

Woods Hole Oceanographic Institution

Report on Federal Awards in Accordance with OMB

Circular A-133

December 31, 2013

EIN #042105850

Woods Hole Oceanographic Institution

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December 31, 2013

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Independent Auditor's Report

To The Board of Trustees of
Woods Hole Oceanographic Institution

We have audited the accompanying financial statements of Woods Hole Oceanographic Institution (the "Institution"), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Institution's preparation and fair presentation of the financial statements 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 Institution's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institution at December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have previously audited the Institution's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2013 is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2014 on our consideration of Institution's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institution's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

July 18, 2014

Woods Hole Oceanographic Institution
Statements of Financial Position
December 31, 2013
(with summarized financial information as of December 31, 2012)

	2013	2012
Assets		
Cash and cash equivalents, unrestricted	\$ 4,001,627	\$ 3,371,350
Cash and cash equivalents, restricted	15,999,175	12,193,308
Reimbursable costs and fees		
Billed (net of allowance for doubtful accounts of \$87,572 for 2013 and \$144,911 for 2012)	3,971,504	5,633,863
Unbilled	8,617,539	9,851,683
Receivable for investments sold	27,209,044	9,528,338
Other receivables	1,339,285	1,462,159
Pledges receivable, net (Note 5)	1,681,530	1,863,500
Inventory	2,463,237	2,194,191
Deferred charges and prepaid expenses	1,190,527	827,168
Investments, pooled (Note 3)	381,828,394	360,777,108
Investments designated for retiree and active medical plans (Note 10)	13,765,163	17,429,983
Deferred fixed rate variance (Note 7)	1,772,893	4,586,477
Supplemental retirement	9,290,422	7,822,553
Other assets	3,605,701	2,338,623
Deferred financing costs	194,184	204,713
	<u>476,930,225</u>	<u>440,085,017</u>
Property, plant and equipment		
Land, buildings and improvements	162,000,071	157,154,079
Vessels and dock facilities	8,388,154	8,388,154
Laboratory and other equipment	34,354,645	32,033,762
Construction in process	247,660	783,981
	<u>204,990,530</u>	<u>198,359,976</u>
Accumulated depreciation	<u>(117,654,708)</u>	<u>(108,876,031)</u>
Net property, plant and equipment	<u>87,335,822</u>	<u>89,483,945</u>
Contributions receivable from remainder trusts, net (Note 6)	<u>10,985,260</u>	<u>9,828,272</u>
Total assets	<u>\$ 575,251,307</u>	<u>\$ 539,397,234</u>
Liabilities		
Line of credit (Note 8)	\$ 25,000,000	\$ 25,000,000
Accounts payable and other liabilities (Note 8)	14,555,392	19,069,062
Accrued payroll and related liabilities	8,800,186	8,940,016
Accrued supplemental retirement benefits	9,290,422	7,822,553
Accrued pension and restoration liability	66,503,087	105,643,221
Accrued postretirement liability	30,586,416	36,516,225
Deferred revenue and refundable advances	19,410,792	16,041,353
Bonds payable (Note 8)	57,560,542	59,119,471
Total liabilities	<u>\$ 231,706,837</u>	<u>\$ 278,151,901</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013	2012
Net assets					
Undesignated and plant	\$ (11,623,660)	\$ -	\$ -	\$ (11,623,660)	\$ (13,774,188)
Pension	(83,324,340)	-	-	(83,324,340)	(124,729,463)
Designated	2,170,967	9,768,537	-	11,939,504	11,805,065
Pledges and other	-	3,995,054	9,859,700	13,854,754	14,243,973
Education	-	3,660,774	-	3,660,774	3,394,500
Endowment and similar funds	99,044,772	233,860,217	76,132,449	409,037,438	370,305,446
Total net assets	<u>\$ 6,267,739</u>	<u>\$ 251,284,582</u>	<u>\$ 85,992,149</u>	<u>343,544,470</u>	<u>261,245,333</u>
Total liabilities and net assets				<u>\$ 575,251,307</u>	<u>\$ 539,397,234</u>

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

Woods Hole Oceanographic Institution
Statements of Activities
Year Ended December 31, 2013
(with summarized financial information for the Year Ended December 31, 2012)

	Unrestricted		Temporarily Restricted	Permanently Restricted	2013	2012
	Operating	Sponsored Research				
Revenues						
Fees	\$ 1,541,866	\$ -	\$ -	\$ -	\$ 1,541,866	\$ 1,897,960
Sponsored research						
Government		97,234,446			97,234,446	111,453,243
Subcontract and nongovernment		63,231,056	5,670,336		68,901,392	59,966,557
Ships and subs operations		24,439,293			24,439,293	22,661,175
Sponsored research assets released to operations	190,006,767	(184,904,795)	(5,101,972)		-	-
Fixed price awards income	345,526				345,526	257,926
Education						
Joint program income	4,040,652				4,040,652	4,226,073
Endowment income			6,869,748		6,869,748	6,966,070
Education funds released from restriction	7,348,320		(7,348,320)		-	-
Investment return designated for current operations	4,008,899				4,008,899	2,805,300
Contributions and gifts	4,672,393		607,522	2,548,862	7,828,777	5,891,080
Releases from restrictions			(679,626)	-	(679,626)	(2,960,370)
Contributions in kind	326,138				326,138	419,902
Rental income	578,223				578,223	554,852
Communication and publications	203,821				203,821	221,859
Other	234,023				234,023	800,256
Gain (loss) on sale of land	527,673				527,673	(1,650,000)
Total revenues	213,834,301	-	17,688	2,548,862	216,400,851	213,511,883
Expenses						
Sponsored research						
National Science Foundation	51,187,057				51,187,057	56,972,329
United States Navy	21,331,153				21,331,153	22,425,696
Subcontracts	37,844,665				37,844,665	27,757,583
National Oceanic & Atmospheric Administration	13,190,324				13,190,324	15,701,872
Department of Energy	175,958				175,958	-
United States Geological Survey	1,636,316				1,636,316	1,801,235
National Aeronautics & Space Administration	4,475,522				4,475,522	3,833,171
Ships Operations	17,511,522				17,511,522	17,321,144
Submersible and ROV operations	6,927,771				6,927,771	5,340,031
Privately funded grants	11,757,561				11,757,561	13,849,456
Other	23,968,918				23,968,918	31,111,710
Education						
Faculty expense	4,334,589				4,334,589	4,767,441
Student expense	3,703,578				3,703,578	4,028,336
Postdoctoral programs	517,051				517,051	466,165
Other	1,266,870				1,266,870	1,167,599
Rental expenses	292,480				292,480	312,441
Communication, publications and development	1,713,886				1,713,886	1,785,662
Fundraising expenses	2,391,694				2,391,694	2,390,548
Un-sponsored programs	11,096,728				11,096,728	10,511,453
Other expenses	1,092,482				1,092,482	384,820
Total expenses	216,416,125	-	-	-	216,416,125	221,928,692
Change in net assets from operating activities	(2,581,824)	-	17,688	2,548,862	(15,274)	(8,416,809)
Nonoperating revenue and expenses						
Investment return in excess of amounts designated for sponsored research, education and current operations	10,097,631		27,013,818		37,111,449	25,123,466
Return on investments for retiree and active medical plans	319,619				319,619	2,416,780
Active medical expenses	(3,000,000)				(3,000,000)	(4,990,734)
Net realized/unrealized (losses) gains on interest rate swap	2,714,059				2,714,059	(730,844)
Change in split interest agreements	22,687		82,188	1,114,149	1,219,024	526,807
Other nonoperating expenses	(135,244)				(135,244)	(117,287)
Redesignation of donor gifts	-		(21,680)	21,680	-	(100,000)
Net periodic benefit cost	(9,172,870)				(9,172,870)	1,064,289
Pension related changes other than net periodic pension costs (Note 9)	53,258,374				53,258,374	(17,659,916)
Change in net assets from nonoperating activities	54,104,256	-	27,074,326	1,135,829	82,314,411	5,532,561
Total change in net assets	51,522,432	-	27,092,014	3,684,691	82,299,137	(2,884,248)
Net assets at beginning of year	(45,254,693)		224,192,568	82,307,458	261,245,333	264,129,581
Net assets at end of year	\$ 6,267,739	\$ -	\$ 251,284,582	\$ 85,992,149	\$ 343,544,470	\$ 261,245,333

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

Woods Hole Oceanographic Institution

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Total change in net assets	\$ 82,299,137	\$ (2,884,248)
Adjustments to reconcile (decrease) in net assets to net cash used in operating activities		
Depreciation and amortization	9,238,065	8,452,725
Change in split interest agreements	(1,219,024)	(526,807)
Allowance for uncollectible pledges	(2,000)	185,183
Discount on pledges	(159,771)	217,560
Net realized and unrealized gain on investments	(54,540,356)	(41,894,170)
Unrealized loss (gain) loss on interest swap	(4,463,870)	(1,053,115)
Pension related changes other than net periodic pension costs	(53,258,374)	19,312,579
Contributions to be used for long-term investment	(2,142,811)	(4,707,290)
Land gift	(1,360,000)	-
Gain (loss) on property investment	(527,673)	1,650,000
Receipt of contributed securities	(256,547)	(164,010)
(Increase) decrease in assets		
Restricted cash	(3,805,867)	(1,092,607)
Reimbursable costs and fees		
Billed	1,662,359	(1,033,490)
Unbilled	1,234,144	2,505,960
Other receivables	122,874	1,406
Pledges receivable	343,741	1,839,969
Inventory	(269,046)	10,286
Deferred charges and prepaid expenses	(363,360)	93,214
Other assets	(10,009)	(365,385)
Deferred financing costs	10,529	-
Supplemental retirement	(1,467,869)	(803,732)
Deferred fixed rate variance	2,813,584	2,858,171
Increase (decrease) in liabilities		
Accrued pension liability	8,185,686	(3,749,801)
Accrued pension restoration liability	2,745	36,520
Accounts payable and other liabilities	(92,647)	593,177
Accrued payroll and related liabilities	(139,830)	32,259
Deferred revenue and refundable advances	3,369,439	(2,768,001)
Accrued supplemental retirement benefits	1,467,869	803,732
Net cash used in operating activities	<u>(13,328,882)</u>	<u>(22,449,915)</u>
Cash flows from investing activities		
Capital expenditures		
Additions to property and equipment	(7,272,386)	(11,384,133)
Investments		
Purchase of investments	(154,325,201)	(322,833,059)
Sale of investments	191,479,092	339,251,460
Receivable from investments sold	(17,680,706)	364,282
Payable for investments purchased	-	(250,151)
Liquidation of contributed securities	359,478	31,195
Proceeds from sale of property	815,000	3,060,000
Net cash provided by investing activities	<u>13,375,277</u>	<u>8,239,594</u>
Cash flows from financing activities		
Repayments under debt agreement	(1,558,929)	(1,493,929)
Borrowing under line of credit	31,000,000	33,975,000
Repayments under line of credit	(31,000,000)	(21,975,000)
Contributions to be used for long-term investment	2,142,811	4,707,290
Net cash provided by financing activities	<u>583,882</u>	<u>15,213,361</u>
Net increase in cash and cash equivalents	630,277	1,003,040
Cash and cash equivalents		
Beginning of year	3,371,350	2,368,310
End of year	<u>\$ 4,001,627</u>	<u>\$ 3,371,350</u>
Supplemental disclosures		
Cash paid for interest	\$ 4,801,376	\$ 4,747,353
Noncash activity		
Construction in process additions remaining in accounts payable	372,281	267,398
Contributed securities	256,547	164,010
Contributed property	1,360,000	-

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

Woods Hole Oceanographic Institution

Notes to Financial Statements

December 31, 2013 and 2012

1. Background

Woods Hole Oceanographic Institution (the "Institution") is a private, independent not-for-profit research and educational institution located in Woods Hole, Massachusetts. Founded in 1930, the Institution is dedicated to working and learning at the frontier of ocean science and attaining maximum return on intellectual and material investments in oceanographic research.

The Institution is a qualified tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code as it is organized and operated for education and scientific purposes.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institution's audited financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Net assets, revenues, and realized and unrealized gains and losses are classified based on the existence or absence of donor-imposed restrictions and legal restrictions imposed under Massachusetts State law. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Institution. Generally the donors of these assets permit the Institution to use all or part of the income earned and capital appreciation, if any, on related investments for general or specific purposes.

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by actions of the Institution and/or the passage of time. Unspent gains on permanent endowment are classified as temporarily restricted until the Institution appropriates and spends such sums in accordance with the terms of the underlying endowment funds and in accordance with Massachusetts law, at which time they will be released to unrestricted revenues.

Unrestricted Net Assets

Unrestricted net assets are not subject to donor-imposed stipulations. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets. Amounts received for sponsored research (under exchange transactions) are reflected in unrestricted sponsored research revenue and released to

Woods Hole Oceanographic Institution

Notes to Financial Statements

December 31, 2013 and 2012

operations when spent for the appropriate purpose, or as deferred revenue if expenditures have yet to be incurred.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Promises to give that are scheduled to be received after the balance sheet date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or restriction is met. Promises to give, subject to donor-imposed stipulations that the corpus be maintained permanently, are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions other than cash are generally recorded at market value on the date of the gift (or an estimate of fair value); although certain noncash gifts, for which a readily determinable market value cannot be established, are recorded at a nominal value until such time as the value becomes known. Contributions to be received after one year are discounted at the appropriate rate commensurate with risk. Amortization of such discount is recorded as additional contribution revenue in accordance with restrictions imposed by the donor on the original contribution, as applicable. Amounts receivable for contributions are reflected net of an applicable reserve for collectibility.

The Institution reports contributions in the form of land, buildings, or equipment as unrestricted operating support at fair market value when received.

Dividends, interest and net gains on investments of endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets if the terms of the gift or relevant state law impose restrictions on the current use of the income or net realized and unrealized gains; and
- As increases in unrestricted net assets in all other cases.

Operations

The statement of activities reports the Institution's operating and nonoperating activities. Operating revenues and expenses consist of those activities attributable to the Institution's current annual research or educational programs, all gifts received and a component of endowment income appropriated for operations (Note 3). Unrestricted endowment investment income, gains and losses over the amount appropriated under the Institution's spending plan are reported as nonoperating revenue (expense) as investment return in excess of amounts designated for sponsored research, education and current operations.

Nonoperating revenues (expenses) also include the change in value of split interest agreements, realized/unrealized (losses) gains on interest rate swaps, and the net periodic pension income (cost) on the noncontributory defined benefit pension plan that is not reimbursed through negotiated fixed rate agreements with the federal government. Additionally, nonoperating activities include redesignation of donor gifts, depreciation on certain government-funded facilities and pension related changes other than net periodic pension costs.

Woods Hole Oceanographic Institution

Notes to Financial Statements

December 31, 2013 and 2012

As a result of an amendment to the postretirement health plan, in 2012, the Institution recognized the return on investments designated for retiree and active medical plan expenses and actual active and retiree medical expenses as nonoperating activities (Note 10).

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market accounts, certificates of deposit and overnight repurchase agreements with initial maturities of three months or less when purchased which are stated at cost, which approximates market value.

The Institution invests its cash and cash equivalents in money market funds at a financial institution which fully ensures the balances held.

Included in restricted cash at December 31, 2013 and 2012 is \$15,744,993 and \$11,940,615, respectively, representing advances received from the United States Navy, other U.S. Government and state agencies and others. Such amounts are restricted as to use for research programs. Interest earned on unspent funds from federal agencies is remitted to the federal government.

Also included in restricted cash at December 31, 2013 and 2012 is \$254,182 and \$252,693, respectively, representing cash restricted by the Massachusetts Radiation Control Program and Department of Environmental Protection. Interest earned on unspent funds is reinvested within the restricted cash account.

Investments

Investment securities are carried at market value and determined as follows: securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sales prices were reported on that day are valued at closing bid prices. The value of publicly traded securities or mutual funds are based upon quoted market prices and net asset values. Other investments, such as private equity funds, venture capital funds and hedge funds for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. The Institution reviews and evaluates the valuations provided by investment managers and believes that these valuations are a reasonable estimate of fair value as of December 31, 2013 and 2012 but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material.

Purchases and sales of investment securities are recorded on a trade date basis. Realized gains and losses are computed on a specific identification method. Investment income, net of investment expenses, is distributed on the unit method.

The Institution makes investments in funds that make direct investments in public securities, over the counter securities, and other securities which may or may not have readily available market prices. The Institution follows authoritative guidance under GAAP for estimating the fair value of investments in those funds that have calculated net asset value per share in accordance with the specialized accounting guidance for investment companies. Accordingly, the Institution uses the net asset value, (NAV) without further adjustment as a practical expedient to determine the fair value of these funds which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. These values are reviewed and approved by the Institution.

Woods Hole Oceanographic Institution

Notes to Financial Statements

December 31, 2013 and 2012

Investments which can be redeemed at NAV by the Institution on the measurement date or within 90 days are classified as Level 2. Investments which cannot be redeemed on the measurement date or within 90 days are classified as Level 3.

Investment Income Unitization

The Institution's investments are pooled in an endowment fund and the investments and allocation of income are tracked on a unitized basis. The Institution distributes to operations for each individual fund an amount of investment income earned by each of the fund's proportionate share of investments based on a total return policy.

The Board of Trustees has appropriated all of the income and a specified percentage of the net appreciation (depreciation) to operations as prudent considering the Institution's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the Institution's current endowment spending policy, which is within the guidelines specified under state law, the Institution's annual operating budget should not exceed 5.0% of the Fund's trailing 36 month rolling average market value. This amounted to \$16,548,983 and \$14,698,368 for the years ended December 31, 2013 and 2012, respectively, and is classified in operating revenues (research, education, and operations).

Other Assets

Other assets consist primarily of investments held by various split-interest agreements and donated property.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Contracts and Grants

Revenues earned on contracts and grants for research are recognized as related costs are incurred.

The Institution received approximately 84% and 79% of its sponsored research revenues from government agencies including 34% and 37% of its operating revenues directly from the National Science Foundation and 10% and 12% from the United States Navy in fiscal years 2013 and 2012, respectively. Although applications for research funding to federal agencies historically have been funded, authorizations are subject to annual Congressional appropriations and payment.

Deferred Financing Costs

Costs incurred in connection with the placement of the MassDevelopment, Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series B (2008) (the "Series B Bonds"), have been deferred and are being amortized over the term of the obligation on a straight line basis, which approximates the effective interest method.

Woods Hole Oceanographic Institution

Notes to Financial Statements

December 31, 2013 and 2012

Interest Rate Swap

The Institution entered into an interest rate swap agreement on the MassDevelopment, Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue Series A Bonds in order to convert a portion of the variable rate debt to fixed rate, thereby economically hedging against changes in the cash flow requirements of the Institution's variable rate debt obligations. The Series A bonds were retired on January 2, 2009.

Net payments or receipts (difference between variable and fixed rate) under the swap agreement along with the change in fair value of the swap are recorded in nonoperating activities as net realized/unrealized (losses) gains on interest swap.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided on a straight-line basis at annual rates of 12 to 39 years on buildings and improvements, 10 to 15 years on vessels and dock facilities and 5 to 10 years on laboratory and other equipment. Depreciation expense on property, plant, and equipment purchased by the Institution in the amounts of \$9,102,821 and \$8,442,195 in 2013 and 2012, respectively, has been charged to operating activities. Depreciation on certain government-funded facilities (the Laboratory for Marine Science and the dock facility) amounting to \$135,244 and \$117,287 in 2013 and 2012 has been charged to nonoperating expenses as these assets were gifted by the Government.

Use of Estimates

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

Subsequent Events

Management evaluated all events or transactions that occurred after December 31, 2013 through July 18, 2014, the date these financial statements were issued and has concluded that there were no such events or transactions that require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.

3. Investments

Effective October 1, 2012 the Institution retained and outsourced services for manager selection, risk management and asset allocation of endowment assets to a third party. Consequently a systematic liquidation of existing investments held by legacy managers and transfers of proceeds to the new endowment manager followed. The assets transferred for investment under this arrangement, titled "Multistrategy Investment Fund", represent holdings in the following classifications; Equity, Long/Short Equity, Real Assets, Commodities/Resources Credit/Special Situations, Absolute return, Fixed Income and Hedges/Opportunistic. These assets represent a concentrated investment in one investment manager. A consequence of this concentration is that the performance may be more favorably or unfavorably affected by the performance of the individual manager. The Institution can withdraw its investment in the Multistrategy Investment fund on an annual basis. Due to prevailing redemption restrictions not all of the legacy managers were liquidated during 2013.

Woods Hole Oceanographic Institution
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December 31, 2013 and 2012

The following table presents the classification and carrying value of investments at December 31:

	2013		2012	
	Cost	Market	Cost	Market
Assets				
Cash and cash equivalents	\$ 7,608,202	\$ 7,608,202	\$ 34,017,569	\$ 34,017,566
Private equity, Venture capital and other limited partnerships	40,906,258	48,522,142	45,318,173	51,290,965
Multistrategy investment fund	275,337,956	325,698,050	271,300,000	275,468,577
Total investments pooled	<u>323,852,416</u>	<u>381,828,394</u>	<u>350,635,742</u>	<u>360,777,108</u>
Investments designated for retiree and active medical plans				
Cash and cash equivalents	-	-	17,429,983	17,429,983
Commingled funds	13,427,504	13,765,163	-	-
Total investments designated for retiree and active medical plans	<u>13,427,504</u>	<u>13,765,163</u>	<u>17,429,983</u>	<u>17,429,983</u>
Total assets at fair value	<u>\$ 337,279,920</u>	<u>\$ 395,593,557</u>	<u>\$ 368,065,725</u>	<u>\$ 378,207,091</u>

The following schedule summarizes the investment return and its classification in the statement of activities:

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
Dividend and interest income	\$ (6,249,926)	\$ 6,869,187	\$ 619,261	\$ 2,624,526
Investment management costs	(3,288,656)		(3,288,656)	(2,464,607)
Net realized gains	1,510,052	4,966,994	6,477,046	69,554,847
Change in unrealized appreciation	22,135,060	27,717,721	49,852,781	(29,892,929)
Total return on investments	<u>14,106,530</u>	<u>39,553,902</u>	<u>53,660,432</u>	<u>39,821,837</u>
Investment return designated for:				
Sponsored research	-	(5,670,336)	(5,670,336)	(4,372,063)
Education	-	(6,869,748)	(6,869,748)	(6,966,070)
Current operations	(4,008,899)	-	(4,008,899)	(3,360,238)
Total distributed to operations	<u>(4,008,899)</u>	<u>(12,540,084)</u>	<u>(16,548,983)</u>	<u>(14,698,371)</u>
Investment return in excess of amounts designated for sponsored research, education and current operations	<u>\$ 10,097,631</u>	<u>\$ 27,013,818</u>	<u>\$ 37,111,449</u>	<u>\$ 25,123,466</u>

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the market values and the amounts reported in the statement of financial position.

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Endowment income is allocated to each individual fund based on a per unit valuation. The value of an investment unit at December 31, 2013 and December 31, 2012 is as follows:

	2013	2012
Unit value, beginning of year	\$ 4.9337	\$ 4.4968
Unit value, end of year	<u>5.2818</u>	<u>4.9337</u>
Net change for the year	0.3481	0.4369
Investment income per unit for the year	<u>\$ (.03)</u>	<u>0.0021</u>
Total return per unit	<u>\$ 0.3135</u>	<u>\$ 0.4390</u>

4. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as “exit price”). Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. In determining fair value, the use of various valuation approaches, including market, income and cost approaches, is permitted.

Fair Value Hierarchy

A fair value hierarchy has been established based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the reporting entity’s assumptions about the inputs market participants would use. The fair value hierarchy requires the reporting entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The hierarchy is described below:

- Level 1 Valuations using quoted prices in active markets for identical assets or liabilities. Valuations of these products do not require a significant degree of judgment. Level 1 assets and liabilities primarily include debt and equity securities that are traded in an active exchange market.
- Level 2 Valuations using observable inputs other than Level 1 prices such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; broker or dealer quotations; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Valuations using unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. As described in Note 2, the Institution generally uses the net asset value per share of the investment (or its equivalent) reported by the investee fund manager as the primary input to its valuation; however adjustments to the reported amount may be made based on various factors.

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The following tables summarize fair value measurements at December 31, 2013 and December 31, 2012 for financial assets measured at fair value:

	2013			Total Fair Value
	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
Assets				
Cash and cash equivalents	\$ 7,608,202	\$ -	\$ -	\$ 7,608,202
Private equity, Venture capital and other limited partnerships	-	-	48,522,142	48,522,142
Multi strategy investment fund	-	8,222,955	317,475,095	325,698,050
Total pooled	7,608,202	8,222,955	365,997,237	381,828,394
Contributions receivable from remainder trust	-	-	10,985,260	10,985,260
Other assets	-	-	937,907	937,907
Investments designated for retiree and active medical plans				
Commingled funds	-	13,765,163	-	13,765,163
Total investments designated for retiree and active medical plans	-	13,765,163	-	13,765,163
Total assets at fair value	\$ 7,608,202	\$ 21,988,118	\$ 377,920,404	\$ 407,516,724
Interest rate swap	\$ -	\$ 7,525,289	\$ -	\$ 7,525,289
Total liabilities at fair value	\$ -	\$ 7,525,289	\$ -	\$ 7,525,289
	2012			
	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Assets				
Cash and cash equivalents	\$ 34,017,569	\$ -	\$ -	\$ 34,017,569
Private equity, venture capital and other limited partnerships	-	-	51,290,962	51,290,962
Multistrategy investment fund	-	-	275,468,577	275,468,577
Total investments, pooled	34,017,569	-	326,759,539	360,777,108
Contributions receivable from remainder trust	-	-	9,828,272	9,828,272
Other assets	-	-	927,898	927,898
Investments designated for retiree and active medical plans				
Cash and cash equivalents	17,429,983	-	-	17,429,983
Total investments designated for retiree and active medical plans	17,429,983	-	-	17,429,983
Total assets at fair value	\$ 51,447,552	\$ -	\$ 337,515,709	\$ 388,963,261
Interest rate swap	\$ -	\$ 11,989,159	\$ -	\$ 11,989,159
Total liabilities at fair value	\$ -	\$ 11,989,159	\$ -	\$ 11,989,159

The Institution has adopted a policy that defines near-term liquidity as those investments allowing liquidity within 90 days of the reporting period. Included in Level 2 are assets valued at NAV which are redeemable in the near term. Investments offering periodic transparency with opportunities for liquidity within 90 days of the reporting period consist of private equity and hedge funds and are reported in Level 2 at December 31, 2013.

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The following table presents the assets and liability carried at fair value as of December 31, 2013 and December 31, 2012 that are classified within Level 3 of the fair value hierarchy defined above:

	2013						Balance, December 31, 2013
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Balance, December 31, 2012	Realized Gains/Losses	Unrealized Gains/Losses	Purchases	Sales	Transfers in and/or Out of Level 3	
Private equity, Venture capital and other limited partnerships	\$ 51,290,962	\$ 5,108,411	\$ 1,552,178	\$ 4,088,586	\$ (13,517,995)	\$ -	\$ 48,522,142
Multistrategy investment fund	275,468,577	1,283,556	18,963,518	103,843,000	(82,083,556)	-	317,475,095
Contributions receivable from Remainder Trust	9,828,272	-	1,156,988	-	-	-	10,985,260
Other assets	927,898	-	10,009	-	-	-	937,907
	<u>\$ 337,515,709</u>	<u>\$ 6,391,967</u>	<u>\$ 21,682,693</u>	<u>\$ 107,931,586</u>	<u>\$ (95,601,551)</u>	<u>\$ -</u>	<u>\$ 377,920,404</u>

	2012						Balance, December 31, 2012
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Balance, January 1, 2012	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases	Sales	Transfers in and/or Out of Level 3	
Private equity, Venture capital and other limited partnerships	\$ 56,430,566	\$ 267,919	\$ 2,682,281	\$ 4,513,050	\$ (12,602,854)	\$ -	\$ 51,290,962
Multistrategy investment fund	-	-	4,168,577	271,300,000	-	-	275,468,577
Hedge funds	43,169,097	14,736,397	(11,874,098)	-	(46,031,396)	-	-
Contributions receivable from Remainder Trust	9,288,971	-	539,301	-	-	-	9,828,272
Other assets	907,513	-	20,385	-	-	-	927,898
	<u>\$ 109,796,147</u>	<u>\$ 15,004,316</u>	<u>\$ (4,463,554)</u>	<u>\$ 275,813,050</u>	<u>\$ (58,634,250)</u>	<u>\$ -</u>	<u>\$ 337,515,709</u>

Cumulative unrealized gains related to the Level 3 investments totaled \$22,598,656 and \$7,942,762 as of December 31, 2013 and 2012, respectively.

Transfers in and out of Level 3 are driven by events and circumstances affecting terms, conditions, restrictions, and redemption policies of the underlying investments.

The fair market value of the investments described in the table below are based on net asset value per share of the investments as of December 31, 2013.

Assets	Fair Value	Redemption Terms	Redemption Restrictions
Private equity, venture capital and other limited partnerships	\$ 48,522,142	Remaining lives up to 10 years	\$48,522,142 designated as illiquid
Multistrategy investment fund	<u>325,698,050</u>	Annual (year end), included is \$8,222,955 with monthly redemption terms	
Total investments	<u>\$ 374,220,192</u>		

The fair market value of the investments described in the table below are based on net asset value per share of the investments as of December 31, 2012.

Assets	Fair Value	Redemption Terms	Redemption Restrictions
Private equity, venture capital and other limited partnerships	\$ 51,290,962	Remaining lives up to 10 years	\$51,290,962 designated as illiquid
Multistrategy investment fund	<u>275,468,577</u>	Annual (year end)	
Total investments	<u>\$ 326,759,539</u>		

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The Institution had unfunded commitments relating to endowment assets of approximately \$7,690,951 and \$10,486,038 relating to private equity, venture capital and other limited partnerships as of December 31, 2013 and 2012, respectively.

5. Pledges Receivable, Net

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Discount rates used to calculate the present value of pledges receivable were 2.71% to 2.76% and 1.76% to 1.81% at December 31, 2013 and 2012, respectively.

Pledges receivable consist of the following at December 31:

	2013	2012
Unconditional promises expected to be collected in		
Less than one year	\$ 615,248	\$ 1,351,447
One year to five years	1,432,000	720,000
Reserve for uncollectible pledges receivable	(143,000)	(145,000)
Unamortized discount	<u>(222,718)</u>	<u>(62,947)</u>
	<u>\$ 1,681,530</u>	<u>\$ 1,863,500</u>

6. Contribution Receivable from Remainder Trusts, Net

Contributions receivable from remainder trusts at December 31, 2013 and 2012 were \$10,985,260 and \$9,828,272, respectively. The receivable and related revenue is measured at the present value of estimated future cash flows to be received, net of expected payouts, and recorded in the appropriate net asset category based on donor stipulation. During the term of these agreements, changes in the value are recognized based on amortization of discounts and changes in actuarial assumptions. For the years ended December 31, 2013 and 2012, discount rates ranging from 4.76% to 8.0% were used in these calculations.

7. Deferred Fixed Rate Variance

The Institution receives funding or reimbursement from federal government agencies for sponsored research under government grants and contracts. Revenue is recognized as related costs are incurred. The Institution has negotiated fixed rates with the federal government for the recovery of certain fringe benefits and indirect costs on these grants and contracts. Such recoveries are subject to carryforward provisions that provide for adjustments to be included in the negotiation of future fixed rates. The deferred fixed rate variance accounts represent the cumulative amount owed to or due from the federal government. The Institution's rates are negotiated with the Office of Naval Research (ONR), the Institution's cognizant agency.

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The composition of the deferred fixed rate variance is as follows:

Deferred fixed rate variance asset at December 31, 2011	\$ 7,444,648
2012 indirect costs	87,384,312
Amounts recovered	(90,194,530)
Submission adjustment 2011	<u>(47,953)</u>
2012 change	<u>(2,858,171)</u>
Deferred fixed rate variance asset at December 31, 2012	4,586,477
2013 indirect costs	84,428,676
Amounts recovered	(87,215,001)
Submission adjustment 2012	<u>(27,259)</u>
2013 change	<u>(2,813,584)</u>
Deferred fixed rate variance asset at December 31, 2013	\$ 1,772,893

As of December 31, 2013, the Institution has expended a cumulative amount in excess of recovered amounts of \$1,772,893 which will be reflected as an addition to future year recoveries. This amount has been reported as an asset of the Institution.

8. Line of Credit, Bonds Payable and Interest Rate Swap

Indebtedness at December 31, 2013 and 2012 includes bonds issued through MassDevelopment. Balances of outstanding bonds payable at December 31 consist of the following:

	2013	2012
MassDevelopment, Series B, Fixed Rate Revenue Bonds	\$ 58,300,000	\$ 59,895,000
Less: Series B unamortized bond discount	<u>(739,458)</u>	<u>(775,529)</u>
Bonds Payable	<u>\$ 57,560,542</u>	<u>\$ 59,119,471</u>

In fiscal 2004, proceeds were received from the offering of the \$54,850,000 MassDevelopment, Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series A (2004), (the "Series A Bonds"), which were used to repay the MassDevelopment B Pool loans and for campus construction completed in December 2007. The bonds contain certain restrictive covenants including limitations on obtaining additional debt, filings of annual financial statements and limitations on the creation of liens. In addition, the Institution agrees that, subject to any governmental restrictions, its fiduciary obligations and limitations imposed by law, it will maintain unrestricted and temporarily restricted resources at a market value equal to at least 75% of all outstanding indebtedness.

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On December 1, 2008, the Institution issued \$65,000,000 MassDevelopment, Fixed Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series B (2008), (the "Series B Bonds"). The proceeds were used for major maintenance and renovation projects throughout the Institution and were used to retire the Series A Bonds. The Series B Bonds mature in 2034 and bear fixed interest rates from 4.0% to 5.5% payable on June 1 and December 1 beginning in 2009. The Series B Bonds are collateralized by the Institution's unrestricted revenues. The Institution incurred costs of \$268,500 associated with the issue which have been capitalized and are being amortized over the life of the bonds. Debt covenants are consistent with the requirements under the Series A bond agreement as long as the interest rate swap agreement is in effect. The fair value of the Series B bond which is based on current traded values for the same or similar issues or on the current rates offered for debt of the same remaining maturities was \$63,390,288 at December 31, 2013 (Level 2).

The Institution maintains two uncollateralized lines of credit with two separate banks. The lines of credit in the aggregate allow for a maximum borrowing capacity of \$45,000,000. One agreement, with a maximum capacity of \$30,000,000, bears interest at 1% below the Wall Street Journal Prime Rate, contains no expiration date but is subject to annual reviews on or about October 1, 2014. The second line of credit, with a maximum capacity of \$15,000,000, bears interest at the prevailing LIBOR rate plus .60% per annum and expires September 30, 2014. The Institution had outstanding borrowing on lines of credit \$25,000,000 at December 31, 2013 and 2012, respectively.

The aggregate maturities due on the Series B long-term debt at December 31, 2013 are as follows:

Fiscal Year	Principal Amount
2014	\$ 1,655,000
2015	1,725,000
2016	1,790,000
2017	1,865,000
2018	1,960,000
Thereafter	<u>49,305,000</u>
	<u>\$ 58,300,000</u>

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In June 2004, the Institution entered into an interest rate swap agreement on the Series A Bonds (subsequently refinanced to Series B Bonds) in order to convert a portion of the variable rate debt to fixed rate, thereby economically hedging against changes in the cash flow requirements of the Institution's variable rate debt obligations. The term of the swap is through June 1, 2034 and effectively locked in a fixed rate of 3.79% per annum. The agreement has a notional amount of \$47,200,000. Interest expense in association with the swap agreement totaled \$1,749,811 and \$1,783,959 which is reflected as part of the net realized/unrealized losses on interest rate swap at December 31, 2013 and 2012, respectively.

The fair value of the interest rate swap at December 31, 2013 and 2012 is as follows:

	<u>Fair Value</u>	
	2013	2012
Statement of financial position location		
Accounts payable and other liabilities	\$ 7,525,289	\$ 11,989,159

The effect of the interest rate swap on the statement of activities for 2013 and 2012 is as follows:

	<u>Amount of Loss Recognized in Statement of Activities</u>	
	2013	2012
Location of loss recognized in statement of activities		
Nonoperating income and expenses		
Net realized/unrealized gain (loss) on interest rate swap	\$ 2,714,059	\$ (730,844)

9. Retirement Plans

The Institution maintains a noncontributory defined benefit pension plan covering certain employees of the Institution (Qualified Plan), a Restoration Plan for certain senior employees and a supplemental benefit plan for certain other employees. Pension benefits are earned based on years of service and compensation received. The Institution's policy is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974.

Effective August 1, 2010, the Institution entered into a new 403(b) Defined Contribution Plan (DC Plan). Contributions for the defined contribution plan totaled \$7,649,454 and \$7,875,341 for the years ended December 31, 2013 and 2012, respectively. Effective January 1, 2010, no new participants were allowed to enter the Qualified Plan and Restoration Plan but were eligible to participate in the DC Plan. The Qualified Plan and Restoration Plan were placed under a soft freeze for current participants with all future retirement benefits being earned through the new plan and prior benefits adjusted for future salary increases.

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The Institution uses a December 31 measurement date for all of its plans.

	Restoration Plan Pension Benefits	
	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 13,953	\$ 101,415
Service cost		-
Interest cost	297	4,969
Actuarial loss		10,339
Benefits paid	<u>(14,250)</u>	<u>(102,770)</u>
Benefit obligation at end of year	<u>-</u>	<u>13,953</u>
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	14,250	102,770
Actual return on plan assets		-
Benefits paid	<u>(14,250)</u>	<u>(102,770)</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ -</u>	<u>\$ (13,953)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ -</u>	<u>\$ (13,953)</u>
Net amount recognized	<u>\$ -</u>	<u>\$ (13,953)</u>
Amounts recognized in unrestricted net assets		
Net actuarial loss	<u>\$ -</u>	<u>\$ 2,448</u>
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	\$ -	\$ 13,953
Accumulated benefit obligation	<u>-</u>	<u>13,953</u>
Component of net periodic benefit cost		
Interest cost	\$ 297	\$ 4,969
Service cost		-
Recognized actuarial loss	1,053	13,518
Settlement cost	<u>1,395</u>	<u>18,033</u>
Net periodic benefit cost	<u>\$ 2,745</u>	<u>\$ 36,520</u>
Other changes in benefit obligations recognized in unrestricted net assets		
Amortization of net gain (loss)	\$ (1,053)	\$ (13,518)
Settlement adjustment	(1,395)	(18,033)
Net actuarial gain	<u>-</u>	<u>10,339</u>
Total recognized in nonoperating expense	<u>\$ (2,448)</u>	<u>\$ (21,212)</u>
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	5.20 %	4.30 %
Rate of compensation increase	3.50 %	3.50 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	4.30 %	4.90 %
Rate of compensation increase	3.50 %	4.50 %

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Expected amounts amortized from unrestricted net assets into net periodic pension cost for the next fiscal year.

Amortization of net loss	\$	-
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Expected Contributions

The Institution anticipates contributing \$0 to the Restoration Plan in 2014.

Estimated Future Benefit Payments

No future benefit payments are expected to be paid.

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	Qualified Plan Pension Benefits	
	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 304,394,845	\$ 275,840,263
Interest cost	12,638,450	13,235,214
Actuarial (gain) loss	(38,614,184)	25,350,755
Benefits paid	(6,895,912)	(10,031,387)
Settlements	(22,561,784)	-
Benefit obligation at end of year	<u>248,961,415</u>	<u>304,394,845</u>
Change in plan assets		
Fair value of plan assets at beginning of year	198,765,577	180,369,383
Employer contributions	6,780,000	10,540,002
Actual return on plan assets	6,370,447	17,887,579
Benefits paid	(6,895,912)	(10,031,387)
Settlements	(22,561,784)	-
Fair value of plan assets at end of year	<u>182,458,328</u>	<u>198,765,577</u>
Funded status	<u>\$ (66,503,087)</u>	<u>\$ (105,629,268)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ 66,503,087</u>	<u>\$ 105,629,268</u>
Net amount recognized	<u>\$ 66,503,087</u>	<u>\$ 105,629,268</u>
Amounts recognized in unrestricted net assets		
Net actuarial loss	<u>\$ 31,370,551</u>	<u>\$ 78,055,914</u>
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	\$ 248,961,415	\$ 304,394,845
Accumulated benefit obligation	<u>238,267,666</u>	<u>287,190,192</u>
Components of net periodic benefit cost		
Service cost	\$ -	\$ -
Interest cost	12,638,450	13,235,214
Expected return on plan assets	(10,986,485)	(11,830,416)
Recognized actuarial loss	<u>11,643,578</u>	<u>5,422,884</u>
Net periodic benefit cost	<u>\$ 13,295,543</u>	<u>\$ 6,827,682</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
Amortization of actuarial loss	\$ (11,643,578)	\$ (5,422,884)
Net actuarial (gain) loss	<u>(33,998,146)</u>	<u>20,946,459</u>
Total recognized in nonoperating expense	<u>\$ (45,641,724)</u>	<u>\$ 15,523,575</u>

The Institution has reflected \$6,780,000 and \$10,540,002 for the years ended December 31, 2013 and 2012, respectively, in the operating section of the statement of activities which represents employer contributions reimbursed through the employee benefit fixed rate as negotiated with the United States Government. Any difference between the employer contributions and the net periodic benefit cost is recorded in the nonoperating section of the statement of activities. This difference amounted to (\$6,515,543) and \$3,712,320 for the years ended December 31, 2013 and 2012, respectively.

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	Qualified Plan Pension Benefits	
	2013	2012
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	5.20 %	4.30 %
Rate of compensation increase	3.50 %	3.50 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	5.20 %	4.90 %
Expected long-term rate of return on plan assets	6.70 %	7.00 %
Rate of compensation increase	3.50 %	4.50 %

To develop the expected long-term rate of return on assets assumption, the Institution considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio, net of expenses expected to be paid. This resulted in a 6.70% and 7.00% assumption as of December 31, 2013 and 2012, respectively.

Plan Assets

The long-term investment objectives of the Plan are to (1) achieve an average real total return assessed over rolling five year periods, that is consistent with the Plan's actuarial assumptions; (2) generate acceptable long-term returns, as determined by measurement against the Fund's benchmarks and (3) generate acceptable long-term returns without compromising the liquidity and stability required to support the Plan's annual payments to the Plan's beneficiaries.

Effective July 1, 2012 the Institution retained and outsourced services for manager selection, risk management and asset allocation of the Plan's assets to a third party to assist with implementing the Plan's investment policy. In addition, Target Allocations for asset classes have been revised to include two broad categories; (1) Growth and Excess Return Portfolio, (2) Fixed Income/Liability Hedging Portfolio. These categories have been assigned a 60% and 40% Target Allocation respectively.

Expected amounts amortized from unrestricted net assets into net periodic pension cost for the next fiscal year

Amortization of net loss	\$	-
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Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2013 and 2012

Fair Value Disclosures

The following fair value hierarchy tables present information about the Qualified Plan's financial assets measured at fair value on a recurring basis:

	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 5,634,823	\$ -	\$ -	\$ 5,634,823
Private equity, venture capital and other limited partnerships			23,112,200	23,112,200
Commingled funds		40,297,626		40,297,626
Hedge funds		13,154,047	60,313,837	73,467,884
Mutual funds	26,711,003			26,711,003
Domestic fixed income	12,866,421			12,866,421
Total assets at fair value	<u>\$ 45,212,247</u>	<u>\$ 53,451,673</u>	<u>\$ 83,426,037</u>	<u>\$ 182,089,957</u>

Included in plan assets at December 31, 2013 are several investment related receivables and payables totaling \$368,371 which includes a receivable for investments sold of \$428,238.

	2012			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 23,662,260	\$ -	\$ -	\$ 23,662,260
Private equity, venture capital and other limited partnerships		3,110,253	21,879,303	24,989,556
Commingled funds		31,672,684		31,672,684
Hedge funds		26,462,067	24,782,367	51,244,434
Mutual funds	42,090,858			42,090,858
Domestic fixed income	25,058,848			25,058,848
Total assets at fair value	<u>\$ 90,811,966</u>	<u>\$ 61,245,004</u>	<u>\$ 46,661,670</u>	<u>\$ 198,718,640</u>

The following table summarizes changes in the fair value of the Qualified Plan's Level 3 assets:

	Private Equity, Venture Capital and Other Limited Partnerships			Hedge Funds	Total
Balances at January 1, 2013	\$ 21,879,303	\$ 24,782,366	\$ 46,661,669		
Realized gains/losses	(1,012,056)	2,831,929	1,819,873		
Unrealized gains/losses	1,949,840	2,834,765	4,784,605		
Purchases	1,192,649	18,517,348	19,709,997		
Sales	(4,007,789)	(19,741,489)	(23,749,278)		
Transfers into level 3	3,110,253	31,088,918	34,199,171		
Balances at December 31, 2013	<u>\$ 23,112,200</u>	<u>\$ 60,313,837</u>	<u>\$ 83,426,037</u>		

Woods Hole Oceanographic Institution
Notes to Financial Statements
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	Private Equity, Venture Capital and Other Limited Partnerships	Hedge Funds	Total
Balances at January 1, 2012	\$ 25,419,172	\$ 16,930,838	\$ 42,350,010
Realized gains/losses	372,260	4,909,402	5,281,662
Unrealized gains/losses	2,407,044	(4,111,939)	(1,704,895)
Purchases	25,355,551	22,000,000	47,355,551
Sales	(28,564,471)	(14,945,935)	(43,510,406)
Transfers out of level 3	(3,110,253)	-	(3,110,253)
Balances at December 31, 2012	\$ 21,879,303	\$ 24,782,366	\$ 46,661,669

There were no transfers between Level 1 and Level 2 investments for the years ended December 31, 2013 and 2012. Transfers in and out of Level 3 are driven by events and circumstances affecting terms, conditions, restrictions, and redemption policies of the underlying investments.

Cumulative unrealized gains/(losses) related to the Level 3 investments totaled \$4,784,597 and (\$3,609,802) as of December 31, 2013 and 2012, respectively.

Expected Contributions

The Institution anticipates contributing \$9,166,666 to the Qualified Plan in 2014.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service are expected to be paid as follows:

Years	Benefit Payments
2014	\$ 19,513,154
2015	19,710,269
2016	19,529,987
2017	20,676,562
2018	19,142,895
2019–2023	89,531,553

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2013 and 2012

	Supplemental Plan Pension Benefits	
	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 274,602	\$ 314,958
Service cost		
Interest cost	10,129	14,542
Actuarial (gain) loss	(463)	25,321
Benefits paid	(80,219)	(80,219)
Benefit obligation at end of year	<u>204,049</u>	<u>274,602</u>
Change in obligation for nonreturnable funding		
Obligation at beginning of year	7,547,951	6,703,863
Service cost		
Interest cost	(10,129)	(14,542)
Actuarial gain (loss)	463	(25,321)
Investment return	1,548,088	883,951
Other obligation at end of year	<u>9,086,373</u>	<u>7,547,951</u>
Total obligation at end of year	<u>\$ 9,290,422</u>	<u>\$ 7,822,553</u>

The accrued supplemental retirement obligation is matched by a "Rabbi" Trust which is recorded as an asset on the balance sheet. However, the Institution is obligated to use the funds only for the supplemental retirement of similar benefits.

	2013	2012
Change in nonreturnable funding "Rabbi" Trust		
Nonreturnable funding at beginning of year	\$ 7,822,553	\$ 7,018,821
Investment return	1,548,088	883,951
Benefits paid	(80,219)	(80,219)
Nonreturnable funding "Rabbi" Trust at end of year	<u>\$ 9,290,422</u>	<u>\$ 7,822,553</u>

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2013 and 2012

	Supplemental Plan Pension Benefits	
	2013	2012
Actual return on earmarked reserves	\$ 1,548,088	\$ 883,951
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	5.20 %	4.30 %
Rate of compensation increase	3.50 %	3.50 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	4.30 %	4.90 %
Expected long-term rate of return on plan assets	6.70 %	7.50 %
Rate of compensation increase	3.50 %	4.50 %

Expected amounts amortized from unrestricted net assets into net periodic pension cost for the next fiscal year.

Amortization of net prior service cost	\$	-
Amortization of net loss (gain)		

Expected Contributions

The Institution anticipates contributing \$80,049 to the Supplemental Plan in 2013.

Estimated Future Benefit Payments

Years	Benefit Payments
2014	\$ 80,049
2015	76,650
2016	43,994
2017	-
2018	-
2019–2023	

10. Other Postretirement Benefits

In addition to providing retirement plan benefits, the Institution provides certain health care benefits for retired employees and their spouses. Substantially all of the Institution's employees may become eligible for the benefits if they reach normal retirement age (as defined) or elect early retirement after having met certain time in service criteria.

Effective January 1, 2012 the Trust agreement which had been funding the Plan was amended to include active employees. Accordingly, assets of the Plan were then decoupled and recorded on the Institution's Statement of Financial Position as "Investments designated for retiree and active medical plans" along with a corresponding increase to the accrued postretirement liability. The fair value of these investments at January 1, 2012 totaled \$21,000,266. Actual returns from investments designated for retiree and active medical plans totaled \$405,982 and \$2,572,471 for the years ended December 31, 2013 and 2012, respectively, and are presented in the

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2013 and 2012

nonoperating section of the Statement of Activities, net of administrative fees of \$86,363 and \$155,691 for 2013 and 2012, respectively. In addition, health care benefits for active employees funded from these investments totaled \$3,000,000 and \$4,990,734 for the years ended December 31, 2013 and 2012, respectively, and are also presented under the nonoperating section of the Statement of Activities.

	Other	
	Postretirement Benefits	
	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 36,516,225	\$ 10,061,383
Adjustment to reflect change from plan amendment	-	21,000,266
Service cost	739,773	695,927
Interest cost	1,436,212	1,508,473
Benefits paid, net of participant contributions	(984,439)	(996,125)
Actuarial (gain) loss	(7,121,355)	4,246,301
Benefit obligation at end of year	<u>30,586,416</u>	<u>36,516,225</u>
Change in plan assets		
Fair value of plan assets at beginning of year	-	21,000,266
Adjustment to reflect change from plan amendment	-	(21,000,266)
Employer contributions	984,439	996,125
Actual return on plan assets	-	-
Benefits paid, net of participant contributions	(984,439)	(996,125)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (30,586,416)</u>	<u>\$ (36,516,225)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ 30,586,416</u>	<u>\$ 36,516,225</u>
Net amount recognized	<u>\$ 30,586,416</u>	<u>\$ 36,516,225</u>
Amounts recognized in unrestricted net assets		
Net prior service cost	\$ -	\$ (4,736,126)
Net actuarial loss		20,022,544
Components of net periodic benefit cost		
Service cost	\$ 739,773	\$ 695,922
Interest cost	1,436,212	1,508,473
Expected return on plan assets		-
Amortization of prior service credit	(839,846)	(839,846)
Amortization of net loss	1,318,443	1,246,952
Net periodic benefit cost	<u>\$ 2,654,582</u>	<u>\$ 2,611,501</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
Amortization of prior service credit	\$ 839,846	\$ 839,846
Amortization of actuarial loss	(1,318,443)	(1,246,957)
Net actuarial (gain) loss	(7,121,355)	4,246,301
Total recognized in nonoperating expense	<u>\$ (7,599,952)</u>	<u>\$ 3,839,190</u>

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2013 and 2012

The Institution recognizes the net periodic benefit cost in the nonoperating section of the statement of activities. This amounted to (\$2,654,582) and (\$2,611,511) for the years ended December 31, 2013 and 2012, respectively.

	2013	2012
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	5.2 %	4.3 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	4.3 %	5.0 %
Expected long-term rate of return on plan assets	N/A	N/A

The plan does not provide prescription drug benefits for post-65 retirees; therefore, there is no anticipated Medicare employer subsidy.

	2013		2012	
	Pre-65	Post-65	Pre-65	Post-65
Assumed health care cost trend rates at December 31				
Health care cost trend rate assumed for next year	7.0 %	6.0 %	7.0 %	6.0 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0 %	5.0 %	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2018	2015	2017	2014

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2013		2012	
	One-Percentage-Point Increase in Trend	One-Percentage-Point Decrease in Trend	One-Percentage-Point Increase in Trend	One-Percentage-Point Decrease in Trend
Effect on total of service cost and interest cost components	\$ 447,632	\$ (348,300)	\$ 411,135	\$ (324,739)
Effect on year-end postretirement benefit obligation	4,851,858	(3,935,246)	6,099,478	(4,905,395)

Plan Assets

Due to the change in the Trust agreement, there were no plan assets at December 31, 2013 and 2012.

Expected amounts amortized from unrestricted net assets into net periodic pension cost for the next fiscal year

Amortization of net prior service cost	\$ (839,846)
Amortization of net loss	759,397

Expected Contributions

The Institution anticipates contributing \$1,381,413 to the Retiree Medical Plan in 2014.

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2013 and 2012

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service are expected to be paid as follows:

Years	Benefit Payments
2014	\$ 1,381,413
2015	1,460,611
2016	1,561,900
2017	1,623,048
2018	1,688,646
2019–2023	9,014,005

11. Endowment

The Institution's endowment consists of 145 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designed by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

At December 31, the endowment net asset composition by type of fund consisted of the following:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted endowment funds	\$ -	\$ 233,860,217	\$ 76,132,449	\$ 309,992,666
Board designated funds	99,044,772			99,044,772
Total funds	<u>\$ 99,044,772</u>	<u>\$ 233,860,217</u>	<u>\$ 76,132,449</u>	<u>\$ 409,037,438</u>

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted endowment funds	\$ -	\$ 206,764,211	\$ 72,875,489	\$ 279,639,700
Board designated funds	90,665,746			90,665,746
Total funds	<u>\$ 90,665,746</u>	<u>\$ 206,764,211</u>	<u>\$ 72,875,489</u>	<u>\$ 370,305,446</u>

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2013 and 2012

Changes in endowment net assets for the year ended December 31, consisted of the following:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net assets beginning of year	\$ 90,665,746	\$ 206,764,211	\$ 72,875,489	\$ 370,305,446
Investment return				
Investment income, net of fees	(9,538,582)	6,869,187	-	(2,669,395)
Net appreciation	23,645,112	32,684,715	-	56,329,827
Total investment return	<u>14,106,530</u>	<u>39,553,902</u>	<u>-</u>	<u>53,660,432</u>
New gifts	-	-	2,142,811	2,142,811
Appropriation of endowment assets for expenditure	(4,008,899)	(12,540,084)	-	(16,548,983)
Other	(1,741,292)	-	-	(1,741,292)
Change in split interest agreements	22,687	82,188	1,114,149	1,219,024
Net assets end of year	<u>\$ 99,044,772</u>	<u>\$ 233,860,217</u>	<u>\$ 76,132,449</u>	<u>\$ 409,037,438</u>

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net assets beginning of year	\$ 81,499,584	\$ 180,557,211	\$ 67,642,929	\$ 329,699,724
Investment return				
Investment income	(6,806,152)	6,966,071	-	159,919
Net appreciation	9,090,881	30,571,037	-	39,661,918
Total investment return	<u>2,284,729</u>	<u>37,537,108</u>	<u>-</u>	<u>39,821,837</u>
New gifts	-	300	4,707,290	4,707,590
Appropriation of endowment assets for expenditure	(3,360,238)	(11,338,133)	-	(14,698,371)
Other	10,247,859	-	-	10,247,859
Change in split interest agreements	(6,188)	7,725	525,270	526,807
Net assets end of year	<u>\$ 90,665,746</u>	<u>\$ 206,764,211</u>	<u>\$ 72,875,489</u>	<u>\$ 370,305,446</u>

12. Commitments and Contingencies

The Defense Contract Audit Agency (DCAA) is responsible for auditing both direct and indirect charges to grants and contracts on behalf of the ONR. The Institution and the ONR have settled the years through 2007. The current indirect cost recovery rates, which are fixed, include the impact of prior year settlements. The DCAA issued an audit report on the completed audit of direct and indirect costs for the year ended December 31, 2007 on March 31, 2009. The years 2008 through 2013 costs remain subject to audit. Any adjustments will be recorded in the years they become known.

The Institution is a defendant in legal proceedings incidental to the nature of its operations. The Institution believes that the outcome of these proceedings will not materially affect its financial position.

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Notes to Financial Statements
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13. Related Party Transactions

The Institution's subcontracts to subgrantee organizations in which an individual associated with the subgrantee organization is also a member of the Institution's Board of Trustees or Corporation totaled \$1,408,522 and \$1,565,128 for the years ended December 31, 2013 and 2012, respectively. These subcontracts may include federal pass-through awards. The Institution also has other transactions such as legal services and other items with organizations where members of the Board of Trustees or Corporation are affiliated with the organizations. Total expenditures for these legal, publication, research and student transactions were approximately \$1,179,873 and \$2,149,891 for the years ended December 31, 2013 and 2012, respectively.

The Institution has loans due from various employees for education advances and computer purchases. The amounts outstanding are \$1,040,681 and \$1,080,788 at December 31, 2013 and 2012, respectively.

Woods Hole Oceanographic Institution

Schedule of Expenditures of Federal Awards

December 31, 2013

Federal Grantor/Pass-Through Grantor & Number/Program or Cluster Title	Federal Agency CFDA No	Federal CFDA ext./ Contract No	Federal Expenditures
Research and Development Cluster			
Research and Development Direct Awards			
Department of Commerce			
SEA GRANT SUPPORT		11.417	\$ 1,209,917
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM		11.478	2,220,629
CLIMATE AND ATMOSPHERIC RESEARCH		11.431	604,796
COASTAL ZONE MANAGEMENT ESTUARINE RESEARCH RESERVES		11.420	19,337
MARINE MAMMAL DATA PROGRAM		11.439	129,300
OCEAN EXPLORATION		11.011	48,492
OFFICE OF OCEANIC AND ATMOSPHERIC RESEARCH OAR JOINT AND COOPERATIVE INSTITUTE		11.432	9,025,753
NOAA PROGRAMS FOR DISASTER RELIEF APPROPRIATIONS ACT		11.483	602,679
WE133R13SE0073	11.WE133R13SE0073		13,100
WE133R12SE2045	11.WE133R12SE2045		4,425
WE133F13SE0404	11.WE133F13SE0404		3,785
WC133R13SU0831	11.WC133R13SU0831		24,224
PO11091201WHOI	11.PO11091201WHOI		1,979
EE133F13SE1386	11.EE133F13SE1386		8,334
WE133R121681	11.WE133R121681		6,895
WE133F13SE1758	11.WE133F13SE1758		7,615
WE133F13SE1767	11.WE133F13SE1767		2,980
AB133F12SE1854	11.AB133F12SE1854		10,463
EA133F11SE2196	11.EA133F11SE2196		21,658
WE133F11SE1903	11.WE133F11SE1903		12,863
MC5680	11.MC5680		1,445
MC2954	11.MC2954		700
MEASUREMENT AND ENGINEERING RESEARCH AND STANDARDS	11.609		215,017
			<u>14,196,386</u>
Department of Defense			
N6660410D0002	12.N6660410D0002		193,863
N0001410C0149	12.N0001410C0149		705,969
N0001410C0212	12.N0001410C0212		1,143,763
N001413C0247	12.N001413C0247		108,973
N0001412C0283	12.N0001412C0283		254,471
N0001412C0306	12.N0001412C0306		412,213
N0001411C0536	12.N0001411C0536		110,467
N6660409D1030	12.N6660409D1030		1,709,362
N6230610D2004	12.N6230610D2004		431,369
N0016406D6672	12.N0016406D6672		(3,336)
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300		18,253,751
W912HQ09C0043	12.W912HQ09C0043		93,614
W912HQ13C0044	12.W912HQ13C0044		161,391
W912HQ13C0070	12.W912HQ13C0070		208,654
D13PC00194	12.D13PC00194		167,158
MO1	12.MO1		24,755
N6660413P0406	12.N6660413P0406		142,912
N6227112M1035	12.N6227112M1035		21,426
N6227113M1146	12.N6227113M1146		7,122
N000141391216	12.N000141391216		1,273
N6227113Q1259	12.N6227113Q1259		38,913
N0017313P3168	12.N0017313P3168		10,474
N6600113C4008	12.N6600113C4008		906,778
N660111C4118	12.N660111C4118		323,394
N6600113C4006	12.N6600113C4006		5,631
VISA6306	12.VISA6306		750
VISA6728	12.VISA6728		3,766
VISA5726	12.VISA5726		1,018
			<u>25,439,894</u>

Woods Hole Oceanographic Institution

Schedule of Expenditures of Federal Awards

December 31, 2013

Federal Grantor/Pass-Through Grantor & Number/Program or Cluster Title Research and Development Cluster	Federal Agency CFDA No	Federal CFDA ext./ Contract No	Federal Expenditures
Department of the Interior			
G09PC00004		15.G09PC00004	246,883
U.S. GEOLOGICAL SURVEY RESEARCH AND DATA COLLECTION		15.808	1,365,083
MC9419		15.MC9419	3,712
G13PX00246		15.G13PX00246	15,567
MC0394		15.MC0394	3,240
MC6407		15.MC6407	1,320
G12PX01212		15.G12PX01212	512
TO J1274090111		15.H1274090002	18,114
VISA 0231		15.VISA0231	4,225
E12PC00053		15.E12PC00053	392,902
H238015504		15.J238015504	183,990
			<u>2,235,548</u>
Department of State			
S-LMAQM11CA1018		19.017	98,965
			<u>98,965</u>
National Aeronautics and Space Administration			
SCIENCE		43.001	4,479,138
EDUCATION		43.008	13,100
			<u>4,492,238</u>
National Science Foundation			
ENGINEERING GRANTS		47.041	38,144
GEOSCIENCES		47.050	62,857,383
BIOLOGICAL SCIENCES		47.074	549,640
SOCIAL BEHAVIORAL AND ECONOMIC SCIENCES		47.075	100,686
POLAR PROGRAMS		47.078	3,958,736
INTERNATIONAL SCIENCE AND ENGINEERING OISE		47.079	6,880
OFFICE OF CYBERINFRASTRUCTURE		47.080	110,263
TRANS NSF RECOVERY ACT RESEARCH SUPPORT		47.082	5,139,881
ANT1342510		47.ANT1342510	150,698
			<u>72,912,311</u>
Environmental Protection Agency			
EP12D000022		66.EP12D000022	20,027
SCIENCE TO ACHIEVE RESULTS STAR RESEARCH PROGRAM		66.509	85,927
SCIENCE TO ACHIEVE RESULTS STAR FELLOWSHIP PROGRAM		66.514	17,943
FP917228010		66.FP917228010	9,060
REGIONAL APPLIED RESEARCH EFFORTS RARE		66.517	14,332
			<u>147,289</u>
Department of Energy			
OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM		81.049	175,957
			<u>175,957</u>
Department of Education			
STRENGTHENING MINORITY SERVING INSTITUTIONS		84.382	24,994
			<u>24,994</u>
Department of Health and Human Services			
ENVIRONMENTAL HEALTH		93.113	903,981
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH		93.865	49,359
HHSN272201300692P	93.HHSN272201300692P		3,464
F223201000060C		93.F223201000060C	74,495
			<u>1,031,299</u>
Total Direct Awards			<u><u>120,754,881</u></u>

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Schedule of Expenditures of Federal Awards

December 31, 2013

Federal Grantor/Pass-Through Grantor & Number/Program or Cluster Title Research and Development Cluster	Federal Agency CFDA No	Federal CFDA ext./ Contract No	Federal Expenditures
Other Organizations			
Department of Agriculture			
MARINE BIOLOGICAL LABORATORY 43200	10.20103850021074		801
			<u>801</u>
Department of Commerce			
UNIVERSITY OF MIAMI S140015		11.472	9,026
UNIVERSITY OF SOUTH FLORIDA VISA0814		11.012	1,922
TEXAS AM UNIVERSITY AT GALVESTON S100046		11.468	11,114
UNIVERSITY OF MAINE 5100100920		11.012	2,098
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710002770		11.417	13,819
GEORGIA INSTITUTE OF TECHNOLOGY RC366G1		11.431	10,858
RUTGERS UNIVERSITY S1870412		11.012	4,199
UNIVERSITY OF MAINE 5100100932		11.012	6,440
UNIVERSITY OF MISSISSIPPI 0811048		11.430	2,124
NORTH PACIFIC RESEARCH BOARD 1222		11.472	62,707
FLORIDA STATE UNIVERSITY R01502		11.444	150,267
UNIVERSITY CORPORATION FOR ATMOSPHERIC RES S1311554		11.431	51,255
INDUSTRIAL ECONOMICS INC 1050WHOI	11.DG133C06NC1729		704
UNIVERSITY OF MAINE 5100122351		11.472	4,050
ALASKA OCEAN OBSERVING SYSTEM H230062		11.012	36,166
UNIVERSITY OF RHODE ISLAND 0000062808		11.417	4,222
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710003152		11.417	76,671
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710003342		11.417	102
UNIVERSITY OF MAINE 5100113419		11.472	7,990
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710002975		11.417	78,106
UNIVERSITY OF WASHINGTON ZC130715001		11.012	938
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710003149		11.417	45,095
RUTGERS UNIVERSITY 1945997		11.012	5,800
UNIVERSITY OF PENNSYLVANIA 557723		11.431	33,553
UNIVERSITY OF CALIFORNIA SAN DIEGO 90727961		11.432	2,463
CORNELL UNIVERSITY 622059707	11.AB133F11CN0202		7,961
			<u>629,650</u>
Department of Defense			
UNIVERSITY OF CALIFORNIA SAN DIEGO VISA0188		12.300	1,288
RUTGERS UNIVERSITY 2288		12.2288	1,864
INTUITIVE RESEARCH AND TECHNOLOGY CORPORATION AETWHOI001	12.W31P4Q09A0016		122,406
YULISTA MANAGEMENT SERVICES INC R12PP00033	12.W58RGZ12D0089		77,373
DUKE UNIVERSITY 11SERDP1081	12.W912HQ11C0079		38,663
APPLIED PHYSICAL SCIENCES CORP 130005443	12.N660113C4006		40,022
UNIVERSITY OF WASHINGTON RH12128001	12.300		5,700
HYDROID LLC PO00030749	12.N6523611D3242		3,608
UNIVERSITY OF ST ANDREWS 20120504	12.N000141210418		16,568
PENNSYLVANIA STATE UNIVERSITY PO930530	12.N0002402D6604		22,577
HYDROID LLC PO00030535	12.N0001409C0137		6,090
OCEAN ACOUSTICAL SERVICES AND INSTRUMENT SYSTEM INC OASIS12SC01	12.N0001407C0771		3,693
UNIVERSITY OF SOUTHERN CALIFORNIA 137761	12.300		77,404
UNIVERSITY OF CALIFORNIA SAN DIEGO VISA0726	12.N0016711D0011		4,275
UNIVERSITY OF WASHINGTON TC130731017	12.N0001412G0078		2,484
DUKE UNIVERSITY 14HDR1041	12.N6247010D3011		875
UNIVERSITY OF WASHINGTON 710490	12.300		85,218
DUKE UNIVERSITY 13HDR1076	12.CON0054394016TO014		19,091
OCEAN ACOUSTICAL SERVICES AND INSTRUMENT SYSTEM INC OASIS12SC02	12.N0001412M0353		49,550
CASCADIA RESEARCH COLLECTIVE AGREEMENT	12.N3943013C1257		12,135
OCEAN ACOUSTICAL SERVICES AND INSTRUMENT SYSTEM INC OASIS13SC03	12.N0001408C0569		140,313
APPLIED PHYSICAL SCIENCES CORP APS1318	12.N0001413C0257		9,914
VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY P2511497	12.300		10,150
SCIENCE APPLICATIONS INTERNATIONAL CORP PO10151908	12.N0017804D4119		53,281
TEXAS AM RESEARCH FOUNDATION 122008	12.300		31,562
HYDROID LLC PO00026440	12.N6230608D9003		4,333

Woods Hole Oceanographic Institution

Schedule of Expenditures of Federal Awards

December 31, 2013

Federal Grantor/Pass-Through Grantor & Number/Program or Cluster Title Research and Development Cluster	Federal Agency CFDA No	Federal CFDA ext./ Contract No	Federal Expenditures
HYDROID LLC PO00023176	12.N6523611D3242		75,377
ITT CORPORATION PO303231	12.N0002411C6313		6,065
SCIENCE APPLICATIONS INTERNATIONAL CORP P010133578	12.N0017804D4119		286,176
SCIENCE APPLICATIONS INTERNATIONAL CORP P010143631	12.N00017804D4119		5,337
MARITIME APPLIED PHYSICS CORPORATION 201224062	12.N0001412C00337		37,146
RUTGERS UNIVERSITY 4632	12.300		25,389
HYDROID LLC PO00024913	12.N0017403D0018		5,567
COMPUTER SCIENCES CORPORATION PAX305118	12.N0042113C0007		21,816
UNIVERSITY OF CALIFORNIA SAN DIEGO 10285191	12.N000140801840		(701)
CREARE INC 66126	12.N0001412M0336		8,532
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 5710002157	12.N000140710326		38,428
SKY RESEARCH INC 107202	12.N0002410C4176		5,591
UNIVERSITY OF IOWA MC8918	12.300		1,262
HYDROID LLC PO00027375	12.N0017403D0018		85,955
HYDROID LLC PO00027473	12.N6660411D0165		6,250
JOHNS HOPKINS UNIVERSITY PO118070	12.N0002403D6606		2,111
SIGNAL SYSTEMS CORPORATION SC1307WHOI	12.N0002413C4003		25,283
MARINE BIOLOGICAL LABORATORY 38617	12.300		5,299
CREARE INC CONTRACT	12.N0001412C0336		55,719
HYDROID LLC PO00029163	12.N6523611D3242		68,798
UNIVERSITY OF CALIFORNIA SAN DIEGO 1215979	12.N000141010369		19,267
TRS TECHNOLOGIES INC 120405299503	12.300		48,699
HYDROID LLC PO00029836	12.N0001413C0222		78,739
MIT LINCOLN LABORATORY 7000212763	12.FA872105C0002		978
MIT LINCOLN LABORATORY 7000235315	12.FA872105C0002		83,180
MIT LINCOLN LABORATORY 7000257349	12.FA872105C0002		7,049
			<u>1,843,749</u>
Department of the Interior			
TDI BROOKS INTERNATIONAL INC AGREEMENT	15.M08PC20038		27,489
UNIVERSITY OF ALASKA FAIRBANKS 139008	15.421		189,786
UTAH STATE UNIVERSITY F12A500517	15.605		1,240
UNIVERSITY OF TEXAS AUSTIN UTA11000874	15.423		23,566
MONTANA STATE UNIVERSITY 4153001067	15.945		6,175
SCIENCE APPLICATIONS INTERNATIONAL CORP PO10061588	15.MP10PC0012		207,801
STATE UNIVERSITY OF NEW YORK R843827	15.663		4,740
UNIVERSITY OF MASSACHUSETTS DARTMOUTH 7833WHOI	15.M10PC00096		116,050
STATE UNIVERSITY OF NEW YORK R832403	15.663		6,540
			<u>583,387</u>
Department of Transportation			
OIL SPILL RECOVERY INSTITUTE 121005	20.TPF		15,832
			<u>15,832</u>
National Aeronautics and Space Administration			
OREGON STATE UNIVERSITY NS220AA	43.NNX10AO93G		60,203
UNIVERSITY OF CALIFORNIA SANTA BARBARA KK1158	43.001		127,064
FLORIDA STATE UNIVERSITY R01508	43.001		68
HARVARD UNIVERSITY FM05142013	43.001		1,470
UNIVERSITY OF WASHINGTON 732963	43.001		25,529
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY G003445	43.001		11,414
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 5710003454	43.001		7,062
STANFORD UNIVERSITY 2551611046281A	43.000		109,255
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 4501683682/4501684034	43.001		5,074
JET PROPULSION LABORATORY 1455364	43.NMO710772		21,493
MARINE BIOLOGICAL LABORATORY PO47134	43.001		8,576
MARINE BIOLOGICAL LABORATORY POI0047756	43.NNX09AB75G		5,468
			<u>382,676</u>

Woods Hole Oceanographic Institution

Schedule of Expenditures of Federal Awards

December 31, 2013

Federal Grantor/Pass-Through Grantor & Number/Program or Cluster Title Research and Development Cluster	Federal Agency CFDA No	Federal CFDA ext./ Contract No	Federal Expenditures
National Science Foundation			
UNIVERSITY OF VERMONT P105016		47.050	6,600
UNIVERSITY OF NEW HAMPSHIRE P13UDD60		47.050	12,384
UNIVERSITY OF MIAMI AB90077		47.050	3,059
UNIVERSITY OF NEW HAMPSHIRE P13UDD84		47.050	14,796
BAYLOR UNIVERSITY 3211015001		47.050	10,103
UNIVERSITY OF MICHIGAN 3002410158		47.078	47
NAVAL POSTGRADUATE SCHOOL N0024412P0230		47.078	806
UNIVERSITY OF SOUTHERN CALIFORNIA 36200242		47.050	50,000
CONSORTIUM FOR OCEAN LEADERSHIP T324A26		47.050	-
CONSORTIUM FOR OCEAN LEADERSHIP T346A26		47.050	75,020
BIGELOW LABORATORY FOR OCEAN SCIENCES BIOS13002		47.050	84,962
OREGON STATE UNIVERSITY S1328BA		47.078	8,796
CONSORTIUM FOR OCEAN LEADERSHIP SA1338		47.050	82,090
UNIVERSITY OF NEW HAMPSHIRE P14UDR13		47.076	6,207
FLORIDA INSTITUTE OF TECHNOLOGY 201618		47.078	83,785
BOSTON UNIVERSITY 4500000622		47.082	27,000
BOSTON UNIVERSITY 4500000650		47.050	16,391
BOSTON UNIVERSITY 4500000663		47.082	45,115
UNIVERSITY OF SOUTH CAROLINA 101809		47.050	26,632
RUTGERS UNIVERSITY 3937		47.050	31
UNIVERSITY OF CALIFORNIA SANTA BARBARA VISA 2031		47.050	94
UNIVERSITY OF OREGON PO2220000101		47.050	6,840
RENSSELAER POLYTECHNIC INSTITUTE A12240		47.080	74,098
UNIVERSITY OF SOUTHERN CALIFORNIA Y82249		47.050	15,488
BERMUDA INSTITUTE OF OCEAN SCIENCES 102310		47.050	(14,526)
UNIVERSITY OF HAWAII Z792384		47.074	387,154
THE RESEARCH CORP OF THE UNIVERSITY OF HAWAII Z10022542		47.050	7,080
STANFORD UNIVERSITY 2798114052774A		47.050	67
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY 524452		47.050	476,988
UNIVERSITY OF HAWAII Z943138		47.082	9,278
COLUMBIA UNIVERSITY PO0000023241		47.050	9,602
UNIVERSITY OF CALIFORNIA SAN DIEGO PO10313301		47.050	688,642
CONSORTIUM FOR OCEAN LEADERSHIP T335C26		47.050	7,574
BROWN UNIVERSITY P283416		47.050	8,480
UNIVERSITY OF PENNSYLVANIA 553418		47.082	100,826
NEW ENGLAND AQUARIUM 1760		47.076	45,623
POMONA COLLEGE PO10768		47.050	10,931
UNIVERSITY OF CALIFORNIA SAN DIEGO 39964779		47.050	23,754
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY 0000024018		47.050	6,989
HARVARD UNIVERSITY 70000594158		47.050	2,470
BERMUDA INSTITUTE OF OCEAN SCIENCES 122285		47.050	60,384
UNIVERSITY OF RHODE ISLAND PO0000054645		47.082	239
UNIVERSITY OF RHODE ISLAND PO0000064708		47.050	2,756
AMERICAN MUSEUM OF NATURAL HISTORY PO84861		47.050	4,200
UNIVERSITY OF WASHINGTON PO754150		47.078	3,473
MARINE BIOLOGICAL LABORATORY 35558		47.078	21,168
THE IRIS CONSORTIUM 58OMO		47.050	1,267,290
UNIVERSITY OF PITTSBURGH 0036115		47.050	1,505
UNIVERSITY OF CALIFORNIA SAN DIEGO VISA6221		47.050	1,645
OLD DOMINION UNIVERSITY RESEARCH FOUNDATION RF76228		47.050	5,400
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY PO586756		47.050	(170)
BERMUDA INSTITUTE OF OCEAN SCIENCES PO46853		47.050	4,160
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY GG006876		47.050	14,661
UNIVERSITY OF CALIFORNIA SAN DIEGO VISA6935		47.050	406
BIGELOW LABORATORY FOR OCEAN SCIENCES PO27085		47.050	1,542
PRINCETON UNIVERSITY PO0000517171		47.050	5,000
UNIVERSITY OF WASHINGTON PO747239		47.050	59,100
MASSACHUSETTS INSTITUTE OF TECHNOLOGY VISA7413		47.050	10,400
UNIVERSITY OF MAINE UMS845		47.078	19,614

Woods Hole Oceanographic Institution

Schedule of Expenditures of Federal Awards

December 31, 2013

Federal Grantor/Pass-Through Grantor & Number/Program or Cluster Title Research and Development Cluster	Federal Agency CFDA No	Federal CFDA ext./ Contract No	Federal Expenditures
UNIVERSITY OF SOUTHERN CALIFORNIA Y87703		47.050	39,546
CARNEGIE MELLON UNIVERSITY AGREEMENT1121538257720		47.075	46,988
ONR BIOMOLECULAR AND BIOSYSTEMS VISA3906		47.050	9,531
MASSACHUSETTS INSTITUTE OF TECHNOLOGY VISA8407		47.050	1,440
UNIVERSITY OF CALIFORNIA SAN DIEGO 10318417		47.050	50,012
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY GG008523		47.050	29,390
MICHIGAN TECHNOLOGICAL UNIVERSITY VISA8614		47.050	3,600
UNIVERSITY OF CALIFORNIA SANTA CRUZ P0478781		47.050	154
NEW MEXICO TECH DP38798		47.078	2,166
UNIVERSITY OF OREGON 208991A		47.050	92,075
AMERICAN MUSEUM OF NATURAL HISTORY PO89053		47.050	6,240
UNIVERSITY OF SOUTH FLORIDA PO0000189100		47.078	5,800
MIAMI UNIVERSITY G0179201		47.074	64,436
RUTGERS UNIVERSITY PO1869247		47.050	5,400
BERMUDA INSTITUTE OF OCEAN SCIENCES 092285		47.050	19,961
UNIVERSITY OF MICHIGAN MC9322		47.078	1,581
UNIVERSITY OF COLORADO 1549723		47.050	96,550
UNIVERSITY OF RHODE ISLAND PO0000039858		47.050	7,581
UNIVERSITY OF NEW HAMPSHIRE MC9943		47.050	704
OCEAN LEADERSHIP JOI DIVISION SA910		47.050	28,773,599
OCEAN LEADERSHIP JOI DIVISION SA910		47.082	451,764
			<u>33,612,567</u>
Environmental Protection Agency			
UNIVERSITY OF CONNECTICUT 39970		93.514	1,470
			<u>1,470</u>
Department of Energy			
TULANE UNIVERSITY TUL5410607		81.DEFC0206ER6429	38,858
UNIVERSITY OF DELAWARE 0000031703		81.087	5,487
HARVARD UNIVERSITY 1331835062119		81.049	213,254
UNIVERSITY OF MISSISSIPPI 1103065		81.089	24,136
OAK RIDGE NATIONAL LABORATORY 4000113417		81.DEAC0500OR22727	67,978
OHIO STATE UNIVERSITY P0093761		81.087	34
GINKGO BIOWORKS INC SUBAWARD		81.135	5,210
UNIVERSITY OF MASSACHUSETTS DARTMOUTH 6302		81.087	41,662
			<u>396,619</u>
Department of Health and Human Services			
BOSTON UNIVERSITY RA221354BAJ		93.113	282,158
BOSTON UNIVERSITY MC349661DJW		93.113	89,058
BOSTON UNIVERSITY 5P42ES00738117		93.143	212,853
EUROPEAN MOLECULAR BIOLOGY LABORATORY AGREEMENT		93.172	52,353
			<u>636,422</u>
Department of Homeland Security			
MARINE POLLUTION CONTROL CORPORATION MPC AGREEMENT		97.HSCG3213PEO4K10	53,062
UNIVERSITY OF HAWAII AT MANOA Z963952		97.061	40,171
			<u>93,233</u>
Total Pass Through Awards			<u>38,196,406</u>
Total Research and Development Cluster			<u>158,951,287</u>
Total Expenditures of Federal Awards			<u>\$ 158,951,287</u>

Woods Hole Oceanographic Institution
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared using the accrual basis of accounting and in accordance with *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The purpose of the Schedule is to present a summary of those activities of the Institution for the year ended December 31, 2013 which have been financed by the U.S. Government (federal awards). For purposes of the Schedule, federal awards include all federal assistance entered into directly between the federal government and the Institution and federal funds awarded to the Institution by a prime recipient. Because the Schedule presents only a selected portion of the activities of the Institution, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institution. Negative amounts represent adjustments to amounts reported in prior years in the normal course of business. Full CFDA and Pass-through entity identification numbers are presented when available.

2. Subrecipients

The Institution passed through federal awards to sub grantee organizations in the Research and Development Cluster. Expenditures incurred by the subgrantees and reimbursed by the Institution are presented in the Schedule of Expenditures of Federal Awards. Amounts for the year ended December 31, 2013 are as follows:

Agency	CFDA#	Amount
Department of Commerce	11	
National Oceanic and Atmospheric Administration		\$ 3,338,128
Department of Defense	12	
United States Navy		3,234,637
Defense Advance Research Project Agency		130,748
Department of the Interior	15	
United States Geological Survey		47,777
National Aeronautics and Space Administration	43	558,988
National Science Foundation	47	7,547,679
Department of Health and Human Services	93	
National Institute of Health		33,161
		\$ 14,891,118

3. Fringe Benefits and Indirect Costs

The Institution recovers fringe benefits and indirect costs associated with federal award programs pursuant to fixed rates with carryforward provisions negotiated annually with the Office of Naval Research (ONR). The Institution and ONR have settled the years through 2007. The 2013 fixed rates were based on budgeted information for the year ended 2012. The base and pool balances for the actual 2013 rates will be audited by The Defense Contract Audit Agency (DCAA) and the results of the DCAA audit will be presented in a separate DCAA report from the DCAA.

The 2013 indirect cost recovery rates, which are fixed with carryforward provisions, include the impact of settlements through the latest year audited by the DCAA, 2007.

**Part II - Reports on Internal Control and Compliance
and Other Matters**



**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees of
Woods Hole Oceanographic Institution:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Woods Hole Oceanographic Institution (the “Institution”), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities and statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institution’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institution’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Institution’s internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institution'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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

July 18, 2014



**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

To The Board of Trustees of
Woods Hole Oceanographic Institution

Report on Compliance for Each Major Federal Program

We have audited Woods Hole Oceanographic Institution's (the "Institution") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Institution's major federal program for the year ended December 31, 2013. The Institution's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Institution's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institution's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Institution's compliance.

Opinion on the Major Federal Program

In our opinion, the Institution complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 13-1, 13-2, and 13-3. Our opinion on the major federal program is not modified with respect to these matters.

The Institution's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Institution's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Institution is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institution's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institution's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

August 13, 2014

**Part III - Audit Findings and Management's Views
and Corrective Action Plan**

**Woods Hole Oceanographic Institution
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2013**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes no

**Identification of major programs:
 CFDA Number(s)**

Name of Federal Program or Cluster

Various Research and Development Cluster

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

Auditee qualified as low-risk auditee? yes no

**Woods Hole Oceanographic Institution
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2013**

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

Finding 13-1

Compliance Requirements: Procurement, Suspension & Debarment (I)

Federal Programs Involved	Federal CFDA Number	Award Number	Award Year	Purchase Amount
Department of Defense	12.300	N000141310462	2/1/13-12/31/14	\$ 210,987
Department of Commerce	11.417	ARC0909373	8/15/09-1/31/15	41,000
				<u>\$ 251,987</u>

Condition

The Institution requires that vendors sign a Certificate of Non-Debarment on purchases greater than \$25,000. In a sample of 25 selections, the engagement team identified two instances, totaling \$251,987 where the signed Certificate of Non-Debarment was not available. Both of these purchases were with foreign vendors. We noted that these vendors were not debarred by the federal government through review of the EPLS website (Excluded Parties List System). Prior to September 2013, the Institution did not require this documentation for any foreign vendors. A total of 15 purchases above \$25,000 were made with foreign vendors during this period. During September 2013, the Institution implemented a policy to ensure that all foreign vendors are not suspended or debarred in the United States. A total of 18 purchases above \$25,000 were made with foreign vendors after September 2013. In a sample of 7 of these 18 purchases, all vendors had documentation of signed Certificates of Non-Debarment.

Criteria

Government wide requirements for nonprocurement suspension and debarment are contained in the OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension. Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

Cause

The Institution requires purchases above \$25,000 to include documentation that the supplier is not suspended or debarred. Prior to September 2013, the Institution did not require this documentation for any foreign vendors.

Effect

As a result of the Institution's policy on foreign vendors prior to September 2013, the Institution may have entered into a transaction with a suspended or debarred vendor.

**Woods Hole Oceanographic Institution
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2012**

Questioned Costs

There are no questioned costs.

Recommendation

We recommend the Institution continue to follow its new policies and procedures over the suspension and debarment requirements for all vendors. They should continue to ensure there is a policy in place to identify any foreign vendors that may be suspended or debarred in the United States.

Management's Views and Corrective Action Plan

Management's Views and Corrective Action Plan is included at the end of this report.

Finding 13-2

Compliance Requirements: Reporting (L)

Federal Programs Involved	Federal CFDA Number	Award Number	Award Year
Department of Defense	12.300	N000140710738	3/12/07-10/31/13
Department of Defense	12.300	N000141210799	6/15/12-12/14/13
Department of Defense	12.300	N000140910844	6/15/12-12/14/13
Department of Defense	12.300	N000140710135	11/1/06-12/31/13

Condition

The Institution has established policies and procedures to accurately and timely report financial information under federal regulations. In a sample of 25 financial reports, the engagement team identified 4 instances where a final report had not been submitted within 90 days of the completion of the grant period. These grant reports have yet to be submitted.

Criteria

The Federal awarding agency shall require recipients to submit the SF-424 (an original and no more than two copies) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for annual and final reports. Extensions of reporting due dates may be approved by the Federal awarding agency upon request of the recipient. (2 CFR 215.52 (a) (1) (iv)).

Cause

The financial reports were not submitted due to Grants & Contracts personnel responsible for the grants selected failing to notify the accounting personnel that the reports were due.

Effect

Reports of financial information have not been made timely as required under federal regulations.

Questioned Costs

There are no questioned costs.

Recommendation

The Institution should establish formal policies and procedures to ensure grants and contracts personnel are informing accounting personnel of all financial filing requirements for their respective grants. This will help to ensure that all required filings are being completed.

**Woods Hole Oceanographic Institution
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2012**

Management's Views and Corrective Action Plan

Management's Views and Corrective Action Plan is included at the end of this report.

Finding 13-3

Compliance Requirements: Subrecipient Monitoring (M)

Federal Programs Involved	Federal CFDA Number	Award Number	Award Year
Department of Defense	12.300	N000141110701	6/1/11-9/30/14
NASA	43.001	NNX13AE46G	1/1/13-1/14/17
Department of the Interior	15.808	G10AC00210	8/1/13-3/31/15
Department of Commerce	11.432	OCE0928663	3/1/10-2/28/15
Department of Defense	12.300	N000141210388	3/1/12-9/30/14
Department of Defense	12.300	N000141210321	1/1/12-12/31/14

Condition

The Institution has policies and procedures in place to obtain subrecipients' A-133 reports and obtain letters from subrecipients verifying that any exceptions identified in the A-133 reports are not directly related to the Institution's pass through funds. For 6 of the 25 subrecipients selected for testing, the most recent A-133 report highlighted deficiencies including material weaknesses, on subrecipient's which did not have direct financial impact to the Institution. Based on the review there was no observable evidence that the Institution's management followed up with the subrecipients on the indirect implications these control deficiencies had on the Institution. There was no evidence of any follow up discussions with the subrecipient to understand the cause of the issues, implications, and corrective action plan anticipated based on the understanding of the A-133 compliance supplement by the Institution.

Criteria

OMB Circular A-133, Subpart D, Section 400(d) includes details that a pass-through entity shall perform the following for the Federal awards it makes:

1. Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.
2. Ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
3. Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
4. Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
5. Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

**Woods Hole Oceanographic Institution
Schedule of Findings and Questioned Costs
Year Ended December 31, 2012**

Cause

The Institution's policies and procedures over subrecipient monitoring address the necessary follow up on findings that have a direct financial impact to the Institution. However, the Institution's understanding was that subrecipient monitoring requirements included in Part 3, Section M of the OMB Circular A-133 compliance supplement did not need to address control deficiencies contained in subrecipients' A-133 reports that did not have a direct impact on the Institution's awards.

Effect

Without the appropriate level of subrecipient monitoring, the Institution has an increased risk that federal funding disbursed to a subrecipient will not be effectively managed and expended in accordance with the terms and conditions of its agreement with the federal agency.

Questioned Costs

There are no questioned costs.

Recommendation

We recommend that the Institution develop more robust procedures related to the monitoring of a subrecipient's control environment to ensure adequate and appropriate communication with subrecipients is performed and that ongoing monitoring of all subrecipient relationships, including risks that may be inherent to the Institution are appropriately documented.

Management's Views and Corrective Action Plan

Management's Views and Corrective Action Plan is included at the end of this report.

**Woods Hole Oceanographic Institution
 Summary & Status of Prior Audit Findings
 Year Ended December 31, 2013**

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

Finding 12-1

Compliance Requirements: Procurement, Suspension & Debarment (I)

Federal Programs Involved	Federal CFDA Number	Award Number	Award Year	Purchase Amount
National Science Foundation	47.078	#ANT-0944165	6/17/2011-6/30/2014	\$ 135,000

Condition

We require that vendors sign a Certificate of Non-Debarment on purchases greater than \$25,000. In a sample of 25 selections, the PwC engagement team identified one instance, totaling \$135,000 where the signed Certificate of Non-Debarment was not available. PwC noted that this vendor was not debarred by the federal government through review of the EPLS website (Excluded Parties List System).

Current Year Status

During September 2013, WHOI implemented a policy to ensure that all foreign vendors are not suspended or debarred in the United States. All foreign vendors selected for testing by PwC in the current year audit after September 2013 included documentation that the vendor was not suspended or debarred. Management plans to continue to follow these procedures in order to ensure foreign vendors are not suspended or debarred in the United States.



WOODS HOLE OCEANOGRAPHIC INSTITUTION

13-1 Compliance Requirements: Procurement, Suspension & Debarment (I)

WHOI acknowledges 2CFR part 180 contains requirements for certification of non-debarment for purchases that equal to or exceed \$25,000. This is noted in the Procurement Procedures located on the Procurement Web Site of the Institution and is stated in the Buyer Check List for purchases equaling or exceeding that amount. In the past, the internal procedures excluded foreign suppliers to be validated as non-debarred. However, with the recent modifications to the SAMS system, it has made validation less dependent on self-certification. Effective September 2013 the Institution notified WHOI buyers to include foreign suppliers in debarment certification. The Institution will continue to follow new policies and procedures over the suspension and debarment requirements for US and foreign vendors.

A handwritten signature in cursive script that reads "Laurie Murphy".

Laurie Murphy
Director, Treasury Operations
Woods Hole Oceanographic Institution
508-289-2366



WOODS HOLE OCEANOGRAPHIC INSTITUTION

13-2 Compliance Requirements: Reporting (L)

Each month a report will be generated by G&CS listing all current ONR grants for which the period of performance has ended and the close out process should begin. G&CS will notify the department should any encumbrances, overages or outstanding subcontract costs remain to be charged to the grant. The departments will be responsible to take final action on these areas enabling the close out to occur. Deadlines will be established and G&CS will follow up on this action with the departments.

In addition, WHOI has obtained prior approval from ONR; if WHOI is pricing with provisional rates in a specific calendar year, the Navy approves holding off with the final report until final rates are obtained. The communication will be obtained once for each calendar year from ONR.

A handwritten signature in cursive script that reads "Laurie Murphy".

Laurie Murphy
Director, Treasury Operations
Woods Hole Oceanographic Institution
508-289-2366



WOODS HOLE OCEANOGRAPHIC INSTITUTION

13-3 Subrecipient Monitoring (M)

WHOI has policies in place that identify exceptions directly related to the Institution's pass through funds as guided in A-133 Compliance Supplement 6-M-2.

WHOI's F&A and G&CS department will review current subrecipient procedures and develop more robust procedures related to the monitoring of subrecipient's control environment. This will ensure adequate and appropriate communication with subrecipients as well as performing ongoing monitoring of all subrecipient relationships including risks that may be inherent to the Institution.

A handwritten signature in cursive script that reads "Laurie Murphy".

Laurie Murphy
Director, Treasury Operations
Woods Hole Oceanographic Institution
508-289-2366