

# **Woods Hole Oceanographic Institution**

**Report on Federal Awards in Accordance with OMB**

**Circular A-133**

**December 31, 2011**

**EIN #042105850**

# Woods Hole Oceanographic Institution

## Index

December 31, 2011

---

	Page(s)
<b>Part I - Financial Statements and Supplementary Schedule of Expenditures of Federal Awards</b>	
Report of Independent Auditors .....	1
Financial Statements and Notes to Financial Statements .....	2-31
Schedule of Expenditures of Federal Awards.....	32-42
Notes to Schedule of Expenditures of Federal Awards .....	43
<b>Part II - Reports on Internal Control and Compliance and Other Matters</b>	
Report of Independent Auditors on Internal Control over Financing Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	44-45
Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	46-47
<b>Part III - Audit Findings and Management's Views and Corrective Action Plan</b>	
Schedule of Findings and Questioned Costs.....	48-50
Summary Schedule of Prior Year Audit Findings and Other Matters .....	51

**Part I - Financial Statements and  
Supplementary Schedule of  
Expenditures of Federal Awards**



## Report of Independent Auditors

To The Board of Trustees of  
Woods Hole Oceanographic Institution

In our opinion, the accompanying statement of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Woods Hole Oceanographic Institution (the "Institution") as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Institution's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Institution's 2010 financial statements and in our report dated August 1, 2011, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2012 on our consideration of the 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, for the year ended December 31, 2011. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, for the year ended December 31, 2011 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The 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 Schedule of Expenditures of Federal Awards 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 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 taken as a whole.

*PricewaterhouseCoopers LLP*

July 16, 2012

---

*PricewaterhouseCoopers LLP, 125 High Street, Boston, MA 02110*  
T: (617) 530 5000, F: (617) 530 5001, [www.pwc.com/us](http://www.pwc.com/us)

**Woods Hole Oceanographic Institution**  
**Statements of Financial Position**  
**December 31, 2011**  
**(With Summarized Information for December 31, 2010)**

	2011	2010
<b>Assets</b>		
Cash and cash equivalents, unrestricted	\$ 2,368,310	\$ 7,548,167
Cash and cash equivalents, restricted	11,100,701	2,366,427
Reimbursable costs and fees		
Billed (net of allowance for doubtful accounts of \$190,783 for 2011 and \$30,405 for 2010)	4,600,373	5,666,094
Unbilled	12,357,643	8,887,639
Receivable for investments sold	9,892,620	192,737
Interest and dividends receivable	202,859	221,067
Other receivables	1,260,706	1,102,907
Pledges receivable, net (Note 5)	4,106,212	7,337,618
Inventory	2,204,477	1,850,872
Deferred charges and prepaid expenses	920,382	731,269
Investments, pooled (Note 3)	331,731,056	361,156,069
Deposits with trustees for construction	-	3,177,682
Deposits with trustees for debt service	-	92
Deferred fixed rate variance (Note 7)	7,444,648	6,147,384
Supplemental retirement	7,018,821	6,801,626
Other assets	6,550,423	6,452,682
Deferred financing costs	215,243	225,772
	<u>401,974,474</u>	<u>419,866,104</u>
Property, plant and equipment		
Land, buildings and improvements	142,965,506	140,117,698
Vessels and dock facilities	8,166,446	8,166,446
Laboratory and other equipment	30,297,099	31,530,425
Construction in process	6,696,699	1,105,389
	<u>188,125,750</u>	<u>180,919,958</u>
Accumulated depreciation	<u>(101,738,290)</u>	<u>(96,695,400)</u>
Net property, plant and equipment	<u>86,387,460</u>	<u>84,224,558</u>
Contributions receivable from remainder trusts, net (Note 6)	<u>9,288,971</u>	<u>10,420,847</u>
Total assets	<u>\$ 497,650,905</u>	<u>\$ 514,511,509</u>
<b>Liabilities</b>		
Line of credit (Note 8)	\$ 13,000,000	\$ 3,000,000
Accounts payable and other liabilities (Note 8)	19,288,163	14,652,631
Accrued payroll and related liabilities	8,907,757	7,930,273
Payable for investments purchased	250,151	436,484
Accrued supplemental retirement benefits	7,018,821	6,801,626
Accrued pension and restoration liability	95,572,295	66,286,872
Accrued postretirement liability	10,061,383	5,910,392
Deferred revenue and refundable advances	18,809,354	13,389,434
Bonds payable (Note 8)	60,613,400	62,052,329
Total liabilities	<u>\$ 233,521,324</u>	<u>\$ 180,460,041</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Net assets</b>					
Undesignated and plant	\$ (214,396)	\$ -	\$ -	\$ (214,396)	\$ 15,467,435
Pension	(105,633,678)	-	-	(105,633,678)	(72,197,264)
Designated	3,444,036	11,371,031	-	14,815,067	14,949,959
Pledges and other	-	7,251,431	14,844,104	22,095,535	24,772,487
Education	-	3,367,329	-	3,367,329	3,160,292
Endowment and similar funds	81,499,584	180,557,211	67,642,929	329,699,724	347,898,559
Total net assets	<u>\$ (20,904,454)</u>	<u>\$ 202,547,002</u>	<u>\$ 82,487,033</u>	<u>264,129,581</u>	<u>334,051,468</u>
Total liabilities and net assets				<u>\$ 497,650,905</u>	<u>\$ 514,511,509</u>

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

**Woods Hole Oceanographic Institution**  
**Statements of Activities**  
**Year Ended December 31, 2011**  
**(With Summarized Information for December 31, 2010)**

	Unrestricted		Temporarily Restricted	Permanently Restricted	2011	2010
	Operating	Sponsored Research				
<b>Revenues</b>						
Fees	\$ 1,947,853	\$ -	\$ -	\$ -	\$ 1,947,853	\$ 1,486,309
Sponsored research						
Government		115,880,135			115,880,135	104,170,800
Subcontract and nongovernment		48,361,927	6,138,066		54,499,993	44,431,861
Ships and subs operations		26,732,475			26,732,475	28,220,441
Sponsored research assets released to operations	196,629,267	(190,974,537)	(5,654,730)		-	-
Fixed price awards income	603,399				603,399	322,737
Education						
Joint program income	4,358,082				4,358,082	4,004,251
Endowment income			6,739,809		6,739,809	6,620,679
Education funds released from restriction	7,471,449		(7,471,449)		-	-
Investment return designated for current operations	4,057,239				4,057,239	3,705,249
Contributions and gifts	3,589,136		2,085,607	2,148,090	7,822,833	7,584,234
Releases from restrictions			(3,378,863)		(3,378,863)	(4,123,930)
Contributions in kind	421,597				421,597	157,073
Rental income	552,453				552,453	543,788
Communication and publications	179,542				179,542	216,875
Gain on sale of Cotuit property					-	4,767,555
Other	537,195				537,195	346,153
Total revenues	<u>220,347,212</u>	<u>-</u>	<u>(1,541,560)</u>	<u>2,148,090</u>	<u>220,953,742</u>	<u>202,454,075</u>
<b>Expenses</b>						
Sponsored research						
National Science Foundation	63,726,002				63,726,002	58,322,377
United States Navy	21,114,130				21,114,130	19,012,813
Subcontracts	27,251,161				27,251,161	21,766,505
National Oceanic & Atmospheric Administration	14,898,477				14,898,477	16,508,102
Department of Energy	4,330				4,330	25,846
United States Geological Survey	1,570,495				1,570,495	1,439,535
National Aeronautics & Space Administration	3,673,084				3,673,084	3,100,797
Ships Operations	20,879,309				20,879,309	22,564,280
Submersible and ROV operations	5,853,166				5,853,166	5,656,161
Privately funded grants	8,084,841				8,084,841	4,253,833
Other	29,574,272				29,574,272	23,607,613
Education						
Faculty expense	4,436,076				4,436,076	4,005,464
Student expense	4,119,467				4,119,467	4,162,758
Postdoctoral programs	448,498				448,498	252,544
Other	1,242,671				1,242,671	1,187,758
Rental expenses	286,653				286,653	232,130
Communication, publications and development	1,461,559				1,461,559	2,541,707
Fundraising expenses	2,424,635				2,424,635	2,308,049
Un-sponsored programs	7,174,647				7,174,647	6,559,167
Other expenses	8,522,497				8,522,497	1,175,960
Total expenses	<u>226,745,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,745,970</u>	<u>198,683,399</u>
Change in net assets from operating activities	<u>(6,398,758)</u>	<u>-</u>	<u>(1,541,560)</u>	<u>2,148,090</u>	<u>(5,792,228)</u>	<u>3,770,676</u>
Nonoperating revenue and expenses						
Investment return (less than) in excess of amounts designated for sponsored research, education and current operations	(6,740,193)		(16,192,317)		(22,932,510)	21,473,418
Net realized/unrealized (losses) on interest rate swap	(7,282,701)				(7,282,701)	(3,645,219)
Change in split interest agreements	(1,919)		19,217	(1,145,768)	(1,128,470)	583,949
Other nonoperating expenses	(99,976)				(99,976)	(99,976)
Other nonoperating income	750,412				750,412	-
Net periodic income - surplus of pension reimbursement over GAAP expense	5,450,062				5,450,062	3,082,329
Pension related changes other than net periodic pension costs (Note 9)	(38,886,476)				(38,886,476)	(3,969,468)
Change in net assets from nonoperating activities	<u>(46,810,791)</u>	<u>-</u>	<u>(16,173,100)</u>	<u>(1,145,768)</u>	<u>(64,129,659)</u>	<u>17,425,033</u>
Total change in net assets	<u>(53,209,549)</u>	<u>-</u>	<u>(17,714,660)</u>	<u>1,002,322</u>	<u>(69,921,887)</u>	<u>21,195,709</u>
<b>Net assets</b>						
Beginning of year	32,305,095		220,261,662	81,484,711	334,051,468	312,855,759
End of year	\$ (20,904,454)	\$ -	\$ 202,547,002	\$ 82,487,033	\$ 264,129,581	\$ 334,051,468

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

**Woods Hole Oceanographic Institution**  
**Statements of Cash Flows**  
**Year Ended December 31, 2011**  
**(With Summarized Information for December 31, 2010)**

	2011	2010
<b>Cash flows from operating activities</b>		
Total change in net assets	\$ (69,921,887)	\$ 21,195,709
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Depreciation and amortization	8,581,170	8,777,879
Change in split interest agreements	1,128,470	(583,949)
Allowance for uncollectible pledges	103,596	96,320
Discount on pledges	144,942	165,771
Net realized and unrealized loss (gain) on investments	7,076,410	(36,855,483)
Unrealized loss on interest swap	5,447,368	1,777,116
Pension related changes other than net periodic pension costs	38,886,476	3,969,468
Contributions to be used for long-term investment	(2,492,809)	(601,972)
Gain on sale of Cotuit property	-	(4,767,555)
Receipt of contributed securities	(246,166)	(281,518)
(Increase) decrease in assets		
Restricted cash	(8,734,274)	1,017,887
Interest and dividends receivable	18,208	(172,530)
Reimbursable costs and fees		
Billed	1,065,721	(246,998)
Unbilled	(3,470,004)	(616,302)
Other receivables	(157,799)	(30,767)
Pledges receivable	2,982,869	2,851,816
Inventory	(353,605)	(206,272)
Deferred charges and prepaid expenses	(189,113)	(398,001)
Other assets	2,168	272,457
Deferred financing costs	-	22,234
Supplemental retirement	(217,195)	(746,817)
Deferred fixed rate variance	(1,297,264)	(1,941,254)
Increase (decrease) in liabilities		
Accrued pension liability	(5,479,882)	(3,135,407)
Accrued pension restoration liability	29,820	53,078
Accounts payable and other liabilities	(800,986)	801,080
Accrued payroll and related liabilities	977,484	926,229
Deferred revenue and refundable advances	5,419,920	4,663,347
Accrued supplemental retirement benefits	217,195	746,817
Net cash used in operating activities	<u>(21,279,167)</u>	<u>(3,247,617)</u>
<b>Cash flows from investing activities</b>		
Capital expenditures		
Additions to property and equipment	(10,704,916)	(7,242,257)
Endowment		
Receivable for investments sold	(9,699,883)	(117,389)
Payable for investments purchased	(186,333)	403,110
Proceeds from the sale of investments	81,729,242	102,096,110
Purchase of investments	(59,380,640)	(98,104,130)
Change in construction fund	3,177,682	4,185,459
Change in debt service funds	92	-
Liquidation of contributed securities	146,257	281,518
Proceeds from sale of Cotuit property	-	7,193,111
Net cash provided by investing activities	<u>5,081,501</u>	<u>8,695,532</u>
<b>Cash flows from financing activities</b>		
Repayments under debt agreement	(1,475,000)	(1,415,000)
Borrowing under line of credit	27,500,000	-
Repayments under line of credit	(17,500,000)	(3,000,000)
Contributions to be used for long-term investment	2,492,809	601,972
Net cash provided by (used in) financing activities	<u>11,017,809</u>	<u>(3,813,028)</u>
Net (decrease) increase in cash and cash equivalents	(5,179,857)	1,634,887
<b>Cash and cash equivalents</b>		
Beginning of year	<u>7,548,167</u>	<u>5,913,280</u>
End of year	<u>\$ 2,368,310</u>	<u>\$ 7,548,167</u>
<b>Supplemental disclosures</b>		
Cash paid for interest	\$ 5,001,425	\$ 5,361,261
Noncash activity		
Construction in process additions remaining in accounts payable	112,851	120,295
Contributed securities	246,166	281,518
Contributed property	-	2,732,443

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

# Woods Hole Oceanographic Institution

## Notes to Financial Statements

### December 31, 2011 and 2010

---

#### 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, but do 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, 2010, from which the summarized information was derived.

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

##### ***Permanently Restricted Net Assets***

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

##### ***Temporarily Restricted Net Assets***

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

##### ***Unrestricted Net Assets***

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



# Woods Hole Oceanographic Institution

## Notes to Financial Statements

December 31, 2011 and 2010

---

### Contributions

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

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

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

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

### Operations

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

In prior years, the gain or loss on the sale of property gifted was recorded through nonoperating revenues (expenses). In 2010, the Institution changed its policy to record such gains and losses through operations.

# Woods Hole Oceanographic Institution

## Notes to Financial Statements

December 31, 2011 and 2010

---

### **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, 2011 and 2010 is \$10,758,028 and \$2,026,863, 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, 2011 and 2010 is \$342,673 and \$339,564, 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 is based upon quoted market prices and net asset values. Other securities, 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, 2011 and 2010 but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material.

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

The Institution is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. The Institution's investments in private equity, venture capital, hedge funds and commingled funds are fair valued based on the most current NAV received.

Investments which can be redeemed at NAV by the Institution on the measurement date or in the near term are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term 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.

# Woods Hole Oceanographic Institution

## Notes to Financial Statements

### December 31, 2011 and 2010

---

The Board of Trustees has appropriated all of the income and a specified percentage of the net appreciation (depreciation) to operations as prudent considering the Institution's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the Institution's current endowment spending policy, which is within the guidelines specified under state law, the Institution's annual operating budget should not exceed 5.0% of the Fund's trailing 36 month rolling average market value. This amounted to \$16,986,967 and \$16,297,548 for the years ended December 31, 2011 and 2010, respectively, and is classified in operating revenues (research, education, and operations).

#### **Deposits with Trustees**

Deposits with trustees consist principally of investments in United States Government obligations and have been deposited with trustees as required under certain loan agreements. At December 31, 2011 and 2010, respectively, the amounts consist of \$0 and \$3,177,774 for construction and debt service purposes.

#### **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 85% of its sponsored research revenues from government agencies including 44% and 46% of its operating revenues directly from the National Science Foundation and 11% and 11% from the United States Navy in fiscal years 2011 and 2010, respectively. Although applications for research funding to federal agencies historically have been funded, authorizations are subject to annual Congressional appropriations and payment.

#### **Deferred Financing Costs**

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

#### **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.

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

---

**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 \$8,534,594 and \$8,631,304 in 2011 and 2010, respectively, has been charged to operating activities. Depreciation on certain government-funded facilities (the Laboratory for Marine Science and the dock facility) amounting to \$99,976 both in 2011 and 2010 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, 2011 up through July 16, 2012, 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**

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

	2011		2010	
	Cost	Market	Cost	Market
<b>Assets</b>				
Cash and cash equivalents	\$ 17,527,893	\$ 17,527,893	\$ 19,147,281	\$ 19,147,281
Private equity, venture capital and other limited partnerships	57,118,110	66,162,403	68,369,601	81,544,702
Commingled funds	83,255,419	96,766,567	82,728,358	103,636,279
Hedge funds	41,295,000	56,201,376	41,295,000	58,111,282
Mutual funds	37,325,555	33,102,710	33,392,959	34,373,998
Domestic common stock	41,877,597	47,313,639	44,562,012	52,583,173
Domestic fixed income	12,935,021	14,656,468	12,925,249	11,759,354
Total assets at fair value	\$ 291,334,595	\$ 331,731,056	\$ 302,420,460	\$ 361,156,069

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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

	Unrestricted	Temporarily restricted	2011 Total	2010 Total
Dividend and interest income	\$ (3,000,220)	\$ 6,739,809	\$ 3,739,589	\$ 2,804,907
Investment management costs	(2,608,722)	-	(2,608,722)	(1,889,424)
Net realized gains	2,892,999	8,572,990	11,465,989	8,667,823
Change in unrealized appreciation	<u>84,842</u>	<u>(18,627,241)</u>	<u>(18,542,399)</u>	<u>28,187,660</u>
Total return on investments	<u>(2,631,101)</u>	<u>(3,314,442)</u>	<u>(5,945,543)</u>	<u>37,770,966</u>
Investment return designated for:				
Sponsored research	-	(6,138,066)	(6,138,066)	(5,850,195)
Education	-	(6,739,809)	(6,739,809)	(6,620,679)
Current operations	<u>(4,109,092)</u>	<u>-</u>	<u>(4,109,092)</u>	<u>(3,826,674)</u>
Total distributed to operations	<u>(4,109,092)</u>	<u>(12,877,875)</u>	<u>(16,986,967)</u>	<u>(16,297,548)</u>
Investment return in excess of (less than) amounts designated for sponsored research, education and current operations	<u>\$ (6,740,193)</u>	<u>\$ (16,192,317)</u>	<u>\$ (22,932,510)</u>	<u>\$ 21,473,418</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 \$397,068 and \$0 at December 31, 2011 and 2010, 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.

Endowment income is allocated to each individual fund based on a per unit valuation. The value of an investment unit at December 31, 2011 is as follows:

	2011	2010
Unit value, beginning of year	\$ 4.6230	\$ 4.3372
Unit value, end of year	<u>4.4968</u>	<u>4.6230</u>
Net change for the year	(0.1262)	0.2858
Investment income per unit for the year	<u>0.0148</u>	<u>0.0122</u>
Total return per unit	<u>\$ (0.1114)</u>	<u>\$ 0.2980</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.

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**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.

The following tables summarize fair value measurements at December 31, 2011 and December 31, 2010 for financial assets measured at fair value:

	2011			Total Fair Value
	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
<b>Assets</b>				
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

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

	2010			
	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
<b>Assets</b>				
Cash and cash equivalents	\$ 19,147,281	\$ -	\$ -	\$ 19,147,281
Private equity, venture capital and other limited partnerships	-	9,786,629	71,758,073	81,544,702
Commingled funds	-	103,636,279	-	103,636,279
Hedge funds	-	12,789,179	45,322,103	58,111,282
Mutual funds	34,373,998	-	-	34,373,998
Domestic common stock	52,583,173	-	-	52,583,173
Domestic fixed income	11,759,354	-	-	11,759,354
Total investments, pooled	117,863,806	126,212,087	117,080,176	361,156,069
Contributions receivable from remainder trust	-	-	10,420,847	10,420,847
Other assets	-	-	909,681	909,681
Deposits with trustees	3,177,774	-	-	3,177,774
Total assets at fair value	\$ 121,041,580	\$ 126,212,087	\$ 128,410,704	\$ 375,664,371
Interest rate swap	\$ -	\$ 7,594,906	\$ -	\$ 7,594,906
Total liabilities at fair value	\$ -	\$ 7,594,906	\$ -	\$ 7,594,906

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, 2010 and 2011.

The following table presents the assets and liability carried at fair value as of December 31, 2011 and December 31, 2010 that are classified within Level 3 of the fair value hierarchy defined above:

	2011						Balance, December 31, 2011
	Balance, January 1, 2011	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases	Sales	Transfers in and/or out of Level 3	
Private equity, venture capital and other limited partnerships	\$ 71,758,073	\$ 1,460,539	\$ (1,613,295)	\$ 5,817,118	\$ (11,325,897)	\$ (9,665,972)	\$ 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
	\$ 128,410,704	\$ 1,460,539	\$ (4,900,345)	\$ 5,817,118	\$ (11,325,897)	\$ (9,665,972)	\$ 109,796,147

	2010						Balance, December 31, 2010
	Balance, January 1, 2010	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases	Sales	Transfers in and/or out of Level 3	
Private equity, venture capital and other limited partnerships	\$ 86,250,230	\$ 5,287,780	\$ 2,588,956	\$ 21,382,696	\$ (43,751,591)	\$ -	\$ 71,758,071
Hedge funds	47,650,645	-	3,786,208	-	-	(6,114,750)	45,322,103
Contributions receivable from remainder trust	9,814,334	-	606,513	-	-	-	10,420,847
Other assets	940,249	-	(30,568)	-	-	-	909,681
Interest rate swap	(5,817,790)	-	-	-	-	5,817,790	-
	\$ 138,837,668	\$ 5,287,780	\$ 6,951,109	\$ 21,382,696	\$ (43,751,591)	\$ (296,960)	\$ 128,410,702

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

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

---

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.

<b>Assets</b>	<b>Fair Value</b>	<b>Redemption Terms</b>	<b>Redemption Restrictions</b>
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	<u>56,201,376</u>	Quarterly, annual (Dec)	
Total investments	<u>\$ 219,130,346</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, 2010.

<b>Assets</b>	<b>Fair Value</b>	<b>Redemption Terms</b>	<b>Redemption Restrictions</b>
Private equity, venture capital and other limited partnerships	\$ 81,544,702	Semi-annually, quarterly, annual (Dec), remaining lives up to 10 years	\$50,528,300 designated as illiquid and \$988,940 in nonredeemable side pockets and subject to lock-up period for up to 1 to 2 years
Commingled funds	103,636,279	Monthly	
Hedge funds	<u>58,111,282</u>	Quarterly, annual (Dec)	\$5,413,050 subject to lockup until December 31, 2011.
Total investments	<u>\$ 243,292,263</u>		

The Institution had unfunded commitments relating to endowment and pension plan assets of approximately \$20,408,955 and \$23,941,000 relating to private equity, venture capital and other limited partnerships as of December 31, 2011 and 2010, 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 1.90% to 2.67% and 3.01% to 3.64% at December 31, 2011 and 2010, respectively.

Pledges receivable consist of the following at December 31:

	<b>2011</b>	<b>2010</b>
<b>Unconditional promises expected to be collected in</b>		
Less than one year	\$ 2,452,228	\$ 4,368,838
One year to five years	2,264,674	3,828,008
Reserve for uncollectible pledges receivable	(330,183)	(433,779)
Unamortized discount	<u>(280,507)</u>	<u>(425,449)</u>
	<u>\$ 4,106,212</u>	<u>\$ 7,337,618</u>



**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

---

**6. Contribution Receivable from Remainder Trusts, Net**

Contributions receivable from remainder trusts at December 31, 2011 and 2010 were \$9,288,971 and \$10,420,847, 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, 2011 and 2010, discount rates ranging from 3.83% to 5.00% 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.

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

<b>Deferred fixed rate variance asset at December 31, 2009</b>	<b>\$ 4,206,130</b>
2010 indirect costs	82,792,417
Amounts recovered	(80,347,537)
Submission adjustment 2007	<u>(503,626)</u>
2010 change	<u>1,941,254</u>
<b>Deferred fixed rate variance asset at December 31, 2010</b>	<b><u>6,147,384</u></b>
2011 indirect costs	86,130,987
Amounts recovered	(84,687,717)
Submission adjustment 2010	<u>(146,006)</u>
2011 change	<u>1,297,264</u>
<b>Deferred fixed rate variance asset at December 31, 2011</b>	<b><u>\$ 7,444,648</u></b>

As of December 31, 2011, the Institution has expended a cumulative amount in excess of recovered amounts of \$7,444,648 which will be reflected as an addition to future year recoveries. This amount has been reported as an asset of the Institution.

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

---

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

Indebtedness at December 31, 2011 and 2010 includes bonds issued through the Massdevelopment. Balances of outstanding bonds payable at December 31 consist of the following:

	<b>2011</b>	<b>2010</b>
Massdevelopment, Series B, Fixed Rate Revenue Bonds	\$ 61,425,000	\$ 62,900,000
Less: Series B unamortized bond discount	<u>(811,600)</u>	<u>(847,671)</u>
Bonds Payable	<u>\$ 60,613,400</u>	<u>\$ 62,052,329</u>

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

On December 1, 2008, the Institution issued \$65,000,000 Massdevelopment, Fixed Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series B (2008), (the "Series B Bonds"). The proceeds were used for major maintenance and renovation projects throughout the Institution and were used to retire the Series A Bonds. The Series B Bonds mature in 2034 and bear fixed interest rates from 4.0% to 5.5% payable on June 1 and December 1 beginning in 2009. The Series B Bonds are collateralized by the Institution's unrestricted revenues. The Institution incurred costs of \$268,500 associated with the issue which have been capitalized and are being amortized over the life of the bonds. Debt covenants are consistent with the requirements under the Series A bond agreement as long as the interest rate swap agreement is in effect. The fair value of the Series B bond which is based on current traded values for the same or similar issues or on the current rates offered for debt of the same remaining maturities was \$71,495,546 at December 31, 2011.

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 August 31. 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 June 13, 2012. The Institution had outstanding borrowing on lines of credit of \$13,000,000 and \$3,000,000 at December 31, 2011 and 2010, respectively.

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

---

The aggregate maturities due on the Series B long-term debt at December 31, 2011 are as follows:

<b>Fiscal Year</b>	<b>Principal Amount</b>
2012	\$ 1,530,000
2013	1,595,000
2014	1,655,000
2015	1,725,000
2016	1,790,000
Thereafter	<u>53,130,000</u>
	<u>\$ 61,425,000</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. The Institution paid interest expense in association with the swap agreement of \$1,835,333 and \$1,868,103 which is reflected as part of the net realized/unrealized (losses) gains on interest rate swap at December 31, 2011 and 2010, respectively.

The fair value of the interest rate swap at December 31, 2011 and 2010 is as follows:

	<u>Fair Value</u>	
	<u>2011</u>	<u>2010</u>
<b>Statement of financial position location</b>		
Accounts payable and other liabilities	\$ 13,042,274	\$ 7,594,906

The effect of the interest rate swap on the statement of activities for 2011 and 2010 is as follows:

	<u>Amount of (Loss) Gain Recognized in Statement of Activities</u>	
	<u>2011</u>	<u>2010</u>
<b>Location of (loss) gain recognized in statement of activities</b>		
Nonoperating income and expenses		
Net realized/unrealized (losses) gains on interest rate swap	\$ (7,282,701)	\$ (3,645,219)

# Woods Hole Oceanographic Institution

## Notes to Financial Statements

December 31, 2011 and 2010

---

### 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, 2011 and 2010**

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

	<b>Restoration Plan Pension Benefits</b>	
	<b>2011</b>	<b>2010</b>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 129,017	\$ 63,457
Service cost	530	29,486
Interest cost	4,979	5,269
Actuarial loss	14,673	30,805
Benefits paid	<u>(47,784)</u>	<u>-</u>
Benefit obligation at end of year	<u>101,415</u>	<u>129,017</u>
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	47,784	-
Actual return on plan assets	-	-
Benefits paid	<u>(47,784)</u>	<u>-</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (101,415)</u>	<u>\$ (129,017)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ (101,415)</u>	<u>\$ (129,017)</u>
Net amount recognized	<u>\$ (101,415)</u>	<u>\$ (129,017)</u>
Amounts recognized in unrestricted net assets		
Net actuarial loss	<u>\$ 23,660</u>	<u>\$ 33,298</u>
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	\$ 101,415	\$ 129,017
Accumulated benefit obligation	<u>96,757</u>	<u>121,489</u>
Component of net periodic benefit cost		
Interest cost	\$ 4,979	\$ 5,269
Service cost	530	29,486
Recognized actuarial loss	13,137	18,323
Other adjustment	<u>11,174</u>	<u>-</u>
Net periodic benefit cost	<u>\$ 29,820</u>	<u>\$ 53,078</u>
Other changes in benefit obligations recognized in unrestricted net assets		
Amortization of net gain (loss)	\$ (13,137)	\$ (18,323)
Settlement adjustment	(11,174)	-
Net actuarial gain (loss)	<u>14,673</u>	<u>30,805</u>
Total recognized in nonoperating expense	<u>\$ (9,638)</u>	<u>\$ 12,482</u>
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	4.90 %	5.75 %
Rate of compensation increase	4.50	4.50
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	5.75 %	6.00 %
Rate of compensation increase	4.50	4.50

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

---

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

Amortization of net loss	\$ 13,518
--------------------------	-----------

**Expected Contributions**

The Institution anticipates contributing \$0 to the Restoration Plan in 2012.

**Estimated Future Benefit Payments**

Future benefit payments are expected to be paid as follows:

<b>Years</b>	<b>Benefit Payments</b>
2012	\$ -
2013	107,059
2014	-
2015	-
2016	-
2017 - 2020	-

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

	<b>Qualified Plan Pension Benefits</b>	
	<b>2011</b>	<b>2010</b>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 235,775,855	\$ 214,020,521
Service cost	-	6,709,853
Interest cost	13,306,618	12,411,735
Actuarial loss	35,721,357	11,168,875
Benefits paid	<u>(8,963,567)</u>	<u>(8,535,129)</u>
Benefit obligation at end of year	<u>275,840,263</u>	<u>235,775,855</u>
Change in plan assets		
Fair value of plan assets at beginning of year	169,618,000	149,363,433
Employer contributions	9,216,003	12,224,000
Actual return on plan assets	10,498,947	16,565,696
Benefits paid	<u>(8,963,567)</u>	<u>(8,535,129)</u>
Fair value of plan assets at end of year	<u>180,369,383</u>	<u>169,618,000</u>
Funded status	<u>\$ (95,470,880)</u>	<u>\$ (66,157,855)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ (95,470,880)</u>	<u>\$ (66,157,855)</u>
Net amount recognized	<u>\$ (95,470,880)</u>	<u>\$ (66,157,855)</u>
Amounts recognized in unrestricted net assets		
Net actuarial loss	<u>\$ 62,532,339</u>	<u>\$ 27,729,021</u>
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	\$ 275,840,263	\$ 235,775,855
Accumulated benefit obligation	<u>254,762,772</u>	<u>217,313,647</u>
Components of net periodic benefit cost		
Service cost	\$ -	\$ 6,709,853
Interest cost	13,306,618	12,411,735
Expected return on plan assets	(11,172,898)	(10,365,233)
Amortization of prior service cost	-	881,850
Recognized actuarial loss	<u>1,591,990</u>	<u>57,816</u>
Net periodic benefit cost	<u>\$ 3,725,710</u>	<u>\$ 9,696,021</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
Amortization of prior service cost	\$ -	\$ (881,850)
Amortization of actuarial loss	(1,591,990)	(57,816)
Net actuarial (gain) loss	<u>36,395,308</u>	<u>4,968,412</u>
Total recognized in nonoperating expense	<u>\$ 34,803,318</u>	<u>\$ 4,028,746</u>

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

---

The Institution has reflected \$9,216,003 and \$12,224,000 for the years ended December 31, 2011 and 2010, 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 \$5,490,293 and \$2,527,979 for the years ended December 31, 2011 and 2010, 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.

	<b>Qualified Plan Pension Benefits</b>	
	<b>2011</b>	<b>2010</b>
<b>Weighted-average assumptions used to determine benefit obligations at December 31</b>		
Discount rate	4.90 %	5.75 %
Rate of compensation increase	4.50	4.50
<b>Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31</b>		
Discount rate	5.75 %	6.00 %
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, 2011 and 2010.



**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**Plan Assets**

The Institution's pension plan weighted-average asset allocations at December 31, 2011 and 2010, and target allocations by asset category are as follows:

<b>Asset Category</b>	<b>Target Allocation 2011</b>	<b>Asset Allocation 12/31/2011</b>	<b>2010</b>
U.S. equity	15.0 %	13.7 %	8.9 %
Global developed	12.0	11.9	10.9
Emerging markets	5.0	4.0	2.6
Marketable alternative assets	15.0	13.9	13.9
Real assets	5.0	4.0	0.0
Bonds	30.0	35.3	35.9
Nonmarketable assets	15.0	12.8	13.7
Cash and cash equivalents	3.0	4.4	14.1
Total assets	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The primary financial objectives of the assets of the Plan are to (1) provide a stream of relatively predictable, stable and constant earnings in support of the Qualified Plan's annual benefit payment obligations; and (2) preserve and enhance the real (inflation-adjusted) value of assets, over time, with the goal of meeting the anticipated future benefit obligations of the qualified plan.

The long-term investment objectives of the assets of the Plan are to (1) attain the average annual total return assumed in the Plan's most recent actuarial assumptions (net of investment management fees) over rolling five-year periods; and (2) outperform the custom benchmark.

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

Amortization of net loss \$ 5,414,985

**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:

	<b>2011</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Assets</b>				
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	<u>\$ 108,991,493</u>	<u>\$ 28,370,896</u>	<u>\$ 42,350,010</u>	<u>\$ 179,712,399</u>

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

	2010			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 24,799,424	\$ -	\$ -	\$ 24,799,424
Private equity, venture capital and other limited partnerships	-	-	28,364,596	28,364,596
Commingled funds	-	10,975,821	-	10,975,821
Hedge funds	-	7,673,507	14,614,822	22,288,329
Mutual funds	11,712,692	-	-	11,712,692
Domestic common stock	11,408,501	-	-	11,408,501
Domestic fixed income	59,620,746	-	-	59,620,746
Total assets at fair value	<u>\$ 107,541,363</u>	<u>\$ 18,649,328</u>	<u>\$ 42,979,418</u>	<u>\$ 169,170,109</u>

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

	Private Equity, Venture Capital and Other Limited Partnerships			Hedge Funds	Total
<b>Balances at January 1, 2011</b>	\$ 28,364,596	\$ 14,614,822	\$ 42,979,418		
Realized gain	1,214,888	-	1,214,888		
Unrealized (loss) gain	(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)		
<b>Balances at December 31, 2011</b>	<u>\$ 25,419,172</u>	<u>\$ 16,930,838</u>	<u>\$ 42,350,010</u>		

	Private Equity, Venture Capital and Other Limited Partnerships			Hedge Funds	Total
<b>Balances at January 1, 2010</b>	\$ 39,403,191	\$ 17,105,843	\$ 56,509,034		
Realized gain	3,140,364	-	3,140,364		
Unrealized (loss) gain	(696,744)	1,177,721	480,977		
Purchases	1,988,592	-	1,988,592		
Sales	(15,470,807)	-	(15,470,807)		
Transfer in and/or out of Level 3	-	(3,668,742)	(3,668,742)		
<b>Balance at December 31, 2010</b>	<u>\$ 28,364,596</u>	<u>\$ 14,614,822</u>	<u>\$ 42,979,418</u>		

**Expected Contributions**

The Institution anticipates contributing \$14,000,000 to the Qualified Plan in 2012.

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**Estimated Future Benefit Payments**

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

Years	Benefit Payments
2012	\$ 9,000,000
2013	20,973,757
2014	19,987,501
2015	20,759,612
2016	19,798,020
2017-2021	91,847,858

	<b>Supplemental Plan Pension Benefits</b>	
	<b>2011</b>	<b>2010</b>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ -	\$ 1,854,222
Service cost	-	11,955
Interest cost	-	81,587
Actuarial (gain) loss	335,013	(1,947,764)
Benefits paid	(20,055)	-
Benefit obligation at end of year	<u>314,958</u>	<u>-</u>
<b>Change in obligation for nonreturnable funding</b>		
Obligation at beginning of year	6,801,625	4,792,099
Service cost	-	(11,955)
Interest cost	-	(81,587)
Actuarial gain (loss)	(335,013)	1,947,764
Investment return	237,251	155,304
Other obligation at end of year	<u>6,703,863</u>	<u>6,801,625</u>
Total obligation at end of year	<u>\$ 7,018,821</u>	<u>\$ 6,801,625</u>

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

	<b>2011</b>	<b>2010</b>
<b>Change in nonreturnable funding "Rabbi" Trust</b>		
Nonreturnable funding at beginning of year	\$ 6,801,625	\$ 6,646,321
Investment return	237,251	155,304
Benefits paid	(20,055)	-
Nonreturnable funding "Rabbi" Trust at end of year	<u>\$ 7,018,821</u>	<u>\$ 6,801,625</u>

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

---

	<b>Supplemental Plan Pension Benefits</b>	
	<b>2011</b>	<b>2010</b>
<b>Actual return on earmarked reserves</b>	\$ 237,250	\$ 155,304
<b>Weighted-average assumptions used to determine benefit obligations at December 31</b>		
Discount rate	4.90 %	5.75 %
Rate of compensation increase	4.50	4.50
<b>Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31</b>		
Discount rate	5.75 %	6.00 %
Expected long-term rate of return on plan assets	7.00	7.00
Rate of compensation increase	4.50	4.50

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

Amortization of net prior service cost	\$ 520
Amortization of net loss (gain)	(383,909)

**Expected Contributions**

The Institution anticipates contributing \$79,746 to the Supplemental Plan in 2012.

**Estimated Future Benefit Payments**

<b>Years</b>	<b>Benefit Payments</b>
2012	\$ 79,746
2013	79,373
2014	78,954
2015	78,477
2016	43,297
2017–2021	-

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**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.

	<b>Other</b>	
	<b>Postretirement Benefits</b>	
	<b>2011</b>	<b>2010</b>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 27,876,503	\$ 26,480,037
Service cost	631,717	604,895
Interest cost	1,525,074	1,508,779
Benefits paid, net of participant contributions	(1,213,079)	(1,170,177)
Actuarial loss	2,241,434	452,969
Benefit obligation at end of year	<u>31,061,649</u>	<u>27,876,503</u>
Change in plan assets		
Fair value of plan assets at beginning of year	21,966,111	19,890,457
Employer contributions	492,572	1,200,000
Actual return on plan assets	(245,338)	2,045,831
Benefits paid, net of participant contributions	(1,213,079)	(1,170,177)
Fair value of plan assets at end of year	<u>21,000,266</u>	<u>21,966,111</u>
Funded status	<u>\$ (10,061,383)</u>	<u>\$ (5,910,392)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ (10,061,383)</u>	<u>\$ (5,910,392)</u>
Net amount recognized	<u>\$ (10,061,383)</u>	<u>\$ (5,910,392)</u>
Amounts recognized in unrestricted net assets		
Net prior service cost	\$ (5,575,972)	\$ (6,415,818)
Net actuarial loss	17,023,200	13,722,466
Components of net periodic benefit cost		
Service cost	\$ 631,717	\$ 604,895
Interest cost	1,525,074	1,508,779
Expected return on plan assets	(1,704,084)	(1,552,082)
Amortization of prior service credit	(839,846)	(839,846)
Amortization of net loss	890,122	870,826
Net periodic benefit cost	<u>\$ 502,983</u>	<u>\$ 592,572</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	(890,122)	(870,826)
Net actuarial gain	4,190,856	(40,780)
Gain (loss) recognized in nonoperating (income) expense	<u>\$ 4,140,580</u>	<u>\$ (71,760)</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 \$10,411 for the year ended December 31, 2011.

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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

**Weighted-average assumptions used to determine benefit obligations at December 31**

Discount rate	5.00 %	5.75 %
---------------	--------	--------

**Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31**

Discount rate	5.00 %	5.75 %
Expected long-term rate of return on plan assets	8.00	8.00

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

	2011		2010	
	Pre-65	Post-65	Pre-65	Post-65
<b>Assumed health care cost trend rates at December 31</b>				
Health care cost trend rate assumed for next year	7.0 %	6.0 %	8.0 %	6.5 %
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	2017	2014	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:

	2011		2010	
	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	\$ 384,092	\$ (305,462)	\$ 358,483	\$ (287,326)
Effect on year-end postretirement benefit obligation	4,945,825	(4,006,646)	3,868,960	(3,177,372)

**Plan Assets**

The Institution's postretirement benefit plan weighted-average asset allocations at December 31, 2011 and 2010, by asset category are as follows:

	2011	2010
<b>Asset category</b>		
Cash and cash equivalents	12 %	12 %
Equity securities	75	76
Bonds	13	12
	<u>100 %</u>	<u>100 %</u>

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

---

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.

**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	1,200,674

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**

	<b>2011</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
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>

	<b>2010</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash and cash equivalents	\$ 2,693,706	\$ -	\$ -	\$ 2,693,706
Mutual funds	2,611,253	-	-	2,611,253
Commingled funds	-	6,019,667	-	6,019,667
Domestic common stock	10,626,146	-	-	10,626,146
	<u>\$ 15,931,105</u>	<u>\$ 6,019,667</u>	<u>\$ -</u>	<u>\$ 21,950,772</u>

**Expected Contributions**

The Institution anticipates contributing \$0 to the Retiree Medical Plan in 2012.

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

---

**Estimated Future Benefit Payments**

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

Years	Benefit Payments
2012	\$ 1,364,885
2013	1,465,008
2014	1,494,962
2015	1,583,300
2016	1,663,172
2017–2021	9,158,347

**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:

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

  

	<b>2010</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor restricted endowment funds	\$ -	\$ 196,730,011	\$ 66,295,888	\$ 263,025,899
Board designated funds	84,872,660	-	-	84,872,660
Total funds	<u>\$ 84,872,660</u>	<u>\$ 196,730,011</u>	<u>\$ 66,295,888</u>	<u>\$ 347,898,559</u>



**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Endowment net assets beginning of year</b>	\$ 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)
<b>Endowment net assets end of year</b>	<b>\$ 81,499,584</b>	<b>\$ 180,557,211</b>	<b>\$ 67,642,929</b>	<b>\$ 329,699,724</b>

  

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Endowment net assets beginning of year</b>	\$ 71,718,939	\$ 180,949,548	\$ 65,177,328	\$ 317,845,815
Investment return				
Investment income	219,626	695,860	-	915,486
Net appreciation (realized and unrealized)	9,789,029	27,066,454	-	36,855,483
Total investment return	10,008,655	27,762,314	-	37,770,969
New gifts	7,443,111	300	551,972	7,995,383
Appropriation of endowment assets for expenditure	(4,298,786)	(11,998,771)	-	(16,297,557)
Change in split interest agreements	741	16,620	566,588	583,949
<b>Endowment net assets end of year</b>	<b>\$ 84,872,660</b>	<b>\$ 196,730,011</b>	<b>\$ 66,295,888</b>	<b>\$ 347,898,559</b>

**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.

**Woods Hole Oceanographic Institution**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

---

**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 \$927,855 and \$905,543 for the years ended December 31, 2011 and 2010, 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 \$2,717,963 and \$1,412,778 for the years ended December 31, 2011 and 2010, respectively.

The Institution has loans due from various employees for education advances and computer purchases. The amounts outstanding are \$1,153,423 and \$1,105,070 at December 31, 2011 and 2010, respectively.

# Woods Hole Oceanographic Institution

## Schedule of Expenditures of Federal Awards

### December 31, 2011

Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title	Federal CFDA/ Contract Number	Federal Expenditures
<b>Research and Development Cluster</b>		
<b>Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title</b>		
<b>Research and Development Cluster</b>		
<b>Research and Development Direct Awards</b>		
<b>National Oceanic and Atmospheric Administration</b>		
<b>Department of Commerce</b>		
SEA GRANT SUPPORT	11.417	\$ 175,988
SEA GRANT SUPPORT	11.417	3,923
SEA GRANT SUPPORT	11.417	35,346
SEA GRANT SUPPORT	11.417	40,724
SEA GRANT SUPPORT	11.417	851,855
INTERJURISDICTIONAL FISHERIES ACT OF 1986	11.407	54,898
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	2,020
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	9,498
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	5,755
COASTAL ZONE MANAGEMENT ESTUARINE RESEARCH RESERVES	11.420	621
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	165,596
SPECIAL OCEANIC AND ATMOSPHERIC PROJECTS	11.460	87,813
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	156,941
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	210,459
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	10,229
UNDERSEA RESEARCH	11.430	39,852
UNALLIED SCIENCE PROGRAM	11.472	66,554
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	83,803
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	71,498
COASTAL SERVICES CENTER	11.473	61,868
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	97,196
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	64,963
FINANCIAL ASSISTANCE FOR NATIONAL CENTERS FOR COASTAL OCEAN SCIENCE	11.426	140,122
COASTAL SERVICES CENTER	11.473	164,379
OCEAN EXPLORATION	11.011	78
MARINE MAMMAL DATA PROGRAM	11.439	16,769
UNDERSEA RESEARCH	11.430	126,605
OCEAN EXPLORATION	11.011	79,998
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	1,084,085
COASTAL SERVICES CENTER	11.473	292,432
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	253,176
MARINE MAMMAL DATA PROGRAM	11.439	18,300
SPECIAL OCEANIC AND ATMOSPHERIC PROJECTS	11.460	83,371
CLIMATE AND ATMOSPHERIC RESEARCH	11.431	54,623
OCEAN EXPLORATION	11.011	31,009
MARINE MAMMAL DATA PROGRAM	11.439	310
CENTER FOR SPONSORED COASTAL OCEAN RESEARCH COASTAL OCEAN PROGRAM	11.478	87,014
OFFICE OF OCEANIC AND ATMOSPHERIC RESEARCH OAR JOINT AND COOPERATIVE INSTITUTES	11.432	8,865,113
OFFICE OF OCEANIC AND ATMOSPHERIC RESEARCH OAR JOINT AND COOPERATIVE INSTITUTES	11.432	42,748
OFFICE OF OCEANIC AND ATMOSPHERIC RESEARCH OAR JOINT AND COOPERATIVE INSTITUTES	11.432	2,386,817
AB133F09CN0151	11.AB133F09CN0151	6,479
WE133R12SE2045	11.WE133R12SE2045	900
AB133R10SU0520	11.AB133R10SU0520	5,332
WE133R11SE0911	11.WE133R11SE0911	7,380
RA133R10SE1210	11.RA133R10SE1210	540

# Woods Hole Oceanographic Institution

## Schedule of Expenditures of Federal Awards

### December 31, 2011

Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
<b>Research and Development Direct Awards (continued)</b>		
<b>Department of Commerce (continued)</b>		
WE133R11SE1265	11.WE133R11SE1265	3,559
RA133F11SE1361	11.RA133F11SE1361	32,126
MC397	11.MC397	1,330
EA133F11SE2196	11.EA133F11SE2196	16,072
EA133F10SE2301	11.EA133F10SE2301	14,266
AB133F10SE2417	11.AB133F10SE2417	13,595
RA133F11SE1410	11.RA133F11SE1410	5,843
EA133F09SE4792	11.EA133F09SE4792	50,793
8850	11.8850	1,890
ARRA - MEASUREMENT AND ENGINEERING RESEARCH AND STANDARDS	11.609	273,744
ARRA - CONSTRUCTION GRANT PROGRAM	11.618	3,086,024
		<u>19,544,222</u>
<b>Department of Defense</b>		
N6660410D0002	12.N6660410D0002	1,623,722
NOOO1410C0053	12.NOOO1410C0053	238,372
N0001410C0149	12.N0001410C0149	292,318
N0001410C0212	12.N0001410C0212	426,732
N0001411C0536	12.N0001411C0536	394,265
N0001409C0162	12.N0001409C0162	67
N6230609P1S18	12.N6230609P1S18	853
N6660409D1030	12.N6660409D1030	457,520
N6236010D2004	12.N6236010D2004	2,036,121
N6230607D9002	12.N6230607D9002	104,644
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300	16,675,883
W912HQ09C0043	12.W912HQ09C0043	589,867
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300	355,092
N0001411M0215	12.N0001411M0215	14,494
N0001410M0379	12.N0001410M0379	58,204
MO1038600	12.MO1038600	21,800
N660110C4010	12.N660110C4010	2,149,539
N6230610189B59	12.N6230610189B59	1,375
VISA6521	12.VISA6521	1,800
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300	711,952
N660111C4118	12.N660111C4118	493,035
BASIC AND APPLIED SCIENTIFIC RESEARCH	12.300	370,017
N0017411H4908	12.N0017411H4908	2,400
		<u>27,020,072</u>
<b>Department of the Interior</b>		
G09PC00004	15.G09PC00004	215,275
USGS RESEARCH AND DATA COLLECTION	15.808	1,314,503
MC4920	15.MC4920	990
MC9856	15.MC9856	1,800
MC6045	15.MC6045	2,240
G11PX01132	15.G11PX01132	56,570
J1274090111	15.J1274090111	92,217
H238015504	15.H238015504	56,688
		<u>1,740,283</u>

# Woods Hole Oceanographic Institution

## Schedule of Expenditures of Federal Awards

### December 31, 2011

Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
<b>Research and Development Direct Awards (continued)</b>		
<b>National Aeronautics and Space Administration</b>		
NNX08AR65G	43.NNX08AR65G	164,526
NNX08AL71G	43.NNX08AL71G	85,638
NNG06GI27G	43.NNG06GI27G	133,149
NNX07AL80G	43.NNX07AL80G	349,292
NNX07AF97G	43.NNX07AF97G	1
NNX08AX01G	43.NNX08AX01G	201,884
NNX08AB73G	43.NX08AB73G	170,879
NNX09AF35G	43.NNX09AF35G	123,041
NNX09AB75G	43.NNX09AB75G	345,472
NNX09AB76G	43.NNX09AB76G	282,355
NNX10AG07G	43.NNX10AG07G	220,120
NNX10AP09G	43.NNX10AP09G	173,838
NNX10AE19G	43.NNX10AE19G	152,536
NNX10AO72H	43.NNX10AO72H	30,536
NNX10AQ83G	43.NNX10AQ83G	158,824
NNX10AO86G	43.NNX10AO86G	222,588
NNX11AF07G	43.NNX11AF07G	56,890
NNX11AF55G	43.NNX11AF55G	139,263
NNX11AL59H	43.NNX11AL59H	11,845
NNX11AE82G	43.NNX11AE82G	531,580
NNX11AE84G	43.NNX11AE84G	121,873
NNX10AI30G	43.NNX10AI30G	2,505
		<u>3,678,635</u>
<b>National Science Foundation</b>		
GEOSCIENCES	47.050	71,890,390
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	14,051
COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	47.070	21,127
BIOLOGICAL SCIENCES	47.074	106,173
BIOLOGICAL SCIENCES	47.074	22,625
BIOLOGICAL SCIENCES	47.074	334,559
BIOLOGICAL SCIENCES	47.074	1,737
BIOLOGICAL SCIENCES	47.074	13,842
BIOLOGICAL SCIENCES	47.074	55,352
SOCIAL BEHAVIORAL AND ECONOMIC SCIENCES	47.075	30,750
POLAR PROGRAMS	47.078	2,155,535
INTERNATIONAL SCIENCE AND ENGINEERING	47.079	11,096
INTERNATIONAL SCIENCE AND ENGINEERING	47.079	142
OFFICE OF CYBERINFRASTRUCTURE	47.080	8,456
ARRA - TRANS NSF RECOVERY ACT RESEARCH SUPPORT	47.082	11,682,793
AGS1203879	47.AGS1203879	17,694
EAR090208000	47.EAR090208000	339,350
OCI0936358	47.OCI0936358	219,527
		<u>86,925,199</u>

**Woods Hole Oceanographic Institution  
Schedule of Expenditures of Federal Awards  
December 31, 2011**

---

Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
<b>Research and Development Direct Awards (continued)</b>		
<b>Environmental Protection Agency</b>		
SCIENCE TO ACHIEVE RESULTS STAR RESEARCH PROGRAM	66.509	87,080
FP917228010	66.FP917228010	12,720
9170089010	66.9170089010	14,940
		<u>114,740</u>
<b>Department of Energy</b>		
OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	81.049	4,330
		<u>4,330</u>
<b>Department of Health and Human Services</b>		
DEPARTMENT OF HEALTH AND HUMAN SERVICES	93.864	62,448
ENVIRONMENTAL HEALTH	93.113	155,356
BIOMEDICAL RESEARCH AND RESEARCH TRAINING	93.859	5,000
ENVIRONMENTAL HEALTH	93.113	657,379
ENVIRONMENTAL HEALTH	93.113	473,925
ENVIRONMENTAL HEALTH	93.113	487,092
ARRA - TRANS NIH RECOVERY ACT RESEARCH SUPPORT	93.701	120,214
ENVIRONMENTAL HEALTH	93.113	51,292
ENVIRONMENTAL HEALTH	93.113	43,361
F223201000060C	93.F223201000060C	26,731
		<u>2,082,798</u>
<b>Department of Homeland Security</b>		
HSCG3211PE00027	97.HSCG3211PE00027	1,364
		<u>1,364</u>
<b>Total Direct Awards</b>		<u>141,111,643</u>

# Woods Hole Oceanographic Institution

## Schedule of Expenditures of Federal Awards

### December 31, 2011

Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
<b>Research and Development Passed Through from Other Organizations</b>		
<b>Department of Agriculture</b>		
INFORMATION AND SIMULATION SYSTEMS 2009001USDA1	10.212	719
		<u>719</u>
<b>Department of Commerce</b>		
UNIVERSITY OF WASHINGTON MC6223	11.47301408018400	719
TEXAS AM UNIVERSITY AT GALVESTON S100046	11.468	10,982
INTERNATIONAL FUND FOR ANIMAL WELFARE 350047	11.439	138
UNIVERSITY OF NEW HAMPSHIRE 10076	11.472	9,278
UNIVERSITY OF MAINE VISA8925	11.417	549
TULANE UNIVERSITY WHO91	11.463	19,657
CORNELL UNIVERSITY 626909471	11.WC133F10SE3485	146,801
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710002770	11.417	21,549
UNIVERSITY OF MASSACHUSETTS BOSTON S20100000010486	11.431	11,022
MONTEREY BAY AQUARIUM RESEARCH INSTITUTE 1110487	11.473	2,063
COASTAL RESOURCES MANAGEMENT COUNCIL	11.417	16,736
UNIVERSITY OF NEW HAMPSHIRE MC7684	11.430	1,980
NORTH PACIFIC RESEARCH BOARD 1003	11.472	52,603
UNIVERSITY OF MISSISSIPPI 0811048	11.430	249,718
DUKE UNIVERSITY 09NCSU1098	11.417	4,817
ALASKA DEPARTMENT OF FISH AND GAME IHP1106	11.IHP1106	22,149
UNIVERSITY OF NEW HAMPSHIRE 11117	11.472	83,900
SEABED TECHNOLOGIES INC SB1211	11.WE133F11SE2463	13,508
INDUSTRIAL ECONOMICS INC 1050WHOI	11.DG133C06NC1729	621,943
SCIENCE APPLICATIONS INTERNATIONAL CORP P010082031	11.QA1330LQ1035	563
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710002345	11.417	39,884
UNIVERSITY CORPORATION FOR ATMOSPHERIC RESEARCH P1192542	11.431	86,657
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 5710002775	11.417	10,024
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710002769	11.417	44,526
UNIVERSITY OF CALIFORNIA SAN DIEGO SCRIPPS 1031442801	11.432	12,931
THE RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII Z964509	11.432	6,111
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 5710002975	11.417	47,041
MASSACHUSETTS INSTITUTE OF TECHNOLOGY SEA GRANT 57100002974	11.417	12,161
OREGON STATE UNIVERSITY P0084915	11.432	2,371
UNIVERSITY OF ST ANDREWS SCOTLAND 20070145002	11.463	47,676
UNIVERSITY OF WASHINGTON ZC110315009	11.ZC110315009	671
SCIENCE APPLICATIONS INTERNATIONAL CORP P010095152	11.QA133W11CN0092	580
OREGON STATE UNIVERSITY P0085408	11.432	1,106
UNIVERSITY OF MAINE 5100045548	11.473	4,084
UNIVERSITY OF MAINE 5100007655	11.NA10NOS4730019	7,514
UNIVERSITY OF PENNSYLVANIA 557723	11.431	42,269
UNIVERSITY OF MASSACHUSETTS DARTMOUTH 8627	11.417	10,447
SCIENCE APPLICATIONS INTERNATIONAL CORPORATION P010059024D	11.QA133005CQ1035	2,835
CORNELL UNIVERSITY 603069073	11.WC133F09SE4754	20,979
CORNELL UNIVERSITY 656369685	11.WC133F11CN0155	78,728
RUTGERS UNIVERSITY S1419989	11.431	1,200
		<u>1,770,470</u>

# Woods Hole Oceanographic Institution

## Schedule of Expenditures of Federal Awards

### December 31, 2011

Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
<b>Research and Development Passed Through from</b>		
<b>Other Organizations (continued)</b>		
<b>Department of Defense</b>		
OCEAN ACOUSTICAL SERVICES AND INSTRUMENTS SYS INC OASIS1137	12.91059732	6,000
RUTGERS UNIVERSITY 2288	12.N000140610739	271,767
JOHNS HOPKINS UNIVERSITY 2000011060	12.300	137,317
DUKE UNIVERSITY 11SERDP1081	12.W912HQ11C0079	1,788
SKY RESEARCH 101714WHOI	12.W912HQ10C0036	10,031
YULISTA MANAGEMENT SERVICES INC 18P102757	12.18P102757	713
ITT CORPORATION PO300010	12.N0017804D4040	4,821
HYDROID N6230610D2004	12.N6230610D2004	14,658
UNIVERSITY OF ALASKA FAIRBANKS UAF00852	12.N0001400710040	119,625
PRINCETON UNIVERSITY 00001690	12.N00140911074	6,825
HYDROID LLC PO00020323	12.300	4,452
ADVANCED TECHNOLOGY AND RESEARCH CORPORATION ATR09470604001	12.N0001409C0145	7,487
UNIVERSITY OF DELAWARE VISA8039	12.300	2,937
UNIVERSITY OF SOUTHERN CALIFORNIA 137761	12.300	109,420
OCEAN ACOUSTICAL SERVICES AND INSTRUMENT SYSTEMS INC OASIS08SC04	12.N0001408C0178	37,217
MANTECH SYSTEMS ENGINEERING CORPORATION MSEC000968	12.N0016704D0022	791
PENNSYLVANIA STATE UNIVERSITY S1102	12.N0002402D6604	235,465
DUKE UNIVERSITY 090NR1040	12.300	64,880
UNIVERSITY OF WASHINGTON 710490	12.300	9,374
OCEAN ACOUSTICAL SERVICES AND INSTRUMENT SYSTEMS INC OASIS1132	12.N0001408C0569	204,453
CREARE INC 61351	12.N001411M0247	17,714
FLORIDA STATE UNIVERSITY R01385	12.300	93,199
UNIVERSITY OF IDAHO N0031726	12.300	5,006
HYDROID LLC PO00022201	12.N0003910C0085	1,223
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 5710002411	12.300	32,184
THE JOHNS HOPKINS UNIVERSITY 102884	12.N0002403D6606	31,886
HDR ENFIRONMENTAL INC N6247010D3011	12.N6247010D3011	172,130
ITT CORPORATION PO303231	12.N0002411C6313	1,434
UNIVERSITY OF MASSACHUSETTS DARTMOUTH 3224004	12.300	4,663
UNIVERSITY OF MIAMI AGREEMENT	12.300	(5,086)
UNIVERSITY OF DELAWARE 2483500	12.300	31,957
UNIVERSITY OF CALIFORNIA SAN DIEGO SCRIPPS 10285191	12.N000140801840	251,217
UNIVERSITY OF SOUTH FLORIDA 70000025653	12.300	5,054
UNIVERSITY OF WASHINGTON 715702	12.300	1
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 5710002157	12.N000140710326	150,802
UNIVERSITY OF RHODE ISLAND 00000176663	12.300	10,559
UNIVERSITY OF MARYLAND Z898001	12.300	43,288
GEORGIA INSTITUTE OF TECHNOLOGY R8468S5	12.N0001407C0768	7,166
HYDROID LLC PO00018475	12.N6230608D9003	1,160
MARINE BIOLOGICAL LABORATORY 38617	12.300	67,495
HYDROID LLC PO00018664	12.N6230608D9003	580
HYDROID LLC PO00019351	12.300	32,812
UNIVERSITY OF RHODE ISLAND 0000019703	12.300	24,975
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 4501289839	12.300	3,148
MASSACHUSETTS INSTITUTE OF TECHNOLOGY LINCOLN LABORATORY 7000143135	12.300FA872105C0002	66,625
		2,301,213



# Woods Hole Oceanographic Institution

## Schedule of Expenditures of Federal Awards

### December 31, 2011

Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
<b>Research and Development Passed Through from Other Organizations (continued)</b>		
<b>Department of the Interior</b>		
TDI BROOKS INTERNATIONAL INC AGREEMENT	15.M08PC20038	23,968
SCIENCE APPLICATIONS INTERNATIONAL CORP PO10061588	15.MP10PC0012	705,994
LAKE CHAMPLAIN MARITIME MUSEUM 401779	15.926	8,875
UNIVERSITY OF MASSACHUSETT DARTMOUTH 7833WHOI	15.M10PC00096	134,688
		<u>873,525</u>
<b>Department of Transportation</b>		
OIL SPILL RECOVERY INSTITUTE OSRI 111011	20.TPF	1,539
		<u>1,539</u>
<b>National Aeronautics and Space Administration</b>		
JET PROPULSION LABORATORY JPL1283726	43.JPL1283726	126
OREGON STATE UNIVERSITY NS220AA	43.NNX10AO93G	58,491
HARVARD UNIVERSITY 70000122500	43.NNC09AB78G	1,000
SCIENTIFIC SYSTEMS COMPANY INC 0000289	43.NNX09AN4G	7,733
UNIVERSITY OF CALIFORNIA SANTA BARBARA KK1158	43.001	47,485
UNIVERSITY OF SOUTH FLORIDA 2500144100A	43.000	24,999
FLORIDA STATE UNIVERSITY R01508	43.001	15,315
PRINCETON UNIVERSITY 00001526	43.000	32,716
JET PROPULSION LABORATORY RSA1431729	43.NMO710772	99,972
OLD DOMINION UNIVERSITY VISA9643	43.501971	875
UNIVERSITY OF NEW HAMPSHIRE 12027	43.000	47,169
STANFORD UNIVERSITY 2551611046281A	43.000	129,093
UNIVERSITY OF COLORADO UCB1544281	43.002	533
UNIVERSITY OF COLORADO 1544357	43.002	83,838
		<u>549,345</u>
<b>National Science Foundation</b>		
ARRA - TEXAS A M RESEARCH FOUNDATION POW000020	47.082	21,014
UNIVERSITY OF RHODE ISLAND POL260049	47.050	1,000
UNIVERSITY OF NEW HAMPSHIRE POP1UZO107	47.050	9,021
BOWLING GREEN STATE UNIVERSITY VISAXXXXXXXXXXXXX 8425	47.078	2,860
UNIVERSITY OF SOUTHERN CALIFORNIA POK01257	47.050	1,313
UNIVERSITY OF GEORGIA PO120271	47.050	953
NORTHEASTERN UNIVERSITY 400016P722181	47.041	5,342
BROWN UNIVERSITY MCXXXXXXXXXXXX5487	47.050	1,080
CONSORTIUM FOR OCEAN LEADERSHIP POT324A26	47.050	29,671
CONSORTIUM FOR OCEAN LEADERSHIP POT325A26	47.050	12,016
UNIVERSITY OF ALASKA FAIRBANKS MC0029	47.050	3,466
NAVAL POSTGRADUATE SCHOOL N0024411P0343	47.078	10,951
UNIVERSITY OF CALIFORNIA SANTA BARBARA PO01618060391	47.050	258
ARRA - EOM OFFSHORE EOM01201105ESP	47.078	18,769
MASSACHUSETTS INSTITUTE OF TECHNOLOGY P04501398749	47.050	2,124
UNIVERSITY OF CALIFORNIA SAN DIEGO SCRIPPS PO10310817	47.050	3,961
FLORIDA STATE UNIVERSITY PO0610835	47.074	225
BROWN UNIVERSITY MC5487	47.050	1,920
ARRA - YALE UNIVERSITY YNP1120905	47.082	4,049
EOM OFFSHORE EOM2011009ESP	47.050	3,197

# Woods Hole Oceanographic Institution

## Schedule of Expenditures of Federal Awards

### December 31, 2011

Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
<b>Research and Development Passed Through from</b>		
<b>Other Organizations (continued)</b>		
<b>National Science Foundation (continued)</b>		
UNIVERSITY OF CALIFORNIA IRVINE PO0119B03011074	47.050	304
OREGON STATE UNIVERSITY POS1077A	47.050	900
ARRA - UNIVERSITY OF MONTANA POP00004153	47.082	214,437
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY VISA5749	47.050	1,020
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY 591297	47.050	140
ARRA - FLORIDA INSTITUTE OF TECHNOLOGY 201336	47.082	129,142
BERMUDA INSTITUTE OF OCEAN SCIENCES PO41382	47.050	3,563
ARRA - UNIVERSITY OF ALASKA FAIRBANKS POP14240	47.082	14,743
OREGON STATE UNIVERSITY JI429A	47.050	4,980
UNIVERSITY OF CALIFORNIA SAN DIEGO PO10311462	47.078	13,220
UNIVERSITY OF MARYLAND POL151484	47.050	319
ARRA - BOSTON UNIVERSITY 4500000622	47.082	34,330
BOSTON UNIVERSITY 4500000650	47.050	5,234
ARRA - BOSTON UNIVERSITY 4500000663	47.082	128,011
OLD DOMINION UNIVERSITY RESEARCH FOUNDATION PORF71703	47.050	6,100
NEW ENGLAND AQUARIUM 1756	47.046	31,404
UNIVERSITY OF SOUTHERN CALIFORNIA 101809	47.050	23,149
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY 591894	47.078	9,000
RUTGERS UNIVERSITY 3937	47.050	158,576
ARRA - EOM OFFSHORE POEOM2011014ESP	47.078	14,182
PENNSYLVANIA STATE UNIVERSITY 4792039	47.050	7,500
BERMUDA INSTITUTE OF OCEAN SCIENCES 072050	47.075	160,741
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY PO592201	47.050	89,925
RENSSELAER POLYTECHNIC INSTITUTE A12240	47.080	15,481
BERMUDA INSTITUTE OF OCEAN SCIENCES 062285	47.075	2,771
BERMUDA INSTITUTE OF OCEAN SCIENCES 102310	47.050	11,263
CONSORTIUM OF OCEAN LEADERSHIP 1006	47.050	364,177
ARRA - MARINE BIOLOGICAL LABORATORY MCXXXXXXXXXXXX2344	47.082	461
UNIVERSITY OF HAWAII POZ792384	47.074	453,650
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 5710002549	47.050	4,956
RENSSELAER POLYTECHNIC INSTITUTE POB12700	47.050	6,960
STANFORD UNIVERSITY 2798114052774A	47.050	60,609
THE FIELD MUSEUM PO42902	47.075	5,256
UNIVERSITY OF RHODE ISLAND PO0000032903	47.050	16,986
UNIVERSITY OF ARIZONA POY482947	47.050	47,731
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY 524452	47.050	228,241
UNIVERSITY OF PUERTO RICO VISA XXXXXXXXXXXX3016	47.076	3,772
UNIVERSITY OF MIAMI P163092	47.050	3,563
MARINE BIOLOGICAL LABORATORY MCXXXXXXXXXXXX4401	47.078	942
UNIVERSITY OF CALIFORNIA SANTA CRUZ PO423117	47.050	135
ARRA - UNIVERSITY OF HAWAII Z943138	47.082	33,258
CHAPMAN UNIVERSITY POP669633224	47.050	131
UNIVERSITY OF CALIFORNIA SAN DIEGO PO10313301	47.050	574,813
UNIVERSITY OF CALIFORNIA SANTA CRUZ PO383308	47.050	2,151
UNIVERSITY OF CALIFORNIA SANTA BARBARA POVB53338	47.050	769

# Woods Hole Oceanographic Institution

## Schedule of Expenditures of Federal Awards

### December 31, 2011

Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
<b>Research and Development Passed Through from</b>		
<b>Other Organizations (continued)</b>		
<b>National Science Foundation (continued)</b>		
CONSORTIUM FOR OCEAN LEADERSHIP POT335A26	47.050	90,529
CONSORTIUM FOR OCEAN LEADERSHIP PO7335B26	47.050	104,830
CONSORTIUM FOR OCEAN LEADERSHIP T335C26	47.050	39,301
UNIVERSITY OF SOUTHERN CALIFORNIA POK03511	47.050	1,565
BERMUDA INSTITUTE OF OCEAN SCIENCES PO43662	47.050	1,313
HARVARD UNIVERSITY PO70000243969	47.050	3,990
RUTGERS UNIVERSITY 3974	47.050	5,585
ARRA - UNIVERSITY OF NEBRASKA 2505500004004	47.082	92,919
UNIVERSITY OF WASHINGTON PO724275	47.078	10,647
UNIVERSITY OF MARYLAND T154375	47.050	7,680
UNIVERSITY OF CALIFORNIA SANTA CRUZ PO404377	47.050	278
NORTH CAROLINA STATE UNIVERSITY PO03474386	47.050	46
UNIVERSITY OF SOUTHERN CALIFORNIA W91149	47.050	2,999
UNIVERSITY OF WASHINGTON VISXXXXXXXXXXXX4435	47.050	1,152
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY PO584454	47.050	17,920
RESEARCH FOUNDATION OF SUNY POR724510	47.050	339
UNIVERSITY OF MINNESOTA PO0000484617	47.050	4,800
UNIVERSITY OF RHODE ISLAND PO000034864	47.050	2,096
BROWN UNIVERSITY MCXXXXXXXXXXXX8522	47.050	1,200
MICHIGAN TECHNOLOGICAL UNIVERSITY PO084975	47.050	7,500
GEORGIA INSTITUTE OF TECHNOLOGY PO3200014983	47.050	600
UNIVERSITY OF MINNESOTA MCXXXXXXXXXXXX5070	47.050	1,920
BROWN UNIVERSITY MCXXXXXXXXXXXX5487	47.050	1,089
HARVARD UNIVERSITY POAV575504	47.050	12
MARINE BIOLOGICAL LABORATORY 35558	47.078	86,694
UNIVERSITY OF RHODE ISLAND PO000015737	47.078	6,762
UNIVERSITY OF SOUTHERN CALIFORNIA PO135867	47.050	9,262
BATES COLLEGE PO0035890	47.078	13,000
THE RESULTS GROUP POTRGNF02	47.041	4,437
UNIVERSITY OF SOUTH FLORIDA PO7000026365	47.050	3,816
UNIVERSITY OF GEORGIA PO0276411	47.074	100
MICHIGAN TECHNOLOGICAL UNIVERSITY POP0086508	47.050	2,250
MARINE BIOLOGICAL LABORATORY POWO00026720	47.050	2,142
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY PO586756	47.050	3,900
BOSTON UNIVERSTIY BU366834NRW	47.050	9,520
COLUMBIA UNIVERSITY PO597123	47.050	7
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY PO587155	47.078	8,527
OLD DOMINION UNIVERSITY RESEARCH FOUNDATION PORF67187	47.050	10,588
DUKE UNIVERSITY PO4520997354	47.050	1,892
UNIVERSITY OF MIAMI AB17460	47.050	358
UNIVERSITY OF MAINE UMS845	47.078	199,643
UNIVERSITY OF NEW HAMPSHIRE MCXXXXXXXXXXXX7684	47.050	414
UNIVERSITY OF HAWAII Z877695	47.050	2,136
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY PO587710	47.078	48,733
CARNEGIE MELLON UNIVERSITY 1121538257720	47.075	15,598

# Woods Hole Oceanographic Institution

## Schedule of Expenditures of Federal Awards

### December 31, 2011

Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
<b>Research and Development Passed Through from</b>		
<b>Other Organizations (continued)</b>		
<b>National Science Foundation (continued)</b>		
MASSACHUSETTS INSTITUTE OF TECHNOLOGY PO5510047886	47.082	1,992
ARRA - UNIVERSITY OF CALIFORNIA SAN DIEGO PO10307638	47.082	49,263
BOSTON UNIVERSITY PO1000028083	47.050	5,110
BOSTON UNIVERSITY POSD358205AJ1	47.050	761
DUKE UNIVERSITY VISAXXXXXXXXXXX8215	47.050	3,946
LAMONT DOHERTY EARTH OBSERVATORY OF COLUMBIA UNIVERSITY PO598280	47.050	12,320
BROWN UNIVERSITY POP268342	47.050	6,300
UNIVERSITY OF WASHINGTON PO708381	47.050	17,808
UNIVERSITY OF CALIFORNIA SAN DIEGO 10318417	47.050	57,322
UNIVERSITY OF VERMONT MC0583	47.050	2,928
UNIVERSITY OF WASHINGTON PO698772	47.078	1,781
UNIVERSITY OF HAWAII POZ978773	47.050	4,137
UNIVERSITY OF OREGON 208991A	47.050	39,666
PRINCETON UNIVERSITY PO0000439154	47.050	1,000
FLORIDA STATE UNIVERSITY R01243	47.050	80,357
OLD DOMINION UNIVERSITY RF69263	47.078	9,560
BERMUDA INSTITUTE OF OCEAN SCIENCES AGR092285	47.050	77,287
UNIVERSITY OF WASHINGTON POS709406	47.050	832
UNIVERSITY OF SOUTHERN CALIFORNIA SUBAWARD - 153321	47.050	37,255
UNIVERSITY OF MICHIGAN PO3001849749	47.050	9,126
NEW MEXICO TECH POP0009791	47.050	20,400
UNIVERSITY OF SOUTHERN MISSISSIPPI PO1069794	47.050	500
UNIVERSITY OF RHODE ISLAND PO0000019846	47.050	3,000
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	(134,817)
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	2,868,692
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	(18,421)
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	420,819
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	1,860,514
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	587,735
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	18,788
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	960,566
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	966,052
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	2,002,666
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	180,079
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	28,475
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	333,850
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	40,510
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	1,255
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	293,628
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	867,025
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	419,205
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	93,860
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	1,674,902
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	382,409
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	89,499

# Woods Hole Oceanographic Institution

## Schedule of Expenditures of Federal Awards

### December 31, 2011

---

Federal Grantor/Pass-Through Grantor Name and ID/Program or Cluster Title Research and Development Cluster	Federal CFDA/ Contract Number	Federal Expenditures
<b>Research and Development Passed Through from Other Organizations (continued)</b>		
<b>National Science Foundation (continued)</b>		
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	172
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	412
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	3,900
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	1,010
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	165,737
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	99,212
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	84,579
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	(37,289)
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	538,106
ARRA - OCEAN LEADERSHIP JOI DIVISION SA910	47.082	33,486
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	6,151
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	1,546,570
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	391,314
OCEAN LEADERSHIP JOI DIVISION SA910	47.050	147,762
		<u>21,213,339</u>
<b>Environmental Protection Agency</b>		
COLUMBIA UNIVERSITY RD83322201	66.RD83322201	9,152
		<u>9,152</u>
<b>Department of Energy</b>		
ADVANCED TECHNOLOGY AND RESEARCH CORPORATION ATR09470604001	81.DEAC0206CH11357	(2,316)
HARRIS MILLER MILLER AND HANSON INC 303910WHOI	81.087	58,836
TULANE UNIVERSTIY TUL5410607	81.DEFC0206ER6429	43,614
PICARRO INC 21301	81.049	12,500
UNIVERSITY OF MISSISSIPPI 1103065	81.089	135,960
ARRA - GINGKO BIOWORKS INC SUBAWARD	81.135	55,526
MICHIGAN TECHNICAL UNIVERSITY P0086051	81.7721900109	6,000
UNIVERSITY OF MASSACHUSETTS DARTMOUTH 6302	81.087	13,136
MICHIGAN TECHNICAL UNIVERSITY P0086508	81.7721900109	3,375
		<u>326,631</u>
<b>Department of Education</b>		
UNIVERSITY OF NEW HAMPSHIRE MC1849	84.217	1,120
		<u>1,120</u>
<b>Department of Health and Human Services</b>		
BOSTON UNIVERSITY RA211354BAJ	93.113	5,208
BOSTON UNIVERSITY MC349661DJW	93.113	85,781
UNIVERSITY OF FLORIDA UF10043	93.070	98,126
RUTGERS UNIVERSITY 4012	93.113	36,639
		<u>225,754</u>
<b>Department of Homeland Security</b>		
MASSACHUSETTS INSTITUTE OF TECHNOLOGY 5710002591	97.108	33,682
UNIVERSITY OF HAWAII AT MANOA Z963952	97.061	53,585
NORTHEASTERN UNIVERSITY 504928	97.061	19,581
		<u>106,848</u>
<b>Total Pass Through Awards</b>		<u>27,379,655</u>
<b>Total Research and Development Cluster</b>		<u>168,491,298</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 168,491,298</u>

**Woods Hole Oceanographic Institution**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2011**

---

**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, 2011 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, as well as amounts reimbursed to The Consortium for Ocean Leadership. Please refer to the Other Matters, on page 51, for further information. 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, 2011 are as follows:

<u>Agency</u>	<u>CFDA #</u>	<u>Amount</u>
Department of Commerce	11	
National Oceanic and Atmospheric Administration		\$3,497,548
Department of Defense	12	
United States Navy		1,981,409
United States Army		50,740
Defense Advance Research Project Agency		553,090
Department of the Interior	15	
United States Geological Survey		62,851
National Aeronautics and Space Administration	43	451,242
National Science Foundation	47	5,784,833
Department of Energy	81	32,653
Department of Health and Human Services	93	
National Institute of Health		52,421
		<u>\$12,466,788</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 2011 fixed rates were based on budgeted information for the year ended 2010. The base and pool balances for the actual 2011 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 2011 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**



**Report of Independent Auditors 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 the financial statements of Woods Hole Oceanographic Institution (the "Institution") as of and for the year ended December 31, 2011, and have issued our report thereon dated July 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the Institution's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institution's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*Compliance and Other Matters*

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





We noted certain matters that we reported to management of the Institution in a separate letter dated July 17, 2012.

This report is intended solely for the information and use of the Institution's management, Audit Committee, Board of Trustees, others within the entity, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*PricewaterhouseCoopers LLP*

July 16, 2012



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

To The Board of Trustees of  
Woods Hole Oceanographic Institution:

Compliance

We have audited the compliance of Woods Hole Oceanographic Institution (the "Institution") with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2011. The Institution's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Institution's management. Our responsibility is to express an opinion on the Institution's compliance based on our audit.

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

In our opinion, the Institution complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 11-1.



Internal Control Over Compliance

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Institution's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Institution's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Institution's management, Audit Committee, Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*PricewaterhouseCoopers LLP*

August 30, 2012

**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, 2011**

---

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued Unqualified

Internal control over financial reporting:

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

*Federal Awards*

Internal control over major programs:

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

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

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

**Woods Hole Oceanographic Institution  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2011**

---

**II. Financial Statement Findings**

None

**III. Federal Award Findings and Questioned Costs**

**Finding 11-1**

Compliance Requirements: Procurement, Suspension & Debarment (I)

Federal Programs Involved	Federal CFDA Number	Award Number	Award Year	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	NA09OAR4320129	8/12/11-6/30/14	\$ 35,140
NSF	47.050	#OCE-1060743	7/15/11-6/30/12	\$ 13,076

**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 three instances, ONR, Award number N000140910500, NASA, Award number NNX10AQ83G, and NOAA, Award number NA09OAR4320129, totalling \$120,147 where the signed Certificate of Non-Debarment was not available. We noted that none of the vendors were debarred by the federal government through review of the Excluded Parties List System (EPLS) website. Additionally, we noted that one purchase order, for ONR, Award number N000140910500 did not include sole source justification documents as required by the Institution's purchasing policies.

Out of a sample of 45 purchase orders, we noted that one purchase order did not include sole source justification documents as required by the Institution's purchasing policies. The purchase request was for equipment totalling \$13,076, and was federally funded through the National Science Foundation (NSF), award number #OCE-1060743. The Institution's purchasing policy requires sole source justification for all purchases greater than \$10,000.

**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.

In accordance with OMB Circular A-110, 2 CFR Part 215.43, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. All transactions in excess of \$100,000 require bidding or sole source justification.

# **Woods Hole Oceanographic Institution**

## **Schedule of Findings and Questioned Costs**

### **Year Ended December 31, 2011**

---

#### **Cause**

The Institution requires purchases above \$25,000 to include documentation that the supplier is not suspended or debarred. The Institution requires either a formal bid or a sole source justification form to be completed for all purchases greater than \$10,000. Due to the decentralized nature and large volume of transactions that are processed through the procurement department, the Institution was not able to ensure 100% compliance with suspension and debarment requirements as well as formal bid and sole source justification requirements.

#### **Effect**

As a result of the decentralized nature of certain purchases, the Institution may enter into a transaction with a suspended or debarred vendor.

The Institution has certain procurement orders that may not be the most advantageous available, had the appropriate documentation evidencing justification for vendor and price been available for approval prior to the purchases being made.

#### **Questioned Costs**

There are no questioned costs.

#### **Recommendation**

We recommend the Institution emphasize the importance of obtaining and maintaining all documentation is in place prior to the approval of a purchase, through a detailed review by the purchasing department. The Institution should consider the cost/benefits of implementing a more centralized process in the Procurement cycle to better ensure 100% compliance in obtaining the required sole source justification as well as suspension and debarment documentation.

#### **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 and Other Matters**

### **Year Ended December 31, 2011**

---

#### **IV. There are no Findings From Prior Year Which Require an Update.**

#### **V. 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 David Stephens, 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 Engineering Change Requests, (ECR) with COL and National Science Foundation ("NSF").

Approximately \$2,800,000 has been allocated to Ocean Observatories 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 Principal Investigators, the Director of Grants and Contract Services, the finance department, the Vice President of marine operations and the Director of the Institution.

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.





## WOODS HOLE OCEANOGRAPHIC INSTITUTION

---

### 11-1 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. However, certain transactions do not require purchase orders and are managed by the departments. The Institution will undertake efforts to bring this requirement to the attention of departments processing Request for Payments equal to or greater than \$25,000 via public announcement and training of the appropriate processing staff.

Procurement has investigated the sole source anomaly in the sample and found that inattentiveness by the processor was at issue. The processors have received additional education and guidance regarding diligence in reviewing documents related to purchases to ensure compliance with the stated procedures. In addition, Procurement will continue to champion automation of manual processes to decrease the reliance on outdated paper laden systems.

A handwritten signature in blue ink that reads "Laurie Murphy". The signature is fluid and cursive.

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