

- ◀ The use of de-icing salts and chloride-containing additives to concrete causes significant damage to structures such as bridges, buildings and port structures. In a project supported by NSF at Carnegie Mellon University, researchers are developing an electronic chip that uses nuclear magnetic resonance (NMR) to detect the chloride ion in concrete. NMR chips placed throughout a bridge can warn engineers when the free chloride level in the concrete reaches a danger level so that steps can be taken to prevent corrosion and the loss of the structure, thus enabling the country to maintain its structures better and cheaper.

Financial Statements

National Science Foundation
Balance Sheets
As of September 30, 2000 and 1999
(Amounts in Thousands)

ASSETS

	<u>2000</u>	<u>1999</u>
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 4,892,765	\$ 4,405,457
Accounts Receivable (Note 3)	3,997	975
Total Intragovernmental Assets	4,896,762	4,406,432
Cash	5,835	8,862
Accounts Receivable, Net (Note 3)	658	262
Advances (Note 4)	66,000	55,969
General Property, Plant and Equipment, Net (Note 5)	134,501	101,471
Total Assets	\$ 5,103,756	\$ 4,572,996

LIABILITIES

Intragovernmental Liabilities:		
Advances From Others	\$ 96,383	\$ 83,838
Other Intragovernmental Liabilities (Note 6)	1,219	760
Employee Benefits (Notes 7 and 8)	335	260
Total Intragovernmental Liabilities	97,937	84,858
Accounts Payable	266,478	233,005
Other Liabilities (Note 6)	3,890	3,561
Employee Benefits (Notes 7 and 8)	1,767	1,245
Lease Liabilities (Notes 7 and 9)	602	277
Accrued Annual Leave (Note 7)	9,295	9,490
Total Liabilities	\$ 379,969	\$ 332,436

Commitments and Contingencies (Note 1)

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NET POSITION

Unexpended Appropriations (Note 10)	\$ 4,537,935	\$ 4,068,398
Cumulative Results of Operations	185,852	172,162
Total Net Position	4,723,787	4,240,560
Total Liabilities and Net Position	\$ 5,103,756	\$ 4,572,996

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

National Science Foundation
Statements of Net Cost
For the Years Ended September 30, 2000 and 1999
(Amounts in Thousands)

Program Costs

	<u>2000</u>	<u>1999</u>
Research Programs: (Note 11)		
Intragovernmental		
Program Cost	\$ 113,304	\$ 120,025
Salary & Expense and Inspector General Cost	28,652	51,385
Total Intragovernmental Cost	<u>141,956</u>	<u>171,410</u>
With the Public		
Program Cost	2,708,885	2,576,286
Salary & Expense and Inspector General Cost	113,426	72,722
Total Public Cost	<u>2,822,311</u>	<u>2,649,008</u>
 Total Research Program Cost	 2,964,267	 2,820,418
Less: Earned Revenues	76,372	68,734
Net Research Program Cost	<u>2,887,895</u>	<u>2,751,684</u>
 Education Programs: (Note 11)		
Intragovernmental		
Program Cost	2,262	7,340
Salary & Expense and Inspector General Cost	572	3,142
Total Intragovernmental Cost	<u>2,834</u>	<u>10,482</u>
With the Public		
Program Cost	594,255	591,984
Salary & Expense and Inspector General Cost	19,370	16,730
Total Public Cost	<u>613,625</u>	<u>608,714</u>
 Total Education Program Cost	 616,459	 619,196
Less: Earned Revenues	7,844	4,459
Net Education Program Cost	<u>608,615</u>	<u>614,737</u>
 Net Cost of Operations	 \$ <u>3,496,510</u>	 \$ <u>3,366,421</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

National Science Foundation
Statements of Changes in Net Position
For the Years Ended September 30, 2000 and 1999
(Amounts in Thousands)

	<u>2000</u>	<u>1999</u>
Net Cost of Operations	\$ <u>3,496,510</u>	\$ <u>3,366,421</u>
Financing Sources:		
Appropriations Used	3,465,530	3,310,548
Donations	39,371	36,570
Interest and Penalties	298	343
Imputed Financing	4,774	5,383
Transfers in (Note 12)	227	171
Other Financing Sources	<u>-</u>	<u>138</u>
Total Financing Sources	<u>3,510,200</u>	<u>3,353,153</u>
Net Results of Operations	\$ <u><u>13,690</u></u>	\$ <u><u>(13,268)</u></u>
Net Change in Cumulative Results of Operations	\$ 13,690	\$ (13,268)
Increase in Unexpended Appropriations	<u>469,537</u>	<u>373,728</u>
Change in Net Position	483,227	360,460
Net Position-Beginning of Period	<u>4,240,560</u>	<u>3,880,100</u>
Net Position-End of Period	\$ <u><u>4,723,787</u></u>	\$ <u><u>4,240,560</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

National Science Foundation
Statements of Budgetary Resources
For the Years Ended September 30, 2000 and 1999
(Amounts in Thousands)

	<u>2000</u>	<u>1999</u>
Budgetary Resources		
Budget Authority (Note 13)	\$ 4,001,238	\$ 3,739,026
Unobligated Balances - Beginning of Period	187,607	151,471
Spending Authority from Offsetting Collections	85,498	97,307
Adjustments:		
Recoveries of Prior Year Obligations	76,574	51,173
Cancelled Authority Returned to Treasury	<u>(26,689)</u>	<u>(17,795)</u>
	49,885	33,378
Total Budgetary Resources	<u>\$ 4,324,228</u>	<u>\$ 4,021,182</u>
Status of Budgetary Resources:		
Obligations Incurred	\$ 4,077,152	\$ 3,833,575
Unobligated Balances - End of Period - Available	144,593	101,502
Unobligated Balances - End of Period - Not Available	<u>102,483</u>	<u>86,105</u>
Total Status of Budgetary Resources	<u>\$ 4,324,228</u>	<u>\$ 4,021,182</u>
Outlays		
Obligations Incurred	\$ 4,077,152	\$ 3,833,575
Less: Spending Authority from Offsetting Collections and Recoveries from Prior Year Obligations	162,072	148,480
Obligated Balance, Net - Beginning of Period	4,217,513	3,799,257
Less: Obligated Balance, Net - End of Period	<u>4,645,202</u>	<u>4,217,513</u>
Total Outlays	<u>\$ 3,487,391</u>	<u>\$ 3,266,839</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

National Science Foundation
Statements of Financing
For the Years Ended September 30, 2000 and 1999
(Amounts in Thousands)

	<u>2000</u>	<u>1999</u>
Obligations and Nonbudgetary Resources		
Obligations Incurred	\$ 4,077,152	\$ 3,833,575
Less: Spending Authority for Offsetting		
Collections and Adjustments	(162,072)	(148,480)
Imputed Financing	4,774	5,383
Transfers In (Note 12)	227	171
Exchange Revenue Not in the Budget	(395)	(162)
Nonexchange Revenue Not in the Budget	310	283
Other Financing Sources	-	138
Total Obligations and Nonbudgetary Resources	<u>3,919,996</u>	<u>3,690,908</u>
Resources That Do Not Fund Net Cost of Operations		
Changes in Amount of Goods, Services, and Benefits		
Ordered but not yet Received or Provided	(392,449)	(340,364)
Change in Unfilled Customer Orders	1,592	23,882
Net Cost Capitalized on the Balance Sheet	(43,433)	(18,883)
Total Resources That Do Not Fund Net Cost of Operations	<u>(434,290)</u>	<u>(335,365)</u>
Costs That Do Not Require Resources		
Depreciation and Amortization	10,300	9,349
Loss on Disposition of Assets, Net	102	630
Total Costs that Do Not Require Resources	<u>10,402</u>	<u>9,979</u>
Change in Financing Sources Yet to be Provided (Note 14)	<u>402</u>	<u>899</u>
Net Cost of Operations	<u>\$ 3,496,510</u>	<u>\$ 3,366,421</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE 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 (P.L. 810-507). Its aim is to promote and advance scientific progress in the United States. The Foundation is responsible for the overall health of science and engineering across all disciplines. The Foundation is also committed to ensuring the nation's supply of scientists, engineers and science educators. NSF funds research and education in science and engineering by awarding grants and contracts to educational and research institutions in all parts of the United States. NSF, by law, cannot conduct research or operate research facilities. By award, NSF enters into relationships to fund the research operations conducted by grantees.

NSF is led by a presidentially-appointed director and governed by the National Science Board (“The Board”). This Board, composed of 24 members, represents a cross section of American leaders in science and engineering research and education, who are appointed by the President for six-year terms. The NSF Director is a member *ex officio* of the Board.

NSF is authorized by the general authority of the Foundation as found in United States Code Title 42, Section 1870 (f), to receive and use funds donated by others, if such funds are donated without restriction other than they be used in the furtherance of the mission of the Foundation. These donations are non-appropriated funds received from foreign governments, private companies, academic institutions, non-profit foundations, and individuals. Donated funds are accepted into the NSF trust fund account either as unrestricted or as earmarked contributions to specific NSF programs that the Foundation holds in trust for disbursement to its awardees. Foreign donations are deposited initially in a commercial bank as a convenient wire-transfer depository. When needed for program support purposes, they are transferred into an account at the U.S. Treasury. Interest earnings on the commercial bank deposits are used for the same purposes as the principal donations. Funds are made available for obligation as necessary to support NSF programs.

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 and the Government Management Reform Act of 1994. They have been prepared from the books and records of NSF in accordance with generally accepted accounting principles. These statements are therefore different from the financial reports, also prepared by NSF pursuant to OMB directives that are used to monitor and control NSF's use of budgetary resources.

C. Basis of Accounting

The accompanying financial statements have been prepared using the accrual method in addition to recognizing certain budgetary transactions. 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. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. NSF records grant expenses from expenditure reports submitted by the grantees. Grantees may be on either an accrual or cash basis of accounting, and NSF records amounts as reported.

D. Revenues and Other Financing Sources

NSF receives the majority of its funding through Congressional appropriations. NSF receives both annual and multi-year appropriations that may be expended, within statutory limits. Additional amounts are obtained through reimbursements for services provided to and allocation transfers from other federal agencies and donations to the trust fund account. Also, NSF receives interest earned on overdue receivables and excess cash advances to grantees. The interest earned on overdue receivables is returned to the Treasury. Interest earned on excess cash advances to grantees is sent directly to the Department of Health and Human Services (HHS) in accordance with OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non Profit Organizations*.

Appropriations are recognized as a financing source at the time the related “funded” program or administrative expenses are incurred. Appropriations are recognized when used to purchase property, plant and equipment. “Unfunded” liabilities result from Liabilities Not Covered by Budgetary Resources and will be paid when future appropriations are made available for these purposes. Donations are recognized as revenues when funds are received. Revenues from reimbursable agreements are recognized when the services are provided and the related expenditures are incurred. Reimbursable agreements are mainly for grant administrative services provided by NSF on behalf of other federal agencies.

E. Fund Balance with Treasury and Cash

Cash receipts and disbursements are processed by the Treasury. The Fund Balance with Treasury is comprised primarily of appropriated funds that are available to pay current liabilities and finance authorized purchase commitments, but also includes non-appropriated funding sources from donations and other revenue received from an NSF cooperative agreement to register Internet domain names.

NSF has also established commercial bank accounts to hold some donated funds in trust, in interest bearing accounts as permitted by the contributors. These funds are collateralized by the bank through the U.S. Treasury.

F. Accounts Receivable, Net

Accounts Receivable consist of amounts due from governmental agencies, private organizations, and individuals. NSF establishes an allowance for accounts receivable from private sources that are deemed uncollectible, but regards amounts due from other federal agencies as fully collectible. Due to the small number and dollar amount of the private receivables, NSF analyzes each account independently to assess collectability and the need for an offsetting allowance.

G. Advances

Advances consist of advances to grantees, contractors and employees. Advance payments are made to grant recipients so that recipients may incur expenses related to the approved grant. Payments are only made within the amount of the recorded grant obligation and are intended to cover immediate cash needs. At the end of the fiscal year, the total amount paid to the grantees is compared with total grant expenditures for the year. Total grant expenditures for the year includes an estimate of fourth quarter amounts due and payable to grantees. The estimate is compiled using historical grantee expenditure data. For those

grantees with advance payments exceeding expenditures, the aggregate difference is reported as an advance. Additionally, for those grantees with expenditures exceeding advance payments, the aggregate difference is reported as a grant liability. Advances to contractors are payments made in advance of incurring expenses. Advances to employees are related to travel. Advances are reduced when documentation supporting expenditures is received.

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

NSF capitalizes acquisitions with costs exceeding \$25,000 and useful lives exceeding two years. Acquisitions not meeting these criteria are recorded as operating expenses. NSF currently reports capitalized PP&E at original acquisition cost; assets acquired from General Services Administration's (GSA) excess property schedules are recorded at the value assigned by the donating agency; assets transferred in from other agencies are at the cost recorded by the transferring entity for the asset net of accumulated depreciation or amortization. Depreciation expense is calculated using the straight-line method. The economic life classifications for capitalized assets are as follows:

Equipment

<i>5 years</i>	computers and peripheral equipment, fuel storage tanks, laboratory equipment, and vehicles
<i>7 years</i>	communications equipment, office furniture and equipment, pumps and compressors
<i>10 years</i>	generators, Department of Defense equipment

Aircraft and Satellite

<i>7 years</i>	aircraft and satellite
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Buildings and Structures

<i>31.5 years</i>	buildings and structures placed in service prior to 1993
<i>39 years</i>	buildings and structures placed in service after 1993

Leasehold Improvements

The economic life of Leasehold Improvements is amortized over the number of years remaining on the lease for the NSF headquarters building. In FY 2000, Leasehold Improvements completed during FY 2000 were amortized over 13 years, which represents the remaining years on NSF's lease with GSA.

Property, Plant, and Equipment balance consists of Equipment, Aircraft and Satellite, Buildings and Structures, Leasehold Improvements, and Construction in Progress (CIP). These balances are comprised of PP&E maintained "in-house" by NSF to support agency operations and PP&E under the U.S. Antarctic Program (USAP). The majority of USAP property is currently the custodial responsibility of Raytheon Technical Services Company, the NSF contractor for the program. Additionally, the U.S. Navy's Space and Naval Warfare Center also has custodial responsibility for some USAP property.

The NSF headquarters building is leased from GSA. NSF is billed by GSA for the leased space as rent based upon estimated lease payments made by GSA plus an administrative fee. The cost of the headquarters building is not capitalized by NSF. The cost of leasehold improvements performed by GSA are financed with NSF appropriated funds. The leasehold improvements are capitalized by NSF as they are transferred from CIP upon completion, if the leasehold improvements meet NSF's capitalization threshold. Amortization is calculated using the straight-line method over the lesser of their useful lives and the unexpired lease term.

NSF's PP&E capitalization policy reflects agency specific guidance provided by the Federal Accounting Standards Advisory Board (FASAB) in 1997, which stated that PP&E held under the USAP should be capitalized, as NSF maintained "operational" responsibility for the support of science activities in Antarctica. However, FASAB agreed that PP&E used by awardees for research and development activities, which NSF is prohibited by statute from operating, should not be included in NSF asset balances. Although NSF retains title to the property to facilitate transfer to subsequent awardees, operation and control of this PP&E are transferred to awardees responsible for coordinating, directing and conducting research utilizing the PP&E resources. Current standards do not fully address this situation. Until standards are developed to further address this issue, FASAB has issued interim guidance that considers NSF's ownership interest in this PP&E to be "limited in practice to an interest similar to a reversionary interest," and directed the agency to exclude these items from the balance sheet. Costs incurred to acquire such PP&E are treated as expense and shown as costs and investments in research and development in the required supplemental stewardship information.

I. Advances from Others

Advances from Others consist of amounts obligated and advanced by other federal entities to NSF for grant administration and other services to be furnished under reimbursable agreements. Balances at the end of the year are adjusted by an allocated amount from the fourth quarter grantee expenditure estimate described under Note H, Advances. The amount to be allocated is based on a percentage of the reimbursable grant expenditures, by partner agencies to NSF, to the total grant expenditures.

J. Accounts Payable

Accounts Payable consist of grant liabilities and liabilities to commercial vendors. Grant liabilities are grantee expenses not yet reimbursed by NSF. Accounts payable to commercial vendors are expenses for goods and services received but not yet paid by NSF at the end of the fiscal year. At year end, NSF accrues for the amount of estimated unreimbursed grantee expenses and estimated unpaid expenses to commercial vendors.

K. Annual, Sick and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. 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 Salaries and Expenses appropriations. Sick leave and other types of nonvested leave are expensed as taken.

L. Employee Benefits

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

M. Net Position

Net position is the residual difference between assets and liabilities and is composed of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended 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 is the net result of NSF's operations since inception.

N. Retirement Plan

In fiscal year 2000, approximately 35 percent of NSF employees participated in the Civil Service Retirement System (CSRS), to which NSF made matching contributions equal to 8.51 percent of pay. On January 1, 1987, the Federal Employees Retirement System (FERS) went into effect pursuant to the Federal Employees' Retirement System Act of 1986 (5 U.S.C. 8401-79). Most employees hired after December 31, 1983 are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984 can elect to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a thrift savings plan to which NSF automatically contributes 1 percent of pay and matches employee contributions up to an additional 4 percent of pay. NSF also contributes the employer's matching share for Social Security for FERS participants.

Although NSF funds a portion of the benefits under FERS and CSRS relating to its employees and withholds the necessary payroll deductions, the agency has no liability for future payments to employees under these plans, nor does NSF report CSRS, FERS, or 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 FERS. In fiscal year 2000, NSF's contributions to CSRS and FERS were \$3,215,242 and \$5,124,803, respectively. In fiscal year 1999, NSF's contributions to CSRS and FERS were \$2,854,178 and \$4,170,618, respectively.

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 communicate these factors to the agency for current period expense reporting. Information was also provided by OPM regarding the full cost of health and life insurance benefits. In fiscal year 2000, NSF, utilizing cost factors dated October 16, 2000, recognized \$2,108,336 of pension expenses, \$2,649,643 of post-retirement health benefits expenses and \$15,999 of post-retirement life insurance expenses, beyond amounts actually paid. NSF recognized an offsetting revenue of \$4,773,978 as an imputed financing source to the extent that these intragovernmental expenses will be paid by OPM. In fiscal year 1999, NSF recognized \$2,733,256 of pension expenses, \$2,635,415 of post-retirement health benefits expenses and \$14,503 of post-retirement life insurance expenses, beyond amounts actually paid. NSF recognized an offsetting revenue of \$5,383,174 as imputed financing sources to the extent that these intragovernmental expenses will be paid by OPM.

O. Commitments and Contingencies**Commitments:**

Commitments are contractual agreements involving financial obligations. NSF is committed for goods and services that have been ordered, but have not yet been delivered.

Contingencies: Claims and Lawsuits

NSF is a party to various legal actions and claims brought against it. In the opinion of NSF management and legal counsel, the ultimate resolution of the actions and claims will not materially affect the financial position or operations of the Foundation. NSF discloses and recognizes the loss in the financial statements when claims are expected to result in a material loss, whether from the Foundation's appropriations or the "Judgment Fund" administered by the Department of Justice under Section 1304 of Title 31 of the United States Code, and, the payment amounts can be reasonably estimated.

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

P. Use of Estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions about certain estimates included in the financial statements. Actual results will invariably differ from those estimates.

Q. Tax Status

NSF, as a federal agency, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes is recorded.

Note 2. Fund Balance with Treasury

Fund Balance with Treasury consisted of the following components as of September 30, 2000 and 1999:

(Table Amounts in Thousands)

	<u>2000</u>			<u>1999</u>	
	Appropriated Fund	Trust Fund	Other Funds	Total Total	
Obligated	\$4,607,596	\$8,879	\$28,406	\$4,644,881	\$4,217,154
Unobligated Available	142,984	21,243	347	164,574	110,637
Unobligated Unavailable	82,823	-	487	83,310	77,666
Total Fund Balance	<u>\$4,833,403</u>	<u>\$30,122</u>	<u>\$29,240</u>	<u>\$4,892,765</u>	<u>\$4,405,457</u>

“Other Funds” consists of \$28,405,674 and \$47,021,836, as of September 30, 2000 and 1999, respectively, received from a corporation that registered second level Internet domain names under NSF cooperative agreement and nonexpenditure transfer authorizations, deposits, holdings, and miscellaneous receipt accounts. The nonexpenditure transfer authorizations are appropriation allocations from other government agencies and include 15,826,073 and 21,267,055 Indian rupees converted as of September 30, 2000 and 1999, respectively, to U.S. dollars at the prevailing Treasury rate of 45.6 rupees to \$1 US, or \$347,063, and 43.25 rupees to \$1 US, or \$491,724, respectively.

The Trust Fund includes amounts donated to NSF. Other Funds and Trust Funds are restricted for intended purposes. Unavailable balances include recovered expired appropriations and other amounts related to expired authority and holdings, which are unavailable for NSF use.

Note 3. Accounts Receivable, Net

Intragovernmental

The Intragovernmental Accounts Receivable consists of reimbursements and repayments due from other government agencies. As of September 30, 2000 and 1999, the amount of intragovernmental accounts receivable was \$3,996,660 and \$974,504, respectively.

Public

As of September 30, 2000 and 1999, Accounts Receivable (net) due from other private organizations and individuals consisted of:

(Table Amounts in Thousands)

	<u>2000</u>	<u>1999</u>
Accounts Receivable	\$8,841	\$560
Allowance for Uncollectible Accounts	<u>(8,183)</u>	<u>(298)</u>
Net Amount Due	<u>\$658</u>	<u>\$262</u>

As of September 30, 2000 and 1999, the reconciliation of the allowance for uncollectible accounts is as follows:

(Table Amounts in Thousands)

	<u>2000</u>	<u>1999</u>
Beginning Allowance	\$298	\$90
Additions	7,929	208
Reduction (write-offs)	<u>(44)</u>	<u>-</u>
Ending Allowance	<u>\$8,183</u>	<u>\$298</u>

An allowance was set up in fiscal year 2000 for \$7,929,465, which represents the allowance for a receivable from a grantee that filed for dissolution. The receivable has been forwarded to the Department of Justice, as required by OMB Circular A-129 and U.S.C. 31 Section 3711, for concurrence on the termination of debt.

Note 4. Advances

As of September 30, 2000 and 1999, Advances consisted of the following components:

(Amounts in Thousands)

	<u>2000</u>	<u>1999</u>
Advances to Grantees	\$50,634	\$53,905
Advances to Contractors	15,359	2,064
Advances to Employees	<u>7</u>	<u>-</u>
Total Advances	<u>\$66,000</u>	<u>\$55,969</u>

Note 5. General Property, Plant and Equipment, Net

The components of General Property, Plant and Equipment as of September 30, 2000 and 1999 were:

(Amounts in Thousands)

	<u>2000</u>		<u>1999</u>	
	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment	\$57,840	\$46,250	\$11,590	\$7,824
Aircraft and Satellite	94,206	82,278	11,928	16,383
Buildings and Structures	83,927	34,413	49,514	51,446
Construction in Progress	<u>61,469</u>	<u>-</u>	<u>61,469</u>	<u>25,818</u>
Total PP&E	<u>\$297,442</u>	<u>\$162,941</u>	<u>\$134,501</u>	<u>\$ 101,471</u>

Note 6. Other Liabilities

Other Liabilities represent current accrued employer contributions for payroll and benefits, disbursements in transit, accrued payroll and benefits, and various employee related liabilities for payroll and benefit deductions. As of September 30, 2000 and 1999, Other Liabilities consisted of the following:

(Amounts in Thousands)

	<u>2000</u>	<u>1999</u>
Intragovernmental		
Employer Contributions for Payroll Benefits	\$219	\$800
Disbursements in Transit	<u>1,000</u>	<u>(40)</u>
Total Other Intragovernmental Liabilities	<u>1,219</u>	<u>760</u>
Other Liabilities		
Accrued Payroll and Benefits	3,312	2,173
State and Other Income Taxes Withheld	480	332
Disbursements in Transit	91	1,050
Employee Deductions for U.S. Savings Bonds	<u>7</u>	<u>6</u>
Total Other Liabilities	<u>\$3,890</u>	<u>\$3,561</u>

Note 7. Liabilities Not Covered by Budgetary Resources

Certain liabilities are not funded by current budgetary resources. As of September 30, 2000 and 1999, Liabilities Not Covered by Budgetary Resources consisted of the following:

(Amounts in Thousands)

	<u>2000</u>	<u>1999</u>
Intragovernmental: Employee Benefits	\$335	\$260
Employee Benefits	1,767	1,245
Accrued Annual Leave	<u>9,295</u>	<u>9,490</u>
Liabilities Not Covered by Budgetary Resources to Fund Cost of Operations	\$11,397	\$10,995
Lease Liabilities	<u>602</u>	<u>277</u>
Total Liabilities Not Covered By Budgetary Resources	<u>\$11,999</u>	<u>\$11,272</u>

Note 8. Employee Benefits

Employee Benefits consisted of the following components as of September 30, 2000 and 1999:

(Table Amounts in Thousands)

	<u>2000</u>	<u>1999</u>
Intragovernmental: Unreimbursed Actual Costs	\$335	\$260
Estimated Liability	<u>1,767</u>	<u>1,245</u>
Total Workers' Compensation Benefits	<u>\$2,102</u>	<u>\$1,505</u>

For fiscal years 2000 and 1999, these amounts represent \$355,204 and \$260,218 respectively, of unreimbursed cost to the Department of Labor (DOL) for actual compensation paid to recipients under Federal Employee's Compensation Act (FECA). FECA provides income and medical cost protection to cover Federal employees injured on the job or who have a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job related injury or occupational disease. The U.S. Department of Labor initially pays valid claims and then bills the employing federal agency.

As of September 30, 2000 and 1999, the estimated liability of \$1,767,000 and \$1,245,000, respectively, are for future worker's compensation calculated by DOL and includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period and annual benefit payments discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. To account for the effects of inflation on the liability, wage and medical inflation factors are applied to the calculation of future benefits.

Note 9. Lease Liabilities

NSF maintains capital leases for certain equipment. The lease periods range from four to five years and the capitalized cost of the lease payments are amortized over the life of the lease. As of September 30, 2000 and 1999, the capitalized cost of equipment under lease was approximately \$797,000 and \$359,000, respectively. Related accumulated amortization as of September 30, 2000 and 1999, was approximately \$211,000 and \$99,000, respectively. Capital lease liabilities are considered unfunded as of September 30, 2000 and 1999. As of September 30, 1999, the total Capital Lease Liability was \$277,000. Future payments under capital leases as of September 30, 2000 are:

(Table Amounts in Thousands)

Future Lease Payments:	
<i>Fiscal Year 2001</i>	209
<i>Fiscal Year 2002</i>	209
<i>Fiscal Year 2003</i>	165
<i>Fiscal Year 2004</i>	123
<i>Fiscal Year 2005</i>	<u>27</u>
Total	733
Less: Imputed Interest	<u>131</u>
Total Capital Lease Liability	<u><u>\$602</u></u>

Note 10. Unexpended Appropriations

Unexpended Appropriations consisted of the following components as of September 30, 2000 and 1999:

(Amounts in Thousands)

	<u>2000</u>	<u>1999</u>
Unobligated:		
<i>Available</i>	\$143,330	\$96,392
<i>Unavailable</i>	83,310	77,665
Undelivered Orders	<u>4,311,295</u>	<u>3,894,341</u>
Total Unexpended Appropriations	<u><u>\$4,537,935</u></u>	<u><u>\$4,068,398</u></u>

The Undelivered Orders balance does not include the Undelivered Orders balances of the Trust Fund account, reimbursable agreements with other agencies, and other funds.

Note 11. Statement of Net Cost

Major Program Descriptions

NSF's primary business is to make merit-based grants and cooperative agreements to individual researchers and groups, in partnership with colleges, universities, and other public, private, state, local, and federal institutions, throughout the U.S. By providing these resources, NSF contributes to the health and vitality of the U.S. research and educational systems, which enables and enhances the nation's capacity to sustain growth and prosperity. These grants are managed through eight programmatic organizations within NSF that review and evaluate competitive proposals submitted by the science and engineering community for its consideration. NSF is a singular entity for net cost reporting purposes. The NSF programmatic directorates are for Education and Human Resources; Biological Sciences; Computer and Information Science and Engineering; Geosciences; Mathematical and Physical Sciences; Social, Behavioral and Economic Sciences; Engineering; and the Office of Polar Programs.

These NSF organizations make investments in science and engineering in two functional program areas: 1) research projects and related programs and 2) education programs. Approximately 95 percent of NSF's costs are directly related to these investments. A third investment is made to support management and administration activities of NSF. All costs are assigned to these two functional program areas.

Research programs provide investments in cutting edge research that yields new discoveries. These investments help to maintain the nation's capacity to excel in science and engineering, particularly in academic institutions. NSF provides support for large, state-of-the-art multi-user research facilities that otherwise would be unavailable to academic scientists, and for staff and support personnel to assist scientists and engineers in conducting research at facilities.

Education programs help ensure that an adequate, well-prepared workforce of scientists and engineers can maintain leadership in science and technology, both now and in the future and help all students to achieve the mathematics and science skills needed to thrive in an increasingly technological society.

Salary & Expenses and Inspector General (IG) investments provide for salaries and benefits of persons employed at the NSF; general operating expenses, including key activities to advance the NSF information systems technology and to enhance staff training, audit and Inspector General activities, and OPM and DOL benefits costs paid on behalf of NSF. Costs such as depreciation of NSF assets are also included. These indirect costs are allocated to NSF programs based on each program's direct costs.

In accordance with OMB Bulletin 97-01, as amended, cost incurred for services provided to other federal entities are reported in the full cost of NSF programs and are identified as "intragovernmental." All earned revenues are funding sources provided through reimbursable agreements with other federal entities and are retained by NSF. Earned revenues are recognized when the related program or administrative expenses are incurred and are deducted from the full cost of the programs to arrive at the net cost of operating NSF's programs.

Gross Cost and Earned Revenue by Budget Functional Classification

Total Gross Cost and Earned Revenue by Budget Functional Classification for fiscal years 2000 and 1999 were as follows:

(Table Amounts in Thousands)

<u>Budget Functional Classification</u>	<u>Gross Cost</u>	<u>2000</u>	
		<u>Earned Revenue</u>	<u>Net Cost</u>
NSF – General Science, Space and Technology (Code 250)	<u>\$3,580,726</u>	<u>\$84,216</u>	<u>\$3,496,510</u>

<u>Budget Functional Classification</u>	<u>Gross Cost</u>	<u>1999</u>	
		<u>Earned Revenue</u>	<u>Net Cost</u>
NSF – General Science, Space and Technology (Code 250)	<u>\$3,439,614</u>	<u>\$73,193</u>	<u>\$3,366,421</u>

Intra-governmental Gross Cost and Earned Revenue by Budget Functional Classification for fiscal years 2000 and 1999 were as follows:

(Table Amounts in Thousands)

<u>Budget Functional Classification</u>	<u>Gross Cost</u>	<u>2000</u>	
		<u>Earned Revenue</u>	<u>Net Cost</u>
NSF – General Science, Space and Technology (Code 250)	<u>\$144,790</u>	<u>\$84,216</u>	<u>\$60,574</u>

<u>Budget Functional Classification</u>	<u>Gross Cost</u>	<u>1999</u>	
		<u>Earned Revenue</u>	<u>Net Cost</u>
NSF – General Science, Space and Technology (Code 250)	<u>\$181,892</u>	<u>\$73,193</u>	<u>\$108,699</u>

Note 12. Transfers In

In fiscal year 2000, the National Oceanic and Atmospheric Administration transferred to NSF the control over a satellite (GOES-3) with a book value of \$226,805 (cost \$22,680,503; accumulated depreciation \$22,453,695). The GOES-3 provides wideband communications in support of scientific research and mission operations for NSF's U.S. Antarctic Program (USAP). In fiscal year 1999, equipment valued at \$171,007 was transferred to the USAP from the United States Navy for use in the Antarctic.

Note 13. Budget Authority

Budget Authority includes \$39,668,734 and \$36,912,547 of donations and interest as of September 30, 2000 and 1999, respectively. Budget Authority was increased for non-expenditure transfers from the U.S. Agency for International Development for \$15,675,000 in 2000, and \$5,000,000 in 1999. Budget Authority as of September 30, 2000 and 1999 was also adjusted for Congressional initiated rescissions contained in P.L. 106-113 totaling \$14,866,000 and P.L. 106-51 totaling \$807,000, respectively.

NSF maintains permanent indefinite appropriations for Research and Related Activities - 49x0100, Major Research Equipment - 49x0551, H-1B Nonimmigrant Petitioner fees - 49x5176, and Trust Fund donations - 49x8960.

The status of Budgetary Resources as of September 30, 2000 and 1999, consisted of Budgetary Resources obligated of \$4,077,151,700 and \$3,833,574,814, respectively, available authority of \$144,593,277 and \$101,502,398, respectively, and unavailable authority of \$102,482,687 and \$86,104,398, respectively.

Note 14. Change in Financing Sources Yet to Be Provided

For the years ended September 30, 2000 and 1999, the Changes in Financing Sources Yet to be Provided is represented by changes in Liabilities Not Covered by Budgetary Resources to Fund Cost of Operations as follows:

	<i>(Amounts in Thousands)</i>	
	<u>2000</u>	<u>1999</u>
Liabilities Not Covered by Budgetary Resources to Fund Cost of Operations, End of year (see Note 7)	\$11,397	\$10,995
Less Liabilities Not Covered by Budgetary Resources to Fund Cost of Operations, Beginning of year (see Note 7)	<u>10,995</u>	<u>10,096</u>
Change in Financing Sources Yet to be Provided	<u>\$402</u>	<u>\$899</u>

Required Supplementary Information

- 53 Budgetary Data by Major Budgetary Accounts**
- 54 Intragovernmental Balances**
- 56 Deferred Maintenance**

Supplementary Information

**Budgetary Resources by Major Budgetary Accounts (Unaudited)
For the Year Ended September 30, 2000
(with comparative totals for 1999)**

	2000 (Amounts in Thousands)				1999
	RESEARCH AND RELATED	EDUCATION	MAJOR RESEARCH EQUIPMENT	OIG AND SALARY EXPENSE	
Budgetary Resources					TOTAL
Budget Authority	\$ 3,013,526	739,478	93,500	154,734	\$ 3,739,026
Unobligated Balances - Beginning of Period	62,398	56,013	67,963	1,233	187,607
Spending Authority from Offsetting Collections	69,657	11,762	2	4,076	85,498
Adjustments	22,041	11,883	14,511	1,450	49,886
Total Budgetary Resources	\$ 3,167,622	819,136	175,977	161,493	\$ 4,324,228
Status of Budgetary Resources:					
Obligations Incurred	\$ 3,087,920	724,908	105,002	159,322	\$ 4,077,152
Unobligated Balances - End of Period - Available	28,321	59,689	56,464	119	144,593
Unobligated Balances - End of Period - Not Available	51,381	34,539	14,511	2,052	102,483
Total, Status of Budgetary Resources	\$ 3,167,622	819,136	175,977	161,493	\$ 4,324,228
Outlays					
Obligations Incurred	\$ 3,087,920	724,908	105,002	159,322	\$ 4,077,152
Less: Spending Authority from offsetting Collections and Adjustments	107,535	33,073	14,513	6,951	162,072
Obligated Balance, Net - Beginning of Period	3,222,298	940,561	28,931	25,723	4,217,513
Less: Obligated Balance, Net - End of Period	3,483,268	1,048,392	86,476	27,066	4,645,202
Total, Outlays	\$ 2,719,415	584,004	32,944	151,029	\$ 3,487,391

In this table, NSF budgetary information for the fiscal years ended September 30, 2000 and 1999, as presented in the Statement of Budgetary Resources is disaggregated for each of NSF's major budgetary accounts.

Intragovernmental Assets by Partner Agency (Unaudited)

Intragovernmental assets on this schedule support the intragovernmental asset line items on NSF's Balance Sheets as of September 30, 2000 and 1999.

Intragovernmental balances included in Fund Balance with Treasury as of September 30, 2000 and 1999, consisted of the following:

(Amounts in Thousands)

Agency	<u>2000</u>	<u>1999</u>
Department of the Treasury	\$4,892,598	\$4,405,156
Department of State	<u>167</u>	<u>301</u>
Total	<u>\$4,892,765</u>	<u>\$4,405,457</u>

Intragovernmental Accounts Receivable balances as of September 30, 2000 and 1999, consisted of the following:

Agency	<u>2000</u>	<u>1999</u>
Department of Defense	\$182	\$396
Department of Army	8	-
Department of Navy	17	142
Department of Air Force	3,782	340
National Aeronautics and Space Administration	-	72
Other	<u>8</u>	<u>25</u>
Total	<u>\$3,997</u>	<u>\$975</u>

**National Science Foundation
Supplementary Information**

**Intragovernmental Liabilities by Partner Agency (Unaudited)
as of September 30, 2000 and 1999**

Agency	2000			1999		
	ADVANCES FROM OTHERS	ACCOUNTS PAYABLE	EMPLOYEE BENEFITS	ADVANCES FROM OTHERS	ACCOUNTS PAYABLE	EMPLOYEE BENEFITS
Department of Education	\$ 20,235	\$ -	\$ -	\$ 10,608	\$ -	\$ -
National Aeronautics and Space Administration	15,998	-	-	18,871	-	-
Department of Health and Human Services	17,736	-	-	17,052	-	-
Office of the Secretary – Defense Agencies	10,571	-	-	8,110	-	-
Department of Energy	8,012	1,000	-	6,268	(1)	-
Department of Commerce	7,321	-	-	5,845	(150)	-
Department of the Army	3,190	-	-	4,106	-	-
Department of Housing and Urban Development	1,525	-	-	760	-	-
Environmental Protection Agency	1,342	-	-	-	-	-
Department of Transportation	1,319	-	-	690	-	-
Department of Agriculture	1,219	-	-	1,970	(40)	-
National Foundation on the Arts and Humanities	1,214	-	-	955	-	-
Department of the Navy	1,211	-	-	1,734	-	-
Department of the Air Force	910	-	-	1,132	-	-
Department of the Interior	876	-	-	943	-	-
Department of State	597	-	-	555	(85)	-
Federal Emergency Management Agency	476	-	-	615	-	-
Department of Labor	470	-	335	878	-	260
General Services Administration	456	-	-	678	-	-
Department of Justice	451	-	-	391	-	-
National Archives and Records Administration	402	-	-	-	-	-
Central Intelligence Agency	274	-	-	213	-	-
Department of the Treasury	250	-	-	367	236	-
Office of Personnel Management	-	219	-	-	800	-
Other	328	-	-	1,097	-	-
Total	\$ 96,383	\$ 1,219	\$ 335	\$ 83,838	\$ 760	\$ 260

Deferred Maintenance (Unaudited)

NSF performs periodic inspections of capitalized property, plant and equipment to determine if any maintenance is needed to keep an asset in an acceptable condition or restore an asset to a specific level of performance has been deferred. NSF considers deferred maintenance to be any maintenance that is not performed on schedule, unless it is determined from the condition of the asset that scheduled maintenance does not have to be performed. Also, deferred maintenance includes any other type of maintenance that, if not performed, would render the PP&E non-operational. Circumstances such as non-availability of parts or funding are considered reasons for deferring maintenance. Maintenance is not considered deferred if an asset is classified as non-critical and non-operational.

NSF considered whether any scheduled maintenance necessary to keep fixed assets of the agency in an acceptable condition was deferred at the end of Fiscal Year 2000 and 1999.

In FY 1999, NSF determined that scheduled maintenance on one item of heavy mobile equipment was not completed and was deferred or delayed for a future period. The equipment was considered to be in fair condition and NSF estimated that it required \$70,000 in maintenance.

During FY 2000, 90% of the maintenance deferred from FY 1999 on this same item of heavy mobile equipment was completed. The remaining 10%, totaling \$7,000, is considered deferred at the end of FY 2000. No additional scheduled maintenance was deferred at the end of FY 2000.

Required Supplementary Stewardship Information

59 Stewardship Reporting

National Science Foundation
STEWARDSHIP INVESTMENTS
RESEARCH AND HUMAN CAPITAL
For the Years Ended September 30, 2000, 1999 and 1998
(Amounts in Thousands)
(Unaudited)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Research and Human Capital Activities			
Basic Research	\$ 2,647,777	\$ 2,507,569	\$ 2,411,774
Applied Research	174,411	188,742	209,719
Education and Training	596,517	599,323	588,158
Non-Investment Activities	<u>162,021</u>	<u>143,980</u>	<u>147,617</u>
Total Research and Human Capital Activities	<u>\$ 3,580,726</u>	<u>\$ 3,439,614</u>	<u>\$ 3,357,268</u>
Inputs, Outputs and/or Outcomes -			
Research and Human Capital Activities			
<u>Investments in:</u>			
Universities	\$ 2,470,300	\$ 2,385,492	\$ 2,215,535
Industry	160,573	154,555	151,064
Federal Agencies	144,790	150,959	163,101
Small Business	119,345	110,884	105,247
Others	<u>685,718</u>	<u>637,724</u>	<u>722,321</u>
	<u>\$ 3,580,726</u>	<u>\$ 3,439,614</u>	<u>\$ 3,357,268</u>
<u>Support to:</u>			
Scientists	\$ 359,228	\$ 350,841	\$ 352,513
Postdoctoral Programs	117,504	120,386	120,862
Graduate Students	<u>315,583</u>	<u>323,324</u>	<u>322,298</u>
	<u>\$ 792,315</u>	<u>\$ 794,551</u>	<u>\$ 795,673</u>
<u>Outputs & Outcomes:</u>			
<u>Number of:</u>			
Awards	19,673	19,518	17,994
Years of Scientist Support	5,518	5,054	5,056
Scientists Supported	24,134	23,108	23,213
Postdoctorals Supported	4,781	4,391	4,459
Graduate Students Supported	21,663	20,156	19,517

NSF's role in achieving performance goals in science and engineering leads to investments in integrative research and human capital activities to enhance the potential for important discoveries or new knowledge with expected future benefits to our society. Because of the close connections between the investments in performing research and building a research base of skilled scientists and engineers through academic and training opportunities, expenses incurred by NSF are presented as overall stewardship investments for NSF for performance measurement. The outputs and outcomes of NSF investments in the research and academic community resulted in a number of grants awarded and scientists and students supported.