/Amortization	Net PP&E
Equipment	\$ 177,053	\$ (150,569)	\$ 26,484
Aircraft and Satellites	115,806	(115,806)	-
Buildings and Structures	319,629	(177,767)	141,862
Leasehold Improvements	29,729	(8,816)	20,913
Construction in Progress	143,445	-	143,445
Internal Use Software	87,642	(87,531)	111
Software in Development	106,264	-	106,264
Total PP&E	\$ 979,568	\$ (540,489)	\$ 439,079

Note 4. General Property, Plant and Equipment in the Custody of Other Entities

NSF received a ruling from FASAB on accounting for non-USAP PP&E owned by NSF but in the custody of and used by others (see Note 1H. *General Property, Plant and Equipment, Net*). The FASAB guidance requires NSF Federally Owned Property (FOP) in the custody of others be excluded from NSF PP&E as

Notes to the Financial Statements
September 30, 2022 and 2021

defined in the SFFAS No. 6, *Accounting for Property, Plant and Equipment*. NSF is required to disclose the dollar amount of PP&E held by others for any entity which separately discloses NSF property in the most recently issued audited financial statements of the organization holding the assets.

Major facilities with significant FOP are required to disclose in their audited financial statements the value of FOP in their custody. With the exception of these major facilities, other entities which received NSF funding are not required to report FOP separately in their audited financial statements. For entities which hold FOP but do not disclose the book value in their audited financial statements, the value of FOP will be listed as unavailable below.

(Amounts in Thousands)

<u>Entities with Audited and Separately Reported NSF Federally Owned Property</u>	<u>Amount</u>	<u>Fiscal Year Ending</u>
National Radio Astronomy Observatory - AUI	\$ 281,435	09/30/2021
Association of Universities for Research in Astronomy, Inc - AURA	\$ 1,171,195	09/30/2021
California Institute of Technology	Unavailable	09/30/2021
Dartmouth College	Unavailable	06/30/2021
Incorporated Research Institutions for Seismology - IRIS	Unavailable	06/30/2021
Oregon State University	Unavailable	06/30/2021
SRI International	Unavailable	12/25/2021
UNAVCO, Inc.	Unavailable	12/31/2020
University Corporation for Atmospheric Research	Unavailable	09/30/2021
University of Alaska	\$ 136,300	06/30/2021
University of California	Unavailable	06/30/2021
University of Central Florida	Unavailable	06/30/2021
University of Rhode Island	Unavailable	06/30/2021
University of Wisconsin	Unavailable	06/30/2021
Woods Hole Oceanographic Institution	Unavailable	12/31/2021

Note 5. Leases

NSF currently has an occupancy agreement with GSA for its headquarters in Alexandria, VA. This agreement is non-cancelable and active through 2032. In addition, this agreement contains escalation clauses tied to operating expenses and taxes. The following is a schedule of future minimum rental payments for the NSF headquarters:

(Amounts in Thousands)

<u>Fiscal Year</u>	<u>Building Operating Lease Amount (Federal)</u>
2023	25,001
2024	25,125
2025	25,254
2026	25,386
2027	25,522
2028 through 2032	127,225
<u>Total Minimum Non-Cancelable Lease Payments</u>	<u>\$ 253,513</u>

NSF also has an occupancy agreement with GSA for warehouse space in Springfield, Virginia that will expire in 2029. The cancellation clauses with the agreements allow NSF to terminate use with 120-day notice. This agreement contains an escalation clause tied to operating expenses. In addition, the Springfield agreement contains a contingent rental based on re-appraised rental rates.

Note 6. Environmental and Disposal Liabilities

Restoration Projects

After an extensive evaluation process, NSF decided to cease scientific observations from the Sondrestrom Research Facility, a geophysical observatory in Kangerlussuaq, Greenland and to proceed with actions to restore the location. In FY 2019, NSF recorded an initial total estimated liability for the restoration project costs of \$2 million to decommission and decontaminate the site. The estimated liability was \$1 million and \$2 million, respectively, as of September 30, 2022 and 2021.

In June 2022, wildfires damaged NSF-owned structures at Kitt Peak National Observatory located in southern Arizona. Due to the extent of the damages as well as the remote location and geography of Kitt Peak, the damage and cost assessments are still in progress. As of September 30, 2022, NSF anticipates that all maintenance and restoration costs will be minimal and may be covered by existing obligations.

Asbestos

Pursuant to FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, federal entities are required to recognize a liability for federal property asbestos cleanup costs. Some NSF owned buildings and structures used to support USAP have been identified as having, or expecting to have, friable and non-friable asbestos containing material.

As required by SFFAS No. 6, *Accounting for Property, Plant and Equipment*, NSF works with the current USAP contractor through the Antarctic Support Contract (ASC) to determine the need for asbestos liability adjustments based on actual asbestos costs incurred on an annual basis. Actual asbestos remediation costs are submitted by the ASC and the asbestos liability is adjusted for the impact. Changes to NSF's estimated asbestos liability consisted of the impact of asbestos remediation cost re-estimates since FY 2021. The asbestos liability was \$12 million and \$11 million, respectively, as of September 30, 2022 and 2021.

Note 7. Funds from Dedicated Collections

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

- Scholarships in Science, Technology, Engineering, and Mathematics
- Grants for Mathematics, Engineering, or Science Enrichment Courses
- Systemic Reform Activities

The H-1B Nonimmigrant Petitioner fees are available to the Director of NSF until expended. The funds may be used for scholarships to low-income students, or to carry out a direct or matching grant program to support private and/or public partnerships in K-12 education. The H-1B fund is set up as a permanent indefinite appropriation by NSF. These funds are described in the Budget of the United States Government (President's Budget). *Funds from Dedicated Collections* are accounted for in a separate Treasury Account Symbol (TAS), and the budgetary resources are recorded as *Funds from Dedicated Collections Transferred In / (Out)*. *Funds from Dedicated Collections* are reported in accordance with SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*. As of September 30, 2022 and 2021, NSF was subject to H-1B sequestrations of \$11 million and \$9 million, respectively, for each year.

Notes to the Financial Statements
September 30, 2022 and 2021

(Amounts in Thousands)	2022	2021
<u>Balance Sheet as of September 30, 2022 and 2021</u>		
Assets		
Intragovernmental		
Fund Balance With Treasury	\$ 723,813	\$ 663,976
Accounts Receivable, Net		
Asset for Custodial and Non-Entity Liabilities -		
Other Than the General Fund of the US Government	10,827	8,747
Total Accounts Receivable, Net	<u>10,827</u>	<u>8,747</u>
Total Intragovernmental	<u>734,640</u>	<u>672,723</u>
Total Assets	<u>\$ 734,640</u>	<u>\$ 672,723</u>
Liabilities		
Other Than Intragovernmental		
Accounts Payable	\$ 262	\$ 171
Other Liabilities		
Accrued Grant Liabilities	18,431	14,689
Total Other Liabilities	<u>18,431</u>	<u>14,689</u>
Total Other Than Intragovernmental	<u>\$ 18,693</u>	<u>\$ 14,860</u>
Total Liabilities	<u>\$ 18,693</u>	<u>\$ 14,860</u>
Net Position		
Cumulative Results of Operations	\$ 715,947	\$ 657,863
Total Net Position	<u>\$ 715,947</u>	<u>\$ 657,863</u>
Total Liabilities and Net Position	<u>\$ 734,640</u>	<u>\$ 672,723</u>

(Amounts in Thousands)	2022	2021
<u>Statement of Net Cost For the Fiscal Years Ended September 30, 2022 and 2021</u>		
Gross Costs	\$ 131,856	\$ 121,465
Less: Earned Revenue	-	-
Net Cost of Operations	<u>\$ 131,856</u>	<u>\$ 121,465</u>

<u>Statement of Changes in Net Position For the Fiscal Years Ended September 30, 2022 and 2021</u>		
Net Position, Beginning	\$ 657,863	\$ 616,843
Transfer In / (Out) Without Reimbursement	189,940	162,485
Net Cost of Operations	<u>(131,856)</u>	<u>(121,465)</u>
Net Change in Cumulative Results of Operations	58,084	41,020
Net Position, Ending	<u>\$ 715,947</u>	<u>\$ 657,863</u>

Note 8. Notes Related to the Statement of Budgetary Resources

A. Adjustments to Unobligated Balances Brought Forward

In accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, NSF is required to disclose adjustments made during the current reporting period to budgetary resources available at the beginning of the year. In FY 2022, NSF recorded adjustments totaling \$32 million that are reflected in the “Unobligated Balance from Prior Year Budget Authority, Net” line on the Statement of Budgetary Resources. These adjustments are also reflected on NSF's SF-133, *Report on Budget Execution and Budgetary Resources*.

A \$27 million adjustment resulted from a prospective change in accounting principle which reclassified the receipt and obligation of foreign contributions to a deposit fund account at Treasury.

In FY 2021, NSF received \$600 million in funding from the American Rescue Plan (ARP) Act of 2021 (P.L. 117-2) necessary to support and respond to the Coronavirus. In FY 2022, NSF reallocated \$5 million from the Major Research Equipment and Facilities Construction (MREFC) account to the Research and Related Activities (R&RA) account. The reallocation of funds did not impact the total funds provided to NSF by the ARP.

B. Undelivered Orders at the End of the Year

In accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*, the amount of budgetary resources obligated for undelivered orders for the years ended September 30, 2022 and 2021 amounted to \$17 billion and \$16 billion, respectively.

(Amounts in Thousands)	2022	2021
Undelivered Orders as of September 30, 2022 and 2021		
Undelivered Orders, Unpaid - Non-Federal	\$ 17,166,067	\$ 16,229,160
Undelivered Orders, Paid - Federal	24,144	32,729
Undelivered Orders, Unpaid - Federal	<u>222,380</u>	<u>175,273</u>
Total Undelivered Orders - Federal	246,524	208,002
Total Undelivered Orders	<u>\$ 17,412,591</u>	<u>\$ 16,437,162</u>

C. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires explanations of material differences between amounts reported in the Statement of Budgetary Resources (SBR) and the actual balances published in the President’s Budget. The FY 2024 President’s Budget will include FY 2022 budget execution information and is scheduled for publication in the spring of 2023 and can be found upon publication on the OMB website at: <http://www.whitehouse.gov/omb>.

Balances reported in the FY 2021 SBR and the related President’s Budget are shown in a table below for Budgetary Resources, New Obligations and Upward Adjustments, Distributed Offsetting Receipt, and Net Outlays, and any related differences. The differences reported are due to differing reporting requirements for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President’s Budget. The SBR includes both unexpired and expired appropriations, while the President’s Budget presents only unexpired budgetary resources that are available for new obligations. Additionally, the Distributed Offsetting Receipts amount on the SBR includes donations, while the President's Budget does not.

(Amounts in Thousands)

Fiscal Year 2021	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 9,975,739	\$ 9,018,208	\$ 35,391	\$ 7,389,780
Expired Accounts	\$ (239,584)	\$ (72,197)	\$ -	\$ -
Other	\$ -	\$ -	\$ (391)	\$ -
Budget of the U.S. Government	\$ 9,736,155	\$ 8,946,011	\$ 35,000	\$ 7,389,780

Note 9. Awards to Affiliated Institutions

NSB members may be affiliated with institutions that are eligible to receive grants and awards from NSF. NSF made awards totaling \$846 million to Board member affiliated institutions as of September 30, 2022. The Board does not review all NSF award actions; however the following require NSB approval for the NSF Director to take action under delegated authority:

- Proposed awards where the average annual award amount is the greater of 1 percent of the prior year current plan of the awarding directorate/office, or 0.1 percent of the prior year enacted NSF budget level;
- Major Research Equipment and Facilities Construction (MREFC) awards;
- Amendments to awards and procurement actions specifying a dollar amount in the Board resolution, if the amended award exceeds the lesser of \$10 million dollars or 20 percent of the amount specified in the Board resolution; and
- In the case of procurements when no amount was specified in the Board resolution, if the amended amount exceeds the lesser of \$10 million dollars or 20 percent of the contract ceiling award amount.

The Director will continue to consult with the NSB on programs which represent a significant, long-term investment, particularly those which will be funded as an ongoing NSF-wide activity or which involve substantive policy, interagency, or international issues.

The Director's Review Board (DRB) reviews proposed actions for evaluation adequacy and documentation, and compliance with Foundation policies, procedures and strategies. Items requiring DRB action include large awards and Requests for Proposal that meet or exceed a threshold of 2.5 percent of the prior year Division or Subactivity Plan. In addition, the DRB reviews all items requiring NSB action as well as NSB information items prior to submission.

NSF may fund awards meeting the above requirements to institutions affiliated with Board members. Federal conflict-of-interest rules prohibit NSB members from participating in matters where they have a conflict of interest or there is an impartiality concern without prior authorization from the Designated Agency Ethics Official (DAEO) or delegee. Prior to Board meetings, all NSB action items are screened for conflict-of-interest/impartiality concerns by the NSB Counsel (Deputy Ethics Official/Ethics Counselor) and a Legal Administrative Specialist (Deputy Ethics/Reviewing Official) in the National Science Board Office. Members who have conflicts are either recused from the matter or receive a waiver from the Deputy Ethics Official to participate. Following NSF and NSB conflict of interest procedures, in FY 2022, the NSB authorized the Director to make an award in which a Board member affiliated institution was a sub-contractor.

Note 10. Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation)

The Reconciliation of Net Cost to Net Outlays reconciles the net costs for a federal entity's programs and operations to the net outlays for that entity. The reconciliation validates the relationship between budgetary and proprietary accounting information. Examples of the reconciling items identified are: (1) transactions which resulted in an outlay but did not result in a cost; (2) unpaid expenses included in the net cost in this reporting period but not yet included in outlays; and (3) other temporary timing differences such as special adjustments including prior period adjustments due to correction of errors.

(Amounts in Thousands)	2022		
	Federal	Public	Total
Net Cost	\$ 215,562	7,974,699	8,190,261
Components of Net Cost Not Part of Net Agency Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(18,352)	(18,352)
Applied Overhead / Cost Capitalization Offset	-	57,071	57,071
Increase / (Decrease) in Assets:			
Accounts Receivable, Net	(4,074)	1,527	(2,547)
Other Assets	(8,584)	9	(8,575)
(Increase) / Decrease in Liabilities:			
Accounts Payable	(28,656)	(28,472)	(57,128)
Environmental and Disposal Liabilities	-	(133)	(133)
Federal Employee and Veteran Benefits Payable	-	50	50
Other Liabilities	383	7,149	7,532
Financing Sources:			
Imputed Costs	(14,439)	-	(14,439)
Total Components of Net Cost Not Part of Net Agency Outlays	(55,370)	18,849	(36,521)
Components of Net Agency Outlays Not Part of Net Cost			
Donated Revenue	-	(20,230)	(20,230)
Transfers Out (In) Without Reimbursement	(2)	-	(2)
Total Components of Net Agency Outlays Not Part of Net Cost	(2)	(20,230)	(20,232)
Miscellaneous Items			
Custodial / Non-Exchange Revenue	(706)	-	(706)
Total Miscellaneous Items	(706)	-	(706)
Net Agency Outlays	\$ 159,484	7,973,318	8,132,802
Related Amounts on the Statement of Budgetary Resources			
Net Outlays			\$ 8,159,356
Distributed Offsetting Receipts			(26,554)
Net Agency Outlays			\$ 8,132,802

*Notes to the Financial Statements
September 30, 2022 and 2021*

(Amounts in Thousands)	2021		
	Federal	Public	Total
Net Cost	\$ 147,514	7,228,824	7,376,338
Components of Net Cost Not Part of Net Outlays			
Property, Plant, and Equipment Depreciation	-	(17,158)	(17,158)
Applied Overhead / Cost Capitalization Offset	-	78,389	78,389
Increase/(Decrease) in Assets:			
Accounts Receivable	(553)	(9)	(562)
Other Assets	(4,095)	(50)	(4,145)
(Increase)/Decrease in Liabilities Not Affecting Net Outlays:			
Accounts Payable	(11,705)	(18,504)	(30,209)
Federal Employee and Veteran Benefits Payable	-	(1,491)	(1,491)
Environmental and Disposal Liabilities	-	(76)	(76)
Other Liabilities	(211)	(752)	(963)
Other Financing Sources:			
Imputed Financing	(13,483)	-	(13,483)
Total Components of Net Cost Not Part of the Net Outlays	(30,047)	40,349	10,302
Components of Net Outlays Not Part of Net Cost			
Donated Revenue	-	(32,243)	(32,243)
Transfers Out (In) Without Reimbursement	(8)	-	-
Total Components of Net Outlays Not Part of Net Cost	(8)	(32,243)	(32,251)
Miscellaneous Items			
Custodial / Non-Exchange Revenue	-	-	-
Total Miscellaneous Items	-	-	-
Net Agency Outlays	\$ 117,459	7,236,930	7,354,389
Related Amounts on the Statement of Budgetary Resources			
Net Outlays			\$ 7,389,780
Distributed Offsetting Receipts			(35,931)
Net Agency Outlays			\$ 7,354,389

Note 11. COVID-19 Activity

As part of the ARP Act of 2021, NSF received \$600 million "to fund or extend new and existing research grants, cooperative agreements, scholarships, fellowships, and apprenticeships, and related administrative expenses to prevent, prepare for, and respond to coronavirus." In addition, NSF used funding from its base appropriation, the Consolidated Appropriations Act, 2021 (P.L. 116-260), H-1B Nonimmigrant Petitioner Fees, and Reimbursable Authority to support COVID-19-related research and other activity. The table below reflects NSF's FY 2021 allocation of funding. In FY 2022, \$5 million was reallocated from the Major Research Equipment and Facilities Construction account to the Research and Related Activities account.

The allocation of ARP Act funds as of September 30, 2022 and 2021:

(Amounts in Thousands)	2022	2021
NSF by Account	Amount	Amount
Research and Related Activities	\$ 472,000	\$ 467,000
Education and Human Resources	61,000	61,000
Major Research Equipment and Facilities Construction	55,000	60,000
Agency Operations and Award Management	12,000	12,000
Total	\$ 600,000	\$ 600,000

The status of budgetary resources for ARP Act funds as of September 30, 2022 and 2021:

(Amounts in Thousands)	2022	2021
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from PY	\$ 359,516	\$ -
New Budget Authority (+)	-	600,000
Recoveries of Prior Year Obligations (+)	1,253	-
Budgetary Resources Obligated (-)	360,649	240,484
Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried	120	359,516
Outlays, Net (Total)	\$ 87,360	\$ 18,349

NSF uses R&RA resources to support new grant and fellowship awards as well as issue supplements to existing awards to support individuals and institutions disproportionately impacted by the coronavirus pandemic. In particular, NSF structured the investments to: (i) reach the most strongly affected groups; (ii) support individuals at vulnerable career transition points; and (iii) ensure broad distribution.

Like the intent of the R&RA funds, EHR supports new and existing research grants, fellowships, and education activities that align with the three identified emphasis areas. These investments were awarded across both FY 2022 and FY 2021.

NSF currently has several major multi-user research facility projects under construction with funding appropriated under the MREFC account. Some of these projects, all funded through cooperative agreements, have seen significant delays and concomitant cost increases caused by the COVID-19 pandemic. The primary impacts have been the inability to conduct construction work at remote sites

*Notes to the Financial Statements
September 30, 2022 and 2021*

and the impacts of social distancing on the efficiency of construction. NSF uses ARP resources in accordance with NSF policy and practice to cover impacts that are out of control of the Project. In addition, NSF uses MREFC funds to cover similar impacts to Midscale-Research Infrastructure, Track 2 projects.

NSF faced increased costs across all aspects of agency operations and award management due to coronavirus. The \$12 million provided to the Agency Operations and Award Management (AOAM) supported additional program officers and grant specialists, and expanded the agency's use of virtual technologies and collaboration tools that sustained remote operations. NSF relied on the use of these technologies to enable virtual merit review panels to make timely ARP funded awards which went beyond the needs for obligation of base appropriations. Remaining increased administration costs supported financial management for the increased number of fellows expected from ARP funding, system configurations, and attendant technical support inside NSF and for awardees.

Obligations for COVID-19 activities, by funding source, as of September 30, 2022 and 2021:

(Amounts in Thousands)		2022		
NSF by Account	ARP Act ¹	Base Appropriation	H-1B Fees Mandatory + Reimbursable	Amount
Research and Related Activities	\$277,114	\$ 814,172	\$ 2,662	\$ 1,093,948
Education and Human Resources	37,005	180,150	27,085	244,240
Major Research Equipment and Facilities Construction	46,529	21	-	46,550
Agency Operations and Award Management	-	2	-	2
Total	\$360,648	\$ 994,345	\$ 29,747	\$ 1,384,740

¹Obligation amounts include new obligations of recovered funds from prior de-obligations.

(Amounts in Thousands)		2021		
NSF by Account	ARP Act	Base Appropriation	H-1B Fees Mandatory + Reimbursable	Amount
Research and Related Activities	\$195,542	\$ 1,215,995	\$ 4,464	\$ 1,416,001
Education and Human Resources	23,995	267,428	45,995	337,418
Major Research Equipment and Facilities Construction	8,947	1,534	-	10,481
Agency Operations and Award Management	12,000	23	-	12,023
Total	\$240,484	\$ 1,484,980	\$ 50,459	\$ 1,775,923

Budget authority provided by the ARP Act of 2021 was available to NSF for obligation through September 2022. Unobligated balances for each year ending September 30 are shown below:

(Amounts in Thousands)		2022	2021
NSF by Account		ARP Act Amount	ARP Act Amount
Research and Related Activities		\$ 119	\$ 271,458
Education and Human Resources		-	37,005
Major Research Equipment and Facilities Construction		1	51,053
Agency Operations and Award Management		-	-
Total		\$ 120	359,516

Note 12. Reclassification of Financial Statement Line Items for FR Compilation Process

To prepare the FR, the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the NSF's financial statements and the NSF's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2021 FR can be found on the FR website and a copy of the 2022 FR will be posted to this site as soon as it is released. <https://www.fiscal.treasury.gov/reports-statements/>

The term "Non-Federal" is used to refer to transactions with non-federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Reclassification of Statement of Net Cost (SNC) to Line Items Used for the
Government-wide SNC for the Period Ending September 30, 2022
(Amounts in Thousands)

FY 2022 National Science Foundation SNC		Line Items Used to Prepare FY 2022 Government-wide SNC			
Financial Statement Line	Amounts	Dedicated Collections	All Other	Total	Reclassified Financial Statement Line
GROSS COSTS					GROSS COSTS
Research and Related Activities	\$ 7,076,948	\$ 131,856	7,849,660	\$ 7,981,516	Non-Federal Gross Cost
		131,856	7,849,660	7,981,516	Total Non-Federal Gross Cost
Education and Human Resources	921,660	-	50,882	50,882	Benefit Program Costs
Major Research Equipment and Facilities Construction	149,567	-	14,439	14,439	Imputed Costs
Donations and Dedicated Collections	140,556	-	226,684	226,684	Buy/Sell Costs
		-	15,210	15,210	Other Expenses (Without Reciprocals)
		-	307,215	307,215	Total Federal Gross Cost
TOTAL GROSS COSTS	\$ 8,288,731	\$ 131,856	8,156,875	\$ 8,288,731	TOTAL GROSS COSTS
EARNED REVENUE					EARNED REVENUE
Research and Related Activities	\$ (92,339)	\$ -	(6,817)	\$ (6,817)	Non-Federal Earned Revenue
		-	(6,817)	(6,817)	Total Non-Federal Earned Revenue
Education and Human Resources	(6,131)	-	(91,653)	(91,653)	Buy/Sell Revenue (Exchange)
		-	(91,653)	(91,653)	Total Federal Earned Revenue
TOTAL EARNED REVENUE	\$ (98,470)	\$ -	(98,470)	\$ (98,470)	TOTAL EARNED REVENUE
NET COST OF OPERATIONS	\$ 8,190,261	\$ 131,856	8,058,405	\$ 8,190,261	NET COST OF OPERATIONS

Notes to the Financial Statements

September 30, 2022 and 2021

**Reclassification of Statement of Changes in Net Position (SCNP) to Line Items Used for the
Government-wide Statement of Operations and Changes in Net Position for the Period Ending September 30, 2022
(Amounts in Thousands)**

FY 2022 National Science Foundation SCNP		Line Items Used to Prepare FY 2022 Government-wide SCNP			
Financial Statement Line	Amounts	Dedicated Collections	All Other	Total	Reclassified Financial Statement Line
UNEXPENDED APPROPRIATIONS					
Beginning Balance	\$ 16,561,541	\$ 657,863	17,025,784	\$ 17,683,647	Net Position, Beginning of Period (Includes Cumulative Results of Operations, Beginning Balance)
Appropriations Received	8,863,000	-	8,775,170	8,775,170	Appropriations Received as Adjusted
Other Adjustments (Canceled Authority)	(87,830)	-	-	-	
Appropriations Used	<u>(8,087,561)</u>	-	(8,087,561)	(8,087,561)	Appropriations Expended
Net Change in Unexpended Appropriations	687,609	-	-	-	
UNEXPENDED APPROPRIATIONS, ENDING	<u>17,249,150</u>	-	-	-	
CUMULATIVE RESULTS OF OPERATIONS					
Beginning Balance	\$ 1,122,106	-	-	-	
Change in Accounting Principle	<u>(48,717)</u>	-	(48,717)	(48,717)	Change in Accounting Principle
Beginning Balance, Adjusted	<u>1,073,389</u>	-	-	<u>17,634,930</u>	Net Position, Beginning of Period - Adjusted (Includes Net Position, Beginning of Period above plus Change in Accounting Principle AND excluded from Total Net Position below)
Appropriations Used	8,087,561	-	8,087,561	8,087,561	Appropriations Expended
Non-Exchange Revenue	9	-	20,230	20,230	Other Taxes and Receipts
Donations	20,230	-	-	-	
Other (1 of 2)	<u>(9)</u>	-	-	-	
Total Non-Exchange Revenues	20,230	-	20,230	20,230	Total Non-Federal Non-Exchange Revenues
		2,080	-	2,080	Accruals for Entity Amounts to be Collected in a TAS Other Than the General Fund of the U.S. Government - Non-Exchange
		-	2	2	Expenditure Transfers-In of Financing Sources
		198,687	-	198,687	Appropriation of Unavailable Special/Trust Fund Receipts Transfers-In
		<u>(10,827)</u>	-	<u>(10,827)</u>	Appropriation of Unavailable Special/Trust Fund Receipts Transfers-Out
Transfers In / (Out) Without Reimbursement	189,942	189,940	2	189,942	Total Appropriation of Unavailable Special/Trust Fund Receipts Transfers-In
Imputed Financing	14,439	-	14,439	14,439	Imputed Financing Sources
		-	706	706	Collections Transferred into a TAS Other Than the General Fund of the U.S. Government
		-	(6,324)	(6,324)	Non-Entity Collections Transferred to the General Fund
		-	(1,200)	(1,200)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
Other (2 of 2)	<u>(6,818)</u>	-	<u>(6,818)</u>	<u>(6,818)</u>	Total Non-Entity Collections and Accrual for Non-Entity Amounts to be Collected
Net Cost of Operations	<u>8,190,261</u>	(131,856)	(8,058,405)	(8,190,261)	Net Cost of Operations
Net Change in Cumulative Results of Operations	<u>115,093</u>	-	-	-	
CUMULATIVE RESULTS OF OPERATIONS,	<u>\$ 1,188,482</u>	-	-	-	
TOTAL NET POSITION	<u>\$ 18,437,632</u>	<u>\$ 715,947</u>	<u>17,721,685</u>	<u>\$ 18,437,632</u>	TOTAL NET POSITION

REQUIRED SUPPLEMENTARY INFORMATION

Deferred Maintenance and Repairs

For the Fiscal Years ended September 30, 2022 and 2021

Deferred Maintenance and Repairs

NSF performs condition assessment surveys in accordance with SFFAS No. 42, *Deferred Maintenance and Repairs*, for capitalized general PP&E, including fully depreciated general personal property to determine if any maintenance and repairs are needed to keep an asset in an acceptable condition or restore an asset to a specific level of performance. NSF considers deferred maintenance and repairs to be any maintenance and repairs that are not performed on schedule, unless it is determined from the condition of the asset that scheduled maintenance does not have to be performed. Deferred maintenance and repairs also include any other type of maintenance or repair that, if not performed, would render the PP&E non-operational. Circumstances such as non-availability of parts or funding are considered reasons for deferring maintenance and repairs.

NSF considered whether any scheduled maintenance or repair necessary to keep fixed assets of the agency in an acceptable condition was deferred at the fiscal years ended September 30, 2022 and 2021. Assets deemed to be in excellent, good, or fair condition are considered to be in acceptable condition. Assets in poor or very poor condition are in unacceptable condition and the deferred maintenance and repairs required to get them to an acceptable condition are reported. NSF determines the condition of an asset in accordance with standards comparable to those used in the private industry. Due to the environment and remote location of Antarctica, all deferred maintenance and repairs on assets in poor or very poor condition are considered critical in order to maintain operational status.

In accordance with SFFAS No. 42, NSF discloses the beginning and ending balances for the fiscal year ending September 30, 2022. At September 30, 2022, NSF determined that scheduled maintenance or repairs on one item of Antarctic capital equipment in poor condition was not completed and was deferred or delayed for a future period. The dollar amount of deferred maintenance for this item was \$300 thousand. The item was heavy mobile equipment and was considered critical to NSF operations.

At September 30, 2021, NSF determined that there was no scheduled maintenance or repairs on Antarctic capital equipment in poor or very poor condition that was not completed and was deferred or delayed for a future period.

REQUIRED SUPPLEMENTARY INFORMATION

**Combining Statement of Budgetary Resources by
Major Budget Accounts**

In the following tables, NSF budgetary information for the fiscal years ended September 30, 2022 and 2021, as presented in the Statement of Budgetary Resources, is disaggregated for each of NSF's major budget accounts.

Required Supplementary Information
September 30, 2022 and 2021

The Consolidated Appropriations Act, 2022

2022

(Amounts in Thousands)

	<u>Research and Related Activities</u>	<u>Education and Human Resources</u>	<u>Major Research Equipment</u>	<u>OIG, AOAM, and NSB</u>	<u>Special and Donated</u>	<u>Total</u>
Budgetary Resources						
Unobligated Balance from Prior Year Budget Authority, Net Appropriations	\$ 556,200	82,820	255,790	7,460	152,671	\$ 1,054,941
Spending Authority from Offsetting Collections	6,999,520	1,149,460	266,520	448,500	208,091	9,071,091
	79,242	4,950	-	7,270	-	91,462
Total Budgetary Resources	\$ 7,634,962	1,237,230	521,310	463,230	360,762	\$ 10,217,494
Status of Budgetary Resources						
New Obligations and Upward Adjustments	\$ 7,400,190	1,196,006	190,581	451,426	285,505	\$ 9,523,708
Unobligated Balance, End of Year:						
Apportioned, Unexpired	78,870	4,735	175,745	5,279	61,996	326,625
Unapportioned, Unexpired	8,755	6,877	154,984	-	13,261	183,877
Unobligated Balance, Unexpired, End of Year	87,625	11,612	330,729	5,279	75,257	510,502
Unobligated Balance, Expired, End of Year	147,147	29,612	-	6,525	-	183,284
Total Unobligated Balance, End of Year	234,772	41,224	330,729	11,804	75,257	693,786
Total Status of Budgetary Resources	\$ 7,634,962	1,237,230	521,310	463,230	360,762	\$ 10,217,494
Net Outlays						
Net Outlays	\$ 6,573,104	872,450	155,535	427,119	131,148	\$ 8,159,356
Distributed Offsetting Receipts	-	-	-	-	(26,554)	(26,554)
Net Agency Outlays	\$ 6,573,104	872,450	155,535	427,119	104,594	\$ 8,132,802

Required Supplementary Information
September 30, 2022 and 2021

The Consolidated Appropriations Act, 2021

2021

(Amounts in Thousands)

	<u>Research and Related Activities</u>	<u>Education and Human Resources</u>	<u>Major Research Equipment</u>	<u>OIG, AOAM, and NSB</u>	<u>Special and Donated</u>	<u>Total</u>
Budgetary Resources						
Unobligated Balance from Prior Year Budget Authority, Net Appropriations	\$ 237,391	43,461	129,426	17,269	161,589	\$ 589,136
Spending Authority from Offsetting Collections	7,347,479	1,029,000	301,000	409,280	185,980	9,272,739
	103,815	4,416	-	5,633	-	113,864
Total Budgetary Resources	\$ 7,688,685	1,076,877	430,426	432,182	347,569	\$ 9,975,739
Status of Budgetary Resources						
New Obligations and Upward Adjustments	\$ 7,246,601	1,003,479	170,216	425,462	172,450	\$ 9,018,208
Unobligated Balance, End of Year:						
Apportioned, Unexpired	306,304	40,590	260,190	1,022	166,918	775,024
Unapportioned, Unexpired	4,278	2,622	20	-	8,201	15,121
Unobligated Balance, Unexpired, End of Year	310,582	43,212	260,210	1,022	175,119	790,145
Unobligated Balance, Expired, End of Year	131,502	30,186	-	5,698	-	167,386
Total Unobligated Balance, End of Year	442,084	73,398	260,210	6,720	175,119	957,531
Total Status of Budgetary Resources	\$ 7,688,685	1,076,877	430,426	432,182	347,569	\$ 9,975,739
Net Outlays						
Net Outlays	\$ 5,885,636	800,746	152,601	384,538	166,259	\$ 7,389,780
Distributed Offsetting Receipts	-	-	-	-	(35,391)	(35,391)
Net Agency Outlays	\$ 5,885,636	800,746	152,601	384,538	130,868	\$ 7,354,389