
Woods Hole Oceanographic Institution

**Report on Federal Awards in Accordance with
OMB Circular A-133
December 31, 2007
EIN #042105850**

Woods Hole Oceanographic Institution
OMB Circular A-133 Supplementary Financial Report
Index
Year Ended December 31, 2007

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**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, 2007 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 2006 financial statements, and in our report dated June 25, 2007, 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 August 20, 2008, 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, 2007. 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 basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2007 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

August 20, 2008

Woods Hole Oceanographic Institution
Statement of Financial Position
December 31, 2007 (with summarized information as of December 31, 2006)

	2007	2006			
Assets					
Cash, unrestricted	\$ 28,206,655	\$ 16,626,538			
Cash, restricted	2,269,104	1,592,177			
Reimbursable costs and fees					
Billed (net of allowance for doubtful accounts of \$112,119 for 2007 and \$113,910 for 2006)	3,558,454	3,473,723			
Unbilled	5,799,835	5,766,906			
Receivable for investments sold	88,117	194,440			
Interest and dividends receivable	107,533	671,182			
Other receivables	851,891	750,846			
Pledges receivable, net	10,678,076	13,231,894			
Inventory	1,919,810	1,435,985			
Deferred charges and prepaid expenses	1,511,788	1,434,441			
Investments, pooled (Note 3)	372,183,273	343,217,764			
Investments, nonpooled (Note 3)	70,036	7,137,628			
Deposits with trustees for construction	-	1,063,695			
Deposits with trustees for debt service	92	118,986			
Prepaid pension and postretirement benefit cost	887,243	788,826			
Supplemental retirement	7,111,673	7,173,633			
Other assets	13,512,160	9,196,523			
Deferred financing costs	1,140,091	1,182,978			
	<u>449,895,831</u>	<u>415,058,165</u>			
Property, plant and equipment					
Land, buildings and improvements	127,045,920	121,110,015			
Vessels and dock facilities	7,509,772	7,391,436			
Laboratory and other equipment	26,720,659	24,444,600			
Construction in process	880,178	973,754			
	<u>162,156,529</u>	<u>153,919,805</u>			
Accumulated depreciation	<u>(72,820,520)</u>	<u>(65,285,849)</u>			
Net property, plant and equipment	<u>89,336,009</u>	<u>88,633,956</u>			
Receivable from remainder trusts (Note 5)	<u>11,477,118</u>	<u>11,311,983</u>			
Total assets	<u>\$ 550,708,958</u>	<u>\$ 515,004,104</u>			
Liabilities					
Accounts payable and other liabilities	\$ 9,817,163	\$ 9,251,502			
Accrued payroll and related liabilities	5,495,504	5,241,173			
Payable for investments purchased	219,787	508,007			
Deferred fixed rate variance	895,384	1,685,926			
Accrued supplemental retirement benefits	7,111,673	7,173,633			
Accrued pension liability	29,935,722	21,374,109			
Accrued postretirement liability	6,829,244	-			
Deferred revenue and refundable advances	7,501,719	7,517,056			
Bonds and loans payable	54,850,000	54,850,000			
Total liabilities	<u>122,656,196</u>	<u>107,599,406</u>			
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Net Assets					
Undesignated and plant	\$ 38,604,637	\$ -	\$ -	38,604,637	41,775,293
Pension	(36,711,089)	-	-	(36,711,089)	(21,384,575)
Designated	5,570,855	8,265,619	-	13,836,474	13,272,353
Pledges and other	-	11,867,376	14,267,309	26,134,685	24,363,502
Education	-	2,348,066	-	2,348,066	2,420,555
Endowment and similar funds	89,443,781	229,796,930	64,599,278	383,839,989	346,957,570
Total net assets	<u>\$ 96,908,184</u>	<u>\$ 252,277,991</u>	<u>\$ 78,866,587</u>	<u>428,052,762</u>	<u>407,404,698</u>
Total liabilities and net assets				<u>\$ 550,708,958</u>	<u>\$ 515,004,104</u>

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

Woods Hole Oceanographic Institution
Statement of Activities
Year Ended December 31, 2007
(with summarized information for the year ended December 31, 2006)

	Unrestricted		Temporarily Restricted	Permanently Restricted	2007	2006
	Operating	Sponsored Research				
Revenues and releases from restriction						
Fees	\$ 1,000,542	\$ -	\$ -	\$ -	\$ 1,000,542	\$ 657,159
Sponsored research						
Government	-	79,220,329	-	-	79,220,329	69,878,315
Subcontract and nongovernment	-	20,469,707	5,720,852	-	26,190,559	22,895,094
Ships and subs operations	-	23,848,658	-	-	23,848,658	21,851,478
Sponsored research assets released to operations	129,065,758	(123,538,694)	(5,527,064)	-	-	-
Education						
Joint program income	4,030,683	-	-	-	4,030,683	3,924,277
Endowment income	4,263,649	-	2,075,976	-	6,339,625	5,919,500
Gifts	-	-	-	-	-	-
Education funds released from restriction	2,521,927	-	(2,521,927)	-	-	-
Investment return designated for current operations	3,675,754	-	-	-	3,675,754	3,738,766
Contributions and gifts	6,740,730	-	1,603,382	7,634,568	15,978,680	23,143,638
Releases from restrictions	-	-	(2,891,209)	(1,659,678)	(4,550,887)	(2,610,902)
Contributions in Kind	1,107,195	-	-	-	1,107,195	186,854
Rental income	812,464	-	-	-	812,464	773,049
Communication and publications	192,469	-	-	-	192,469	175,980
Other	365,767	-	-	-	365,767	316,085
Total revenues and releases from restriction	153,776,938	-	(1,539,990)	5,974,890	158,211,838	150,849,293
Expenses						
Sponsored research						
National Science Foundation	47,894,430	-	-	-	47,894,430	40,577,466
United States Navy	14,700,120	-	-	-	14,700,120	13,618,180
Subcontracts	10,533,312	-	-	-	10,533,312	10,587,315
National Oceanic & Atmospheric Administration	11,455,058	-	-	-	11,455,058	11,054,410
Department of Energy	538,460	-	-	-	538,460	729,007
United States Geological Survey	1,141,153	-	-	-	1,141,153	1,054,337
National Aeronautics & Space Administration	1,084,372	-	-	-	1,084,372	1,065,550
Ships Operations	18,054,230	-	-	-	18,054,230	16,505,047
Submersible and ROV operations	5,794,428	-	-	-	5,794,428	5,346,431
Privately funded grants	5,179,756	-	-	-	5,179,756	4,275,110
Other	12,690,439	-	-	-	12,690,439	9,664,871
Education						
Faculty expense	3,608,015	-	-	-	3,608,015	3,688,362
Student expense	4,411,514	-	-	-	4,411,514	4,466,502
Postdoctoral programs	436,859	-	-	-	436,859	342,510
Other	689,204	-	-	-	689,204	674,412
Rental expenses	603,964	-	-	-	603,964	579,731
Communication, publications and development	2,166,487	-	-	-	2,166,487	2,304,657
Fundraising expenses	2,407,542	-	-	-	2,407,542	2,145,717
Un-sponsored programs	11,065,609	-	-	-	11,065,609	8,456,654
Other expenses	1,994,089	-	-	-	1,994,089	2,288,662
Total expenses	156,449,041	-	-	-	156,449,041	139,425,131
Change in net assets from operating activities	(2,672,103)	-	(1,539,990)	5,974,890	1,762,797	11,424,162
Nonoperating income and expenses						
Investment return in excess of amounts designated for sponsored research, education and current operations	7,598,227	-	25,305,906	-	32,904,133	36,550,427
Net realized/unrealized losses on interest rate swap	(1,651,898)	-	-	-	(1,651,898)	888,848
Change in split interest agreements	(10,079)	-	15,219	406,652	411,792	899,754
Contributions and gifts	-	-	5,000	-	5,000	15,000
Net assets released from restriction	5,000	-	(5,000)	-	-	-
Other nonoperating expenses	(99,976)	-	-	-	(99,976)	(99,976)
Net periodic pension costs	(6,405,433)	-	-	-	(6,405,433)	(7,300,134)
Redesignation of gifts	(26,000)	-	(15,063)	1,000	(40,063)	(116,051)
Change in net assets from nonoperating activities	(590,159)	-	25,306,062	407,652	25,123,555	30,837,868
Change in net assets from operating and nonoperating activities	(3,262,262)	-	23,766,072	6,382,542	26,886,352	42,262,030
Change in additional pension minimum liability (Note 8)	-	-	-	-	-	(44,538)
Adoption of accounting principle - SFAS 158	(8,921,081)	-	-	-	(8,921,081)	-
Cumulative effect of a change in accounting principle	2,682,793	-	-	-	2,682,793	-
Total change in net assets	(9,500,550)	-	23,766,072	6,382,542	20,648,064	42,217,492
Net assets at beginning of year	106,408,734	-	228,511,919	72,484,045	407,404,698	365,187,206
Net assets at end of year	\$ 96,908,184	\$ -	\$ 252,277,991	\$ 78,866,587	\$ 428,052,762	\$ 407,404,698

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

Woods Hole Oceanographic Institution
Statement of Cash Flows
Year Ended December 31, 2007
(with summarized information for the year ended December 31, 2006)

	2007	2006
Cash flows from operating activities		
Total change in net assets	\$ 20,648,064	\$ 42,217,492
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation and amortization	7,890,601	7,476,043
Change in split interest agreements	(411,792)	(899,754)
Allowance for uncollectible pledges	(761,709)	676,945
Discount on pledges	433,968	569,641
Net realized and unrealized (gain) loss on investments	(40,569,822)	(41,707,373)
Unrealized (gain) loss on interest swap	1,511,543	(1,110,370)
Change in additional minimum pension liability	-	44,538
Contributions to be used for long-term investment	(1,743,205)	(1,688,591)
Gift in kind	(4,300,000)	(2,497,104)
Cumulative effect of a change in accounting principle	(2,682,793)	-
Receipt of contributed securities	(3,346,639)	(685,982)
Adoption of accounting principle	8,921,081	-
(Increase) decrease in assets		
Restricted cash	(676,927)	(565,158)
Interest and dividends receivable	563,649	(342,550)
Reimbursable costs and fees		
Billed	(84,731)	(1,417,545)
Unbilled	(32,929)	1,098,423
Other receivables	(101,045)	20,336
Pledges receivable	2,881,559	(9,670,643)
Inventory	(483,826)	(264,107)
Deferred charges and prepaid expenses	(77,347)	(396,804)
Other assets	(15,637)	(40,856)
Remainder trusts	261,759	-
Deferred finance costs	42,887	-
Prepaid pension costs	788,826	-
Supplemental retirement	61,960	(588,426)
Increase (decrease) in liabilities		
Accrued pension liability	6,371,359	6,208,391
Accrued postretirement liability	(788,826)	-
Accounts payable and other liabilities	1,456,739	(1,865,132)
Accrued payroll and related liabilities	254,331	74,181
Deferred revenue and refundable advances	(15,337)	401,190
Accrued supplemental retirement benefits	(61,960)	588,426
Deferred fixed rate variance	(790,542)	(1,435,817)
Net cash used in operating activities	<u>(4,856,740)</u>	<u>(5,800,606)</u>
Cash flows from investing activities		
Capital expenditures		
Additions to property and equipment	(8,327,584)	(9,759,668)
Short-term investments		
Purchase of investments	-	(2,000,000)
Sale of investments	7,000,000	-
Endowment		
Receivable for investments sold	106,323	(194,440)
Payable for investments purchased	(286,220)	473,572
Proceeds from the sale of investments	117,767,704	110,531,930
Purchase of investments	(106,095,799)	(104,112,983)
Change in construction fund	1,063,695	1,974,857
Change in debt service funds	118,894	1,779,116
Liquidation of contributed securities	3,346,639	685,982
Net cash provided by (used in) investing activities	<u>14,693,652</u>	<u>(621,634)</u>
Cash flows from financing activities		
Contributions to be used for long-term investment	1,743,205	1,688,591
Net cash provided by financing activities	<u>1,743,205</u>	<u>1,688,591</u>
Net increase (decrease) in cash and cash equivalents	11,580,117	(4,733,649)
Cash and cash equivalents, beginning of year	16,626,538	21,360,187
Cash and cash equivalents, end of year	<u>\$ 28,206,655</u>	<u>\$ 16,626,538</u>
Supplemental disclosures		
Cash paid for interest	\$ 2,166,858	\$ 2,078,593
Noncash activity		
Construction in process additions remaining in accounts payable	255,070	-
Change in intangible pension asset	-	(13,674,720)
Contributed securities	3,346,639	685,982
Gift in kind	4,300,000	2,497,104

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

Woods Hole Oceanographic Institution

Notes to Financial Statements

December 31, 2007

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, 2006, 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 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, 2007

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 items' restrictions are met. Certain releases from temporarily restricted amounting to \$2,891,209 and \$1,020,108 for the years ended December 31, 2007 and 2006, respectively, are netted against contributions and are included in unrestricted sponsored research. 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. The Institution has received \$0 and \$3,405,000 conditional promises to give for the years ended December 31, 2007 and 2006, respectively. 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. During 2007, a gift of land was received which was valued at \$4,300,000 and is currently being held for sale and included in other assets. 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 except those received for property, plant and equipment purposes and a component of endowment income appropriated for operations (Note 3). Unrestricted endowment investment income and gains over the amount appropriated under the Institution's spending plan are reported as nonoperating revenue as investment return in excess of amounts designated for sponsored research, education and current operations. Nonoperating revenue also includes the change in value of split interest agreements, contributions restricted for property, plant and equipment purposes, gains or losses on disposals of fixed assets, net realized/unrealized gains (losses) on interest swaps and the net periodic pension cost on the noncontributory defined benefit pension plan that is not reimbursed by the employee benefit fixed rate. Additionally, nonoperating activities includes redesignation of donor gifts, depreciation on certain government-funded facilities, adoption of Financial Accounting Standards Board Statement

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2007

No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* ("SFAS 158"), and change in accounting principle for Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in the Current Year Financial Statements* ("SAB 108").

In September 2006, the Securities and Exchange Commission staff issued SAB 108. SAB 108 was issued in order to eliminate the diversity of practice surrounding how public companies quantify and assess the materiality of financial statement misstatements. Although the SAB is directly applicable to public companies, the Institution has elected to follow the prescribed guidance, by analogy.

Traditionally, there have been two accepted methods for quantifying and assessing the materiality of the effects of financial statement misstatements: the "rollover" method and the "iron curtain" method. The rollover method focuses primarily on the impact of a misstatement on the statement of activities - including the reversing effect of prior year misstatements - but its use can lead to the accumulation of misstatements in the balance sheet. The iron curtain method, on the other hand, focuses primarily on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior year misstatements on the statement of activities. Prior to the application of SAB 108, the Institution used the rollover method for quantifying and assessing the materiality of financial statement misstatements.

SAB 108 establishes an approach that requires quantification and assessment of the materiality of financial statement misstatements based on the effects of the misstatements on each of the Institution's financial statements and the related financial statement disclosures. This model is commonly referred to as a "dual approach" because it requires quantification and assessment of the materiality of misstatements under both the iron curtain and the rollover methods. SAB 108 permits companies to initially apply its provisions either by (i) restating prior financial statements as if the dual approach had always been applied or (ii) recording the cumulative effect of initially applying the dual approach as adjustments to the carrying values of assets and liabilities with an offsetting adjustment recorded to the opening balance of unrestricted net assets. The Institution elected to record the effects of applying SAB 108 using the cumulative effect transition method.

Prior to fiscal 2007, the Institution had certain accumulated accruals/reserves that are no longer required. Under the rollover method, these misstatements were not material to the statement of activities in any given year. With the adoption of SAB 108 as of December 31, 2007, management eliminated certain expenses in the amount of \$2,682,793 and recorded this change as a cumulative effect of a change in accounting principle in the statement of activities.

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 and approximates market value.

Included in restricted cash at December 31, 2007 and 2006 is \$1,477,744 and \$1,041,361, respectively, representing advances received from the United States Navy and other U.S. Government and state agencies. Such amounts are restricted as to use for research programs. Interest earned on unspent funds is remitted to the federal government.

Woods Hole Oceanographic Institution

Notes to Financial Statements

December 31, 2007

Also included in restricted cash at December 31, 2007 and 2006 is \$791,360 and \$550,816, 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.

In addition, cash and cash equivalents include uninvested amounts from each classification of net assets (e.g., endowment).

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, 2007 and 2006 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.

Investment Income Unitization

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

The Board of Trustees has appropriated all of the income and a specified percentage of the net appreciation (depreciation) to operations as prudent considering the Institution's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the Institution's current endowment spending policy, which is within the guidelines specified under state law, between 4% and 5.5% of a 36-month average market value of qualifying endowment investments is appropriated. This amounted to \$15,555,591 and \$14,351,257 for the years ending December 31, 2007 and 2006, respectively, and is classified in operating revenues (research, education, and operations).

Deposits with Trustees

Deposits with trustees consists principally of investments in United States Government obligations and have been deposited with trustees as required under certain loan agreements. At December 31, 2007 and 2006, respectively, the amounts consist of \$92 and \$118,986 for debt service and \$0 and \$1,063,695 for construction purposes. Interest income on debt service amounted to \$617 in 2007 and \$55,590 in 2006 and is reflected in the statement of activities within other income. Interest income on construction funds amounted to \$58,323 and \$49,855 in 2007 and 2006, respectively, and is reflected in the statement of activities within other income.

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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 88% and 89% of its sponsored research revenues from government agencies including 52% and 50% of its operating revenues from the National Science Foundation and 13% and 14% from the United States Navy in fiscal years 2007 and 2006, 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 Massachusetts Health and Educational Facilities Authority, Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series 2004, have been deferred and are being amortized over the term of the obligation on a straight line basis.

Interest Rate Swap

The Institution has entered into an interest rate swap agreement on the Massachusetts Health and Educational Facilities Authority, Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series 2004 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.

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 gains (losses) on interest swap.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided on a straight-line basis at annual rates of 12 to 39 years on buildings and improvements, 10 to 15 years on vessels and dock facilities and 5 to 10 years on laboratory and other equipment. Depreciation expense on property, plant, and equipment purchased by the Institution in the amounts of \$7,790,625 and \$7,333,180 in 2007 and 2006, 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 2007 and 2006 has been charged to nonoperating expenses as these assets were gifted by the Government.

Construction commitments totaled \$0 and \$177,464 at December 31, 2007 and 2006, respectively.

The Institution did not capitalize any interest in fiscal 2007 or 2006.

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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.

Reclassifications

Certain amounts have been reclassified in the prior year financial statements to conform with current year classification.

Recent Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement*, and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. SFAS No. 157 and 159 will be effective for the Institution for its fiscal year ending December 31, 2008. SFAS No. 157 and 159 are not expected to have a material effect on the Institution's financial position, results of operation or cash flows.

3. Investments

The cost and market value of pooled investments held at December 31 are as follows:

	2007		2006	
	Cost	Market	Cost	Market
U.S. equity	\$ 60,767,849	\$ 71,919,631	\$ 67,326,427	\$ 80,131,322
Global developed equity	74,620,741	93,490,200	58,641,537	83,782,660
Emerging markets equity	17,986,546	24,607,525	16,593,997	24,347,400
Marketable alternative assets	36,295,000	53,360,764	36,295,000	45,142,360
Real assets	27,049,709	38,926,689	19,001,716	26,272,164
Bonds	46,463,977	48,312,910	49,173,891	49,958,988
Nonmarketable assets	35,142,051	41,565,554	29,621,866	33,536,177
Other	-	-	46,693	46,693
Total investments	\$ 298,325,873	\$ 372,183,273	\$ 276,701,127	\$ 343,217,764

Included in bonds and equities are alternative investment vehicles including commingled funds with a market value of \$67,880,784 and \$61,591,215 at December 31, 2007 and 2006, respectively, whose holdings are bonds and equities. Included in U.S. equity, marketable alternative assets and nonmarketable assets are hedge funds of \$60,030,751 and \$52,225,311 at December 31, 2007 and 2006, respectively. Included in global developed equity and nonmarketable assets are private equity and venture capital funds of \$73,198,102 and \$61,719,669 at December 31, 2007 and 2006, respectively. Total alternative investments (as described in the American Institute of Certified Public Accountants document, "*A Practice Aid for Auditors: Alternative Investments - Audit Considerations*") included in the above categories at December 31, 2007 and 2006, respectively, were \$240,036,326 and \$201,808,357.

The nonpooled investments consist of a common/collective trust fund invested in bonds with a market value of \$70,036 in 2007 and \$7,137,628 in 2006.

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The following schedule summarizes the investment return on pooled and nonpooled investments and its classification in the statement of activities:

	Unrestricted	Temporarily restricted	2007 Total	2006 Total
Dividend and interest income	\$ 7,821,336	\$ 2,075,976	\$ 9,897,312	\$ 11,604,806
Investment management costs	(1,826,770)	-	(1,826,770)	(1,855,614)
Net realized gains	7,741,354	25,555,287	33,296,641	17,971,287
Change in unrealized appreciation	1,801,710	5,471,471	7,273,181	23,736,086
Total return on investments	15,537,630	33,102,734	48,640,364	51,456,565
Investment return designated for				
Sponsored research	-	(5,720,852)	(5,720,852)	(5,247,872)
Education	(4,263,649)	(2,075,976)	(6,339,625)	(5,919,500)
Current operations	(3,675,754)	-	(3,675,754)	(3,738,766)
Total distributions to operations	(7,939,403)	(7,796,828)	(15,736,231)	(14,906,138)
Investment return in excess of amounts designated for sponsored research, education and current operations	\$ 7,598,227	\$ 25,305,906	\$ 32,904,133	\$ 36,550,427

Investment return distributed to operations includes \$180,640 and \$554,881 earned on non-endowment investments for the years ended December 31, 2007 and 2006, respectively.

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 for pooled investments is allocated to each individual fund based on a per unit valuation. The value of an investment unit at December 31 is as follows:

	2007	2006
Unit value, beginning of year	\$ 4.7179	\$ 4.3755
Unit value, end of year	5.2520	4.7179
Net change for the year	.5341	.3424
Investment income per unit for the year	.1075	.1256
Total return per unit	\$.6416	\$.4680

4. Pledges Receivable

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. The present value of estimated future cash flows has been measured utilizing a discount rate equivalent to U.S. Treasury yields of similar maturity (ranging from 2.36% – 4.74%, depending upon the anticipated pledge fulfillment date).

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Pledges receivable consist of the following at December 31:

	2007	2006
Unconditional promises expected to be collected in:		
Less than one year	\$ 5,818,583	\$ 2,341,468
One year to five years	6,306,000	12,664,674
Reserve for uncollectible pledges receivable	(288,721)	(1,050,430)
Unamortized discount	<u>(1,157,786)</u>	<u>(723,818)</u>
	<u>\$ 10,678,076</u>	<u>\$ 13,231,894</u>

5. Contribution Receivable from Remainder Trusts, Net

Contributions receivable from remainder trusts balance at December 31, 2007 and 2006 was \$11,477,118 and \$11,311,983, 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. Related payment liabilities of \$5,121,920 and \$5,163,203 were recorded at December 31, 2007 and 2006, respectively. Discount rates ranging from 5% to 8% were used in these calculations.

6. 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:

Deferred Fixed Rate Variance liability, December 31, 2005	\$ (3,121,743)
2006 indirect costs	60,969,335
2005 adjustment	(135,153)
Amounts recovered	<u>(59,398,365)</u>
2006 change	<u>1,435,817</u>
Deferred Fixed Rate Variance liability, December 31, 2006	<u>(1,685,926)</u>
2007 indirect costs	61,298,187
2006 adjustment	(11,529)
Amounts recovered	<u>(60,496,116)</u>
2007 change	<u>790,542</u>
Deferred Fixed Rate Variance liability, December 31, 2007	<u>\$ (895,384)</u>

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As of December 31, 2007 the Institution has received a cumulative recovery in excess of expended amounts of \$895,384 which will be reflected as a deduction to future year recoveries. This amount has been reported as liability of the Institution.

7. Bonds Payable

In fiscal 2004, proceeds were received from the offering of the \$54,850,000 Massachusetts Health and Educational Facilities Authority (MHEFA) Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series 2004, which were used to repay the MHEFA B Pool loans and are currently being used for campus construction, which was 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 resources at a market value equal to at least 75% of all outstanding indebtedness. The bonds also required a debt service fund to be established at the time of issuance. Included in deposits with trustees on the statement of financial position is the market value of the debt service fund of \$0 and \$118,986 at December 31, 2007 and 2006, respectively. The Series 2004 Bonds are collateralized by the Institution's unrestricted revenues. The interest rate for the Series 2004 Bonds is variable and set weekly, and at December 31, 2007, the rate was 4.25%. Interest expense for the years ended December 31, 2007 and 2006 was \$2,166,858 and \$2,078,593, respectively.

In 2004, the Institution issued R-FLOAT securities that initially held an interest rate of 1.05% upon original issuance. As a result of the deterioration in the credit markets surrounding these types of securities, interest rates have risen as high as 11%. The highest interest rate paid by the Institution as of July 31, 2008 is 7.65%. The Institution continues to monitor the impact of the credit markets on its obligations.

The aggregate maturities due on long-term debt at December 31, 2007 are as follows:

Fiscal Year	Principal Amount
2008	\$ 1,200,000
2009	1,250,000
2010	1,300,000
2011	1,350,000
2012	1,400,000
Thereafter	48,350,000
	<u>\$ 54,850,000</u>

In June 2004, the Institution entered into an interest rate swap agreement, with a term through June 1, 2034. This swap effectively locks in a fixed rate of 3.79% per annum. The agreement has a notional amount of \$54,850,000. At December 31, 2007 and 2006, respectively, the market value of the swap agreement amounted to a liability of \$3,471,999 and \$1,960,456 which is included in accounts payable and other liabilities. The value of the interest rate swap is reflected within accounts payable and other liabilities and nonoperating income/expense in the financial statements. Additionally, the Institution paid interest expense in association with the swap agreement of \$140,355 and \$221,522 which is reflected as part of the net realized/unrealized gains (losses) on interest swap at December 31, 2007 and 2006, respectively.

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8. Retirement Plans

The Institution maintains a noncontributory defined benefit pension plan covering substantially all employees of the Institution, 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.

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

	Restoration Plan Pension Benefits	
	2007	2006
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 34,074	\$ 1,640,939
Interest cost	4,641	70,523
Actuarial loss	119,307	68,617
Settlements	(158,022)	(1,746,005)
Benefit obligation at end of year	<u>\$ -</u>	<u>\$ 34,074</u>
Funded status	\$ -	\$ (34,074)
Unrecognized net actuarial loss	-	44,538
Net amount recognized	<u>\$ -</u>	<u>\$ 10,464</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	\$ -	\$ (34,074)
Additional minimum liability	-	44,538
Net amount recognized	<u>\$ -</u>	<u>\$ 10,464</u>
Change in net assets attributable to change in additional minimum liability recognition	\$ -	\$ 44,538
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	-	34,074
Accumulated benefit obligation	-	(34,074)
Component of net periodic benefit cost		
Interest cost	4,641	70,523
Recognized actuarial loss	79,201	-
Net periodic benefit cost	<u>\$ 83,842</u>	<u>\$ 70,523</u>
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	6.25%	6.00%
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	6.00%	5.75%
Rate of compensation increase	4.50%	4.50%

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Expected Contributions

The Institution does not anticipate contributing to the Restoration Plan in 2008.

Estimated Future Benefit Payments

There are no expected benefit payments for 2008. The new director is eligible in 2009.

	Qualified Plan Pension Benefits	
	2007	2006
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 215,891,241	\$ 214,770,764
Service cost	6,525,239	6,137,340
Interest cost	12,424,161	11,980,814
Actuarial gain	(2,764,717)	(483,219)
Benefits paid	<u>(16,015,984)</u>	<u>(16,514,458)</u>
Benefit obligation at end of year	<u>\$ 216,059,940</u>	<u>\$ 215,891,241</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 171,342,150	\$ 155,921,888
Adjustment to beginning balance for additional fair value of investments	-	2,605,614
Employer contributions	6,027,869	5,242,851
Actual return on plan assets	24,770,183	24,086,255
Benefits paid	<u>(16,015,984)</u>	<u>(16,514,458)</u>
Fair value of plan assets at end of year	<u>\$ 186,124,218</u>	<u>\$ 171,342,150</u>
Funded status	\$ (29,935,722)	\$ (44,549,091)
Unrecognized net actuarial loss	-	7,885,799
Unrecognized prior service cost	-	15,323,257
Net amount recognized	<u>\$ (29,935,722)</u>	<u>\$ (21,340,035)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ (29,935,722)</u>	<u>\$ (21,340,035)</u>
Net amount recognized	<u>\$ (29,935,722)</u>	<u>\$ (21,340,035)</u>
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	\$ 216,059,940	\$ 215,891,241
Accumulated benefit obligation	180,366,990	180,744,218
Fair value of plan assets	186,124,218	171,342,150
Components of net periodic benefit cost		
Service cost	6,525,239	6,137,340
Interest cost	12,424,161	11,980,814
Expected return on plan assets	(10,365,552)	(10,140,183)
Amortization of prior service cost	1,933,919	1,933,919
Recognized actuarial loss	<u>1,915,535</u>	<u>2,631,095</u>
Net periodic benefit cost	<u>\$ 12,433,302</u>	<u>\$ 12,542,985</u>

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The Institution has reflected \$6,027,869 and \$5,242,851 for the years ending December 31, 2007 and 2006, respectively, of the net periodic benefit cost in the operating section of the statement of activities which represents the amount reimbursed through the employee benefit fixed rate as negotiated with the United States Government. The remaining \$6,405,433 and \$7,300,134 for the years ending December 31, 2007 and 2006, respectively, of net periodic benefit cost is reflected in nonoperating expenses.

The impact of the adoption of SFAS 158 resulted in a net decrease of \$2,190,254 in unrestricted net assets, which has been recorded as an adoption of an accounting principle. The net decrease is comprised of the net prior service cost of \$13,389,338 and actuarial gain of \$11,199,084.

	Qualified Plan Pension Benefits	
	2007	2006
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	6.25%	6.00%
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	6.00%	5.75%
Expected long-term rate of return on plan assets	8.00%	8.00%
Rate of compensation increase	4.50%	4.50%

The incremental effect of applying SFAS 158 on individual items in the statement of financial position as of December 31, 2007 is as follows:

	Before Application of SFAS 158	Defined Benefit Plan Adjustments	After Application of SFAS 158
Accrued pension liability	\$ 27,745,468	\$ 2,190,254	\$ 29,935,722
Total liabilities	120,465,942	2,190,254	122,656,196
Unrestricted net assets	99,098,438	(2,190,254)	96,908,184
Total net assets	430,243,016	(2,190,254)	428,052,762

The amount expected to be recognized as amortization of prior net service cost and a component of net periodic cost in the upcoming year is \$2,346,055.

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 8.00% assumption.

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Effective December 31, 2004, final average compensation for the Plan was frozen and equal to a participant's final average compensation determined as of December 31, 2004. A one year index of 4.5% will be applied to the frozen December 31, 2004 final average compensation for service performed during 2005. In addition, effective December 31, 2004, the minimum lump-sum benefit was amended to eliminate the 8% pay credit for years after 2005. These changes have been reflected in the liabilities as of December 31, 2004.

Effective January 1, 2006, the Qualified Plan was amended. The lump sum (introduced in 1999) will no longer be available on benefits earned after January 1, 2006. Benefits for service from 25 to 35 years introduced in 1999 will be removed. The lifetime benefit payable upon early retirement has changed from a 6% per year reduction to a 5% per year reduction. Minimum lump sum benefits equal to 5% of final average compensation times service replaces the minimum introduced in 1999 of approximately 8%. The preretirement death benefit has been reduced from 100% of the accrued pension benefit to 50% of the accrued pension benefit but not less than the participant's accrued benefit as of December 31, 2006. The 3-year vesting period (introduced in 1999) will change to a 5-year vesting service for employees hired after December 31, 2005.

Plan Assets

The Institution's pension plan weighted-average asset allocations at December 31, 2007 and 2006, by asset category are as follows:

Asset Category	2007	2006
U.S. equity	13%	18%
Global developed equity	26%	27%
Emerging markets equity	7%	7%
Marketable alternative assets	15%	14%
Real assets	8%	5%
Bonds	14%	16%
Nonmarketable assets	12%	11%
Cash and cash equivalents	5%	2%
	<u>100%</u>	<u>100%</u>

The following target asset allocation is used:

Asset Category	Target Allocation
U.S. equity	21%
Global developed equity	20%
Emerging markets equity	4%
Marketable alternative assets	20%
Real assets	10%
Bonds	10%
Nonmarketable assets	10%
Cash and cash equivalents	5%

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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 Contributions

The Institution anticipates contributing \$8,000,000 to the Qualified Plan in 2008.

Estimated Future Benefit Payments

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

Years	Benefit Payments
2008	\$ 13,137,966
2009	12,854,261
2010	12,697,553
2011	14,015,255
2012	15,230,986
2013 - 2017	83,527,837

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	Supplemental Plan Pension Benefits	
	2007	2006
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 3,113,322	\$ 3,595,900
Service cost	42,114	55,341
Interest cost	149,445	168,532
Actuarial gain	(485,609)	(535,722)
Benefits paid	<u>(163,059)</u>	<u>(170,729)</u>
Benefit obligation at end of year	<u>\$ 2,656,213</u>	<u>\$ 3,113,322</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	163,059	170,729
Benefits paid	<u>(163,059)</u>	<u>(170,729)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status	\$ (2,656,213)	\$ (3,113,322)
Unrecognized actuarial (gain) loss	-	(557,044)
Unrecognized prior service cost	-	<u>32,731</u>
Net amount recognized	<u>\$ (2,656,213)</u>	<u>\$ (3,637,635)</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	<u>\$ (2,656,213)</u>	<u>\$ (3,637,635)</u>
Net amount recognized	<u>\$ (2,656,213)</u>	<u>\$ (3,637,635)</u>
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	\$ 2,656,213	\$ 3,113,322
Accumulated benefit obligation	2,519,193	2,919,806
Components of net periodic benefit cost		
Service cost	\$ 42,114	\$ 55,341
Interest cost	149,445	168,532
Expected return on earmarked reserves	(192,548)	(190,256)
Amortization of prior year service cost	6,620	6,620
Recognized actuarial gain	<u>(138,983)</u>	<u>(47,831)</u>
Net periodic benefit income	<u>\$ (133,352)</u>	<u>\$ (7,594)</u>

The accrued supplemental retirement is matched by a "Rabbi" Trust with \$7,111,673 and \$7,173,633, respectively, as of December 31, 2007 and 2006. An additional accrual of \$4,455,460 and \$3,535,998 has been established for the excess of the "Rabbi" Trust assets over the accrued supplemental retirement benefits at December 31, 2007 and 2006, respectively. Income earned on the investments earmarked for the supplemental retirement plan amounted to \$202,232 and \$200,249 for the years ended December 31, 2006 and 2005, respectively.

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The impact of the adoption of SFAS 158 resulted in a net increase of \$887,243 in unrestricted net assets, which has been recorded as an adoption of an accounting principle. The net increase is comprised of the net prior service cost of \$26,111 and actuarial gain of \$913,354.

	Supplemental Plan Pension Benefits	
	2007	2006
Actual return on earmarked reserves	\$ 202,232	\$ 200,249
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	6.25%	6.00%
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	6.00%	5.75%
Expected long-term rate of return on plan assets	8.00%	8.00%
Rate of compensation increase	4.50%	4.50%

The incremental effect of applying SFAS 158 on individual items in the statement of financial position as of December 31, 2007 is as follows:

	Before Application of SFAS 158	Defined Benefit Plan Adjustments	After Application of SFAS 158
Prepaid pension and postretirement benefit cost	\$ -	\$ 887,243	\$ 887,243
Total assets	549,821,715	887,243	550,708,958
Unrestricted net assets	96,020,941	887,243	96,908,184
Total net assets	427,165,519	887,243	428,052,762

The amount expected to be recognized as amortization of prior net service credit and a component of net periodic cost in the upcoming year is \$112,495.

Expected Contributions

The Institution does not anticipate contributing to the Supplemental Plan in 2008.

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Estimated Future Benefit Payments

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

Years	Benefit Payments
2008	\$ 389,602
2009	338,938
2010	424,041
2011	472,074
2012	436,237
Years 2013 - 2017	1,195,601

9. 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.

	Other Postretirement Benefits	
	2007	2006
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 31,291,763	\$ 25,605,822
Service cost	791,711	754,521
Interest cost	1,726,221	1,591,037
Plan amendment	-	(241,938)
Benefits paid	(1,038,077)	(1,044,207)
Actuarial (gain) loss	(3,055,014)	4,626,528
Benefit obligation at end of year	<u>\$ 29,716,604</u>	<u>\$ 31,291,763</u>

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2007

	Other Postretirement Benefits	
	2007	2006
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 21,276,483	\$ 19,323,651
Employer contributions	755,248	884,556
Actual return on plan assets	1,893,708	2,112,483
Benefits paid	<u>(1,038,077)</u>	<u>(1,044,207)</u>
Fair value of plan assets at end of year	<u>\$ 22,887,362</u>	<u>\$ 21,276,483</u>
Funded status	\$ (6,829,242)	\$ (10,015,280)
Unrecognized net actuarial loss	-	21,105,885
Unrecognized prior service cost (credit)	-	<u>(10,301,779)</u>
Net amount recognized	<u>\$ (6,829,242)</u>	<u>\$ 788,826</u>
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	\$ (6,829,242)	\$ -
Prepaid benefit cost	-	<u>788,826</u>
Net amount recognized	<u>\$ (6,829,242)</u>	<u>\$ 788,826</u>
Components of net periodic benefit cost		
Service cost	\$ 791,711	\$ 754,521
Interest cost	1,726,221	1,591,037
Expected return on plan assets	(1,678,301)	(1,528,948)
Amortization of prior service cost	(1,366,423)	(1,366,423)
Recognized actuarial gain	<u>1,282,040</u>	<u>1,434,365</u>
Net periodic benefit cost	<u>\$ 755,248</u>	<u>\$ 884,552</u>

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

The impact of the adoption of SFAS 158 resulted in a net decrease of \$7,618,070 in unrestricted net assets, which has been recorded as an adoption of an accounting principle. The net decrease is comprised of the net prior service cost of \$8,935,356 and actuarial loss of \$16,553,426.

Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	6.50%	6.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	6.00%	5.75%
Expected long-term rate of return on plan assets	8.00%	8.00%

Woods Hole Oceanographic Institution
Notes to Financial Statements
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The incremental effect of applying SFAS 158 on individual items in the statement of financial position as of December 31, 2007 is as follows:

	Before Application of SFAS 158	Defined Benefit Plan Adjustments	After Application of SFAS 158
Accrued postretirement liability	\$ (788,826)	\$ 7,618,070	\$ 6,829,244
Total liabilities	115,038,126	7,618,070	122,656,196
Unrestricted net assets	104,526,254	(7,618,070)	96,908,184
Total net assets	435,670,832	(7,618,070)	428,052,762

The amount expected to be recognized as amortization of prior net service credit and a component of net periodic cost in the upcoming year is \$287,833.

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

	2007		2006	
	Pre-65	Post-65	Pre-65	Post-65
Assumed health care cost trend rates at December 31				
Health care cost trend rate assumed for next year	9.0%	7.0%	9.0%	7.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2015	2012	2015	2012

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:

	2007	2006
	One-Percentage-Point Increase in Trend	One-Percentage-Point Increase in Trend
Effect on total of service cost and interest cost components	\$ 449,211	\$ 424,894
Effect on year-end postretirement benefit obligation	4,296,768	4,772,870
	One-Percentage-Point Decrease in Trend	One-Percentage-Point Decrease in Trend
Effect on total of service cost and interest cost components	\$ (358,060)	\$ (337,831)
Effect on year-end postretirement benefit obligation	(3,530,266)	(3,890,358)

Woods Hole Oceanographic Institution
Notes to Financial Statements
December 31, 2007

Plan Assets

The Institution's postretirement benefit plan weighted-average asset allocations at December 31, 2007 and 2006, by asset category are as follows:

Asset Category	2007	2006
Equity securities	92%	92%
Cash	8%	8%
	100%	100%

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.

As of January 1, 2006, the required copayments and other features of the underlying medical benefit plan were updated resulting in a decrease in the obligation of \$242,000.

Expected Contributions

The Institution anticipates contributing \$1,100,000 to the Retiree Medical Plan in 2008.

Estimated Future Benefit Payments

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

Years	Benefit Payments
2008	\$ 1,453,259
2009	1,520,956
2010	1,570,893
2011	1,682,013
2012	1,804,047
Years 2013 - 2017	10,752,777

10. 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 2004. 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, 2006 on September 14, 2007. The 2007 costs remain subject to audit. Any adjustments will be recorded in the years they become known.

The Institution, through its pooled investments, is committed to invest \$25 million in certain venture capital and investment partnerships as of December 31, 2007. Such commitments will be funded through liquidity in existing investments.

Woods Hole Oceanographic Institution
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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.

11. Related Party Transactions

In fiscal year 2007, the Institution's subcontracts, of which some could be federal pass-through awards, was approximately \$645,383 and \$437,000 for the years ended December 31, 2007 and 2006, respectively, 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. 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 and other transactions were approximately \$1,158,791 and \$1,005,000 for the years ended December 31, 2007 and 2006, respectively.

The Institution has loans due from various employees for education advances and computer purchases. The amounts outstanding are approximately \$791,000 and \$613,000 at December 31, 2007 and 2006, respectively.

Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
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Major Program	Federal CFDA Prefix	Federal CFDA Extension/Contract Number	2007 Expenditures
Research and Development Cluster			
Research and Development Direct Awards			
National Oceanic and Atmospheric Administration			
8850	11	8850	\$ 8,386
AB133F05SE6881		AB133F05SE6881	10,883
AB133F06SE2357		AB133F06SE2357	39,903
AB133F07SE2042		AB133F07SE2042	25,760
AB133F07SE3686		AB133F07SE3686	34,012
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	185
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	4,021
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	1,353,077
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	118,323
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	25,772
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	117,069
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	264,267
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	262,674
Center for Sponsored Coastal Ocean Research Coastal Ocean Program		478	14,350
CHECK 280		CHECK 280	2,400
Climate and Atmospheric Research		431	84,329
Climate and Atmospheric Research		431	4,598
Coastal Services Center		473	43,192
Coastal Zone Management Estuarine Research Reserves		420	985
EA133C05SE5157		EA133C05SE5157	7,435
EA133C05SE6441		EA133C05SE6441	35,483
EA133F07SE2428		EA133F07SE2428	28,000
EM133F07SE3323		EM133F07SE3323	122
EN133F06SE2149		EN133F06SE2149	1,952
EN133F07SE3731		EN133F07SE3731	750
EN133F07SER3336		EN133F07SER3336	13,611
Marine Mammal Data Program		439	21,404
Marine Mammal Data Program		439	61,981
MC5063		MC5063	417
NEC 04864		NEC 04864	3,200
Office of Oceanic and Atmospheric Research (Oar) Joint and Cooperative Institutes		432	6,872,446
Sea Grant Support		417	34,627
Sea Grant Support		417	791,780
Sea Grant Support		417	10,402
Sea Grant Support		417	264,232
Sea Grant Support		417	681,939
Special Oceanic and Atmospheric Projects		460	3,233
Special Oceanic and Atmospheric Projects		460	172,469
Special Oceanic and Atmospheric Projects		460	16,064
Special Oceanic and Atmospheric Projects		460	9,378
Special Oceanic and Atmospheric Projects		460	10,820
Special Oceanic and Atmospheric Projects		460	27,485
Special Oceanic and Atmospheric Projects		460	222,771
Unallied Science Program		472	8,198
Unallied Science Program		472	6,240
Unallied Science Program		472	50,161
Unallied Science Program		472	30,559

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2007**

Major Program	Federal CFDA Prefix	Federal CFDA Extension/ Contract Number	2007 Expenditures
Research and Development Cluster			
Research and Development Direct Awards (Continued)			
National Oceanic and Atmospheric Administration (Continued)			
Unallied Science Program		472	\$ 6,010
Unallied Science Program		472	64,454
Unallied Science Program		472	70,113
Undersea Research		430	217,060
Undersea Research		430	818,202
VISA 1949		VISA 1949	260
VISA0526		VISA0526	5,750
Total			12,983,194
Department of the Navy			
05C6430	12	05C6430	1,375,328
Basic and Applied Scientific Research		300	8,530
Basic and Applied Scientific Research		300	49,193
Basic and Applied Scientific Research		300	94,649
Basic and Applied Scientific Research		300	364,406
Basic and Applied Scientific Research		300	29,642
Basic and Applied Scientific Research		300	467,433
Basic and Applied Scientific Research		300	37,458
Basic and Applied Scientific Research		300	614
Basic and Applied Scientific Research		300	249,794
Basic and Applied Scientific Research		300	9,185
Basic and Applied Scientific Research		300	189,178
Basic and Applied Scientific Research		300	531,927
Basic and Applied Scientific Research		300	64,658
Basic and Applied Scientific Research		300	7,367
Basic and Applied Scientific Research		300	148,899
Basic and Applied Scientific Research		300	40,484
Basic and Applied Scientific Research		300	21,167
Basic and Applied Scientific Research		300	59,360
Basic and Applied Scientific Research		300	137,850
Basic and Applied Scientific Research		300	191,497
Basic and Applied Scientific Research		300	810
Basic and Applied Scientific Research		300	55,280
Basic and Applied Scientific Research		300	12,233
Basic and Applied Scientific Research		300	197,033
Basic and Applied Scientific Research		300	31,192
Basic and Applied Scientific Research		300	290,663
Basic and Applied Scientific Research		300	89,306
Basic and Applied Scientific Research		300	416,003
Basic and Applied Scientific Research		300	110,728
Basic and Applied Scientific Research		300	185,951
Basic and Applied Scientific Research		300	43,517
Basic and Applied Scientific Research		300	2,002
Basic and Applied Scientific Research		300	61,225
Basic and Applied Scientific Research		300	416,944
Basic and Applied Scientific Research		300	298,676
Basic and Applied Scientific Research		300	127,641
Basic and Applied Scientific Research		300	2,552

**Woods Hole Oceanographic Institution
 Schedule of Expenditures of Federal Awards
 December 31, 2007**

Major Program	Federal CFDA Prefix	Federal CFDA Extension/ Contract Number	2007 Expenditures
Research and Development Cluster			
Research and Development Direct Awards (Continued)			
Department of the Navy (Continued)			
Basic and Applied Scientific Research		300	\$ 443,766
Basic and Applied Scientific Research		300	20,295
Basic and Applied Scientific Research		300	4,413
Basic and Applied Scientific Research		300	63,303
Basic and Applied Scientific Research		300	118,080
Basic and Applied Scientific Research		300	2,653
Basic and Applied Scientific Research		300	997,132
Basic and Applied Scientific Research		300	511,234
Basic and Applied Scientific Research		300	147,995
Basic and Applied Scientific Research		300	39,409
Basic and Applied Scientific Research		300	3,397,452
Basic and Applied Scientific Research		300	113,177
Basic and Applied Scientific Research		300	725,788
Basic and Applied Scientific Research		300	103,454
Basic and Applied Scientific Research		300	74,199
Basic and Applied Scientific Research		300	68,371
Basic and Applied Scientific Research		300	68,158
Basic and Applied Scientific Research		300	398,647
Basic and Applied Scientific Research		300	62,354
Basic and Applied Scientific Research		300	36,703
Basic and Applied Scientific Research		300	187,294
Basic and Applied Scientific Research		300	68,811
Basic and Applied Scientific Research		300	168,312
Basic and Applied Scientific Research		300	28,062
Basic and Applied Scientific Research		300	171,712
Basic and Applied Scientific Research		300	48,553
Basic and Applied Scientific Research		300	67,737
Basic and Applied Scientific Research		300	48,863
Basic and Applied Scientific Research		300	69,488
Basic and Applied Scientific Research		300	19,905
Basic and Applied Scientific Research		300	26,350
Basic and Applied Scientific Research		300	360,191
Basic and Applied Scientific Research		300	36
Basic and Applied Scientific Research		300	5
Basic and Applied Scientific Research		300	62,773
Basic and Applied Scientific Research		300	244
DACA7201C0011		DACA7201C0011	(405)
HSCG07CR00027		HSCG07CR00027	20,203
HSCG07CR00027		HSCG07CR00027	6,132
MO1038600		MO1038600	15,589
N000140010256		N000140010256	(34,000)
N0001402C0201		N0001402C0201	2,932
N0001402C0278		N0001402C0278	179,842
N000140310736		N000140310736	(2,800)
N0001405C0058		N0001405C0058	91,769
N000140710738		N000140710738	276,173
N000140710991		N000140710991	96,796
N0016406D6672		N0016406D6672	459,201

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2007**

Major Program	Federal CFDA Prefix	Federal CFDA Extension/ Contract Number	2007 Expenditures
Research and Development Cluster			
Research and Development Direct Awards (Continued)			
Department of the Navy (Continued)			
N0017307P0694		N0017307P0694	\$ 26,367
N0018907PE195		N0018907PE195	1
N0024406P1186		N0024406P1186	(1,661)
N0024407P1779		N0024407P1779	8,813
N62306007D9002		N62306007D9002	586,098
N6230607C9S27		N6230607C9S27	133,711
N6660403D2199		N6660403D2199	101,781
N6660407M2818		N6660407M2818	203
NSFDACS07P1325		NSFDACS07P1325	23,179
SI1539		SI1539	363,527
VISA 7095		VISA 7095	2,663
Total			17,501,408
Department of the Interior			
05ERAG0029	15	05ERAG0029	1,115,684
06FLSA0063		06FLSA0063	1,992
07ERSA0417		07ERSA0417	6,749
Earthquake Hazards Reduction Program		807	18,000
MC 2942		MC 2942	1,500
MC 3325		MC 3325	600
MC4042		MC4042	1,674
MC4076		MC4076	2,160
MC4086		MC4086	2,141
U.S. Geological Survey Research and Data Collection		808	8,654
Total			1,159,154
National Aeronautics and Space Administration			
NAG512403	43	NAG512403	2,113
NNG04GE95G		NNG04GE95G	46,323
NNG04GJ33G		NNG04GJ33G	13
NNG04GL03G		NNG04GL03G	120,983
NNG04GQ14H		NNG04GQ14H	16,712
NNG04GR22G		NNG04GR22G	233,896
NNG05GG30G		NNG05GG30G	183,078
NNG05GN93G		NNG05GN93G	28,788
NNG05GR34G		NNG05GR34G	209,077
NNG06GI27G		NNG06GI27G	163,112
NNX07AF97G		NNX07AF97G	63,861
NNX07AL80G		NNX07AL80G	13,417
VISA 8128		VISA 8128	3,000
Total			1,084,373

**Woods Hole Oceanographic Institution
 Schedule of Expenditures of Federal Awards
 December 31, 2007**

Major Program Research and Development Cluster	Federal CFDA Prefix	Federal CFDA Extension/ Contract Number	2007 Expenditures
Research and Development Direct Awards (Continued)			
National Science Foundation			
ATM0628582	47	ATM0628582	\$ 153,263
Biological Sciences		074	17,441
Biological Sciences		074	22,083
Biological Sciences		074	127,663
Biological Sciences		074	30,106
Biological Sciences		074	32,893
Biological Sciences		074	125,368
Biological Sciences		074	27,835
Biological Sciences		074	7,327
Biological Sciences		074	81,836
Biological Sciences		074	11,284
Biological Sciences		074	10,040
Biological Sciences		074	27,817
Computer and Information Science and Engineering		070	51,727
Computer and Information Science and Engineering		070	500
Computer and Information Science and Engineering		070	7,678
Computer and Information Science and Engineering		070	15,959
EAR0602380		EAR0602380	67,269
Education and Human Resources		076	11,545
Education and Human Resources		076	264,758
Engineering Grants		041	61,160
ESI0628977		ESI0628977	55,156
Geosciences		050	142,856
Geosciences		050	2,914
Geosciences		050	136,137
Geosciences		050	197,274
Geosciences		050	203,358
Geosciences		050	91,272
Geosciences		050	188,829
Geosciences		050	52,294
Geosciences		050	28,140
Geosciences		050	58,189
Geosciences		050	52,283
Geosciences		050	3,288
Geosciences		050	118,794
Geosciences		050	23,293
Geosciences		050	7,188,196
Geosciences		050	6,509,245
Geosciences		050	714,100
Geosciences		050	87,461
Geosciences		050	1,750
Geosciences		050	154,323
Geosciences		050	284,131
Geosciences		050	123,312
Geosciences		050	6,275
Geosciences		050	49
Geosciences		050	9,043
Geosciences		050	2,153

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Major Program	Federal CFDA Prefix	Federal CFDA Extension/ Contract Number	2007 Expenditures
Research and Development Cluster			
Research and Development Direct Awards (Continued)			
National Science Foundation (Continued)			
Geosciences		050	\$ 40,234
Geosciences		050	3,586
Geosciences		050	111,917
Geosciences		050	2,924
Geosciences		050	1,696,821
Geosciences		050	14,146
Geosciences		050	25,384
Geosciences		050	52,801
Geosciences		050	769
Geosciences		050	45,385
Geosciences		050	4,222
Geosciences		050	4,695,171
Geosciences		050	71,772
Geosciences		050	142,462
Geosciences		050	139,094
Geosciences		050	14,428
Geosciences		050	3
Geosciences		050	3,047
Geosciences		050	44,557
Geosciences		050	180,979
Geosciences		050	97,488
Geosciences		050	49,527
Geosciences		050	49,972
Geosciences		050	285,870
Geosciences		050	557
Geosciences		050	106,107
Geosciences		050	6,204
Geosciences		050	106,284
Geosciences		050	215,312
Geosciences		050	82,559
Geosciences		050	1,219
Geosciences		050	16,732
Geosciences		050	22,978
Geosciences		050	1,661
Geosciences		050	63,300
Geosciences		050	165,991
Geosciences		050	80,490
Geosciences		050	75,045
Geosciences		050	55,473
Geosciences		050	336,818
Geosciences		050	24,594
Geosciences		050	17,866
Geosciences		050	37,624
Geosciences		050	660,612
Geosciences		050	1,291
Geosciences		050	72,740
Geosciences		050	55,706
Geosciences		050	1,183

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Schedule of Expenditures of Federal Awards
December 31, 2007**

Major Program	Federal CFDA Prefix	Federal CFDA Extension/ Contract Number	2007 Expenditures
Research and Development Cluster			
Research and Development Direct Awards (Continued)			
National Science Foundation (Continued)			
Geosciences		050	\$ 35,559
Geosciences		050	5,999
Geosciences		050	41,872
Geosciences		050	43,749
Geosciences		050	36,992
Geosciences		050	204,953
Geosciences		050	147,183
Geosciences		050	81,462
Geosciences		050	151,854
Geosciences		050	267,158
Geosciences		050	479,948
Geosciences		050	44,973
Geosciences		050	79,070
Geosciences		050	23,877
Geosciences		050	135,960
Geosciences		050	19,062
Geosciences		050	32,295
Geosciences		050	5,509
Geosciences		050	759,064
Geosciences		050	91,126
Geosciences		050	642,783
Geosciences		050	221,932
Geosciences		050	245,641
Geosciences		050	5,080
Geosciences		050	75,873
Geosciences		050	93,132
Geosciences		050	118,739
Geosciences		050	53,911
Geosciences		050	58,754
Geosciences		050	63,585
Geosciences		050	2,276
Geosciences		050	161,701
Geosciences		050	61,459
Geosciences		050	170,109
Geosciences		050	133,380
Geosciences		050	98,821
Geosciences		050	151,869
Geosciences		050	156,150
Geosciences		050	5,445
Geosciences		050	19,546
Geosciences		050	51,123
Geosciences		050	85,574
Geosciences		050	169,819
Geosciences		050	47,631
Geosciences		050	5,861
Geosciences		050	36,322
Geosciences		050	17,629
Geosciences		050	281,673

**Woods Hole Oceanographic Institution
 Schedule of Expenditures of Federal Awards
 December 31, 2007**

Major Program	Federal CFDA Prefix	Federal CFDA Extension/ Contract Number	2007 Expenditures
Research and Development Cluster			
Research and Development Direct Awards (Continued)			
National Science Foundation (Continued)			
Geosciences		050	\$ 137,724
Geosciences		050	178,379
Geosciences		050	55,990
Geosciences		050	100
Geosciences		050	2,939
Geosciences		050	120,815
Geosciences		050	60,072
Geosciences		050	1,080
Geosciences		050	1,319
Geosciences		050	39,800
Geosciences		050	41,858
Geosciences		050	38,368
Geosciences		050	45,411
Geosciences		050	58,815
Geosciences		050	203,499
Geosciences		050	126,638
Geosciences		050	34,595
Geosciences		050	150,753
Geosciences		050	39,227
Geosciences		050	13
Geosciences		050	128,249
Geosciences		050	336,677
Geosciences		050	197,139
Geosciences		050	56,429
Geosciences		050	162,727
Geosciences		050	1,921,912
Geosciences		050	81,495
Geosciences		050	36,398
Geosciences		050	14,400
Geosciences		050	899,484
Geosciences		050	284,950
Geosciences		050	44,442
Geosciences		050	13,050
Geosciences		050	120,167
Geosciences		050	3,786
Geosciences		050	154,322
Geosciences		050	15,707
Geosciences		050	1,338
Geosciences		050	5,176,003
Geosciences		050	31,309
Geosciences		050	820,830
Geosciences		050	3,343
Geosciences		050	40,341
Geosciences		050	16,157
Geosciences		050	118,050
Geosciences		050	13,017
Geosciences		050	79,134
Geosciences		050	84,671

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2007**

Major Program	Federal CFDA Prefix	Federal CFDA Extension/ Contract Number	2007 Expenditures
Research and Development Cluster			
Research and Development Direct Awards (Continued)			
National Science Foundation (Continued)			
Geosciences		050	\$ 252,038
Geosciences		050	206,572
Geosciences		050	55,666
Geosciences		050	2,036,900
Geosciences		050	67,648
Geosciences		050	268,841
Geosciences		050	33,458
Geosciences		050	53,117
Geosciences		050	27,699
Geosciences		050	77,325
Geosciences		050	4,855
Geosciences		050	190,340
Geosciences		050	114,880
Geosciences		050	147,123
Geosciences		050	870,106
Geosciences		050	31,843
Geosciences		050	200,609
Geosciences		050	76,970
Geosciences		050	48,248
Geosciences		050	5,728
Geosciences		050	27,968
Geosciences		050	133,911
Geosciences		050	661,759
Geosciences		050	20,460
Geosciences		050	73,535
Geosciences		050	1,072
Geosciences		050	769,638
Geosciences		050	98,599
Geosciences		050	142,897
Geosciences		050	138,038
Geosciences		050	181,226
Geosciences		050	83,392
Geosciences		050	39,192
Geosciences		050	31,111
Geosciences		050	75,758
Geosciences		050	63,737
Geosciences		050	23,332
Geosciences		050	83,746
Geosciences		050	134,747
Geosciences		050	141,844
Geosciences		050	259,985
Geosciences		050	44,964
Geosciences		050	37,668
Geosciences		050	36,645
Geosciences		050	100,837
Geosciences		050	62,616
Geosciences		050	350,068
Geosciences		050	80,750

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2007**

Major Program	Federal CFDA Prefix	Federal Extension/ Contract Number	2007 Expenditures
Research and Development Cluster			
Research and Development Direct Awards (Continued)			
National Science Foundation (Continued)			
Geosciences		050	\$ 133,530
Geosciences		050	74,190
Geosciences		050	101,790
Geosciences		050	101,351
Geosciences		050	67,936
Geosciences		050	66,979
Geosciences		050	4,763
Geosciences		050	38,227
Geosciences		050	204,780
Geosciences		050	172,112
Geosciences		050	8,755
Geosciences		050	41,589
Geosciences		050	14,494
Geosciences		050	56,812
Geosciences		050	258,367
Geosciences		050	177,382
Geosciences		050	47,044
Geosciences		050	154,897
Geosciences		050	48,094
Geosciences		050	12,145
Geosciences		050	37,586
Geosciences		050	51,325
Geosciences		050	18,879
Geosciences		050	49,131
Geosciences		050	131,939
Geosciences		050	8,147
Geosciences		050	255,070
Geosciences		050	157,920
Geosciences		050	28,000
Geosciences		050	101,273
Geosciences		050	10,155
Geosciences		050	35,791
Geosciences		050	49,954
Geosciences		050	21,787
Geosciences		050	197,552
Geosciences		050	(231)
Geosciences		050	8,851
Geosciences		050	43,592
Geosciences		050	144
Geosciences		050	168,004
Geosciences		050	27,215
Geosciences		050	32,846
Geosciences		050	15,951
Geosciences		050	65,559
Geosciences		050	177,602
Geosciences		050	141,904
Geosciences		050	1,436,386
Geosciences		050	4,253

**Woods Hole Oceanographic Institution
 Schedule of Expenditures of Federal Awards
 December 31, 2007**

Major Program	Federal CFDA Prefix	Federal CFDA Extension/ Contract Number	2007 Expenditures
Research and Development Cluster			
Research and Development Direct Awards (Continued)			
National Science Foundation (Continued)			
Geosciences		050	\$ 55,669
Geosciences		050	11,780
Geosciences		050	693,797
Geosciences		050	213,182
Geosciences		050	81,088
Geosciences		050	87,367
Geosciences		050	84,023
Geosciences		050	44,837
Geosciences		050	127,772
Geosciences		050	105,374
International Science and Engineering (OISE)		079	23,872
International Science and Engineering (OISE)		079	19,069
Mathematical and Physical Sciences		049	20,857
Mathematical and Physical Sciences		049	20,464
Mathematical and Physical Sciences		049	226,473
OCE0418967		OCE0418967	219,342
OCE0418967		OCE0418967	191,290
OCE0619608		OCE0619608	957,330
OCE0631574		OCE0631574	278,260
OCE0645071		OCE0645071	210,800
OCE0646944		OCE0646944	169,651
OCE0647948		OCE0647948	94,885
OCE0648337		OCE0648337	10,421
OCE0724402		OCE0724402	19,896
OCE0732478		OCE0732478	4,607
OCE0751747		OCE0751747	60,529
Polar Programs		078	49,237
Polar Programs		078	100,251
Polar Programs		078	2,799
Polar Programs		078	19,070
Polar Programs		078	129,069
Polar Programs		078	80,061
Polar Programs		078	107,916
Polar Programs		078	176,603
Polar Programs		078	62,447
Polar Programs		078	31,075
Polar Programs		078	82,704
Polar Programs		078	136,802
Polar Programs		078	53,122
Polar Programs		078	22,725
Polar Programs		078	53,417
Polar Programs		078	21,190
Polar Programs		078	829,157
Polar Programs		078	36,302
Polar Programs		078	327,077
Polar Programs		078	12,571
Polar Programs		078	78,258
Polar Programs		078	3,928

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2007**

Major Program	Federal CFDA Prefix	Federal CFDA Extension/ Contract Number	2007 Expenditures
Research and Development Cluster			
Research and Development Direct Awards (Continued)			
National Science Foundation (Continued)			
Polar Programs		078	\$ 48,338
Polar Programs		078	525,799
Polar Programs		078	20,427
Polar Programs		078	53,370
Polar Programs		078	2,474
Polar Programs		078	6,997
Polar Programs		078	127,345
Polar Programs		078	56,554
Polar Programs		078	7,464
Polar Programs		078	47,197
Polar Programs		078	15,051
Polar Programs		078	44,933
Polar Programs		078	33,129
Polar Programs		078	57,197
Polar Programs		078	47,183
Polar Programs		078	44,669
Polar Programs		078	137,546
Polar Programs		078	23,083
Polar Programs		078	42,236
Polar Programs		078	42,715
Polar Programs		078	4,298
Social, Behavioral, and Economic Sciences		075	
Total			67,254,681
Environmental Protection Agency			
83041501	66	83041501	123,912
FP916734010		FP916734010	19,197
FP916886010		FP916886010	15,111
FP916901010		FP916901010	15,020
Total			173,240
Miscellaneous			
DEFG0203ER63659	81	DEFG0203ER63659	79,985
DEFG0297ER14746		DEFG0297ER14746	134,753
Fossil Energy Research and Development		089	109,917
Office of Science Financial Assistance Program		049	71,457
Office of Science Financial Assistance Program		049	142,348
Total			538,460
Department of Health and Human Services			
Biological Response to Environmental Health Hazards	93	113	443,361
Biological Response to Environmental Health Hazards		113	42,706
Biological Response to Environmental Health Hazards		113	278,247
Biological Response to Environmental Health Hazards		113	364,513
Total			1,128,827
Total Direct Awards			\$ 101,823,337

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2007**

Major Program Research and Development Cluster	Federal CFDA Prefix	Pass-Through Number	2007 Expenditures
Research and Development Passed Through from Other Organizations			
National Oceanic and Atmospheric Administration			
Analysis Design and Diagnostic Inc	11	N0001905D0018	\$ 8,891
Analysis Design and Diagnostics Inc		N6833507C0220	12,707
Center for Coastal Studies		PO2533	41,076
Columbia University		GG1038903	11,146
Cornell University		WCI133F07SE5398	42,751
Information Manufacturing Corporation		EA133E06NC503	20,952
Marine Biological Laboratory (MBL)		NA04OAR4300104	66,117
Massachusetts Institute of Technology (MIT)		5710002014	60,845
Massachusetts Institute of Technology Sea Grant		NA06OAR1700019	59,906
Massachusetts Institute of Technology Sea Grant		NA06OAR4170019	17,171
Massachusetts Institute of Technology Sea Grant		NA06OAR4170019	8,493
Monterey Bay Aquarium Research Institute (MBARI)		NA160C2936	1,632
National Fish & Wildlife Foundation		2003017034	338
Ocean Works Group Inc		20060093006	60,262
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes		NA17RJ1231	381
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes		NA17RJ1231	970
Old Dominion University Research Foundation		JG6SE1001	4,000
Oregon State University		NA108HF	18,243
Rutgers University		NA07OAR4310279	1,500
RUTGERS UNIVERSITY		SC2214	238
Smithsonian Environmental Research Center		NA05NOS4781193	28,905
Texas A&M University-Corpus Christi (TAMU-CC)		NA05OAR4601064	1,500
University Corporation for Atmospheric Research (UCAR)		NA06OAR43101050	91,564
University of Alaska Fairbanks		UAF 050072	1,680
University of British Columbia		NAOSFNMF4391068	8,596
University of California, San Diego		PO10204367	95,787
University of California, Santa Barbara		NA04OAR4600049	12,695
University of Connecticut		PSA5045	11,980
University of Miami		PO102192	5,241
University of Mississippi		NA06OAR4170078	1
University of Mississippi		NA06OAR4300227	49,999
University of Mississippi		SC0608016	4,793
University of New Hampshire (UNH)		NA06NOS4190167	1,861
University of New Hampshire (UNH)		NANOS4191149	95,486
University of New Hampshire (UNH)		POP4UDES86	(1)
University of New Hampshire (UNH)		POPZ06062	15,779
University of New Hampshire (UNH)		UNH05909	11,461
University of New Hampshire (UNH)		UNH06016	60,908
University of New Hampshire (UNH)		UNH06017	63,612
University of New Hampshire (UNH)		UNH06123	50,860
University of New Hampshire (UNH)		UNHPZ06052	13,555
University of New Hampshire		NA04OAR4600155	10,460
University of New Hampshire		NA16OC2740	19,862
University of New Hampshire (URI)		NA6NMF4720100	99,575
University of South Florida		NA04NOS473017A	1,052
Virginia Aquarium & Marine Science Ctr. Foundation, IN		NA05NMF439116	214
Total			1,195,044

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2007**

Major Program Research and Development Cluster	Federal CFDA Prefix	Pass-Through Number	2007 Expenditures
Research and Development Passed Through from Other Organizations (Continued)			
Department of the Navy			
Analysis Design and Diagnostice Inc	12	N0002405C6310	\$ 132
Applied Physical Sciences Corp		APSSSTR0601	52,664
Bluefin Robotics Corporation		N6133104C0041	1,250
Bluefin Robotics Corporation		N66133104C0041	5,576
ENSR Corporation		WP912P707F0037	11,489
Florida State University		N000141070734	1,276
Hydroid LLC		N0001403C0214	13,750
Hydroid LLC		PO0005845	11,501
Infocitex Corporation		N0001407M0185	18,070
Marine Acoustics Inc		JIP22 06/16	31,215
Marine Acoustics Inc		N6523603D7845	54,460
Marine Biological Laboratory (MBL)		MBL27344	27,319
Marine Biological Laboratory (MBL)		SC28329	34,494
Massachusetts Institute of Technology (MIT)		5710001556	10,311
Massachusetts Institute of Technology (MIT)		FA872105C0002	147
Massachusetts Institute of Technology (MIT)		N000149911059	86,657
Massachusetts Institute of Technology (MIT)		OE3711200	25,182
Materials Systems Inc		N0001407M0301	4,144
Neptune Technologies Inc		CEROSCORE0602	150,851
Northrop Grumman Systems Corporation		30025881	5,428
Northrop Grumman Systems Corporation		N6600106C8001	33,194
Northrop Grumman Systems Corporation		N6600106C8001	26,609
Ocean Acoustical Services & Instrument Sys Inc Oasis		N0001407C0771	1,277
Ocean Acoustical Service & Instrument Sys, Inc (OASIS)		N0003906C0063	51,848
Pennsylvania State University		N000140710653	5,213
Pennsylvania State University		SC0509	647,987
Perot Systems		PO004722	4,576
Princeton University		N00140410534	125,184
Rite Solutions		N0002407C4138	29,504
Rite Solutions		RS0602	8,664
Rutgers University		N000140610739	73,785
Rutgers University		PO602241	39,639
Science Applications International Corp (SAIC)		4400126403	1,194
Science Applications International Corp (SAIC)		N6600103D5010	127,956
Science Applications International Corp (SAIC)		N660103D5010	291,578
Science Applications International Corp (SAIC)		SAIC4600006307	625,236
Science Applications International Corp (SAIC)		SAR 06C6705	230,509
Science Applications International Corp		07C5000	12,771
Sea Surveyor Inc		N0001406101203	1,949
Teledyne Benthos		N0001407C0313	63,720
The John Hopkins University		860762304	667,453
University of Alaska Fairbanks		UAF 080052	36,340
University of Rhode Island (URI)		3250535495	45,176
University of Rhode Island (URI)		N000140210370	37,853
University of Rhode Island (URI)		URI00005615	(40)
University of Southern California		N62447307C4030	2,600
University of Texas at Austin		2006C01826	1,108,404
University of Texas at Austin		4400105826	(231)

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2007**

Major Program Research and Development Cluster	Federal CFDA Prefix	Pass-Through Number	2007 Expenditures
Research and Development Passed Through from Other Organizations (Continued)			
Department of the Navy (Continued)			
University of Texas at Austin		N02401D66002851	\$ 24,187
University of Washington		N000140610685	7,694
University of Washington		N000140710637	107,771
University of Washington		PO1153700	20,483
University of Wyoming		DODONR44501SUB	179
Total			<u>5,006,178</u>
Department of the Interior			
Battelle Memorial Institute/Sci. Tech. International	15	SC186138	(12,337)
Lewtech Company Inc		NBCHC070051	28,605
Texas AM University		14350102CA85186	60,881
University of Alaska Fairbanks		UAF 030109	9,796
Virginia Institute of Marine Science		F116R9	1,616
Virginia Institute of Marine Science		POD0694488	3,104
Total			<u>91,665</u>
National Aeronautics and Space Administration			
Brown University	43	NNG05G137G	564
Jet Propulsion Laboratory (JPL)		JPL1283726	151,027
Jet Propulsion Laboratory (JPL)		NMO710780	77,385
Jet Propulsion Laboratory (JPL)		SC1283727	(262)
Marine Biological Laboratory		MBL21175	9,120
University of Maryland		Z601701	613,026
University of New Hampshire (UNH)		UNHPO6UZO155	12,052
University of New Hampshire		NNX07AB20G	80,709
University of Rhode Island (URI)		9100535842	36,366
Total			<u>979,987</u>
National Science Foundation			
American Museum of Natural History	47	EAR0308866	1,920
Bates College		OPP0514115	3,200
Bates College		OPP0514115	2,240
Bermuda Institute of Ocean Sciences		DEB0552202	8,250
Bermuda Institute of Ocean Sciences		OCE0509602	20,371
Bermuda Institute of Ocean Sciences		OCE0623505	63,909
Bigelow Laboratory for Ocean Sciences		OCE0728520	552
Boston University		ATM0455328	3,200
Boston University		OCE0549051	660
College of Charleston		OCE0728683	1,518
Columbia University		EAR0549055	15,911
Columbia University		OCE0223951	277,334
Columbia University		OCE0550900	8,889
Duke University		OCE0526120	1,113
Duke University		OCE0526120	4,000
Duke University		OCE0526826	1,500
Georgia Institute of Technology		OCE0648258	656
Harris Acoustic Products Corporation		DMI0450355	122,213
Integrated Ocean Drilling Prog. Manag. Intl		OCE0432224	39,934

**Woods Hole Oceanographic Institution
 Schedule of Expenditures of Federal Awards
 December 31, 2007**

Major Program Research and Development Cluster	Federal CFDA Prefix	Pass-Through Number	2007 Expenditures
Research and Development Passed Through from Other Organizations (Continued)			
National Science Foundation			
Joint Oceanographic Institutions (JOI)		NSF UNKNOWN	\$ 700
Joint Oceanographic Institutions (JOI)		OCE0431095	6,295
Joint Oceanographic Institutions (JOI)		OCE0431095	1,890
Joint Oceanographic Institutions (JOI)		OCE0431095	20,364
Joint Oceanographic Institutions (JOI)		OCE0431095	6,926
Lamont-Doherty Earth Observatory of Columbia Univ		OCE0328117	354
Lamont-Doherty Earth Observatory of Columbia Univ		OCE0402348	400,000
Lamont-Doherty Earth Observatory of Columbia Univ		OCE0407354	5,778
Lamont-Doherty Earth Observatory of Columbia Univ		OCE0426575	2,822
Lamont-Doherty Earth Observatory of Columbia Univ		OCE0435703	1,925
Lamont-Doherty Earth Observatory of Columbia Univ		OCE0502039	2,405
Lamont-Doherty Earth Observatory of Columbia Univ		OCE0520391	640
Lamont-Doherty Earth Observatory of Columbia Univ		OCE0623107	4,000
Lamont-Doherty Earth Observatory of Columbia Univ		OCE0728766	6,582
Louisiana State University		GEO0452325	389
Marine Biological Laboratory		OCE0430724	14,969
Marine Biological Laboratory		OCE0430724	21,454
Massachusetts Institute of Technology (MIT)		EAR0420592	464
Massachusetts Institute of Technology		EAR0538179	618
Massachusetts Institute of Technology		EAR0538179	1,008
Massachusetts Institute of Technology		EAR0420592	611
Monterey Bay Aquarium Research Institute		OCE0222650	73,981
New England Aquarium		OCE0215456	22,277
Northeastern University		EEC9986821	103,936
Ohio State		ARC0221468	416
Old Dominion University		OCE0629707	3,063
Old Dominion University		OCE0629707	6,687
Old Dominion University Research Foundation		OCE0723334	18,654
Oregon State University		OCE0424602	1,483
Oregon State University		OCE0424602	1,612
Oregon State University		OCE0602395	800
Princeton University		CHE0221978	57,806
Rensselaer Polytechnic Institute		EAR0337181	5,706
Rensselaer Polytechnic Institute		EAR0440131	2,325
Research Corporation of University of Hawaii		OCE0327513	10,862
Research Corporation of University of Hawaii		OCE0334792	58,707
Research Foundation of SUNY		EAR0440235	834
Rutgers University		OCE0236422	1,296
Rutgers University		OCE0327353	200
Rutgers University		OCE0327353	1,250
Smithsonian Institution		BCS0218511	58,360
State University of New York		OCE0502550	3,850
Syracuse University		EAR0519106	1,560
Texas A&M Research Foundation		OCE0222101	6,000
Texas A&M University		OCE0606856	3,478
University of Southern Mississippi		OPP0421431	12,743
University Corporation for Atmospheric Res.		ATM0301213	343
University of Alaska Fairbanks		ARC0520574	8,000

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2007**

Major Program Research and Development Cluster	Federal CFDA Prefix	Pass-Through Number	2007 Expenditures
Research and Development Passed Through from Other Organizations (Continued)			
National Science Foundation (Continued)			
University of Alaska		OPP0327664	\$ 264,681
University of California, San Diego (SCRIPPS)		OCE0726783	129,136
University of California, San Diego		OCE0336574	(201)
University of California, San Diego		OCE0418967	110,723
University of California, Santa Barbara		OCE0099245	140,198
University of California, San Cruz		ANT0523332	41,796
University of Colorado		ATM0317832	3,616
University of Delaware		OCE0326434	1,500
University of Georgia		OCE0449578	2,500
University of Georgia		OCE0449578	1,200
University of Hawaii		CCF424599	434,023
University of Hawaii		OCE0452132	204
University of Louisville Research Found Inc		EF0412129	8,446
University of Miami		OCE0623450	4,979
University of Minnesota		OCE00221031	100
University of Minnesota		OCE0221031	720
University of Minnesota		OCE0453777	1,576
University of Montana		OCE0529557	9,306
University of Nebraska		ANT0342484	34,354
University of New Hampshire		OCE0327126	325
University of Rhode Island		ANT0635437	22,516
University of Rhode Island		OCE0137386	28,039
University of Rhode Island		OCE0504135	1,441
University of Rhode Island		OCE0550770	9,594
University of Rhode Island		OCE0610491	492
University of Rhode Island		OPP0436110	550
University of South Carolina		ATM0402341	112
University of South Florida		OCE0326268	2,468
University of Southern California		OCE0623499	4,000
University of Southern California		OCE0623499	2,000
University of Southern California		OCE0737300	291
University of Washington		OCE0723866	481
University of Washington		BCS0729762	2,368
University of Washington		OCE0424779	392
University of Washington		OCE0426109	1,500
UNIVERSITY OF WASHINGTON		OCE0428493	79,171
University of Washington		OPP0230381	664
Virginia Polytechnic Institute		EAR0337094	6,300
West Chester University		IOS0640185	1,637
Williams College		OCE0424474	6,404
Total			2,903,395
Environmental Protection Agency			
Columbia University	66	RD83322201	1,088
Louisiana State University		LSU9401251XX	600
Marine Biological Laboratory		EPA FP916618010	1,278
Marine Biological Laboratory		FP916618010	1,491
Montana State University		R832449	2,315
NSF International (Private Org. - NOT NATL SCI FNDN)		83055201	29,462
Yale University		PO DNP1101209	6,100
Total			42,334

**Woods Hole Oceanographic Institution
Schedule of Expenditures of Federal Awards
December 31, 2007**

Major Program Research and Development Cluster	Federal CFDA Prefix	Pass-Through Number	2007 Expenditures
Research and Development Passed Through from Other Organizations (Continued)			
Miscellaneous			
Hurricane Landfalls	81	DEFC0206ER6429	\$ 83,506
Sandia National Laboratories		MOA20060697256	7,500
University of California, Santa Barbara		UCSBKK4126	1,084
Total			<u>92,090</u>
Department of Health and Human Services			
Boston University	93	5P42ES007381	242,005
Boston University		BU MEMORANDUM	208,104
Boston University		GC18197INGA	59,978
Marine Biological Laboratory (MBL)		ES12742	13,673
MARINE BIOLOGICAL LABORATORY (MBL)		SC28285	13,389
University of Iowa		10000548566	93,315
Total			<u>630,464</u>
Total Pass Through Awards			<u>10,941,157</u>
Total Expenditures of Federal Awards			<u>\$ 112,764,494</u>

Woods Hole Oceanographic Institution
Notes to Schedule of Expenditures of Federal Awards
December 31, 2007

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, 2007 which have been financed by the U.S. Government (federal awards). For purposes of the Schedule, federal awards include all federal assistance entered into directly between the federal government and the Institution and federal funds awarded to the Institution by a prime recipient. Because the Schedule presents only a selected portion of the activities of the Institution, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institution. Negative amounts represent adjustments to amounts reported in prior years in the normal course of business. CFDA and Pass-through identification numbers are presented when available.

2. Subrecipients

The Institution passed through federal awards to subgrantee organizations in the R&D Cluster. Expenditures incurred by the subgrantees and reimbursed by the Institution are presented in the Schedule of Federal Awards. Amounts for the year ended December 31, 2007 are:

Federal Agency	CFDA #	Amount
National Science Foundation	47	\$ 7,659,983
Department of Commerce		
National Oceanic and Atmospheric Administration	11	2,033,064
Department of Defense		
United States Navy	12	1,063,479
Department of Health and Human Services		
National Institutes of Health	93	267,034
National Aeronautics and Space Administration	43	121,718
Environmental Protection Agency	40	21,929
		<u>\$ 11,167,207</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 2004. The 2007 fixed rates were based on budgeted information for the year ended 2006. The base and pool balances for the actual 2007 rates are 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 2007 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 the 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, 2007, and have issued our report thereon dated August 20, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 07-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 April 10, 2008.

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

This report is intended solely for the information and use of the Institution's audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

August 20, 2008

**Report of Independent Auditors on Compliance
with Requirements Applicable to 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 U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*. 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 for the year ended December 31, 2007. 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 07-2.

Internal Control over Compliance

The 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 and as described in the first paragraph of this report, 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, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. We did not audit the Institution's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Institution's audit committee management, and 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

September 23, 2008

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

**Woods Hole Oceanographic Institution
 Summary of Auditors' Results
 Year Ended December 31, 2007**

I. Summary of Auditors' Result

Financial statements

Type of auditor's report issued	Unqualified		
Internal control over financial reporting			
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no	
Significant deficiencies identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported	
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no	

Federal Awards

Internal control over major programs			
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no	
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported	

Type of auditor's report issued on compliance for major programs	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
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Identification of major programs

CFDA Number	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	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

Woods Hole Oceanographic Institution
Schedule of Financial Statement Findings
Year Ended December 31, 2007

II. Financial Statement Findings

07-1 Endowment Management and Investment Policy

The Institution currently invests in alternative investments including hedge funds, nonmarketable mutual funds, venture capital funds and private equity funds. The estimated fair value of each fund is obtained from periodic statements received from the custodian (or investment fund manager, if it is one and the same) stating the Institution's share of the fair value of the fund. Due to timing differences between the custodian and fund manager reporting of fair market value, these investments are adjusted subsequent to year-end to their estimated fair values at December 31, and any unrealized gains or losses are recorded as increases or decreases in net assets consistent with fluctuations of the investments' estimated fair values.

The pooled investment market values reported by investment fund managers as of December 31, 2006 required a subsequent increase to fair value by approximately \$4.9 million. At the time this 2006 financial statement adjustment was finalized (May 2007), management did not retroactively adjust units assigned to new gifts received during the period January - May 2007.

As part of current year audit procedures, it was noted that the prior year adjustment of \$4.9 million was recorded incorrectly. This error resulted in an understatement of pooled investments and unrealized gains as of and for the period December 31, 2007. This error also resulted in an understatement of approximately 2,200 units to new gifts received during fiscal year 2007 out of approximately 735,000 new units in 2007 and 73.7 million cumulative units.

This error can be attributed to the lack of adequate staff to prepare reconciliations on investment accounts which then requires higher-level staff/management to prepare the reconciliations rather than review them. We recommend that the Institution evaluate staffing resources within the Accounting Department in order to allow management to perform reviews at the level required. In addition, lack of a properly trained replacement could lead to transitional problems in the event of a sudden departure by a key Finance member or an increase in the work volume requiring additional resources. We recommend cross-training additional personnel to ensure a resource could be identified quickly and to ensure disruption in the Institution's control activities and processes would be minimal.

We further recommend that management evaluate the Institution's current endowment policy. Management should consider amending the policy to take into account the subsequent adjustments made to the fair market value of pooled investments and the effect of these adjustments on the unitization of gifts in the endowment to ensure any adjustments are applied consistently each year.

Management's Views and Corrective Action Plan

Following these findings are management's views and corrective action plan.

Woods Hole Oceanographic Institution
Schedule of Current Year Findings and Questioned Costs for Federal Awards
Year Ended December 31, 2007

III. Current Year Findings and Questioned Costs for Federal Awards

07-2 Performance Reporting

In accordance with the National Science Foundation (NSF), General Grant and Conditions, unless otherwise specified in the award, annual project reports shall be submitted to the cognizant NSF Program Officer at least three months prior to the end of the current period. In a sample of 18 NSF awards, we found 1 award (CFDA Number 47.078, "Gakkel Ridge:Science O," award year 2004) which was not submitted by the required deadline.

In a sample of 12 awards from federal agencies other than NSF, we found 1 award (CFDA Number 11.478, "Gomtox 2" award year 2006) which was not submitted by the required deadline in accordance with the Grant Award Notices. The report was submitted to the National Oceanic and Atmospheric Administration 9 days after the due date. Final performance reports are due to the Program Officers no later than 30 days following the end of each 6 month period from the start of the federal award.

Cause and Effect

In August 2006, management implemented enhancements to the Institution's performance reporting policy related specifically to NSF grants. Although the Institution has seen a significant decline in the number of late NSF performance reports, the Institution continues to refine the monitoring process of these reports.

For non-NSF grants at the Institution, tracking of reporting requirements for active grants is a manual process, and there is no formal monitoring practice in place over this process. This resulted in a lack of timely notification of report due dates within the Institution.

Recommendations

As indicated in the finding above, management implemented new internal controls surrounding NSF performance reporting during fiscal year 2006. Management should consider implementing these policies for all granting agencies. Management should also continue to monitor the due dates for submitting reports and make changes in its internal policy as needed.

Management's Views and Corrective Action Plan

Following these findings are management's views and corrective action plan.

Woods Hole Oceanographic Institution
Schedule of Status of Prior Year Findings and Questioned Costs for
Federal Awards
Year Ended December 31, 2007

IV. Status of Prior Year Findings and Questioned Costs for Federal Awards

06-1 Investments - Significant Deficiency

In July 2006, the American Institute of Certified Public Accountants ("AICPA") issued a practice aid entitled "Alternative Investments - Audit Considerations: A Practice Aid for Auditors." The aid provided guidance on auditing investments in securities where a readily determinable market value does not exist. The guidance requires additional audit evidence surrounding the valuation and existence assertions.

As a result of the practice aid, additional controls needed to be established and overall documentation of procedures performed needed to be enhanced. PwC had recommended specific areas for improvement.

Status

Following these findings are Management's update to prior year audit findings.

06-2 Performance Reporting

In a sample of 30 NSF awards, PwC found 12 awards which were not submitted by the required deadline as follows:

The awards which were not submitted by the required deadline are as follows:

Agency	CFDA Number	Name of Award	Year
EPA	66.R82908901	Caswell 1	2001
NOAA	11.430	2005/2006 NOAA/NURP Ship Ops	2005
DOE	81.DEFG0200ER62999	Sequestration Dissolved Carbon	2000
NSF	47.050	Sger:Seismometers on Corks 0	2004
NSF	47.049	CMG Structures: Uncertainty 1	2004
NSF	47.050	Rheology Altered Lithosphere	2004
NSF	47.050	Solas Anz 0	2003
NSF	47.050	Ridge 2000 Postdoctoral	2005
NSF	47.050	New Dims Model 0	2005
NSF	47.050	Noble Gas Studies Pacific Mnt 0	2005
NSF	47.050	Oceographic Cable	2001
NSF	47.050	Extreme Storms in the NE 1	2005
NSF	47.050	Plankton Recorder Survey 0	2001
NSF	47.050	R/V Knorr Operations 2005 3	2005
NSF	47.050	Meridional Overturning Circ 0	2004

Woods Hole Oceanographic Institution
Schedule of Status of Prior Year Findings and Questioned Costs for
Federal Awards
Year Ended December 31, 2007

Management implemented new internal controls surrounding NSF performance reporting during fiscal year 2006. PwC recommended the implementation of these policies for all granting agencies and for management to continue to monitor the due dates for submitting reports.

Status

Following these findings are Management's update to prior year audit findings.



Laurie Murphy
Assistant Controller

Woods Hole Oceanographic Institution

Challenger House, MS #14
Woods Hole, Massachusetts 02543

07-1 Endowment Management and Investment Policy

Management Response

The pooled investment market values reported by investment fund managers as of December 31, 2006 required a subsequent increase to fair value of approximately \$4.9 million. The adjustment was finalized in May 2007 and management did not retroactively adjust units assigned to new gifts received during the period January – May 2007.

2006 was the first year we were required to make such an adjustment and our December 2006 audited financials statements were finalized five months later. Management made a decision not to retroactively adjust the endowment and the unit values for January – May 2007. Since unit values are based on the average last six months market values, the adjustment for the units will eventually correct itself in the future. In addition, management will evaluate and revise the Institution's current endowment policy on adjusting the unitization of gifts.

The Institution is currently evaluating current staffing needs and plans to increase the current level to ensure that proper reconciliations and reviews are performed. Also, the Institution is currently cross training to ensure that there are no transitional problems should a key member of the staff leave.

Contact Person:


Laurie Murphy



Laurie Murphy
Assistant Controller

Woods Hole Oceanographic Institution

Challenger House, MS #14
Woods Hole, Massachusetts 02543

07-2 Performance Reporting

Management Response

The NSF procedures adopted in August CY2006 have produced improved results as on 1 of 18 NSF awards sampled by PwC were late in 2007. On March 17, 2008 WHOI received a letter from NSF Institution & Award Support Division stating, "NSF considers the similar 06-2 Performance Reporting finding closed as it relates to our awards."

In 2008 WHOI implemented a policy for performance reporting of all other granting agencies for the departments to administer. The 2007 results indicate a substantial improvement within all agency performance reporting. The Institution will continue to closely monitor this requirement.

Contact Person:


Laurie Murphy



Laurie Murphy
Assistant Controller

Woods Hole Oceanographic Institution

Challenger House, MS #14
Woods Hole, Massachusetts 02543

Prior year finding:

06-1 Alternative Investments

The Woods Hole Oceanographic Institution properly selects, monitors, values and reports its alternative investment program.

The Institution relies on Cambridge Associates for its pre-investment due diligence, and appropriately documents the process and procedures and retains the documentation. Through this activity the Investment Office and Investment Committee are able to better understand and manage the risks inherent in alternative investments.

Post investment due diligence is performed by the Chief Investment Officer. The policy includes an annual visit with each alternative investment manager entrusted with Institution funds. Ideally, these visits will occur at the manager's office, or as an alternative, at an annual meeting. This due diligence is documented and the documentation is retained.

Ongoing management of alternative investments relating to their associated cash inflows and outflows is a multi-point effort involving the Investment Office, Cash Management Office, and Endowment Custodian providing multiple checks and balances to ensure contributions and distribution are properly documented and processed.

The institution is currently in the initial design stages of developing a software system to provide even better controls, information capturing and data reporting to ensure a higher level of internal security and controls.

Contact Person:

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

Laurie Murphy
Assistant Controller



Laurie Murphy
Assistant Controller

Woods Hole Oceanographic Institution

Challenger House, MS #14
Woods Hole, Massachusetts 02543

Prior year finding:

06-2 Performance Reporting

Woods Hole Oceanographic Institution will continue monitoring due dates for submitting performance reports as they have for the past two years. The internal procedures adopted by WHOI in 2006 continue to yield improved results as only 2 of 30 awards sampled by PwC were late in 2007 compared to 12 of 30 awards sampled by PwC in 2006.

On March 17, 2008 WHOI received communication from NSF/Institution & Award Support Division stating, "NSF considers the above finding (06-2 Performance Reporting) closed as it relates to our awards.

Contact Person:

A handwritten signature in black ink that reads "Laurie Murphy". The signature is written in a cursive, flowing style.

Laurie Murphy