

Woods Hole Oceanographic Institution

Report on Federal Awards in Accordance with OMB

Circular A-133

December 31, 2012

EIN #042105850

Woods Hole Oceanographic Institution

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December 31, 2012

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Independent Auditor's Report

To The Board of Trustees of
Woods Hole Oceanographic Institution

Report on the Financial Statements

We have audited the accompanying financial statements of Woods Hole Oceanographic Institution (the "Institution") which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and statements of cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, 2012 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 19, 2013 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 Institution's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Boston, Massachusetts
July 19, 2013

Woods Hole Oceanographic Institution
Statements of Financial Position
December 31, 2012
(with summarized financial information as of December 31, 2011)

	2012		2011	
Assets				
Cash and cash equivalents, unrestricted	\$	3,371,350	\$	2,368,310
Cash and cash equivalents, restricted		12,193,308		11,100,701
Reimbursable costs and fees				
Billed (net of allowance for doubtful accounts of \$144,911 for 2012 and \$190,783 for 2011)		5,633,863		4,600,373
Unbilled		9,851,683		12,357,643
Receivable for investments sold		9,528,338		9,892,620
Interest and dividends receivable		190		202,859
Other receivables		1,461,969		1,260,706
Pledges receivable, net (Note 5)		1,863,500		4,106,212
Inventory		2,194,191		2,204,477
Deferred charges and prepaid expenses		827,168		920,382
Investments, pooled (Note 3)		360,777,108		331,731,056
Investments designated for retiree and active medical plans (Note 10)		17,429,983		-
Deferred fixed rate variance (Note 7)		4,586,477		7,444,648
Supplemental retirement		7,822,553		7,018,821
Other assets		2,338,623		6,550,423
Deferred financing costs		204,713		215,243
		<u>440,085,017</u>		<u>401,974,474</u>
Property, plant and equipment				
Land, buildings and improvements		157,154,079		142,965,506
Vessels and dock facilities		8,388,154		8,166,446
Laboratory and other equipment		32,033,762		30,297,099
Construction in process		783,981		6,696,699
		<u>198,359,976</u>		<u>188,125,750</u>
Accumulated depreciation		<u>(108,876,031)</u>		<u>(101,738,290)</u>
Net property, plant and equipment		<u>89,483,945</u>		<u>86,387,460</u>
Contributions receivable from remainder trusts, net (Note 6)		<u>9,828,272</u>		<u>9,288,971</u>
Total assets	\$	<u>539,397,234</u>	\$	<u>497,650,905</u>
Liabilities				
Line of credit (Note 8)	\$	25,000,000	\$	13,000,000
Accounts payable and other liabilities (Note 8)		19,069,062		19,288,163
Accrued payroll and related liabilities		8,940,016		8,907,757
Payable for investments purchased		-		250,151
Accrued supplemental retirement benefits		7,822,553		7,018,821
Accrued pension and restoration liability		105,643,221		95,572,295
Accrued postretirement liability (Note 10)		36,516,225		10,061,383
Deferred revenue and refundable advances		16,041,353		18,809,354
Bonds payable (Note 8)		59,119,471		60,613,400
Total liabilities	\$	<u>278,151,901</u>	\$	<u>233,521,324</u>
		<u>440,085,017</u>		<u>401,974,474</u>
		<u>89,483,945</u>		<u>86,387,460</u>
		<u>9,828,272</u>		<u>9,288,971</u>
		<u>\$ 539,397,234</u>		<u>\$ 497,650,905</u>
		<u>\$ 278,151,901</u>		<u>\$ 233,521,324</u>
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		<u>\$ 539,397,234</u>		<u>\$ 497,</u>

Woods Hole Oceanographic Institution
Statements of Activities
Year Ended December 31, 2012
(with summarized financial information for the Year Ended December 31, 2011)

	Unrestricted					
	Operating	Sponsored Research	Temporarily Restricted	Permanently Restricted	2012	2011
Revenues						
Fees	\$ 1,897,960	\$ -	\$ -	\$ -	\$ 1,897,960	\$ 1,947,853
Sponsored research						
Government		111,453,243			111,453,243	115,880,135
Subcontract and nongovernment		55,594,494	4,372,063		59,966,557	54,499,993
Ships and subs operations		22,661,175			22,661,175	26,732,475
Sponsored research assets released to operations	196,130,153	(189,708,912)	(6,421,241)		-	-
Fixed price awards income	257,926				257,926	603,399
Education						
Joint program income	4,226,073				4,226,073	4,358,082
Endowment income			6,966,070		6,966,070	6,739,809
Education funds released from restriction	7,543,584		(7,543,584)		-	-
Investment return designated for current operations	2,805,300				2,805,300	4,057,239
Contributions and gifts	3,819,997		1,125,928	1,205,251	6,151,176	7,822,833
Releases from restrictions			(2,960,370)	(260,096)	(3,220,466)	(3,378,863)
Contributions in kind	419,902				419,902	421,597
Rental income	554,852				554,852	552,453
Communication and publications	221,859				221,859	179,542
Other	800,256				800,256	537,195
Loss on sale of land				(1,650,000)	(1,650,000)	-
Total revenues	218,677,862	-	(4,461,134)	(704,845)	213,511,883	220,953,742
Expenses						
Sponsored research						
National Science Foundation	56,972,329				56,972,329	63,726,002
United States Navy	22,425,696				22,425,696	21,114,130
Subcontracts	27,757,583				27,757,583	27,251,161
National Oceanic & Atmospheric Administration	15,701,872				15,701,872	14,898,477
United States Geological Survey	1,801,235				1,801,235	1,570,495
National Aeronautics & Space Administration	3,833,171				3,833,171	3,673,084
Ships Operations	17,321,144				17,321,144	20,879,309
Submersible and ROV operations	5,340,031				5,340,031	5,853,166
Privately funded grants	13,849,456				13,849,456	8,084,841
Other	31,111,710				31,111,710	29,574,272
Education						
Faculty expense	4,767,441				4,767,441	4,436,076
Student expense	4,028,336				4,028,336	4,119,467
Postdoctoral programs	466,165				466,165	448,498
Other	1,167,599				1,167,599	1,242,671
Rental expenses	312,441				312,441	286,653
Communication, publications and development	1,785,662				1,785,662	1,461,559
Fundraising expenses	2,390,548				2,390,548	2,424,635
Un-sponsored programs	10,511,453				10,511,453	7,174,647
Other expenses	384,820				384,820	8,526,827
Total expenses	221,928,692	-	-	-	221,928,692	226,745,970
Change in net assets from operating activities	(3,250,830)	-	(4,461,134)	(704,845)	(8,416,809)	(5,792,228)
Nonoperating revenue and expenses						
Investment return in excess of (less than) amounts designated for sponsored research, education and current operations	(1,075,509)		26,198,975		25,123,466	(22,932,510)
Return on investments designated for retiree and active medical plans	2,416,780				2,416,780	-
Active and retiree medical expenses	(4,990,734)				(4,990,734)	-
Net realized/unrealized (losses) on interest rate swap	(730,844)				(730,844)	(7,282,701)
Change in split interest agreements	(6,188)		7,725	525,270	526,807	(1,128,470)
Other nonoperating expenses	(117,287)				(117,287)	(99,976)
Other nonoperating income	-				-	750,412
Redesignation of donor gifts	-		(100,000)		(100,000)	-
Net periodic income - surplus of pension reimbursement over GAAP expense	1,064,289				1,064,289	5,450,062
Pension related changes other than net periodic pension costs (Note 9)	(17,659,916)				(17,659,916)	(38,886,476)
Change in net assets from nonoperating activities	(21,099,409)	-	26,106,700	525,270	5,532,561	(64,129,659)
Total change in net assets	(24,350,239)	-	21,645,566	(179,575)	(2,884,248)	(69,921,887)
Net assets						
Beginning of year	(20,904,454)		202,547,002	82,487,033	264,129,581	334,051,468
End of year	\$ (45,254,693)	\$ -	\$ 224,192,568	\$ 82,307,458	\$ 261,245,333	\$ 264,129,581

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

Woods Hole Oceanographic Institution

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Total change in net assets	\$ (2,884,248)	\$ (69,921,887)
Adjustments to reconcile (decrease) in net assets to net cash used in operating activities		
Depreciation and amortization	8,452,725	8,581,170
Change in split interest agreements	(526,807)	1,128,470
Allowance for uncollectible pledges	185,183	103,596
Discount on pledges	217,560	144,942
Net realized (gain) and unrealized loss (gain) on investments	(41,894,170)	7,076,410
Unrealized (gain) loss on interest swap	(1,053,115)	5,447,368
Pension related changes other than net periodic pension costs	19,312,579	38,886,476
Contributions to be used for long-term investment	(4,707,290)	(2,492,809)
Loss on sale of property	1,650,000	-
Receipt of contributed securities	(164,010)	(246,166)
(Increase) decrease in assets		
Restricted cash	(1,092,607)	(8,734,274)
Interest and dividends receivable	202,669	18,208
Reimbursable costs and fees		
Billed	(1,033,490)	1,065,721
Unbilled	2,505,960	(3,470,004)
Other receivables	(201,263)	(157,799)
Pledges receivable	1,839,969	2,982,869
Inventory	10,286	(353,605)
Deferred charges and prepaid expenses	93,214	(189,113)
Other assets	(365,385)	2,168
Supplemental retirement	(803,732)	(217,195)
Deferred fixed rate variance	2,858,171	(1,297,264)
Increase (decrease) in liabilities		
Accrued pension liability	(3,749,801)	(5,479,882)
Accrued pension restoration liability	36,520	29,820
Accounts payable and other liabilities	593,177	(800,986)
Accrued payroll and related liabilities	32,259	977,484
Deferred revenue and refundable advances	(2,768,001)	5,419,920
Accrued supplemental retirement benefits	803,732	217,195
Net cash used in operating activities	<u>(22,449,915)</u>	<u>(21,279,167)</u>
Cash flows from investing activities		
Capital expenditures		
Additions to property and equipment	(11,384,133)	(10,704,916)
Short-term investments		
(Purchase) of investments	(16,464,148)	-
Endowment		
Receivable for investments sold	364,282	(9,699,883)
Payable for investments purchased	(250,151)	(186,333)
Proceeds from the sale of investments	339,251,460	81,729,242
Purchase of investments	(306,368,911)	(59,380,640)
Change in construction fund	-	3,177,682
Change in debt service funds	-	92
Liquidation of contributed securities	31,195	146,257
Proceeds from sale of property	3,060,000	-
Net cash provided by investing activities	<u>8,239,594</u>	<u>5,081,501</u>
Cash flows from financing activities		
Repayments under debt agreement	(1,493,929)	(1,475,000)
Borrowing under line of credit	33,975,000	27,500,000
Repayments under line of credit	(21,975,000)	(17,500,000)
Contributions to be used for long-term investment	4,707,290	2,492,809
Net cash provided by financing activities	<u>15,213,361</u>	<u>11,017,809</u>
Net increase (decrease) in cash and cash equivalents	<u>1,003,040</u>	<u>(5,179,857)</u>
Cash and cash equivalents		
Beginning of year	<u>2,368,310</u>	<u>7,548,167</u>
End of year	<u>\$ 3,371,350</u>	<u>\$ 2,368,310</u>
Supplemental disclosures		
Cash paid for interest	\$ 4,747,353	\$ 5,001,425
Noncash activity		
Construction in process additions remaining in accounts payable	267,398	112,851
Contributed securities	164,010	246,166

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

Woods Hole Oceanographic Institution

Notes to Financial Statements

December 31, 2012 and 2011

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, 2011, 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.

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2012 and 2011

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 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.

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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 (less than) 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. As a result of an amendment to the postretirement health plan, in 2012, the Institution recognized return on investments designated for retiree and active medical plan expenses as a non operating expense (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, 2012 and 2011 is \$11,940,615 and \$10,758,028, 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, 2012 and 2011 is \$252,693 and \$342,673, 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 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, 2012 and 2011 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.

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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.

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 \$14,698,368 and \$16,986,967 for the years ended December 31, 2012 and 2011, 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 79% and 85% of its sponsored research revenues from government agencies including 37% and 44% of its operating revenues directly from the National Science Foundation and 12% and 11% from the United States Navy in fiscal years 2012 and 2011, respectively. Although applications for research funding to federal agencies historically have been funded, authorizations are subject to annual Congressional appropriations and payment.

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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.

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 \$8,442,195 and \$8,534,594 in 2012 and 2011, respectively, has been charged to operating activities. Depreciation on certain government-funded facilities (the Laboratory for Marine Science and the dock facility) amounting to \$117,287 and \$99,976 in 2012 and 2011 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, 2012 up through July 19, 2013, 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. Due to prevailing redemption restrictions not all of the legacy managers were liquidated during 2012.

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

	2012		2011	
	Cost	Market	Cost	Market
Assets				
Cash and cash equivalents	\$ 34,017,569	\$ 34,017,569	\$ 17,527,893	\$ 17,527,893
Private equity, venture capital and other limited partnerships	45,318,173	51,290,962	57,118,110	66,162,403
Commingled funds	-	-	83,255,419	96,766,567
Hedge funds	-	-	41,295,000	56,201,376
Mutual funds	-	-	37,325,555	33,102,710
Domestic common stock	-	-	41,877,597	47,313,639
Domestic fixed income	-	-	12,935,021	14,656,468
Multistrategy investment fund	271,300,000	275,468,577	-	-
Total investments, pooled	350,635,742	360,777,108	291,334,595	331,731,056
VEBA Investments, cash and cash equivalents	17,429,983	17,429,983	-	-
Total assets at fair value	<u>\$ 368,065,725</u>	<u>\$ 378,207,091</u>	<u>\$ 291,334,595</u>	<u>\$ 331,731,056</u>

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

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
Dividend and interest income	\$ (4,341,545)	\$ 6,966,071	\$ 2,624,526	\$ 3,739,589
Investment management costs	(2,464,607)	-	(2,464,607)	(2,608,722)
Net realized gains	17,250,595	52,304,252	69,554,847	11,465,989
Change in unrealized appreciation	(8,159,714)	(21,733,215)	(29,892,929)	(18,542,399)
Total return on investments	<u>2,284,729</u>	<u>37,537,108</u>	<u>39,821,837</u>	<u>(5,945,543)</u>
Investment return designated for:				
Sponsored research	-	(4,372,063)	(4,372,063)	(6,138,066)
Education	-	(6,966,070)	(6,966,070)	(6,739,809)
Current operations	(3,360,238)	-	(3,360,238)	(4,109,092)
Total distributed to operations	<u>(3,360,238)</u>	<u>(11,338,133)</u>	<u>(14,698,371)</u>	<u>(16,986,967)</u>
Investment return in excess of (less than) amounts designated for sponsored research, education and current operations	<u>\$ (1,075,509)</u>	<u>\$ 26,198,975</u>	<u>\$ 25,123,466</u>	<u>\$ (22,932,510)</u>

As a result of market declines, the fair value of certain donor restricted endowments is less than the historical cost value of such funds by \$0 and \$397,068 at December 31, 2012 and 2011, respectively. These unrealized losses have been recorded as reductions in unrestricted net assets. Future market gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the historical cost value of such fund increases temporarily restricted net assets.

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, 2012 and December 31, 2011 is as follows:

	2012	2011
Unit value, beginning of year	\$ 4.4968	\$ 4.6230
Unit value, end of year	<u>4.9337</u>	<u>4.4968</u>
Net change for the year	0.43685	(0.1262)
Investment income per unit for the year	<u>0.0021</u>	<u>0.0148</u>
Total return per unit	<u>\$ 0.4389</u>	<u>\$ (0.1114)</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.

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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.

The following tables summarize fair value measurements at December 31, 2012 and December 31, 2011 for financial assets measured at fair value:

	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
VEBA Investments, cash and cash equivalents	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

	2011			
	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	\$ 17,527,893	\$ -	\$ -	\$ 17,527,893
Private equity, venture capital and other limited partnerships	-	9,731,837	56,430,566	66,162,403
Commingled funds	-	96,766,567	-	96,766,567
Hedge funds	-	13,032,279	43,169,097	56,201,376
Mutual funds	33,102,710	-	-	33,102,710
Domestic common stock	47,313,639	-	-	47,313,639
Domestic fixed income	14,656,468	-	-	14,656,468
Total investments, pooled	112,600,710	119,530,683	99,599,663	331,731,056
Contributions receivable from remainder trust	-	-	9,288,971	9,288,971
Other assets	-	-	907,513	907,513
Total assets at fair value	\$ 112,600,710	\$ 119,530,683	\$ 109,796,147	\$ 341,927,540
Interest rate swap	\$ -	\$ 13,042,274	\$ -	\$ 13,042,274
Total liabilities at fair value	\$ -	\$ 13,042,274	\$ -	\$ 13,042,274

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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, 2011.

The following table presents the assets and liability carried at fair value as of December 31, 2012 and December 31, 2011 that are classified within Level 3 of the fair value hierarchy defined above:

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	Balance, December 31, 2012
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>\$ 337,515,709</u>

2011						
Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
Balance, January 1, 2011	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases	Sales	Transfers in and/or out of Level 3	Balance, December 31, 2011
Private equity, venture capital and other limited partnerships	\$ 71,758,073	\$ 1,460,539	\$ (1,613,295)	\$ 5,817,118	\$ (11,325,897)	\$ 56,430,566
Hedge funds	45,322,103	-	(2,153,006)	-	-	43,169,097
Contributions receivable from remainder trust	10,420,847	-	(1,131,876)	-	-	9,288,971
Other assets	909,681	-	(2,168)	-	-	907,513
	<u>\$ 128,410,704</u>	<u>\$ 1,460,539</u>	<u>\$ (4,900,345)</u>	<u>\$ 5,817,118</u>	<u>\$ (11,325,897)</u>	<u>\$ 109,796,147</u>

Reclassifications from Level 3 to Level 2 are due to changes in redemption features.

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	275,468,577	Annual (year end)	
Total investments	<u>\$ 326,759,539</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, 2011.

Assets	Fair Value	Redemption Terms	Redemption Restrictions
Private equity, venture capital and other limited partnerships	\$ 66,162,403	Semi-annually, quarterly, annual (Dec), remaining lives up to 10 years	\$51,218,708 designated as illiquid and \$1,263,453 in nonredeemable side pockets and subject to lock-up period for up to 1 year
Commingled funds	96,766,567	Monthly	
Hedge funds	56,201,376	Quarterly, annual (Dec)	
Total investments	<u>\$ 219,130,346</u>		

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The Institution had unfunded commitments relating to endowment assets of approximately \$10,486,038 and \$20,408,955 relating to private equity, venture capital and other limited partnerships as of December 31, 2012 and 2011, 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 1.76% to 1.81% and 1.90% to 2.67% at December 31, 2012 and 2011, respectively.

Pledges receivable consist of the following at December 31:

	2012	2011
Unconditional promises expected to be collected in		
Less than one year	\$ 1,351,447	\$ 2,452,228
One year to five years	720,000	2,264,674
Reserve for uncollectible pledges receivable	(145,000)	(330,183)
Unamortized discount	(62,947)	(280,507)
	<u>\$ 1,863,500</u>	<u>\$ 4,106,212</u>

6. Contribution Receivable from Remainder Trusts, Net

Contributions receivable from remainder trusts at December 31, 2012 and 2011 were \$9,828,272 and \$9,288,971, 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, 2012 and 2011, discount rates ranging from 3.76% 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, 2010	\$ 6,147,384
2011 indirect costs	86,130,987
Amounts recovered	(84,687,717)
Submission adjustment 2010	(146,006)
2011 change	1,297,264
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	(47,953)
2012 change	(2,858,171)
Deferred fixed rate variance asset at December 31, 2012	\$ 4,586,477

As of December 31, 2012, the Institution has expended a cumulative amount in excess of recovered amounts of \$4,586,477 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, 2012 and 2011 includes bonds issued through the MassDevelopment. Balances of outstanding bonds payable at December 31 consist of the following:

	2012	2011
MassDevelopment, Series B, Fixed Rate Revenue Bonds	\$ 59,895,000	\$ 61,425,000
Less: Series B unamortized bond discount	(775,529)	(811,600)
Bonds Payable	\$ 59,119,471	\$ 60,613,400

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.

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

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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 \$68,457,713 at December 31, 2012 (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 \$35,000,000. One agreement, with a maximum capacity of \$25,000,000, 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, 2013. The second line of credit, established during 2011, with a maximum capacity of \$10,000,000, bears interest at the prevailing LIBOR rate plus .60% per annum and expires September 30, 2013. The Institution had outstanding borrowing on lines of credit of \$25,000,000 and \$13,000,000 at December 31, 2012 and 2011, respectively.

The aggregate maturities due on the Series B long-term debt at December 31, 2012 are as follows:

Fiscal Year	Principal Amount
2013	\$ 1,595,000
2014	1,655,000
2015	1,725,000
2016	1,790,000
2017	1,865,000
Thereafter	51,265,000
	<u>\$ 59,895,000</u>

In June 2004, the Institution entered into an interest rate swap agreement on the Series A Bonds (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 \$49,950,000. Interest expense in association with the swap agreement totaled \$1,783,959 and \$1,835,333 which is reflected as part of the net realized/unrealized losses on interest rate swap at December 31, 2012 and 2011, respectively.

The fair value of the interest rate swap at December 31, 2012 and 2011 is as follows:

	Fair Value	
	2012	2011
Statement of financial position location		
Accounts payable and other liabilities	\$ 11,989,159	\$ 13,042,274

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The effect of the interest rate swap on the statement of activities for 2012 and 2011 is as follows:

	Amount of Loss Recognized in Statement of Activities	
	2012	2011
Location of loss recognized in statement of activities		
Nonoperating income and expenses		
Net realized/unrealized losses on interest rate swap	\$ (730,844)	\$ (7,282,701)

9. Retirement Plans

The Institution maintains a noncontributory defined benefit pension plan covering substantially all 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). 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.

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2012 and 2011

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

	Restoration Plan Pension Benefits	
	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 101,415	\$ 129,017
Service cost	-	530
Interest cost	4,969	4,979
Actuarial loss	10,339	14,673
Benefits paid	(102,770)	(47,784)
Benefit obligation at end of year	<u>13,953</u>	<u>101,415</u>
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	102,770	47,784
Actual return on plan assets	-	-
Benefits paid	(102,770)	(47,784)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (13,953)</u>	<u>\$ (101,415)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ (13,953)</u>	<u>\$ (101,415)</u>
Net amount recognized	<u>\$ (13,953)</u>	<u>\$ (101,415)</u>
Amounts recognized in unrestricted net assets		
Net actuarial loss	<u>\$ 2,448</u>	<u>\$ 23,660</u>
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	\$ 13,953	\$ 101,415
Accumulated benefit obligation	<u>13,953</u>	<u>96,757</u>
Component of net periodic benefit cost		
Interest cost	\$ 4,969	\$ 4,979
Service cost	-	530
Recognized actuarial loss	13,518	13,137
Settlement cost	<u>18,033</u>	<u>11,174</u>
Net periodic benefit cost	<u>\$ 36,520</u>	<u>\$ 29,820</u>
Other changes in benefit obligations recognized in unrestricted net assets		
Amortization of net gain (loss)	\$ (13,518)	\$ (13,137)
Settlement adjustment	(18,033)	(11,174)
Net actuarial gain	<u>10,339</u>	<u>14,673</u>
Total recognized in nonoperating expense	<u>\$ (21,212)</u>	<u>\$ (9,638)</u>
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	4.30 %	4.90 %
Rate of compensation increase	3.50	4.50
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	4.90 %	5.75 %
Rate of compensation increase	4.50	4.50

Woods Hole Oceanographic Institution
Notes to Financial Statements
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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	\$	1,053
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Expected Contributions

The Institution anticipates contributing \$0 to the Restoration Plan in 2013.

Estimated Future Benefit Payments

Future benefit payments are expected to be paid as follows:

Years	Benefit Payments
2013	\$ 14,250
2014	-
2015	-
2016	-
2017	-
2018 - 2020	-

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	Qualified Plan Pension Benefits	
	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 275,840,263	\$ 235,775,855
Interest cost	13,235,214	13,306,618
Actuarial loss	25,350,755	35,721,357
Benefits paid	<u>(10,031,387)</u>	<u>(8,963,567)</u>
Benefit obligation at end of year	<u>304,394,845</u>	<u>275,840,263</u>
Change in plan assets		
Fair value of plan assets at beginning of year	180,369,383	169,618,000
Employer contributions	10,540,002	9,216,003
Actual return on plan assets	17,887,579	10,498,947
Benefits paid	<u>(10,031,387)</u>	<u>(8,963,567)</u>
Fair value of plan assets at end of year	<u>198,765,577</u>	<u>180,369,383</u>
Funded status	<u>\$ (105,629,268)</u>	<u>\$ (95,470,880)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ 105,629,268</u>	<u>\$ (95,470,880)</u>
Net amount recognized	<u>\$ 105,629,268</u>	<u>\$ (95,470,880)</u>
Amounts recognized in unrestricted net assets		
Net actuarial loss	<u>\$ 78,055,914</u>	<u>\$ 62,532,339</u>
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	\$ 304,394,845	\$ 275,840,263
Accumulated benefit obligation	<u>287,190,192</u>	<u>254,762,772</u>
Components of net periodic benefit cost		
Service cost	\$ -	\$ -
Interest cost	13,235,214	13,306,618
Expected return on plan assets	(11,830,416)	(11,172,898)
Recognized actuarial loss	<u>5,422,884</u>	<u>1,591,990</u>
Net periodic benefit cost	<u>\$ 6,827,682</u>	<u>\$ 3,725,710</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
Amortization of actuarial loss	\$ (5,422,884)	\$ (1,591,990)
Net actuarial (gain) loss	<u>20,946,459</u>	<u>36,395,308</u>
Total recognized in nonoperating expense	<u>\$ 15,523,575</u>	<u>\$ 34,803,318</u>

Woods Hole Oceanographic Institution
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The Institution has reflected \$10,540,002 and \$9,216,003 for the years ended December 31, 2012 and 2011, 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 \$3,712,320 and \$5,490,293 for the years ended December 31, 2012 and 2011, respectively.

On January 8, 2010, the Institution's Board approved a plan change effective January 1, 2011 to stop future service crediting, but allow the effect of salary increases to continue until participants have no more than 25 years of service. In addition, an option to elect a single lump sum payment in lieu of an annuity was added.

	Qualified Plan Pension Benefits	
	2012	2011
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	4.30 %	4.90 %
Rate of compensation increase	3.50	4.50
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	4.90 %	5.75 %
Expected long-term rate of return on plan assets	7.00	7.00
Rate of compensation increase	4.50	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 the selection of the 7.00% assumption as of December 31, 2012 and 2011.

Woods Hole Oceanographic Institution
Notes to Financial Statements
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Plan Assets

The Institution's pension plan weighted-average asset allocations at December 31, 2012 and 2011, and target allocations by asset category are as follows:

Asset Category	Asset Allocation 2012	Asset Allocation 2011
U.S. equity	4.1 %	12.8 %
Global developed	8.8	11.9
Emerging markets equity	4.1	4.1
Funds of funds	0.2	9.8
Hedged equity/absolute return	15.8	4.4
Private equity	10.6	12.5
Inflation hedging	0.0	4.1
Fixed income liability hedging	39.0	33.8
Cash and cash equivalents	17.4	6.8
	<u>100 %</u>	<u>100 %</u>

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, which includes, Long Only Equity, Long-Short-Equity, Absolute Return Vehicles, Real Assets and Commodities and Private Equity and Venture/Capital, (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	\$ 8,482,565
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Woods Hole Oceanographic Institution
Notes to Financial Statements
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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:

	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	\$ 90,811,966	\$ 61,245,004	\$ 46,661,670	\$ 198,718,640
	2011			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 12,300,510	\$ -	\$ -	\$ 12,300,510
Private equity, venture capital and other limited partnerships	-	-	25,419,172	25,419,172
Commingled funds	-	20,539,477	-	20,539,477
Hedge funds	-	7,831,419	16,930,838	24,762,257
Mutual funds	13,042,669	-	-	13,042,669
Domestic common stock	22,974,920	-	-	22,974,920
Domestic fixed income	60,673,394	-	-	60,673,394
Total assets at fair value	\$ 108,991,493	\$ 28,370,896	\$ 42,350,010	\$ 179,712,399

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, 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)
Transfer in and/or out of level 3	(3,110,253)	-	(3,110,253)
Balances at December 31, 2012	\$ 21,879,303	\$ 24,782,366	\$ 46,661,669

Woods Hole Oceanographic Institution
Notes to Financial Statements
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There were no transfers between Level 1 and Level 2 investments for the year ended December 31, 2012 and 2011. For the year ended December 31, 2012, certain investments at net asset value per share as determined by investment managers were transferred from Level 3 to Level 2 as notice periods for redemption were 90 days or less.

	Private Equity, Venture Capital and Other Limited Partnerships	Hedge Funds	Total
Balances at January 1, 2011	\$ 28,364,596	\$ 14,614,822	\$ 42,979,418
Realized gains/losses	1,214,888	-	1,214,888
Unrealized gains/losses	(2,422,669)	(683,984)	(3,106,653)
Purchases	4,360,300	3,000,000	7,360,300
Sales	(6,097,943)	-	(6,097,943)
Balances at December 31, 2011	<u>\$ 25,419,172</u>	<u>\$ 16,930,838</u>	<u>\$ 42,350,010</u>

Expected Contributions

The Institution anticipates contributing \$6,900,100 to the Qualified Plan in 2013.

Estimated Future Benefit Payments

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

Years	Benefit Payments
2013	\$ 22,437,235
2014	22,424,637
2015	22,554,538
2016	21,095,007
2017	21,283,494
2018–2022	94,534,605

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	Supplemental Plan Pension Benefits	
	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 314,958	\$ -
Service cost		-
Interest cost	14,542	-
Actuarial (gain) loss	25,321	335,013
Benefits paid	(80,219)	(20,055)
Benefit obligation at end of year	<u>274,602</u>	<u>314,958</u>
Change in obligation for nonreturnable funding		
Obligation at beginning of year	6,703,863	6,801,625
Service cost		-
Interest cost	(14,542)	-
Actuarial gain (loss)	(25,321)	(335,013)
Investment return	883,951	237,251
Other obligation at end of year	<u>7,547,951</u>	<u>6,703,863</u>
Total obligation at end of year	<u>\$ 7,822,553</u>	<u>\$ 7,018,821</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.

	2012	2011
Change in nonreturnable funding "Rabbi" Trust		
Nonreturnable funding at beginning of year	\$ 7,018,821	\$ 6,801,625
Investment return	883,951	237,251
Benefits paid	(80,219)	(20,055)
Nonreturnable funding "Rabbi" Trust at end of year	<u>\$ 7,822,553</u>	<u>\$ 7,018,821</u>

	Supplemental Plan Pension Benefits	
	2012	2011
Actual return on earmarked reserves	\$ 883,951	\$ 237,250
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	4.30 %	4.90 %
Rate of compensation increase	3.50	4.50
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	4.90 %	5.75 %
Expected long-term rate of return on plan assets	7.50	7.00
Rate of compensation increase	4.50	4.50

Woods Hole Oceanographic Institution
Notes to Financial Statements
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Expected amounts amortized from unrestricted net assets into net periodic pension cost for the next fiscal year.

Amortization of net prior service cost	\$ (386,590)
Amortization of net loss (gain)	

Expected Contributions

The Institution anticipates contributing \$79,778 to the Supplemental Plan in 2013.

Estimated Future Benefit Payments

Years	Benefit Payments
2013	\$ 79,778
2014	79,429
2015	79,026
2016	43,645
2017	-
2018–2022	-

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 \$2,572,471 for year ended December 31, 2012 and are presented in the nonoperating section of the Statement of Activities. In addition, health care benefits for active employees funded from these investments totaled \$4,990,734 for the year ended December 31, 2012 and are also presented under the nonoperating section of the Statement of Activities.

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2012 and 2011

	Other Postretirement Benefits	
	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 10,061,383	\$ 27,876,503
Adjustment to reflect change from plan amendment	21,000,266	
Service cost	695,927	631,717
Interest cost	1,508,473	1,525,074
Benefits paid, net of participant contributions	(996,125)	(1,213,079)
Actuarial loss	4,246,301	2,241,434
Benefit obligation at end of year	<u>36,516,225</u>	<u>31,061,649</u>
Change in plan assets		
Fair value of plan assets at beginning of year	21,000,266	21,966,111
Adjustment to reflect change from plan amendment	(21,000,266)	-
Employer contributions	996,125	492,572
Actual return on plan assets	-	(245,338)
Benefits paid, net of participant contributions	(996,125)	(1,213,079)
Fair value of plan assets at end of year	<u>-</u>	<u>21,000,266</u>
Funded status	<u>\$ (36,516,225)</u>	<u>\$ (10,061,383)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ 36,516,225</u>	<u>\$ (10,061,383)</u>
Net amount recognized	<u>\$ 36,516,225</u>	<u>\$ (10,061,383)</u>
Amounts recognized in unrestricted net assets		
Net prior service cost	\$ (4,736,126)	\$ (5,575,972)
Net actuarial loss	20,022,544	17,023,200
Components of net periodic benefit cost		
Service cost	\$ 695,922	\$ 631,717
Interest cost	1,508,473	1,525,074
Expected return on plan assets	-	(1,704,084)
Amortization of prior service credit	(839,846)	(839,846)
Amortization of net loss	1,246,952	890,122
Net periodic benefit cost	<u>\$ 2,611,501</u>	<u>\$ 502,983</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	(1,246,957)	(890,122)
Net actuarial gain	4,246,301	4,190,856
Total recognized in nonoperating expense	<u>\$ 3,839,190</u>	<u>\$ 4,140,580</u>

The Institution recognizes the difference between contributions and the net periodic benefit cost in the nonoperating section of the statement of activities. This difference amounted to (\$2,611,511) and (\$10,411) for the years ended December 31, 2012 and 2011, respectively.

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2012 and 2011

The Institution has reflected the net periodic benefit cost in operating expenses, as the amount is reimbursed through federal awards.

	2012	2011
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	4.3 %	5.0 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	5.0 %	5.75 %
Expected long-term rate of return on plan assets	N/A	8.00

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

	2012		2011	
	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:

	2012		2011	
	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	\$ 411,135	\$ (324,739)	\$ 384,092	\$ (305,462)
Effect on year-end postretirement benefit obligation	6,099,478	(4,905,395)	4,945,825	(4,006,646)

Plan Assets

The Institution's postretirement benefit plan weighted-average asset allocations at December 31, 2011, by asset category are as follows:

	2011
Asset category	
Cash and cash equivalents	12 %
Equity securities	75
Bonds	13
	<u>100 %</u>

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

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 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 the selection of the 8.00% assumption, for 2011. Due to the plan amendment and subsequent decoupling of assets from the plan, actual returns are used in lieu of expected long-term rate of returns for 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	1,481,561

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

Fair Value Disclosures

	2011			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 2,543,530	\$ -	\$ -	\$ 2,543,530
Mutual funds	2,625,069	-	-	2,625,069
Commingled funds	-	5,605,414	-	5,605,414
Domestic common stock	10,197,854	-	-	10,197,854
	<u>\$ 15,366,453</u>	<u>\$ 5,605,414</u>	<u>\$ -</u>	<u>\$ 20,971,867</u>

Expected Contributions

The Institution anticipates contributing \$1,482,915 to the Retiree Medical Plan in 2013.

Estimated Future Benefit Payments

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

Years	Benefit Payments
2013	\$ 1,482,915
2014	1,549,280
2015	1,656,647
2016	1,745,288
2017	1,843,082
2018–2022	9,766,850

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Notes to Financial Statements
December 31, 2012 and 2011

11. Endowment

The Institution's endowment consists of 140 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:

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

2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 180,557,211	\$ 67,642,929	\$ 248,200,140
Board designated funds	81,499,584	-	-	81,499,584
Total funds	\$ 81,499,584	\$ 180,557,211	\$ 67,642,929	\$ 329,699,724

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

2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets beginning of year	\$ 81,499,584	\$ 180,557,211	\$ 67,642,929	\$ 329,699,724
Investment return				
Investment income	-	159,917	-	159,917
Net appreciation	2,284,729	37,377,191	-	39,661,920
Total investment return	2,284,729	37,537,108	-	39,821,837
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	\$ 90,665,746	\$ 206,764,211	\$ 72,875,489	\$ 370,305,446

Woods Hole Oceanographic Institution
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	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of year	\$ 84,872,660	\$ 196,730,011	\$ 66,295,888	\$ 347,898,559
Investment return				
Investment income	220,851	910,016	-	1,130,867
Net appreciation (realized and unrealized)	(220,529)	(6,855,881)	-	(7,076,410)
Total investment return	322	(5,945,865)	-	(5,945,543)
New gifts	-	300	2,492,809	2,493,109
Appropriation of endowment assets for expenditure	(3,371,479)	(10,246,452)	-	(13,617,931)
Change in split interest agreements	(1,919)	19,217	(1,145,768)	(1,128,470)
Endowment net assets end of year	\$ 81,499,584	\$ 180,557,211	\$ 67,642,929	\$ 329,699,724

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 2008, 2009, 2010 and 2011 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.

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 \$1,565,128 and \$927,855 for the years ended December 31, 2012 and 2011, 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 \$2,149,891 and \$2,717,963 for the years ended December 31, 2012 and 2011, respectively.

The Institution has loans due from various employees for education advances and computer purchases. The amounts outstanding are \$1,080,788 and \$1,153,423 at December 31, 2012 and 2011, respectively.

Woods Hole Oceanographic Institution

Schedule of Expenditures of Federal Awards

December 31, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
Research and Development Direct Awards		
National Oceanic and Atmospheric Administration		
Department of Commerce		
SEA GRANT SUPPORT	11.417	\$ 5,620
SEA GRANT SUPPORT	11.417	5,276
SEA GRANT SUPPORT	11.417	982,568
SEA GRANT SUPPORT	11.417	42,052
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	316,942
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	27,383
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	105,359
COASTAL ZONE MANAGEMENT ESTUARINE RESEARCH RESERVES	11.420	38,669
SPECIAL OCEANIC AND ATMOSPHERIC PROJECTS	11.460	25
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	145,071
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	203,534
MARINE MAMMAL DATA PROGRAM	11.439	78
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	48,221
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	37,318
UNDERSEA RESEARCH	11.430	79,219
UNALLIED SCIENCE PROGRAM	11.472	20,600
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	181,006
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	179,450
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	120,745
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	29,008
FINANCIAL ASSISTANCE FOR NATIONAL CENTERS FOR COASTAL OCEAN SCIENCE	11.426	40,171
OCEAN EXPLORATION	11.011	23,052
OCEAN EXPLORATION	11.011	62,604
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	1,015,908
COASTAL SERVICES CENTER	11.473	231,733
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	406,987
SPECIAL OCEANIC AND ATMOSPHERIC PROJECTS	11.460	440,430
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	80,619
MARINE MAMMAL DATA PROGRAM	11.439	32,844
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	103,643
OFFICE OF OCEANIC AND ATMOSPHERIC RESEARCH OAR JOINT AND COOPERATIVE INSTITUTES	11.432	10,634,375
OFFICE OF OCEANIC AND ATMOSPHERIC RESEARCH OAR JOINT AND COOPERATIVE INSTITUTES	11.432	252,532
WE133R12SE2045	11.WE133R12SE2045	12,927
MC3957	11.MC3957	2,100
EE133M120919	11.EE133M120919	3,948
PO11091201WHOI	11.PO11091201WHOI	792
EE133M12SE1312	11.EE133M12SE1312	5,471
EE133F12SE1589	11.EE133F12SE1589	6,450
WE133R121681	11.WE133R121681	1,346
AB133F12SE1854	11.AB133F12SE1854	13,286
EA133F11SE2196	11.EA133F11SE2196	31,004
WE133F11SE1903	11.WE133F11SE1903	17,098
JJ133F10SE3502	11.JJ133F10SE3502	9,563
RA133F11SE1410	11.RA133F11SE1410	17,774
AMEX41125	11.AMEX41125	4,875
VISA7413	11.VISA7413	2,947
8850	11.8850	2,474
MC8790	11.MC8790	3,206
MC8790	11.MC8790	2,100
MEASUREMENT AND ENGINEERING RESEARCH AND STANDARDS	11.609	253,802
CONSTRUCTION GRANT PROGRAM	11.618	4,765,852
		<u>21,050,057</u>

Woods Hole Oceanographic Institution

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December 31, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
Research and Development Direct Awards		
Department of Defense		
N6660410D0002	12.N6660410D0002	1,143,204
NOOO1410C0053	12.NOOO1410C0053	52,959
N0001410C0149	12.N0001410C0149	1,008,169
N0001410C0212	12.N0001410C0212	460,964
N0001412C0283	12.N0001412C0283	232,474
N0001412C0306	12.N0001412C0306	360,345
N0001411C0536	12.N0001411C0536	588,051
N6660409D1030	12.N6660409D1030	215,970
N6230610D2004	12.N6230610D2004	3,249,343
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300	17,317,707
W912HQ09C0043	12.W912HQ09C0043	433,688
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300	258,473
MO1038600	12.MO1038600	11,868
N660110C4010	12.N660110C4010	43,113
N6227112M1035	12.N6227112M1035	1,602
N6227112M1116	12.N6227112M1116	20,390
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300	657,809
N660111C4118	12.N660111C4118	2,347,186
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300	111,876
		<u>28,515,191</u>
Department of the Interior		
G09PC00004	15.G09PC00004	185,192
US GEOLOGICAL SURVEY RESEARCH AND DATA COLLECTION	15.808	1,600,130
G12PX01212	15.G12PX01212	12,860
MC0020	15.MC0020	798
MC7056	15.MC7056	2,254
H1274090002	15.H1274090002	78,667
E12PC00053	15.E12PC00053	60,543
H238015504	15.H238015504	88,555
		<u>2,028,999</u>
National Aeronautics and Space Administration		
AEROSPACE EDUCATION SERVICES PROGRAM	43.001	<u>3,846,237</u>
		<u>3,846,237</u>
National Science Foundation		
TRANS NSF RECOVERY ACT RESEARCH SUPPORT	47.082	7,583,557
POLAR PROGRAMS	47.078	3,048,148
ENGINEERING GRANTS	47.041	25,895
GEOSCIENCES	47.050	64,666,018
BIOLOGICAL SCIENCES	47.074	370,146
AGS1203879	47.AGS1203879	104,792
SOCIAL BEHAVIORAL AND ECONOMIC SCIENCES	47.075	68,809
OFFICE OF CYBERINFRASTRUCTURE	47.080	108,969
INTERNATIONAL SCIENCE AND ENGINEERING OISE	47.079	101,320
EAR090208000	47.EAR090208000	47,029
GEO1233954	47.GEO1233954	60,492
OCI0936358	47.OCI0936358	87,113
		<u>76,272,288</u>
Environmental Protection Agency		
EP12D000022	66.EP12D000022	10,688
SCIENCE TO ACHIEVE RESULTS STAR RESEARCH PROGRAM	66.509	80,002
VISA7618	66.VISA7618	828
SCIENCE TO ACHIEVE RESULTS STAR FELLOWSHIP PROGRAM	66.514	12,171
FP917228010	66.FP917228010	12,000
REGIONAL APPLIED RESEARCH EFFORTS RARE	66.517	5,464
FP917228010	66.FP917228010	7,060
		<u>128,213</u>
Department of Energy		
OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	81.049	<u>15,926</u>
		<u>15,926</u>
Department of Health and Human Services		
DEPARTMENT OF HEALTH AND HUMAN SERVICES	93.864	47,186
TRANS NIH RECOVERY ACT RESEARCH SUPPORT	93.701	14,044
ENVIRONMENTAL HEALTH	93.113	1,075,733
F223201000060C	93.F223201000060C	92,221
		<u>1,229,184</u>
Department of Homeland Security		
HSCG2913PMC634	97.HSCG2913PMC634	<u>14,278</u>
		<u>14,278</u>
Total Direct Awards		<u>133,100,373</u>

Woods Hole Oceanographic Institution

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Federal Grantor/Pass-Through Grantor/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
Research and Development Passed Through from Other Organizations Department of Agriculture		
MARINE BIOLOGICAL LABORATORY 43200	10.20103850021074	4,667
		<u>4,667</u>
Department of Commerce		
UNIVERSITY OF MAINE MC4339	11.012	1,319
TEXAS AM UNIVERSITY AT GALVESTON S100046	11.468	7,906
INTERNATIONAL FUND FOR ANIMAL WELFARE 350048	11.439	110
INTERNATIONAL FUND FOR ANIMAL WELFARE 360067	11.439	3,433
INTERNATIONAL FUND FOR ANIMAL WELFARE 360068	11.439	2,785
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710002770	11.417	109,417
GEORGIA INSTITUTE OF TECHNOLOGY RC366G1	11.431	39,110
UNIVERSITY OF MASSACHUSETTS BOSTON S20100000010486	11.431	13,191
UNIVERSITY OF MISSISSIPPI 0811048	11.430	43,891
ALASKA DEPARTMENT OF FISH AND GAME IHP2206	12.W912661020018	(166)
UNIVERSITY OF NEW HAMPSHIRE 11117	11.472	13,093
NORTH PACIFIC RESEARCH BOARD 1201	11.472	42,257
NORTH PACIFIC RESEARCH BOARD 1222	11.472	3,093
FLORIDA STATE UNIVERSITY R01502	11.444	365,853
INDUSTRIAL ECONOMICS INC. 1050WHOI	11.DG133C06NC1729	157,806
UNIVERSITY CORPORATION FOR ATMOSPHERIC RES P1192542	11.431	59,791
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 5710002775	11.417	10,000
UNIVERSITY OF MISSISSIPPI 45000202921	11.430	1,216
MAINE DEPARTMENT OF MARINE RESOURCES 13A201201123075	11.452	47,567
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710003152	11.417	1,899
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710002769	11.417	31,066
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710002975	11.417	53,603
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710002974	11.417	38,379
UNIVERSITY OF MAINE 5100075063	11.472	3,870
UNIVERSITY OF MAINE PO5100055439	11.012	6,675
UNIVERSITY OF MAINE 5100045548	11.473	2,209
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710003149	11.417	66,896
UNIVERSITY OF WASHINGTON ZC120816023	11.012	834
UNIVERSITY OF PENNSYLVANIA 557723	11.431	146,195
UNIVERSITY OF MASSACHUSETTS DARTMOUTH 8627	11.417	437
UNIVERSITY OF HAWAII AT MANOA ZA1866701	11.454	12,430
UNIVERSITY OF CALIFORNIA SAN DIEGO VISA7058	11.432	2,514
CORNELL UNIVERSITY 656369685	11.WC133F11CN0155	74,171
CORNELL UNIVERSITY 622059707	11.AB133F11CN0202	151,728
		<u>1,514,578</u>
Department of Defense		
RUTGERS UNIVERSITY 2288	12.N000140610739	93,682
JOHNS HOPKINS UNIVERSITY 2000011060	12.300	96,046
ENSR CORPORATION 2050941	12.W58RGZ12D0089	52,440
DUKE UNIVERSITY 11SERDP1081	12.W912HQ11C0079	86,162
SKY RESEARCH INC 101714WHOI	12.W912HQ10C0036	43,536
THE RESEARCH CORP OF THE UNIVERSITY OF HAWAII Z10012846	12.W909MY12C0029	44,424
UNIVERSITY OF ALASKA FAIRBANKS UAF00852	12.N0001400710040	227,910
PRINCETON UNIVERSITY 00001690	12.N00140911074	11,730
ADVANCED TECHNOLOGY AND RESEARCH CORPORATION ATR09470604001	12.N0001409C0145	(765)
UNIVERSITY OF ST ANDREWS SCOTLAND 20120504	12.N000141210418	139,214
OCEAN ACOUSTICAL SERVICES AND INSTRUMENT SYSTEMS INC OASIS12SC01	12.N0001407C0771	14,065
UNIVERSITY OF SOUTHERN CALIFORNIA 137761	12.300	146,865
MANTECH SYSTEMS ENGINEERING CORPORATION MSEC000968	12.300	302
PENNSYLVANIA STATE UNIVERSITY S1002	12.300	179,044
DUKE UNIVERSITY 090NR1040	12.300	20,849
UNIVERSITY OF WASHINGTON 710490	12.300	59,449
OCEAN ACOUSTICAL SERVICES AND INSTRUMENT SYSTEMS INC OASIS1132	12.N0001408C0569	(4,453)
APPLIED PHYSICAL SCIENCES CORP APS1201	12.H9222211P0083	6,450
OCEAN ACOUSTICAL SERVICES AND INSTRUMENT SYSTEMS INC OASIS12SC02	12.N0001412M0353	12,324
UNIVERSITY OF TEXAS AT AUSTIN 2012C01273	12.N0002407D6200	13,286
CREARE INC 61351	12.N001411M0247	7,584
FLORIDA STATE UNIVERSITY R01385	12.300	716
UNIVERSITY OF IDAHO N0031726	12.300	(6)
TEXAS AM RESEARCH FOUNDATION 122008	12.300	53,002
UNIVERSITY OF RHODE ISLAND 42215	12.300	1,300

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Research and Development Passed Through from Other Organizations (continued)		
Department of Defense (continued)		
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 5710002411	12.300	(110)
UNIVERSITY OF WASHINGTON 732913	12.N0001407G05570011	11,358
HDR ENFIRONMENTAL INC N6247010D3011	12.N6247010D3011	2,763
HYDROID LLC PO00023176	12.N6523611D3242	83,994
ITT CORPORATION PO303231	12.N0002411C6313	13,832
OCEANSERVER TECHNOLOGY INC 3356A	12.N6133112T9258	2,500
HYDROID LLC PO00023878	12.N0017407D0001	76,637
UNIVERSITY OF MASSACHUSETTS DARTMOUTH 3224004	12.300	(663)
RUTGERS UNIVERSITY 4632	12.300	43,760
UNIVERSITY OF WASHINGTON 734645	12.300	4,664
UNIVERSITY OF MIAMI AGREEMENT	12.300	(15,937)
HYDROID LLC PO00024787	12.N6230608D9003	13,656
HYDROID LLC PO00024913	12.N0017403D0018	113,415
YULISTA MANAGEMENT SERVICES INC 18P124981	12.W31P4Q10CR190	72,213
WEST CHESTER UNIVERSITY 4500337058	12.300	644
UNIVERSITY OF CALIFORNIA SAN DIEGO 10285191	12.N0001408018400	7,585
UNIVERSITY OF WASHINGTON VISA370	12.N0001407G0557	675
CREARE INC 66126	12.N0001412M0336	14,320
ADAPTIVE METHODS 6373	12.6373	62,096
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 5710002157	12.N000140710326	179,920
SKY RESEARCH INC 107202	12.N0002410C4176	17,939
UNIVERSITY OF WASHINGTON 737458	11.737458	11,372
MARINE BIOLOGICAL LABORATORY 38617	12.300	31,756
UNIVERSITY OF DELAWARE 0000028714	12.300	5,962
HYDROID LLC PO00019351	12.300	(5,648)
TRS TECHNOLOGIES INC 120405299503	12.300	10,325
UNIVERSITY OF WASHINGTON 739944	12.300	7,822
		<u>2,072,006</u>
Department of the Interior		
TDI BROOKS INTERNATIONAL AGREEMENT	15.M08PC20038	10,967
COLORADO STATE UNIVERSITY 330289	15.529	1,400
UNIVERSITY OF SOUTHERN CALIFORNIA Y80785	15.G12AC20038	19,413
UNIVERSITY OF TEXAS AT AUSTIN UTA11000874	15.423	28,921
SCIENCE APPLICATIONS INTERNATIONAL CORP PO10061588	15.MP10PC0012	833,105
LAKE CHAMPLAIN MARITIME MUSEUM 401779	15.926	5,655
AMERICAN SOUTHWEST ICHTHYOLOGICAL RESEARCHERS LLC VISA0629	15.500	1,290
COLORADO STATE UNIVERSITY 323175	15.529	1,290
UTAH STATE UNIVERSITY PO145610E	15.605	1,950
UNIVERSITY OF MASSACHUSETTS DARTMOUTH 7833WHOI	15.M10PC00096	66,207
UNIVERSITY OF NEW MEXICO VISA1527	15.517	5,270
UTAH STATE UNIVERSITY PO152544E	15.4500035385	7,440
UTAH STATE UNIVERSITY PO152545E	15.4500035385	2,910
		<u>985,818</u>
Department of Transportation		
OIL SPILL RECOVERY INSTITUTE OSRI 111011	20.TPF	68,248
		<u>68,248</u>
National Aeronautics and Space Administration		
JET PROPULSION LABORATORY 1448931	43.NAS030011061881	1,000
OREGON STATE UNIVERSITY NS220AA	43.NNX10AO93G	50,517
UNIVERSITY OF CALIFORNIA SANTA BARBARA KK1158	43.001	86,183
FLORIDA STATE UNIVERSITY R01508	43.001	71,574
JET PROPULSION LABORATORY RSA1431729	43.NMO710772	6
OLD DOMINION UNIVERSITY VISA9643	43.501971	456
UNIVERSITY OF NEW HAMPSHIRE 12027	43.NNX08AL80G	4,479
STANFORD UNIVERSITY 2551611046281A	43.NNX10AF42G	85,202
JET PROPULSION LABORATORY 1455364	43.NMO710772	9,269
MARINE BIOLOGICAL LABORATORY WO00027104	43.NNX09AB75G	1,000
		<u>309,686</u>

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Federal Grantor/Pass-Through Grantor/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
Research and Development Passed Through from Other Organizations (continued)		
National Science Foundation		
MASSACHUSETTS INSTITUTE OF TECHNOLOGY VISA7413	47.050	10,910
UNIVERSITY OF MICHIGAN PO3002410158	47.078	6,211
NAVAL POSTGRADUATE SCHOOL N0024412P0230	47.078	10,759
UNIVERSITY OF SOUTHERN CALIFORNIA POK01257	47.050	945
NORTHEASTERN UNIVERSITY 400016P722181	47.041	7,682
CONSORTIUM FOR OCEAN LEADERSHIP POT324A26	47.050	27,817
LIQUID ROBOTICS INC PO5414	47.050	7,750
UNIVERSITY OF VERMONT MC0533	47.050	840
BERMUDA INSTITUTE OF OCEAN SCIENCES PO44577	47.050	855
UNIVERSITY OF CALIFORNIA LOS ANGELES PO2090NPA59300	47.050	1,800
BROWN UNIVERSITY MC3118	47.050	1,400
UNIVERSITY OF CALIFORNIA SAN DIEGO SCRIPPS VISA6340	47.050	3,760
UNIVERSITY OF MINNESOTA MC1569	47.050	1,650
UNIVERSITY OF MASSACHUSETTS DARTMOUTH PO0003231032	47.050	1,405
PRINCETON UNIVERSITY 0000491084	47.050	266
UNIVERSITY OF SOUTHERN CALIFORNIA VISA3969	47.050	1,797
BOSTON UNIVERSITY PO8600001241	47.050	5,600
UNIVERSITY OF NEW HAMPSHIRE P13UDR26	47.078	4,560
OLD DOMINION UNIVERSITY RESEARCH FOUNDATION PORF71343	47.050	1,186
MASSACHUSETTS INSTITUTE OF TECHNOLOGY PO5510051369	47.082	1,075
UNIVERSITY OF ALASKA FAIRBANKS POPF14240	47.082	2,236
UNIVERSITY OF MINNESOTA MC9245	47.050	2,640
WRIGHT STATE UNIVERSITY POP0021574	47.050	950
BOSTON UNIVERSITY 4500000622	47.082	51,270
BOSTON UNIVERSITY 4500000650	47.050	44,142
BOSTON UNIVERSITY 4500000663	47.082	192,091
NEW ENGLAND AQUARIUM 1756	47.046	62,523
RUTGERS UNIVERSITY PO1760014	47.050	562
UNIVERSITY OF SOUTH CAROLINA 101809	47.050	31,169
RUTGERS UNIVERSITY 3937	47.050	14,665
EOM OFFSHORE PO2012006	47.078	31,958
HARVARD UNIVERSITY POKOLAS04032012	47.050	10,062
UNIVERSITY OF NEW HAMPSHIRE MC9701	47.050	2,070
RENSSELAER POLYTECHNIC INSTITUTE NOA12240	47.080	95,379
UNIVERSITY OF SOUTHERN CALIFORNIA Y82249	47.050	42,862
BERMUDA INSTITUTE OF OCEAN SCIENCES 102310	47.050	18,283
CONSORTIUM FOR OCEAN LEADERSHIP 1006	47.050	454,622
OLD DOMINION UNIVERSITY RESEARCH FOUNDATION PORF72371	47.050	6,450
UNIVERSITY OF HAWAII POZ792384	47.074	1,062,058
LIQUID ROBOTICS INC PO5504	47.050	6,277
UNIVERSITY OF VERMONT POP100618	47.050	3,600
RUTGERS UNIVERSITY PO1656720	47.050	3,663
STANFORD UNIVERSITY 2798114052774A	47.050	48,483
UNIVERSITY OF CALIFORNIA SAN DIEGO PO10322936	47.050	7,850
OLD DOMINION UNIVERSITY RESEARCH FOUNDATION RF72939	47.050	5,900
UNIVERSITY OF ARIZONA POY482947	47.050	181,521
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY 524452	47.050	208,396
UNIVERSITY OF PUERTO RICO VISA3016	47.074	2,182
UNIVERSITY OF CALIFORNIA SANTA CRUZ PO423117	47.050	118
UNIVERSITY OF HAWAII Z943138	47.082	43,648
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY PO583223	47.050	65,100
UNIVERSITY OF CALIFORNIA SAN DIEGO PO10313301	47.050	754,743
CONSORTIUM FOR OCEAN LEADERSHIP POT335A26	47.050	14,863
CONSORTIUM FOR OCEAN LEADERSHIP POT335B26	47.050	11,878
CONSORTIUM FOR OCEAN LEADERSHIP POT335C26	47.050	1,434
UNIVERSITY OF PENNSYLVANIA 553418	47.082	2,775
UNIVERSITY OF SOUTHERN CALIFORNIA POK03511	47.050	235
MARINE BIOLOGICAL LABORATORY PO43586	47.082	1,568
BERMUDA INSTITUTE OF OCEAN SCIENCES PO43662	47.050	113
UNIVERSITY OF CALIFORNIA SAN DIEGO PO10323773	47.050	580
THE RESEARCH CORP OF THE UNIVERSITY OF HAWAII POZA13835	47.050	5,600
OLD DOMINION UNIVERSITY RESEARCH FOUNDATION PORF73884	47.050	6,450
UNIVERSITY OF DELAWARE VISA3906	47.050	754
UNIVERSITY OF CALIFORNIA SAN DIEGO PO10323945	47.050	6,281
UNIVERSITY OF NEBRASKA 2505500004004	47.082	21,361
HARVARD UNIVERSITY POKOLAS04032012	47.050	3,980

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National Science Foundation (continued)		
BERMUDA INSTITUTE OF OCEAN SCIENCES PO44656	47.050	1,121
UNIVERSITY OF MINNESOTA PO0000525178	47.050	3,960
BERMUDA INSTITUTE OF OCEAN SCIENCES PO45240	47.050	2,014
RUTGERS UNIVERSITY PO1635276	47.078	7,000
MARINE BIOLOGICAL LABORATORY 35558	47.078	213,834
UNIVERSITY OF SOUTHERN CALIFORNIA PO135867	47.050	30,816
THE RESULTS GROUP OPEN INNOVATORS POTRGNSF02	47.041	363
NORTH CAROLINA STATE UNIVERSITY PO03661213	47.050	216
BATES COLLEGE PO036914	47.078	4,090
UNIVERSITY OF WASHINGTON VISA0890	47.050	1,575
UNIVERSITY OF MAINE UMS845	47.078	71,723
UNIVERSITY OF MICHIGAN PO3002277637	47.050	5,640
UNIVERSITY OF SOUTHERN CALIFORNIA Y87703	47.050	9,746
CARNEGIE MELLON UNIVERSITY 1121538257720	47.075	39,813
HARVARD UNIVERSITY PO70000407815	47.050	8,400
OREGON STATE UNIVERSITY POP0087855	47.050	111,883
DUKE UNIVERSITY PO4521128040	47.050	3,071
DUKE UNIVERSITY VISA8215	47.050	11
THE RESEARCH CORP OF THE UNIVERSITY OF HAWAII POZA08300	47.050	773
UNIVERSITY OF CALIFORNIA SAN DIEGO 10318417	47.050	296,584
AMERICAN MUSEUM OF NATURAL HISTORY PO78942	47.050	3,480
UNIVERSITY OF OREGON 208991A	47.050	81,198
UNIVERSITY OF SOUTH FLORIDA PO0000189100	47.078	7,011
MIAMI UNIVERSITY G0179201	47.074	14,818
FLORIDA STATE UNIVERSITY R01243	47.050	109,381
BERMUDA INSTITUTE OF OCEAN SCIENCES AGR092285	47.050	150,565
VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY P2409538	47.050	3,840
UNIVERSITY OF SOUTHERN CALIFORNIA 153321	47.050	22,249
UNIVERSITY OF COLORADO 1549723	47.078	166,034
UNIVERSITY OF DELAWARE 9773	47.074	1,650
UNIVERSITY OF RHODE ISLAND PO0000039858	47.050	39,489
UNIVERSITY OF DELAWARE PO0000029956	47.050	192
CONSORTIUM FOR OCEAN LEADERSHIP SA 9-10	47.050	14,926,469
CONSORTIUM FOR OCEAN LEADERSHIP SA 9-10	47.082	2,768,985
		<u>22,741,607</u>
Department of Energy		
HARRIS MILLER MILLER AND HANSON INC 303910WHOI	81.087	7,698
TULANE UNIVERSITY TUL5410607	81.DEFC0206ER6429	17,667
UNIVERSITY OF NEW HAMPSHIRE P12UDM54	81.10ED0003263	2,077
BATTELLE MEMORIAL INSTITUTE SCI TECH INTERNATIONAL 4000112917	81.4000112917	3,500
UNIVERSITY OF MISSISSIPPI 1103065	81.089	14,518
OAK RIDGE NATIONAL LABORATORY 4000113417	81.DEAC0500OR22725	11,829
GINKGO BIOWORKS INC SUBAWARD	81.135	16,931
UNIVERSITY OF MASSACHUSETTS DARTMOUTH 6302	81.087	26,752
		<u>100,972</u>
Department of Health and Human Services		
BOSTON UNIVERSITY RA211354BAJ	93.113	26,052
BOSTON UNIVERSITY MC349661DJW	93.113	97,595
UNIVERSITY OF FLORIDA UF10043	93.070	70,227
		<u>193,874</u>
Department of Homeland Security		
UNIVERSITY OF HAWAII AT MANOA Z963952	97.061	18,811
NORTHEASTERN UNIVERSITY 504928	97.061	(12)
		<u>18,799</u>
Total Pass Through Awards		<u>28,010,255</u>
Total Research and Development Cluster		<u>161,110,628</u>
Total Expenditures of Federal Awards		<u>\$ 161,110,628</u>

Woods Hole Oceanographic Institution

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

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, 2012 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. CFDA and Pass-through entity identification numbers are presented when available.

2. Subrecipients

The Institution passed through federal awards to subgrantee 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, 2012 are as follows:

Agency	CFDA #	Amount
Department of Commerce	11	\$ 3,833,790
National Oceanic and Atmospheric Administration		
Department of Defense	12	2,939,260
United States Navy		
United States Navy		
Defense Advance Research Project Agency		
Department of the Interior	15	54,037
United States Geological Survey		
National Aeronautics and Space Administration	43	500,321
National Science Foundation	47	11,576,103
Department of Energy	81	7,698
Department of Health and Human Services	93	60,424
National Institute of Health		
		<u>\$ 18,971,633</u>

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 2012 fixed rates were based on budgeted information for the year ended 2011. The base and pool balances for the actual 2012 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 2012 indirect cost recovery rates, which are fixed with carryforward provisions, include the impact of prior year settlements.

**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 Institute (the "Institution"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and statements of cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 19, 2013.

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

Boston, Massachusetts
July 19, 2013



**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 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 each of the Institution's major federal programs for the year ended December 31, 2012. The Institution's major federal programs are 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 each major federal program. However, our audit does not provide a legal determination of the Institution's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2012.



Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 12-1. Our opinion on each major federal program is not modified with respect to this matter.

The Institution's response to the noncompliance finding 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

Boston, Massachusetts
September 17, 2013

**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, 2012

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, 2012

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
NSF	47.078	#ANT-0944165	6/17/2011-6/30/2014	\$ 135,000

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 one instance, totaling \$135,000 where the signed Certificate of Non-Debarment was not available. We noted that this vendor was not debarred by the federal government through review of the EPLS website (Excluded Parties List System).

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. The Institution does not require this documentation for any foreign vendors. One of the vendors selected for testing was a foreign vendor, therefore the Institution did not obtain a Certificate of Non-Debarment for this vendor.

Effect

As a result of the Institution's policy on foreign vendors, the Institution may enter into a transaction with a suspended or debarred vendor.

Questioned Costs

There are no questioned costs.

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

Recommendation

We recommend the Institution implement the same policies and procedures over the suspension and debarment requirements for all vendors. They should 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 after the Summary Schedule of Prior Audit Findings and Status.

Woods Hole Oceanographic Institution

Summary Schedule of Prior Year Audit Findings

Year Ended December 31, 2012

Finding 11-1

Compliance Requirements: Procurement, Suspension & Debarment (I)

Federal Programs Involved	Federal CFDA Number	Award Number	Award Year	Purchase Amount
ONR	12.300	N000140910500	5/1/11-3/31/13	\$ 46,747
NASA	43.NNX10AQ83G	NNX10AQ83G	8/5/10-8/4/13	38,260
NOAA	11.432	NA090AR4320129	8/12/11-6/30/14	35,140
				<hr/> 120,147
NSF	47.05	#OCE-1060743	7/15/11-6/30/12	13,076
				<hr/> \$ 133,223

Condition

The Institution requires that vendors sign a Certificate of Non-Debarment on purchases greater than \$25,000. In a sample of 25 selections, PwC identified three instances, totaling \$120,147 where the signed Certificate of Non-Debarment was not available. PwC also noted that none of the vendors were debarred by the federal government through review of the EPLS website (Excluded Parties List System).

Additionally, out of a sample of 45 purchase orders, PwC noted that three purchase orders did not include sole source justification documents as required by the Institution's purchasing policies. One of the three purchase orders identified was federally funded through the National Science Foundation (NSF). The purchase request was for equipment totalling \$13,076. The Institution's purchasing policy requires sole source justification for all purchases greater than \$10,000.

Current Year Status

There were no exceptions noted for bidding or sole source justification by PwC in 2012. Management determined the exception found in prior year was due to inattentiveness by the processor. The processors have received additional education and guidance regarding diligence in reviewing documents related to purchases to ensure compliance with the stated procedures.

Refer to Finding 12-1 for an update on the nonprocurement debarment and suspension. Management acknowledged the requirements for certification of non-debarment for purchases that equal or exceed \$25,000, which is noted within management's Procurement Procedures and is stated in the Buyer Checklist for purchases equalling or exceeding that amount. However, certain transactions do not require purchase orders and are managed by the departments. Management has undertaken efforts to bring this requirement to the attention of departments processing Requests for Payments equal to or greater than \$25,000 via public announcement and training of the appropriate processing staff.

Woods Hole Oceanographic Institution

Other Matters

Year Ended December 31, 2012

Other Matters

With respect to Subaward No. SA 9-10 and Addendum, the pass-through organization, Consortium for Ocean Leadership ("COL"), performed a program review and by letters dated May 11, 2011 and May 24, 2011, reported concerns about the quality of outputs and failure to meet required deliverables in a timely fashion.

As a result of the OOI/CGSN Cure Notice from May 2011, the Institution created a Large Project Support Office, (LPSO), which is managed by the Director of Grant & Contract Services.

LPSO's mission is to assist the Institution in better managing of resources and costs on large, multi-year programs, with definitive deliverables and schedules. In addition, LPSO centralizes and manages all project accounting and contract functions.

The new model and process has allowed improved communication and resolution with outstanding ECR's (Engineering Change Requests) with COL and National Science Foundation ("NSF"). Approximately \$2,800,000 has been allocated to Ocean Observation Initiative ("OOI") and Coastal Global Scale Nodes ("CGSN") projects, with \$2,600,000 absorbed by the Institution for the year ended December 31, 2011.

In addition, major changes have been made to the project management of CGSN including personnel changes, additional procedures for budgeting, funding, scheduling, charging, transfers, reporting, oversight meetings, and contract management. The oversight meetings include monthly meetings with PI's, Director of Grants and Contract Services, the Finance Team, Vice President of Marine Operations and the Director.

With improved oversight and management of the OOI/CGSN project (and for other large projects in the future), "the Institution" has a clearer path forward regarding the new model and processes in place.

Current Year Status

During the year ended December 31, 2012, the Institution has continued to implement the changes noted above related to OOI and CGSN. These changes include the creation of the LPSO, which continues to be managed by the Director of Grant & Contract Services and has established a Senior Financial Analyst position. In addition, the Institution has maintained the changes made to the project management of CGSN.



WOODS HOLE OCEANOGRAPHIC INSTITUTION

12-1 Compliance Requirements: Procurement, Suspension & Debarment

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 has notified WHOI buyers to include foreign suppliers in debarment certification.

A handwritten signature in dark ink, reading "Laurie Murphy". The signature is fluid and cursive, with the first name "Laurie" being more prominent than the last name "Murphy".

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