

REPORT OF
THE TREASURER
OF THE
NATIONAL ACADEMY
OF SCIENCES

For the Year
Ended December 31, 2014

Contents

	<u>Page</u>
<i>Treasurer's Statement</i>	<i>1</i>
<i>I. Investments</i>	<i>7</i>
<i>Endowment, Trust, and Other Long-term Investments Pool – Description of Funds for the Year Ended December 31, 2014</i>	<i>Schedule 1</i> <i>8</i>
<i>Endowment, Trust, and Other Long-term Investments Pool – Financial Detail of Funds for the Year Ended December 31, 2014</i>	<i>Schedule 1 – A</i> <i>18</i>
<i>Endowment, Trust, and Other Long-term Investments Pool – Asset Allocation as of December 31, 2014</i>	<i>Schedule 2</i> <i>22</i>
<i>Endowment, Trust, and Other Long-term Investments Pool – Change in Valuation and Market Value Summary</i>	<i>Schedule 2 – A</i> <i>23</i>
<i>II. Private Contributions</i>	<i>25</i>
<i>III. Financial Condition</i>	<i>47</i>
<i>Report of the Auditing Committee of the National Academy of Sciences</i>	<i>48</i>
<i>Independent Auditor's Report</i>	<i>49</i>
<i>Statements of Financial Position</i>	<i>51</i>
<i>Statements of Activities</i>	<i>52</i>
<i>Statements of Cash Flows</i>	<i>53</i>
<i>Notes to the Financial Statements</i>	<i>54</i>

Treasurer's Statement

To the Council of the National Academy of Sciences:

This Report of the Treasurer of the National Academy of Sciences presents the financial position and results of operations as well as a review of the endowment, trust, and other long-term investments portfolio activities of our Academy for the year ended December 31, 2014.

Overview

The income that supports the activities of the Academy comes from two major sources: program revenue received from sponsors to pay for the myriad studies and other activities undertaken each year by the National Research Council (NRC), and a much smaller sum that we withdraw from our own endowment under the endowment spending policies adopted by the Council. Our total NRC program revenue for 2014 experienced an increase of approximately 1% above 2013 revenue. In projecting program level in 2015, we anticipate a program level similar to the 2014 program; with a slightly higher level of on-site programmatic work, and a smaller amount of subcontracting.

The Gulf Research Program started in 2013 and will become a larger part of the programmatic activity over the next few years. Over its 30-year duration, The Gulf Research Program will seek to improve understanding of the interconnecting human, environmental, and energy systems of the Gulf of Mexico and other U.S. outer continental shelf areas, and foster application of these insights to benefit Gulf communities, ecosystems, and the Nation. As of February 2015, we have received \$95 million of the total \$500 million in payments to be received. The NAS Council is overseeing the investment of the funds and the strategic direction of the program in accordance with agreements arising out of the settlement of the federal government's criminal complaints against BP Exploration and Production, Inc. and Transocean Deepwater, Inc.

With respect to the second source of revenue, it has for many years been the policy of the Council to limit annual

endowment spending to 5% of the average value of endowment for the twelve quarters ending in June of the previous year. When the endowment declined significantly in 2008, the Council made the prudent decision to hold spending to 4% and to avoid spending from specific endowment funds having values below the original gift amount, starting in 2009. These practices continued through 2013. For 2014, a conservative increase to a spending rate of 4.25% was approved and a planned spending rate of 4.50% has been approved for 2015. The 2014 investment return on the endowment was positive at approximately 5.3%.

NAS Highlights

Endowment, Trust, and Other Long-term Investments Portfolio

As the Chairman of the Finance Committee, I am responsible, along with the other committee members, for the prudent management of the endowment and trust fund. The goal of the endowment is to provide stable support for the Academy's programs and activities over time while maintaining the value of the corpus of the endowment in real (inflation adjusted) terms. To achieve this goal, the Council, acting on the recommendation of the Finance Committee, has historically authorized spending from the portfolio at a rate designed to maintain the purchasing power of the endowment over time. The current spending rule caps annual spending at 5% of the trailing 12-quarter average market value of the portfolio. As I have already noted, the Council limited spending to 4% from 2009 through 2013, increased spending to 4.25% in 2014, and has approved a planned spending rate of 4.50% in 2015.

The market value of the portfolio increased net of withdrawals and new contributions from \$412.5 million on January 1, 2014, to \$423.0 million at December 31, 2014. The portfolio returned 5.3% for the year, which was 1.3% higher than the benchmark return of 4.0%. The strongest contributors to the return for the year were U.S. equities. The private equity and venture capital funds also had good years overall and produced returns exceeding their benchmarks. Both developed and emerging non-U.S. equities had negative returns for the year, in line with their respective benchmarks.

The actual portfolio allocation and policy guidelines as of December 31, 2014, were as follows:

	Portfolio Allocation	Policy Guideline
Fixed-Income:		
U.S. fixed income/cash	7%	9%
Non-U.S. fixed income	4%	5%
Equities:		
U.S. large equity	22%	19%
U.S. small/mid cap equity	13%	9%
Non-U.S. equity (developed)	18%	20%
Non-U.S. equity (emerging)	10%	15%
Real estate	4%	3%
Multi-strategy and private equity funds	22%	20%
Total	100%	100%

Market values of the portfolio, after withdrawals, for the years ended December 31, 2014 and 2013, are displayed in the following chart (in thousands):

	2014	2013
Cash and Fixed-Income Securities	\$ 45,435	\$ 44,997
Equity Securities	377,554	367,506
Total	\$ 422,989	\$ 412,503

It is of some interest to compare our endowment performance with that of similar organizations. A good way of doing this is to review the results of the study of college and university endowments by the National Association of College and University Business Officers which found that as of June 30, 2014, the average 1, 5, and 10 year returns for endowments in the \$100M - \$500M range were 15.5%, 11.8%, and 7.1% respectively. The 1, 5, and 10 year returns of our endowment as of June 30, 2014 were 14.9%, 10.7%, and 6.9%, respectively. As you know, some years are better than others and that is why it is good to focus on the long-term return, for which the NAS endowment is performing similarly compared to its peers.

One further comparison may be useful. In gross terms, including the return on investments, the gifts received, and the withdrawals made for endowment expenditures, the increase in the value of the endowment over December 31, 2013 was 2.0%, exceeding the 0.8% inflation rate during the one year period. On the same basis, the endowment asset value has increased by 30.7% over the ten year period preceding December 31, 2014 for an average (compounded) rate of return of 2.7%, again in

excess of the 2.1% annual inflation rate for the comparable period.

- See Schedule 2-A on page 23 for details of investments by asset class.
- Included in the \$423.0 million total market value of the portfolio as of December 31, 2014, are \$7.4 million for the Woods Hole Endowment Funds, \$79.9 million for the Institute of Medicine (IOM), and \$11.6 million for The National Academies' Corporation (TNAC). TNAC, which is equally owned by the NAS and the National Academy of Engineering Fund (NAEF), owns and operates the Beckman Center (see note 1 to the financial statements on page 54).
- Withdrawals of \$11.6 million were made to fund the President's Committee, NAS General Fund's activity, and NAS prizes and awards for the current period. Additional withdrawals of \$2.1 million were made to fund Woods Hole, IOM, and TNAC activity.

NAS General Funds

The NAS General Funds Budget, which provides unrestricted resources to support the activities of the Academy, receives its funding from the unrestricted portion of the NAS Endowment. As noted above, the Council has limited spending from the endowment, including the unrestricted portion, to 4% since 2009, increasing to 4.25% in 2014.

For 2014, funding for the General Funds Budget totaled \$5.6 million and expenditures totaled \$4.8 million, resulting in a surplus of approximately \$848,000. Comparable figures for 2013 were \$5.2 million in revenues, \$4.8 million in expenditures, resulting in a surplus of approximately \$353,000.

The 2014 NAS General Funds activity is summarized as follows (in thousands):

Revenues:	
Unrestricted Endowment	\$ 4,408
Annual Giving from Members	518
Membership Dues	338
Annual Meeting	332
Other	10
Total Revenue	\$ 5,606

(continued)

Expenses:	
Development Office	\$ 1,020
Member Services:	
Annual Meeting	653
Other	217
Programs/Projects:	
Cultural Programs of the NAS	320
The Value of Social Science Research	150
Committee on International	
Security & Arms Control	198
InterAcademy Council	135
Foreign Meetings & Other Expenses	581
President's Office	16
NAS Executive Office	672
NRC Operations	796
Total Expenses	\$ 4,758
Surplus	\$ 848

Any surplus in the General Funds Budget at the end of the year is added to the NAS Reserve; similarly, deficits are funded from the Reserve, which is invested in the NAS Endowment and Trust Pool. The NAS Reserve had a market value of \$5.2 million on December 31, 2014, to which the 2014 surplus will be added.

The NAS Council has approved a General Funds Budget of \$5.8 million for 2015, which is based on a slightly increased endowment expenditure rate of 4.50%.

Prizes and Awards

Several award funds have existed for more than 100 years, while others were established more recently. The Home Secretary oversees the nomination process that selects award recipients and recommends to the Council (subject to legal and financial review) changes in the award cycle, amounts of the honoraria, and any other administrative changes.

Journal Publications

Financial results of the *Proceedings of the National Academy of Sciences* are shown below for the years ended December 31, 2014 and 2013 (in thousands):

	2014	2013
Revenues:		
Subscriptions	\$ 7,151	\$ 8,720
Author charges	6,846	6,793
Other	2	28
Total	\$ 13,999	\$ 15,541
Expenses:		
Publishing	\$ 7,636	\$ 8,030
Other	5,690	5,708
Total	\$ 13,326	\$ 13,738
Net	\$ 673	\$ 1,803

Facilities

NAS owns the following facilities:

- Keck Center of the National Academies at 500 Fifth St., NW in Washington, D.C.
- National Academy of Sciences Building at 2101 Constitution Ave., NW in Washington, D.C.
- J. Erik Jonsson Center of the National Academies at 314 Quisset Dr. in Woods Hole, Massachusetts.
- Arnold and Mabel Beckman Center at 100 Academy in Irvine, California (jointly owned with NAEF through TNAC).

NAS leases a facility at 8619 Westwood Center Drive in Vienna, Virginia for the National Academies Data Center.

Development Office Programs

The NAS, including the IOM, is grateful for the generous support of members, friends, and philanthropic organizations. Philanthropic support enables the Academies to focus on innovative work that cuts across interdisciplinary boundaries and to resolve important national problems that the government cannot or is not yet ready to sponsor. It also helps us to initiate leading-edge studies, for which major funding is raised from other sources.

Unrestricted philanthropic support is a vital resource for the Academies. In 2014, the NAS and IOM received approximately \$1.85 million in unrestricted expendable support. These funds were raised through support of the annual funds and the IOM's Harvey V. Fineberg Impact Fund:

- There were 415 NAS members and 28 friends of the NAS who contributed \$483,000 to support the NAS annual fund, an increase of 13% over 2013. Of these, 35 members made first time gifts including a \$50,000 gift from the Simons Foundation, directed to the NAS by James Simons (NAS), and these gifts were matched by Philip (NAS/IOM) and Sima Needleman, who established a \$150,000 fund-raising challenge to encourage gifts from NAS members who had not previously supported the Academy. Additionally, the NAS Auditorium seat naming campaign continued to garner interest with 19 additional seats being named that raised \$95,000 for the NAS building fund.
- The IOM saw a 20% increase in the funds raised through its annual fund campaign, bringing in \$354,000 from 470 members and 12 friends of the IOM. Contributing to the success was a \$25,000 matching gift challenge by Herbert Pardes (IOM) for gifts made on the day of giving. More than \$54,000 was raised on that day. An additional \$1,014,000 was raised from 135 donors, including a \$630,000 gift that was made anonymously, to support the Harvey V. Fineberg Impact Fund – a fund-raising initiative launched in 2013 to provide resources that will help the IOM address the challenges of healthcare delivery, cost, research, outcomes, and education, and help the IOM communicate findings from IOM reports to populations who would most benefit.

Many gifts and grants were received for restricted purposes to fund the numerous projects and activities of the NAS and IOM. The selected gifts described below highlight the scope of philanthropic support received during 2014:

- The NAS received more than \$5.1 million in endowment gifts, including \$3.6 million from the estates of Sheila and Michael Held to endow a prize in mathematical programming; \$1.5 million from the Research Corporation for Science Advancement to establish the John P. Schaefer Fund from which earnings will be used to fund an award to recognize achievement in scientific discovery. This endowment gift was supplemented with an expendable gift of \$125,000, available for immediate use and the presentation of the first award in 2015; and \$100,000 — with an additional commitment of \$150,000 — from Ralph (NAS) and Carol Cicerone to create a

named endowment fund that will provide support for priority programs.

- Gifts and grants from foundations, corporations and other private sources are key resources for funding the studies, workshops, forums, roundtables and other projects of the National Research Council and the IOM. Examples of support received in 2014 are: grants of \$900,000 from the John D. and Catherine T. MacArthur Foundation and \$200,000 from the Robert Wood Johnson Foundation to support a study on how to improve the use of economic analysis to inform investment in interventions to improve outcomes for children, youth, and families; grants of \$550,008 from the Bill and Melinda Gates Foundation, and \$150,000 each from the Alfred P. Sloan Foundation and the William and Flora Hewlett Foundation were received to support the study, “How People Learn II,” an update and extension of the report issued in 2000; and a consortium of ten funders came together to support the IOM study on family caregiving in the United States, with the Archstone Foundation, the John A. Hartford Foundation, and an anonymous donor each contributing \$400,000.
- The IOM received commitments totaling \$1.5 million to endow two Anniversary Fellowships, one in emergency medicine and the other in osteopathic medicine. The IOM’s Anniversary Fellows Program allows early career health science scholars to participate in the work of the IOM, significantly contributing to their career development. The gifts to endow these fellowships were made by the American Board of Emergency Medicine (ABEM) and a consortium of funders: the American Osteopathic Association, the American Osteopathic Foundation, and the American Association of Colleges of Osteopathy. ABEM and the consortium supplemented the endowment gifts with expendable gifts of \$76,000 each so that the fellowships could start immediately.
- NAS’s programs to enhance the public’s engagement with science received strong support. The Science & Entertainment Exchange, a program that connects entertainment industry professionals with top scientists and engineers to bring more realistic science and positive portrayals of scientists and engineers to film and television received a grant of \$600,000 from the Alfred P. Sloan Foundation. The Science & Engineering Ambassadors Program, a project that links

scientists and engineers to local opinion leaders to promote and support informed community decision-making, received a grant of \$200,000 from the Simons Foundation.

- The Committee on Human Rights of the NAS, IOM, and NAE received support from 111 members across the three academies raising \$76,938. In addition, Martha Vaughan (NAS) made a very generous gift of \$56,500.
- The NAS and IOM saw revocable and irrevocable gift expectancies grow by \$3 million, including a \$2 million beneficial interest in a trust to be received from the Ruth Easling Day Trust for the establishment of The Arthur L. Day (NAS) Memorial Fund.

These gifts represent the many ways that members, friends, and organizations supported the NAS in 2014. This support is essential to the Academy's ability to fulfill its mission as scientific adviser to the nation and we deeply appreciate the philanthropic support from our many donors.

NRC Highlights

Revenues

The two main sources of revenue for the NRC are the U.S. government and private / nonfederal entities. The total contract and grant revenue from both of these sources totaled \$293.5million in 2014 and \$286.2 million in 2013.

U.S. Government Contracts and Grants

NRC activities, conducted in response to requests from a broad range of U.S. government agencies, are funded through cost-reimbursable non-fee contracts and grants.

The total amount reimbursed by the U.S. government agencies in the year ended December 31, 2014, was \$231.2 million (see following chart and the Statements of Activities on page 52) and in the year ended December 31, 2013, was \$231.3 million.

U.S. Government Revenues by Agency (\$ in thousands)

Agency for International Development	\$ 10,389
Department of Agriculture	1,174
Department of Commerce	6,857
Department of Defense:	
Defense Threat Reduction Agency	1,912
Department of the Air Force	6,935
Department of the Army	9,688
Department of Defense	2,931
Department of the Navy	12,397
Department of Education	135
Department of Energy	6,898
Department of Health and Human Services	15,535
Department of Homeland Security	3,390
Department of the Interior	1,015
Department of Justice	1,150
Department of State	2,488
Department of Transportation	100,620
Department of Treasury	344
Department of Veterans Affairs	5,756
Environmental Protection Agency	4,267
Executive Office of the President	113
Government Accountability Office	144
General Services Administration	45
Institute of Museum and Library Services	6
National Aeronautics and Space Administration	6,509
National Geospatial-Intelligence Agency	101
National Science Foundation	14,491
National Security Agency	13
National Transportation Safety Board	17
Nuclear Regulatory Commission	1,098
Office of the Director of National Intelligence	963
Social Security Administration	1,882
U.S. Arctic Research Commission	39
Adjustment to Indirect Cost Receivable & Other	11,886
Total U.S. Government Agencies	\$ 231,188

Private/Nonfederal Contracts and Grants

Private sponsors provided for new initiatives and co-sponsored government projects by funding awards in the amount of \$62.3 million in 2014, compared with \$55.0 million in 2013. The private and nonfederal revenues were comprised of contracts and grants (\$49.3 million) and other contributions (\$13.0 million). (See Statements of Activities on page 52.)

- Other contributions revenue increased from \$3.6 million in 2013 to \$13.0 million in 2014.

Expenses

Almost all government and private contracts and grants are cost-reimbursable agreements. Therefore, even if the revenues and expenses are not equal in any one given year, the revenues and expenses will be the same over the life of the award.

As in many universities and nonprofit institutions, indirect cost expenditures provide necessary support services and should be kept in reasonable proportion to program expenditures. Historically, NRC management has successfully maintained a relatively constant relationship between program and support costs, i.e., the growth rate of indirect costs has been approximately equal to the growth rate of direct costs. During 2013 and 2014, management worked to reduce the indirect costs to keep them in line with the declining and then stabilizing program level. In 2014, total indirect expenses were \$71.1 million compared to an approved initial budget of \$74.6 million. The 2015 indirect budget has been set at \$76.6 million.

Related Entities

Many financial transactions take place between the member organizations of the National Academies. The NRC serves as the clearinghouse for these transactions. However, it is important to note that only the financial activity and results of the NAS, NAE, IOM, and NRC are included in these financial statements. The financial activity and results of the National Academy of Engineering Fund (NAEF) and The National Academies' Corporation (TNAC) are audited and reported separately. Financial information for the NAEF is available on request from the NAE Finance Office; information for TNAC is available from the NAS Controller's Office.

Overall Financial Condition

The main reason for the large decrease in revenues from 2013 to 2014 is the \$471 million of revenue recognized in 2013 for the Gulf Research Program. Funds for this program will be expended over the life of the program, which is no more than 30 years.

	2014	2013
Total Revenues	\$ 358.6	\$ 847.5
Total Expenses	332.3	325.3
Change in Net Assets	\$ 26.3	\$ 522.2

Net assets, or assets minus liabilities, can be a measurement of a not-for-profit organization's ability to reinvest net income toward its mission while also maintaining reserves and helping protect against inflation. The NAS 2014 results of operations are further described in the financial statements starting on page 51.

Conclusion

I would like to thank the members of the Council, the Committee on Budget and Internal Affairs, the Finance Committee, and the NRC leadership for their continued support. Also, special thanks are extended to the Office of the Chief Financial Officer, led by Mary "Didi" Salmon, our CFO, for help in managing the Endowment and Trust Pool, providing steady oversight of the Academy's various budgets, and paying careful attention to the Academy's financial systems, records and reports.

Jeremiah P. Ostriker
Treasurer

I. Investments

Endowment, Trust, and Other Long-term Investments Pool
Description of Funds for the Year Ended December 31, 2014

**Capital
Contribution
(Column 1 of
Schedule 1-A)**

I. Funds that Support the NAS

A. General Fund — *The following funds provide unrestricted resources to support the activities of the National Academy of Sciences.*

<u>Agassiz Fund</u> — Bequest of Alexander Agassiz, a member of the Academy.	\$ 50,000
<u>Carnegie Fund</u> — Balance of the original gift of \$5,000,000 from the Carnegie Corporation of New York, for the purposes of the National Academy of Sciences/National Research Council, \$1,725,000 of which has been used to cover the cost of the Academy building and the acquisition of other property.	3,275,000
<u>Commonwealth Fund</u> — A grant of the Commonwealth Fund for capital endowment of the Academy.	500,000
<u>Carl Eckart Fund</u> * — Bequest of Carl Eckart received for the general purposes of the Academy.	1,246,366
<u>Ford Foundation Fund</u> — A grant of the Ford Foundation for capital endowment of the Academy.	5,000,000
<u>Henrietta and Alexander Hollaender Fund</u> * — A bequest to the Academy from Dr. Alexander and Mrs. Henrietta Hollaender.	500,000
<u>Grayce B. Kerr Fund</u> — A grant from Grayce B. Kerr for the general purposes of the Academy.	250,000
<u>Nealley Fund</u> — Bequest of George True Nealley for the general purposes of the Academy.	19,556
<u>Simon Ramo Fund</u> — A gift from Simon Ramo for the general purposes of the Academy.	14,000
<u>Rockefeller Foundation Fund</u> * — A grant of the Rockefeller Foundation to the National Academy of Sciences for the general purposes of the Academy.	1,000,000
<u>Dorothea and Herbert Simon Fund</u> — A gift from Dorothea and Herbert Simon for the general purposes of the Academy.	898,752
<u>Sloan Foundation Fund</u> * — A grant of the Alfred P. Sloan Foundation for the general purposes of the Academy.	1,000,000
<u>Amy Prudden Turner Fund</u> * — Bequest of Amy Prudden Turner for the general purposes of the Academy to serve as a memorial to her husband Scott and herself.	29,662
<u>Anonymous Endowment Fund</u> — A gift for the general purposes of the Academy from a donor who wishes to remain anonymous.	7,146,660
<u>General Endowment Fund</u> * — Bequest of David Lloyd Fillman and others for the general purposes of the Academy. By action of the Council, the International Critical Tables were transferred into this fund during fiscal year 1976, and proceeds from the sale of the Audubon Folios were transferred in fiscal year 1981.	4,044,079
<u>Members Endowment Fund</u> — Contributions from various members to be used for the general purposes of the Academy.	3,311,184
Subtotal — General Fund	\$ 28,285,259

B. Woods Hole — *The following funds support the operation and maintenance of the J. Eric Jonsson Woods Hole Center in Woods Hole, Massachusetts. The Center is operated as an extension of the conference facilities in Washington, D.C. and Irvine, California for meetings of the NAS, NRC, NAE, and IOM.*

<u>Peter C. Cornell Trust Fund</u> * — To memorialize Detlev W. Bronk, former member and president of the Academy, for his contributions to science and the nation and to recognize the leadership and notable accomplishments of John S. Coleman as a member of the Academy's staff. The gift may be fully expended for its intended purpose.	\$ 100,000
<u>J. Erik Jonsson Woods Hole Fund</u> — A gift for the Woods Hole Study Center of the NAS in honor of J. Erik Jonsson, one of the founders of Texas Instruments and a former mayor of Dallas. The donor wishes to remain anonymous.	2,002,500
<u>Richard King Mellon Foundation Fund</u> — Grant from the Richard King Mellon Foundation for maintenance of the building and grounds at the Woods Hole Study Center.	50,000

* Denotes funds for which the contribution was not permanently restricted by the donor

SCHEDULE 1

Endowment, Trust, and Other Long-term Investments Pool
Description of Funds for the Year Ended December 31, 2014

	Capital Contribution (Column 1 of Schedule 1–A)
<u>Penzance Foundation Fund</u> — A grant for the J. Erik Jonsson Woods Hole Study Center especially for support of the property's Clark Carriage House.	502,500
<u>Woods Hole Endowment</u> — Contributions from the Brown Foundation and various individuals for maintenance of the Woods Hole Study Center.	971,400
<u>Woods Hole Fund</u> — Contributions from various individuals for maintenance of the Woods Hole Study Center.	12,874
Subtotal — Woods Hole	\$ 3,639,274
 C. Presidents' Committee Funds — <i>Each of the following funds supports NRC programmatic efforts in areas related to the purpose specified by the fund's donor(s) awarded by a committee consisting of the NAS, NAE, and IOM Presidents.</i>	
<u>Basic Science Fund - Earth Sciences</u> — Contribution from an anonymous donor to match a gift from the Palisades Geophysical Institution of New York. Together these contributions will be used to establish the Maurice Ewing and Planetary Sciences Fund of the National Academy of Sciences.	\$ 503,231
<u>Biology and Biotechnology Fund</u> — Contributions from various individuals to be used for studies and other activities that address emerging research and policy issues affecting biology and biotechnology, especially cross-disciplinary aspects and those involving the interface of science, technology, and commerce and used for dissemination and outreach efforts that seek to inform policymakers about the findings of the results.	420,232
<u>Thomas Lincoln Casey Fund</u> — Bequest of Thomas L. Casey as a memorial to his father, Thomas Lincoln Casey, to be used in the advancement of engineering in all its applications.	258,081
<u>The Coca-Cola Foundation Fund</u> — A grant to be used for initiatives in precollege science and mathematics education.	50,000
<u>Arthur L. Day Fund</u> — A bequest of Arthur L. Day, a member of the Academy, for the purpose of advancing studies of the physics of the earth.	5,047,846
<u>Cecil and Ida Green Fund</u> — A gift from Cecil and Ida Green to be used to support activities dedicated to improving the quality of life of our people.	467,256
<u>W. K. Kellogg Foundation Fund</u> — A grant of the W. K. Kellogg Foundation for an endowment in the areas of education, health, and agriculture. The income will be used to fund studies and other activities within these program areas such as enhancing the quality of U.S. education, assuring access to quality health care, assessing the role of biotechnology in the future of agriculture, and similar issues as they arise.	20,000,000
<u>Kobelt Fund</u> * — Bequest of Nina I. Kobelt to be used for research scholarships for worthy students.	296,593
<u>Andrew W. Mellon Foundation Fund</u> — A grant from the Andrew W. Mellon Foundation to endow a program of Academy-initiated studies.	1,000,000
<u>George and Cynthia Mitchell Endowment for Sustainability Sciences</u> — Contribution from the George and Cynthia Mitchell Foundation to be held and used by the Academy in perpetuity to guide academic, government and other institutions in the development of sustainability science and to encourage the world's business community to apply knowledge from this new field in business practices.	20,000,000
<u>George and Cynthia Mitchell Matching Endowment</u> * — Contributions from public and private sources to be used to support the same purposes as the original George and Cynthia Mitchell Endowment for sustainability sciences. Also, to raise funds to be eligible for a matching gift from George and Cynthia Mitchell.	114,750
<u>Frank Press Fund for Dissemination and Outreach</u> — Established with contributions from members of the Presidents' Circle of the NAS, NAE, and the IOM, the income from the fund is to support a variety of dissemination and outreach activities that seek to share the Academy's complex knowledge and resources with the policy making community and the general public.	1,167,255

* Denotes funds for which the contribution was not permanently restricted by the donor

Endowment, Trust, and Other Long-term Investments Pool
Description of Funds for the Year Ended December 31, 2014

**Capital
Contribution
(Column 1 of
Schedule 1-A)**

<u>Scientists and Engineers for the Future Fund</u> — Contribution from an individual who wishes to remain anonymous. The income from this fund is used to support educational projects focused on maintaining the health of American science and technology by ensuring an adequate supply of well-prepared American scientists and engineers for the future.	1,000,000
Subtotal — Presidents' Committee Funds	\$ 50,325,244
 D. Program Specific Funds — <i>Each of the following funds supports a specific programmatic purpose as designated by the donor(s).</i>	
<u>Arnold and Mabel Beckman Fund of the National Academies of Sciences and Engineering</u> * — A fully expendable fund designated for support of programs at the Beckman Center. The fund was established to receive contributions of unexpended income from the TNAC operations endowment as well as earnings from the TNAC program endowment.	\$ 13,495,811
<u>Seymour Benzer Lecture Series</u> — Contribution from Sydney Brenner to establish a free lecture series to increase public understanding of science, engineering, technology and health.	120,000
<u>Billings Fund</u> — Bequest of Mrs. Mary Ann Palmer Draper (Mrs. Henry Draper) to support publication of the <i>Proceedings of the National Academy of Sciences</i> or for other purposes to be determined by the Academy.	50,102
<u>Blakeslee Fund</u> — Bequest of Albert Francis Blakeslee, the income from which is to be used in support of genetics research.	886,902
<u>Henry G. Booker Fellowship Fund</u> — Contributions from various individuals to provide a travel grant to one young American radio scientist to attend each International Union of Radio Science Assembly as a Henry G. Booker Fellow.	20,826
<u>Cultural Programs of the National Academy of Sciences Fund</u> — Contributions from various sources for sponsoring free cultural programs of merit for local residents and for providing a platform for musicians and artists.	51,534
<u>Henry and Bryna David Endowment</u> — A bequest of Henry and Bryna David for the establishment and funding of the Henry and Bryna David Endowment to support the communication of insights and discoveries from the social and behavioral sciences to policy makers and other decision makers to promote informed public policy and staff development through various Academy activities.	850,000
<u>Global Commons Project Fund</u>	39,058
<u>Frederic L. Hoch Fund</u> — Bequest of Frederic L. Hoch to establish the Martha Ludwig Hoch Fellowship Fund to provide grants to women studying in the sciences.	50,000
<u>Marian Koshland Science Museum Fund</u> * — Contributions from Dr. Daniel E. Koshland, Jr. and the Koshland Foundation to fund the operation and activities of the museum for the purpose of extending the resources of the National Academies and increasing public understanding of the nature and value of science. Dr. Koshland's original commitment of \$30 million was completed in 2004. The gift was used to fund the museum's opening in April 2004 and ongoing operations until November 2004, when the remainder was invested in the Endowment, Trust, and Other Long-term Investments Pool.	22,793,243
<u>Bruce Alberts Fund of the Marian Koshland Science Museum</u> * — Contributions from Dr. Daniel E. Koshland, Jr. and the Koshland Foundation to support the traveling costs of the museum's exhibits, to fund new exhibits to replace traveling exhibits, and to extend the museum's outreach to school districts.	5,134,871
<u>Christine Mirzayan Fellowship</u> — A program designed to engage graduate students in various fields in the analysis and creation of science and technology policy.	5,760
<u>National Science Resources Center Fund</u> * — Funded by royalty revenues from elementary and middle school science kits developed by the National Science Resources Center (NSRC). Funds will be used to provide core support of NSRC programs to enhance and improve the learning and teaching of science in domestic and international schools.	4,986,473

* Denotes funds for which the contribution was not permanently restricted by the donor

SCHEDULE 1

Endowment, Trust, and Other Long-term Investments Pool
Description of Funds for the Year Ended December 31, 2014

	Capital Contribution (Column 1 of Schedule 1–A)
<u>New Canaan Library Fund</u> — Contribution from the Board of the New Canaan Library to permanently maintain a current National Academies book collection in honor of Dr. H.R. Shepherd at their library.	4,000
<u>Kumar and Shela Patel Endowment for US–India Dialogs</u> — To support US-India scientific and technical communication and dialog through various Academy activities.	610,500
<u>Arthur M. Sackler Colloquia of the National Academy of Sciences Fund</u> — A gift from Mrs. Arthur M. Sackler to endow a series of scientific symposia that promote interaction among world-class researchers in rapidly advancing scientific fields.	4,375,000
<u>The Raymond and Beverly Sackler USA–UK Scientific Forum Endowment</u> — Contribution from the Raymond and Beverly Sackler Foundation to endow a bilateral scientific forum. The primary purpose of this Forum is to forge a partnership between the scientific leadership of the United Kingdom and the United States through conferences and meetings on topics of immediate and future scientific concern.	2,025,108
<u>Raymond and Beverly Sackler Science Fund</u> — Contribution from Raymond and Beverly Sackler to provide support for studies and projects in the areas of basic biology and of biomedical science – including the convergence of biology, physics, mathematics, and engineering sciences – in addressing problems in biomedical science and human health	2,000,000
<u>NAS Members Endowment(s)</u> — Additional member contributions that have been designated for special purposes, such as the Board on Chemical Sciences Fund and the Section 14 Chemistry Discretionary Fund.	58,941
<u>U.S. National Committee for the International Astronomical Union (USNC/IAU) Fund</u> * — Contributions from USNC/IAU to provide funds in support of participation by U.S. astronomers in the activities of the International Astronomical Union Triennial General Assemblies.	100,000
<u>Ralph J. and Carol M. Cicerone Endowed Fund</u> — Gift from NAS president Ralph Cicerone and his wife Carol to provide support for the Koshland Science Museum of the NAS, the Cultural Programs of the NAS, public lectures of the NAS, or other purposes on behalf of the NAS.	100,000
Subtotal – Program Specific Funds	\$ 57,758,129

E. Prizes and Awards — *The following funds support prizes or awards presented in various scientific fields as designated by the donor(s).*

<u>American Psychological Association (APA) Science Directorate Fund</u> — A gift from the APA to conduct activities that will help inform the public of the knowledge base, value, and importance of behavioral science research.	\$ 30,000
<u>Henryk Arctowski Fund</u> — Bequest of Jane Arctowski in memory of her husband Henryk Arctowski, for the promotion and study of solar activity changes of short or long duration and their effects upon the ionosphere and terrestrial atmosphere.	95,736
<u>Richard C. Atkinson Fund</u> — Gift of Richard C. Atkinson (NAS) to establish the National Academy of Sciences Prize in Psychological and Cognitive Sciences to be awarded for significant advances in the psychological and cognitive sciences with important implications for formal and systematic theory in these fields.	3,151,478
<u>Bache Fund</u> — Bequest of Alexander Dallas Bache, a member of the Academy, to aid research in the physical and natural sciences.	60,000
<u>Blaauw Fund</u> — Bequest of Marianne Blaauw to establish the Edmond and Marianne Blaauw Fund to support research in the field of ophthalmology.	71,299
<u>John J. Carty Fund</u> — Gift of the American Telephone and Telegraph Company in recognition of the distinguished achievements of John J. Carty and as a lasting testimonial of the love and esteem in which he was held by his many thousands of associates in the Bell System, for a gold medal and award for noteworthy and distinguished accomplishments in any field of science.	25,000

* Denotes funds for which the contribution was not permanently restricted by the donor

Endowment, Trust, and Other Long-term Investments Pool
Description of Funds for the Year Ended December 31, 2014

**Capital
Contribution
(Column 1 of
Schedule 1-A)**

<u>Comstock Fund</u> — Gift of General Cyrus B. Comstock, a member of the Academy, to promote research in electricity, magnetism, or radiant energy through the Comstock Prize to be awarded for notable investigations.	10,400
<u>Draper Fund</u> — Gift of Mrs. Henry Draper in memory of her husband, a former member of the Academy, to found the Henry Draper Medal to be awarded for notable investigations in astronomical physics; the balance of income is applied to aid research in this science.	6,000
<u>Elliot Fund</u> — Gift of Margaret Henderson Elliot to found the Daniel Giraud Elliot Gold Medal and Honorarium for the most meritorious work on zoology and paleontology published in each year.	8,000
<u>Estes Award in Social and Behavioral Sciences</u> — A gift from William K. and Katherine W. Estes to be used initially for an award relating to contributions to the prevention of nuclear war. After several awards are given for this purpose, the remaining money will be set aside for use by the Division of Behavioral and Social Sciences and Education.	79,849
<u>Gibbs Brothers Fund</u> — Gift of William Francis Gibbs and Frederic H. Gibbs to found the Gibbs Brothers Medal for outstanding contributions in the field of naval architecture and marine engineering.	24,000
<u>Gibbs Fund</u> — Established by gift of Wolcott Gibbs, a member of the Academy, and increased by a bequest of the late Morris Loeb in 1914 for the promotion of research in chemistry.	5,274
<u>Ralph E. Gomory Award for the Application of Science</u> — A grant from the International Business Machines Corporation for an award to be given in honor of Ralph Gomory.	179,046
<u>Gould Fund</u> — Gift of Mrs. Alice Bache Gould in memory of her father, former member of the Academy, for the promotion of research in astronomy, bequest of \$20,000 from the estate of Alice Bache Gould received in 1954, and bequest of \$10,000 from the estate of Elizabeth Chandler Hockley received in 1979.	50,000
<u>Joseph Henry Fund</u> — Contributions by Fairman Rogers, Joseph Patterson, George W. Childs, and others as an expression of their respect and esteem for Joseph Henry, for the establishment of a fund to assist meritorious investigators, especially in the direction of original research.	39,740
<u>Alexander Hollaender Award in Biophysics</u> — A bequest of Alexander Hollaender, the income from which is to be used to provide a prize to an outstanding biophysicist. The prize is to be given at the Annual Meeting of the Academy, with selection of the recipient at the Academy's discretion.	100,000
<u>Hunsaker Fund</u> — Gift of Mr. and Mrs. J. C. Hunsaker to found an Academy award in the field of aeronautical engineering.	24,750
<u>Franklin Livingston Hunt Fund</u> — Bequest of Franklin Livingston Hunt to aid research in physics, chemistry, and preventive medicine. A portion of the income may also be used from time to time to provide a medal to be known as the Franklin Livingston Hunt Medal for distinguished accomplishment in scientific research.	10,465
<u>Kovalenko Fund</u> — Gift of Michael S. Kovalenko, in memory of his wife, to found the Jessie Stevenson Kovalenko Gold Medal for meritorious research in medical sciences.	66,221
<u>Marsh Fund</u> — Bequest of Othniel Charles Marsh, a member of the Academy, to promote original research in the natural sciences.	10,000
<u>George P. Merrill Fund</u> — Gift of Mrs. George P. Merrill, the income from which is to be used for studies of meteors, meteorites, and space.	10,000
<u>Stanley Miller Award</u> * — Bequest of Stanley L. Miller, member of the Academy, to establish a medal to be awarded to a recipient selected by the Academy for work or contributions to early earth studies. The National Academy of Sciences Award in Early Earth and Life Sciences will rotate presentations of the Stanley Miller Medal for research on early earth sciences and the Charles Doolittle Walcott Medal for research on Cambrian or pre-Cambrian life and its history.	204,554
<u>Monsanto Award in Molecular Biology</u> — A grant from the Monsanto Company for an award to be given in recognition of contributions in the field of molecular biology.	421,374

* Denotes funds for which the contribution was not permanently restricted by the donor

Endowment, Trust, and Other Long-term Investments Pool
Description of Funds for the Year Ended December 31, 2014

**Capital
Contribution
(Column 1 of
Schedule 1–A)**

<u>Murray Fund</u> — Gift of the late Sir John Murray to found the Alexander Agassiz Gold Medal in honor of a former member and president of the Academy, to be awarded for original contributions to the science of oceanography.	6,000
<u>National Academy of Sciences Award for Chemistry in Service to Society</u> — Established by the E. I. DuPont de Nemours & Company to recognize contributions to chemistry, whether in fundamental science or its applications, that clearly satisfy a societal need. Given in alternate years to chemists working in industry, academia, government, and nonprofit organizations.	181,838
<u>National Academy of Sciences Award in Mathematics</u> — Established by the American Mathematical Society for a prize to be awarded every four years in mathematics.	53,597
<u>National Academy of Sciences Award in Chemical Sciences</u> — An annual award currently sponsored and endowed by The Merck Company Foundation to recognize distinction in research and broad fundamental impact in pure chemistry. This award was originally established by the Occidental Petroleum Corporation in honor of Armand Hammer.	478,277
<u>National Academy of Sciences Award in Neuroscience</u> — Established by the Fidia Research Foundation for an award in neuroscience, to be given every three years.	140,206
<u>National Academy of Sciences Fund for Sciences and Technology in International Affairs</u> — Contributions from Cecil and Ida Green, J. Erik Jonsson, Jerome B. Wiesner, and Academy sources to establish the National Academy of Sciences Fund for Sciences and Technology in International Affairs in honor of Walter A. Rosenblith.	49,119
<u>Pradel Fund</u> — A bequest of Jules Pradel to be applied to work on the human central nervous system and allied subjects.	16,392
<u>H. P. Robertson Lectureship Fund</u> — Contributions by friends of H. P. Robertson, foreign secretary of the Academy, to establish a lectureship under which distinguished scientists would be invited from anywhere in the world to present lectures to be known as the Robertson Memorial Lecture of the National Academy of Sciences.	20,325
<u>Helen P. Smith Fund</u> — A bequest of Helen P. Smith in memory of her husband, Gilbert Morgan Smith, to establish a triennial medal and honorarium to be conferred in recognition of published research in marine and freshwater algae.	67,107
<u>Mrs. J. Lawrence Smith Fund</u> — Gift of Mrs. J. Lawrence Smith in memory of her husband, a former member of the Academy, to found the J. Lawrence Smith Gold Medal to be awarded for important investigations of meteoric bodies and to assist, by grants of money, research concerning such objects.	8,000
<u>Thompson Fund</u> — Gift of Mrs. Mary Clark Thompson for a gold medal of appropriate design, to be known as the Mary Clark Thompson Gold Medal, to be awarded for important services to geology and paleontology.	10,000
<u>Troland Fund</u> — Bequest of Leonard T. Troland to be known as the Troland Foundation for Research in Psychophysics. The income is to be expended with a view to the actual advancement of scientific knowledge in the field of psychophysics.	505,359
<u>Walcott Fund</u> — Gift of Mrs. Mary Vaux Walcott in honor of her husband, a former member and president of the Academy, to establish a medal to be awarded to a recipient selected by the Academy for work or contributions to Cambrian or pre-Cambrian life and its history. The National Academy of Sciences Award in Early Earth and Life Sciences will rotate presentations of the Charles Doolittle Walcott Medal for research on Cambrian or pre-Cambrian life and its history and the Stanley Miller Medal for research on early earth sciences.	5,000
<u>G. K. Warren Fund</u> — Gift of Miss Emily B. Warren in memory of her father, a member of the Academy, the income from which is to be used for an award to be known as the G. K. Warren Prize in any field of science.	15,000
<u>Watson Fund</u> — Bequest of James Craig Watson, a member of the Academy, for the promotion of astronomical sciences through the award of the Watson Gold Medal and grants of money in aid of research.	25,000

* Denotes funds for which the contribution was not permanently restricted by the donor

SCHEDULE 1

Endowment, Trust, and Other Long-term Investments Pool
Description of Funds for the Year Ended December 31, 2014

	Capital Contribution (Column 1 of Schedule 1-A)
<u>John P. Schaefer Fund</u> — A gift from the Research Corporation for Science Advancement to create the National Academy of Sciences Award for Scientific Discovery, in honor of John P. Schaefer, to recognize an accomplishment of discovery in basic research.	1,500,000
<u>Michael and Sheila Held Prize in Mathematical Programming</u> — Bequest of Michael and Sheila Held to establish the Michael and Sheila Held Prize for achievement in mathematical programming.	800,000
Subtotal — Prizes and Awards	\$ 8,564,406

F. Reserve Funds — *The following funds are invested in the long-term investment pool to provide for future unanticipated funding needs.*

<u>National Academy of Sciences Reserve Fund</u> * — Accumulated surplus from prior years' NAS General Fund operating budget. The reserve provides additional funding for ongoing operations during periods of market decline.	\$ 6,655,608
<u>Proceedings of the National Academy of Sciences (PNAS) Fund</u> *	1,000,000
<u>Transportation Research Board (TRB) Reserve Fund</u> * — Holds income in excess of expenditures for TRB core support activities in a fiscal year. This fund is used to cover temporary shortfalls and extraordinary one-time expenditures.	1,500,000
Subtotal — Reserve Funds	\$ 9,155,608
Subtotal — Funds that Support the NAS	\$ 157,727,920

II. Funds that Support the IOM

A. General Funds — *The following funds provide unrestricted resources to support the activities of the Institute of Medicine.*

<u>General Endowment Fund</u> — Contributions from various sources, including members of the Institute of Medicine, for capital endowment of the Institute of Medicine.	\$ 1,137,182
<u>Robert Wood Johnson Foundation Fund</u> — An endowment grant, the income from which is to be used for core support of the Institute of Medicine.	5,000,000
<u>Institute of Medicine Kellogg Fund</u> * — A grant from the Kellogg Foundation to be used for the general purposes of the Institute of Medicine.	282,500
<u>Institute of Medicine Members' Dues</u> *	197,500
<u>Henry J. Kaiser Family Foundation Fund</u> — Contribution to an endowment fund to support core activities of the Institute of Medicine. The grant indicates the Foundation's view that the Institute of Medicine is of great importance to the development of sound social policy related to health. In 1989 this grant was amended by the Kaiser Family Foundation to provide for the transfer of \$250,000 as a matching contribution to the endowment contribution to the Institute of Medicine's Food and Nutrition Board.	488,485
<u>John D. and Catherine T. MacArthur Foundation Fund</u> — A grant to be used exclusively as an endowment to the Institute of Medicine, the income from which is restricted to the general purposes of the Institute.	5,000,000
<u>Pharmaceutical Discretionary Fund</u> * — A grant from W. K. Kellogg to further the Institute of Medicine's long-range program development.	480,000
<u>Pharmaceutical Endowment Fund</u> — Contributions of \$250,000 over a period of five years from Glaxo, Inc., and \$10,000 from Eli Lilly Company, the income from which is to be used for the general purposes of the Institute of Medicine.	259,448
<u>Miscellaneous Private Sector Fund</u> — Contributions from Kaiser Permanente to be used for core support requirements of the Institute of Medicine.	26,346
Subtotal — General Funds	\$ 12,871,461

* Denotes funds for which the contribution was not permanently restricted by the donor

SCHEDULE 1

Endowment, Trust, and Other Long-term Investments Pool
Description of Funds for the Year Ended December 31, 2014

**Capital
Contribution
(Column 1 of
Schedule 1–A)**

B. Program Specific Funds — *Each of the following funds supports a specific programmatic purpose as designated by the donor(s).*

<u>Distinguished Scholar Fund</u> — Contributions from various IOM members to permit the selection of one or more persons of senior caliber to spend a period of time at the IOM in scholarly pursuits related to key program initiatives.	\$ 16,550
<u>Food and Nutrition Board (FNB) Fund</u> — Grant of \$250,000 to the Institute of Medicine as a contribution to the endowment fund to support core activities of the Food and Nutrition Board. This award was contingent on the Institute of Medicine transferring a matching amount from the 1986 unrestricted contribution from the Kaiser family for general core support of the Institute. Further contributions to the FNB endowment would be matched by one dollar from the earlier grant for every two dollars of new contributions.	525,350
<u>Food and Nutrition Board Corporations Fund</u> — Contributions from Monsanto Company and Nestle, USA, Inc., to provide support for FNB activities.	125,000
<u>Food and Nutrition Board Members Fund</u> — Contributions from various members to be used for general purposes of the Food and Nutrition Board.	5,900
<u>Norman F. Gant, M.D. and American Board of Obstetrics and Gynecology Fellowship Fund</u> — A gift from the American Board of Obstetrics and Gynecology for an endowment to establish the Norman F. Gant, M.D. and American Board of Obstetrics and Gynecology Fellowship fund at the Institute of Medicine for an early career health scientist in the field of obstetrics and gynecology, as part of IOM's Anniversary Fellows program.	650,500
<u>David and Beatrix Hamburg Endowment Fund</u> — Contributions from various individuals in support of communication/dissemination programs, collaborations among key public health stakeholders, and forward-looking studies. This fund honors former IOM president David Hamburg and his wife, colleague, and longtime NRC participant Beatrix Hamburg.	1,012,775
<u>Howard Hughes Medical Institute Fund</u> — Contribution for the exclusive use of the Institute of Medicine to initiate and maintain a program of studies whose purpose is to foster the translation of science into advances in health.	5,000,000
<u>Kellogg Health of the Public Fund</u> — Contribution for the establishment of the Kellogg Health of the Public Fund, an endowment which shall be held and used by the National Academy of Sciences to advance the Institute of Medicine's capacity to contribute to the improvement of the health of America's communities.	5,000,000
<u>Kellogg Health of the Public Fund Matching Contributions</u> — In response to the Kellogg challenge grant to match dollar for dollar up to \$2.5 million to support communication and outreach activities now and for future projects.	2,572,544
<u>Omenn Fellowship Fund</u> — Gift from Gilbert S. Omenn and Martha Darling to establish the Osteopathic Medicine Fellowship Fund in the IOM Anniversary Fellows program, providing an opportunity for early career health science scholars in the fields of biomedical science and population health to participate in the IOM study process.	752,805
<u>Pharmacy Fellowship Fund</u> — Gift from the American Association of Colleges of Pharmacy and the American College of Clinical Pharmacy to establish a fellowship in the IOM Anniversary Fellows program, providing an opportunity for early career health science scholars from the pharmaceutical and clinical sciences to participate in the IOM study process.	638,000
<u>James C. Puffer / ABFM Fund</u> — Gift from the American Board of Family Medicine to establish a fellowship in the IOM Anniversary Fellows program, providing an opportunity for early career health science scholars in the field of family medicine to participate in the IOM study process.	750,000
<u>Richard and Hinda Rosenthal Lecture Series</u> — Through the generosity of the Richard and Hinda Rosenthal Foundation, a lecture series was established in 1988. In 2000, the Richard and Hinda Rosenthal Lecture Series was endowed at the Institute of Medicine of the National Academy of Sciences to bring greater attention to some of the critical health policy issues facing the country.	1,000,000

* Denotes funds for which the contribution was not permanently restricted by the donor

SCHEDULE 1

Endowment, Trust, and Other Long-term Investments Pool
Description of Funds for the Year Ended December 31, 2014

	Capital Contribution (Column 1 of Schedule 1-A)
<u>Leonard D. Schaeffer Fund</u> — Gift from Leonard D. Schaeffer to establish an endowed position in the Executive Office of the Institute of Medicine.	2,020,684
<u>Women's Health Issues Fund</u> — Contribution from Syntex (U.S.A.), Inc., to be used for purposes related to women's health issues.	20,000
<u>Osteopathic Medicine Fellow Fund</u> — Gift from the American Osteopathic Association, the American Association of Colleges of Osteopathic Medicine, and the American Osteopathic Foundation to establish a fellowship in the IOM Anniversary Fellows program, providing an opportunity for early career health science scholars in the field of osteopathic medicine to participate in the IOM study process.	250,000
<u>American Board of Emergency Medicine (ABEM) Fellowship Fund</u> — Gift from the American Board of Emergency Medicine to establish the ABEM Emergency Medicine Fellowship Fund in the IOM Anniversary Fellows program, providing an opportunity for early career health science scholars in the field of emergency medicine to participate in the IOM study process.	750,000
Subtotal — Program Specific Funds	\$ 21,090,108
 C. Prizes and Awards — <i>The following funds support prizes or awards presented in various fields as designated by the donor(s).</i>	
<u>Gustav O. Lienhard Award</u> — Initially established by an annual grant award in 1986, the Robert Wood Johnson Foundation in 1991 approved a grant for endowment of the Gustav O. Lienhard Award to be given annually in recognition of an outstanding contribution to the advancement of health care.	\$ 1,200,000
<u>Rhoda and Bernard G. Sarnat International Prize in Mental Health</u> — A grant from Rhoda and Bernard G. Sarnat for the purpose of honoring an individual, group, or organization for distinguished accomplishments in the field of mental health.	1,009,179
<u>Sandra H. Matthews Cecil Award</u> * — Recognizes a current or former administrative support staff member who has made a significant and sustained contribution to developing and maintaining efficient, effective, and service oriented support for the membership or program activities.	153,150
Subtotal — Prizes and Awards	\$ 2,362,329
 D. Reserve Funds — <i>The following funds are invested in the long-term investment pool to provide for future unanticipated funding needs.</i>	
<u>IOM Reserve Fund</u> * — Unexpended balance earned on endowment based on IOM Council spending plan. The IOM reserve permits the effective management of unanticipated financial emergencies.	\$ 500,000
Subtotal — Reserve Funds	\$ 500,000
 Subtotal — Funds that Support the IOM	 \$ 36,823,898
 Subtotal — NAS and IOM Funds	 \$ 194,551,818

* Denotes funds for which the contribution was not permanently restricted by the donor

Endowment, Trust, and Other Long-term Investments Pool
Description of Funds for the Year Ended December 31, 2014

**Capital
Contribution
(Column 1 of
Schedule 1-A)**

III. FUNDS HELD ON BEHALF OF OTHERS

A. The National Academies' Corporation (TNAC)

Operations Endowment — An endowment from the Arnold and Mabel Beckman Foundation to TNAC to support operations of the Beckman Center in Irvine, California. The endowment is held on behalf of TNAC and invested by the NAS.

\$ 8,000,000

Program Endowment — An endowment from the Arnold and Mabel Beckman Foundation to TNAC to support NRC program activities conducted in whole or in part at the Beckman Center. The endowment is held on behalf of TNAC and invested by the NAS.

1,939,644

Subtotal — The National Academies' Corporation

\$ 9,939,644

TOTAL

\$ 204,491,462

* Denotes funds for which the contribution was not permanently restricted by the donor

Endowment, Trust, and Other Long-term Investments Pool
Financial Detail of Funds for the Year Ended December 31, 2014

(Dollars in thousands)						
	Capital Contributions as of Dec. 31, 2014	Market Value at Dec. 31, 2013	2014 Contributions	2014 Investment Gain	2014 Expenditures & Transfers	Market Value at Dec. 31, 2014
I. Funds that Support the NAS						
A. General Fund						
Agassiz Fund	\$ 50	\$ 545	\$ -	\$ 27	\$ (22)	\$ 550
Carnegie Fund	3,275	37,675	-	1,899	(1,545)	38,029
Commonwealth Fund	500	2,446	-	123	(100)	2,469
Carl Eckart Fund *	1,246	2,489	-	126	(102)	2,513
Ford Foundation Fund	5,000	24,047	-	1,212	(986)	24,273
Henrietta and Alexander Hollaender Fund *	500	1,074	-	54	(44)	1,084
Grayce B. Kerr Fund	250	537	-	28	(22)	543
Nealley Fund	20	216	-	11	(9)	218
Simon Ramo Fund	14	36	-	2	(2)	36
Rockefeller Foundation Fund *	1,000	4,876	-	246	(200)	4,922
Dorothea and Herbert Simon Fund	899	1,422	-	72	(53)	1,441
Sloan Foundation Fund *	1,000	4,859	-	246	(199)	4,906
Amy Prudden Turner Fund *	30	123	-	6	(5)	124
Anonymous Endowment Fund	7,147	15,624	-	788	(641)	15,771
General Endowment Fund *	4,044	9,805	10	495	(391)	9,919
General Endowment Fund	454	555	-	28	(23)	560
Members Endowment Fund	2,856	5,448	8	275	(222)	5,509
	\$ 28,285	\$ 111,777	\$ 18	\$ 5,638	\$ (4,566)	\$ 112,867
B. Woods Hole						
Peter C. Cornell Trust Fund *	\$ 100	\$ 257	\$ -	\$ 13	\$ (10)	\$ 260
J. Erik Jonsson Woods Hole Fund	2,003	4,458	-	225	(183)	4,500
Richard King Mellon Foundation Fund	50	188	-	10	(8)	190
Penzance Foundation Fund	502	1,121	-	56	(46)	1,131
Woods Hole Endowment Fund	971	1,289	-	65	(53)	1,301
Woods Hole Fund	13	39	-	2	(2)	39
	\$ 3,639	\$ 7,352	\$ -	\$ 371	\$ (302)	\$ 7,421
C. Presidents' Committee Funds						
Basic Science Fund - Earth Sciences	\$ 503	\$ 1,591	\$ -	\$ 78	\$ (131)	\$ 1,538
Biology and Biotechnology Fund	420	908	-	46	-	954
Thomas Lincoln Casey Fund	258	6,204	-	314	(217)	6,301
The Coca-Cola Foundation Fund	50	79	-	4	(12)	71
Arthur L. Day Fund	5,048	19,085	-	964	(516)	19,533
Cecil and Ida Green Fund	467	1,661	-	85	(84)	1,662
W. K. Kellogg Foundation Fund	20,000	45,063	-	2,250	(2,088)	45,225
Kobelt Fund *	297	2,097	-	103	(151)	2,049
Andrew W. Mellon Foundation Fund	1,000	1,609	-	82	(16)	1,675
George and Cynthia Mitchell Endowment for Sustainability Sciences	20,000	26,531	-	1,346	(501)	27,376
George and Cynthia Mitchell Matching Endowment *	115	170	-	9	-	179
Frank Press Fund for Dissemination and Outreach	1,167	2,257	-	114	(59)	2,312
Scientists and Engineers for the Future Fund	1,000	1,740	-	85	(133)	1,692
	\$ 50,325	\$ 108,995	\$ -	\$ 5,480	\$ (3,908)	\$ 110,567

* Denotes funds for which the contribution was not permanently restricted by the donor

Endowment, Trust, and Other Long-term Investments Pool
Financial Detail of Funds for the Year Ended December 31, 2014

(Dollars in thousands)						
	Capital Contributions as of Dec. 31, 2014	Market Value at Dec. 31, 2013	2014 Contributions	2014 Investment Gain	2014 Expenditures & Transfers	Market Value at Dec. 31, 2014
D. Program Specific Funds						
Arnold and Mabel Beckman Fund						
of the NAS and NAE *	\$ 13,496	\$ 1,024	\$ -	\$ 50	\$ (28)	\$ 1,046
Seymour Benzer Lecture Series	120	155	-	8	(8)	155
Billings Fund	50	1,126	-	57	(2)	1,181
Blakeslee Fund	887	2,454	-	121	(100)	2,475
Henry G. Booker Fellowship Fund	21	70	-	3	-	73
Communications Initiative Fund *	-	3,473	-	175	(142)	3,506
Cultural Programs of the NAS Fund	51	53	23	3	-	79
Henry and Bryna David Endowment	850	1,438	-	72	(62)	1,448
Global Commons Project Fund	39	204	-	10	-	214
Frederic L. Hoch Fund	50	57	-	3	-	60
Marian Koshland Science Museum Fund *	22,793	19,681	5	977	(1,107)	19,556
Bruce Alberts Fund of the Marian Koshland Science Museum *	5,135	7,749	-	393	(111)	8,031
Christine Mirzayan Fellowship	6	9	-	-	(1)	8
National Science Resources Center Fund *	4,986	6,023	-	307	(9)	6,321
New Canaan Library Fund	4	13	-	1	-	14
Kumar and Shela Patel Endowment for US-India Dialogs	611	922	-	45	(84)	883
Arthur M. Sackler Colloquia of the NAS Fund	4,375	6,091	-	311	(74)	6,328
The Raymond and Beverly Sackler USA-UK Scientific Forum Endowment	2,025	2,436	-	120	(303)	2,253
Raymond and Beverly Sackler Science Fund	2,000	2,643	-	129	(153)	2,619
NAS Members Endowment(s)	59	351	-	18	(1)	368
U.S. National Committee for the International Astronomical Union (USNC/IAU) Fund *	100	201	-	10	-	211
Ralph J. and Carol M. Cicerone Endowed Fund	100	-	100	-	-	100
	\$ 57,758	\$ 56,173	\$ 128	\$ 2,813	\$ (2,185)	\$ 56,929
E. Prizes and Awards						
American Psychological Association (APA) Science Directorate Fund	\$ 30	\$ 81	\$ -	\$ 4	\$ (1)	\$ 84
Henryk Arctowski Fund	96	3,874	-	197	(8)	4,063
Richard C. Atkinson Fund	3,152	3,961	-	193	(449)	3,705
Bache Fund	60	401	-	21	(1)	421
Blaauw Fund	71	876	-	44	(1)	919
John J. Carty Fund	25	792	-	40	(33)	799
Comstock Fund	10	969	-	48	(61)	956
Draper Fund	6	366	-	19	(1)	384
Elliot Fund	8	182	-	9	-	191
Estes Award in Social and Behavioral Sciences	80	252	-	13	(2)	263
Gibbs Brothers Fund	24	244	-	13	-	257
Gibbs Fund	5	164	-	8	-	172
Ralph E. Gomory Award for the Application of Science	179	584	-	29	(33)	580
Gould Fund	50	723	-	37	(1)	759
Joseph Henry Fund	40	470	-	24	(1)	493
Alexander Hollaender Award in Biophysics	100	330	-	17	(1)	346
Hunsaker Fund	25	503	-	26	(5)	524
Franklin Livingston Hunt Fund	10	295	-	15	(1)	309

* Denotes funds for which the contribution was not permanently restricted by the donor

Endowment, Trust, and Other Long-term Investments Pool
Financial Detail of Funds for the Year Ended December 31, 2014

	(Dollars in thousands)					
	Capital Contributions as of Dec. 31, 2014	Market Value at Dec. 31, 2013	2014 Contributions	2014 Investment Gain	2014 Expenditures & Transfers	Market Value at Dec. 31, 2014
Kovalenko Fund	\$ 66	\$ 1,671	\$ -	\$ 85	\$ (2)	\$ 1,754
Marsh Fund	10	206	-	10	-	216
George P. Merrill Fund	10	676	-	34	(1)	709
Stanley Miller Award *	205	247	-	13	(1)	259
Monsanto Award in Molecular Biology	421	1,161	-	59	(35)	1,185
Murray Fund	6	163	-	8	-	171
NAS Award for Chemistry in Service to Society	182	373	-	19	(2)	390
NAS Award in Mathematics	54	61	-	3	-	64
NAS Award in Chemical Sciences	478	629	-	30	(25)	634
NAS Award in Neuroscience	140	542	-	28	(2)	568
NAS Fund for Sciences and Technology in International Affairs	49	288	-	13	(12)	289
Pradel Fund	16	1,990	-	100	(63)	2,027
H. P. Robertson Lectureship Fund	20	366	-	19	(1)	384
Helen P. Smith Fund	67	726	-	37	(2)	761
Mrs. J. Lawrence Smith Fund	8	793	-	40	(2)	831
Thompson Fund	10	246	-	13	(1)	258
Troland Fund	506	4,808	-	242	(124)	4,926
Walcott Fund	5	70	-	3	-	73
G. K. Warren Fund	15	211	-	10	(15)	206
Watson Fund	25	1,595	-	80	(62)	1,613
John P. Schaefer Fund	1,500	-	1,500	59	(1)	1,558
Michael and Sheila Held Prize in Mathematical Programming	800	-	800	10	-	810
	\$ 8,564	\$ 31,889	\$ 2,300	\$ 1,672	\$ (950)	\$ 34,911
F. Reserve Funds						
National Academy of Sciences Reserve Fund *	\$ 6,656	\$ 5,066	\$ -	\$ 257	\$ (7)	\$ 5,316
Proceedings of the National Academy of Sciences (PNAS) Fund *	1,000	1,381	-	71	(2)	1,450
Transportation Research Board (TRB) Reserve Fund *	1,500	2,809	-	143	(4)	2,948
Due to (from) National Academy of Sciences *	-	(261)	(451)	9	-	(703)
	\$ 9,156	\$ 8,995	\$ (451)	\$ 480	\$ (13)	\$ 9,011
Subtotal — Funds that Support the NAS	\$ 157,727	\$ 325,181	\$ 1,995	\$ 16,454	\$ (11,924)	\$ 331,706
II. Funds that Support the IOM						
A. General Funds						
General Endowment Fund	\$ 1,137	\$ 2,005	\$ -	\$ 99	\$ (56)	\$ 2,048
Robert Wood Johnson Foundation Fund	5,000	11,553	-	572	(327)	11,798
IOM Kellogg Fund *	283	632	-	32	(17)	647
IOM Members' Dues *	198	425	-	21	(11)	435
Henry J. Kaiser Family Foundation Fund	488	902	-	45	(25)	922
John D. and Catherine T. MacArthur Foundation Fund	5,000	11,432	-	557	(321)	11,668
Pharmaceutical Discretionary Fund *	480	1,128	-	55	(29)	1,154
Pharmaceutical Endowment Fund	259	547	-	26	(15)	558
Miscellaneous (PNAS) Sector Fund	26	64	-	3	(2)	65
	\$ 12,871	\$ 28,688	\$ -	\$ 1,410	\$ (803)	\$ 29,295

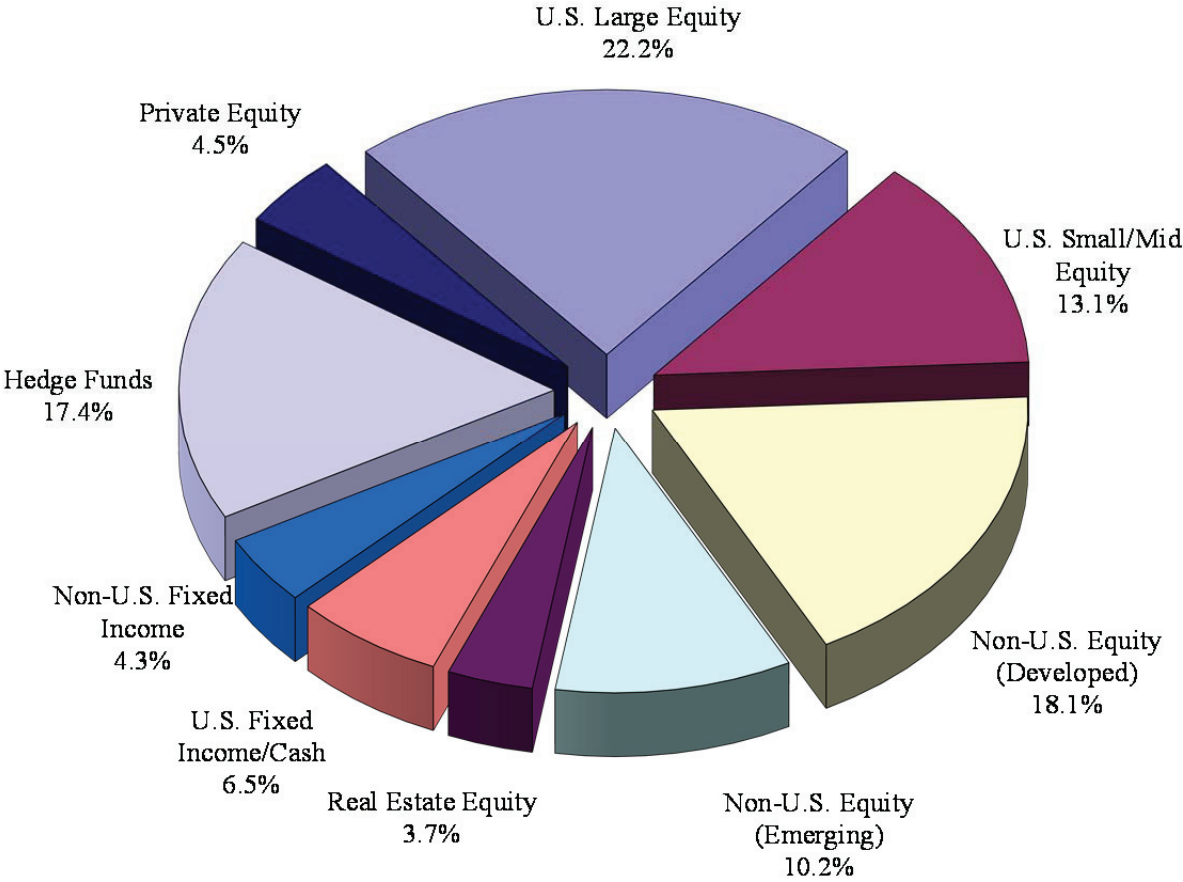
* Denotes funds for which the contribution was not permanently restricted by the donor

Endowment, Trust, and Other Long-term Investments Pool
Financial Detail of Funds for the Year Ended December 31, 2014

	(Dollars in thousands)					
	Capital Contributions as of Dec. 31, 2014	Market Value at Dec. 31, 2013	2014 Contributions	2014 Investment Gain	2014 Expenditures & Transfers	Market Value at Dec. 31, 2014
B. Program Specific Funds						
Distinguished Scholar Fund	\$ 17	\$ 86	\$ -	\$ 4	\$ -	\$ 90
Food and Nutrition Board (FNB) Fund	525	1,886	-	96	(3)	1,979
FNB Corporations Fund	125	545	-	28	(1)	572
FNB Members Fund	6	32	-	1	-	33
Norman F. Gant, M.D. and American Board of Obstetrics and Gynecology Fellowship Fund	650	883	-	45	(14)	914
David and Beatrix Hamburg Endowment Fund	1,013	1,587	-	81	(2)	1,666
Howard Hughes Medical Institute Fund	5,000	17,579	-	892	(68)	18,403
Kellogg Health of the Public Fund	5,000	6,899	-	349	(209)	7,039
Kellogg Health of the Public Fund Matching Contributions	2,573	3,771	-	202	(5)	3,968
Omenn Fellowship Fund	753	862	-	44	(42)	864
Pharmacy Fellowship Fund	638	531	315	29	(87)	788
James C. Puffer / ABFM Fund	750	1,102	-	55	(182)	975
Richard and Hinda Rosenthal Lecture Series	1,000	1,609	-	79	(105)	1,583
Leonard D. Schaeffer Fund	2,021	2,267	-	115	(3)	2,379
Women's Health Issues Fund	20	98	-	5	-	103
Osteopathic Medicine Fellow Fund	250	-	250	4	(41)	213
American Board of Emergency Medicine (ABEM) Fellowship Fund	750	-	750	4	-	754
	\$ 21,091	\$ 39,737	\$ 1,315	\$ 2,033	\$ (762)	\$ 42,323
C. Prizes and Awards						
Gustav O. Lienhard Award	\$ 1,200	\$ 4,885	\$ -	\$ 247	\$ (75)	\$ 5,057
Rhoda and Bernard G. Sarnat International Prize in Mental Health	1,009	1,639	-	83	(42)	1,680
Sandra H. Matthews Cecil Award *	153	175	-	9	-	184
	\$ 2,362	\$ 6,699	\$ -	\$ 339	\$ (117)	\$ 6,921
D. Reserve Funds						
IOM Reserve Fund *	\$ 500	\$ 1,106	\$ -	\$ 57	\$ (2)	\$ 1,161
Subtotal — Funds that Support the IOM	\$ 36,824	\$ 76,230	\$ 1,315	\$ 3,839	\$ (1,684)	\$ 79,700
Subtotal — NAS and IOM Funds	\$ 194,551	\$ 401,411	\$ 3,310	\$ 20,293	\$ (13,608)	\$ 411,406
III. Funds Held on Behalf of Others						
A. The National Academies' Corporation						
Operations Endowment	\$ 8,000	\$ 8,924	\$ -	\$ 432	\$ (341)	\$ 9,015
Program Endowment	1,940	2,154	-	109	(66)	2,197
Building Maintenance Reserve *	-	14	-	24	333	371
	\$ 9,940	\$ 11,092	\$ -	\$ 565	\$ (74)	\$ 11,583
TOTAL	\$ 204,491	\$ 412,503	\$ 3,310	\$ 20,858	\$ (13,682)	\$ 422,989

* Denotes funds for which the contribution was not permanently restricted by the donor

Endowment, Trust, and Other Long-term Investments Pool
Asset Allocation as of December 31, 2014



Endowment, Trust, and Other Long-term Investments Pool
Change in Valuation and Market Value Summary

Change in Valuation from 12/31/13 to 12/31/14
(Dollars in Thousands)

Market Value at 12/31/13	\$ 412,503
Realized Capital Gain	7,418
Unrealized Capital Gains	2,406
Reinvested Income	11,034
Contributions	3,310
Expenditures and Transfers	(13,682)
Market Value at 12/31/14	\$ 422,989

Holdings and Market Value Summary as of 12/31/14
(Dollars in Thousands)

U.S. Large Equity

Berkshire Hathaway A	\$ 32,092
Berkshire Hathaway B	68
Vanguard Institutional Index	5,559
Vanguard Precious Metals & Mining	3,523
Materials Select Sector SPDR	5,555
Vanguard Energy Fund	3,410
Renaissance Inst'l Equities (long-short)	21,473
Maverick Fund Ltd. (long-short)	22,166
Subtotal	\$ 93,846

U.S. Small/Mid Equity

SPDR S&P Biotech ETF	\$ 17,900
Vanguard Extended Market Index	23,408
Vanguard Small Cap Index	12,369
Waters Corp	985
Dunkin Brands Group, Inc	895
Subtotal	\$ 55,557

Non-U.S. Equity (Developed)

Dodge & Cox International	\$ 10,651
Driehaus International Discovery	12,111
Templeton Institutional	10,444
Vanguard Pacific Stock Index	7,004
Vanguard International Growth	11,485
Vanguard International Value	10,691
Matthews Asia Dividend Fund	3,238
Platinum Fund (long-short)	11,110
Subtotal	\$ 76,734

Non-U.S. Equity (Emerging)

Emerging Markets Growth Fund	\$ 20,471
Templeton Emerging Market	7,747
Wisdomtree Emerging Markets	4,327
Driehaus Emerging Markets Growth	10,630
Subtotal	\$ 43,175

Real Estate Equity

iShares Dow Jones RE Index	\$ 8,055
Third Avenue RE Fund	7,587
Subtotal	\$ 15,642

U.S. Fixed Income/Cash

PIMCO Funds Total Return	\$ 16,756
Cash Equivalents	10,631
Subtotal	\$ 27,387

Non-U.S. Fixed Income

PIMCO Foreign Bond	\$ 9,860
PIMCO Developing	5,495
PIMCO Emerging Bond	2,694
Subtotal	\$ 18,049

Hedge Funds

Sporl & Co.	\$ 4,880
Makena Capital Associates	28,575
Renaissance Inst'l Futures	12,601
Bowery Opportunity Fund	8,950
Rosetta Capital Management	1,461
Davidson Kempner	10,319
Highbridge Tactical	3,382
JPS Credit Opportunities	3,532
Subtotal	\$ 73,700

Private Equity

	\$ 18,899
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GRAND TOTAL

	\$ 422,989
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II. Private Contributions

DONOR RECOGNITION

We gratefully acknowledge the support of private contributors to the National Academy of Sciences and the Institute of Medicine. The philanthropy of our members and friends enhances our impact as advisors to the nation. Contributors solely to the National Academy of Engineering are recognized in the NAE Annual Report and The Bridge. For a complete listing of donors to the NAS, NAE, IOM, and NRC please contact the Office of Development at 202.334.2431.

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In recognition of members and friends who have made significant lifetime contributions as personal gifts or as gifts facilitated by the donor through a donor advised fund, matching gift program, or family foundation as of December 31, 2014.

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Battelle
Biogen Idec Inc.
California HealthCare Foundation
C-Change
The Coca-Cola Company
College of American Pathologists
Colorado State University
The Commonwealth Fund
Compass Group USA Division

Conrad N. Hilton Foundation
The Walt Disney Company
Dynetics, Inc.
Elsevier Science
EMD Serono
Fan Fox and Leslie R. Samuels Foundation
General Mills, Inc.
Georgia Institute of Technology
Greater Rochester Health Foundation
Health Foundation for Western & Central New York
Health Literacy Missouri
Health Literacy Partners LLC
Healthcare Financial Management Association
Hogg Foundation for Mental Health
Infectious Diseases Society of America
Janssen Diagnostics LLC
Joyce Foundation
Kaiser Permanente
LeadingAge, Inc.
LIVESTRONG Foundation
Massachusetts Institute of Technology
The McKnight Foundation
The Cynthia and George Mitchell Foundation
Monsanto Company
Dr. Pepper Snapple Group

National Association of County and City Health Officials
 National Comprehensive Cancer Network, Inc.
 National Institute for the Evaluation of Education
 National Peanut Board
 Noblis Inc.
 Novo Nordisk Diabetes Innovation Award Program
 Oncology Nursing Society
 PepsiCo, Inc.
 Pharmaceutical Research and Manufacturers of America
 Raytheon Company
 RTI International
 Semiconductor Research Corporation

Sumaria Systems
 Tate & Lyle Ingredients Americas
 United Health Foundation
 UnitedHealth Group, Inc.
 University of California, Los Angeles
 University of Kentucky
 University of Michigan
 University of Toronto
 The World Bank
 Yale University
 YMCA of the USA

\$10,000 to \$25,000

Accordia Global Health Foundation
 Accreditation Council for Graduate Medical Education
 Alcatel-Lucent
 American Academy of Nurse Practitioners
 American Academy of Pediatrics
 American Association of Nurse Anesthetists
 American College of Clinical Pharmacy
 American College of Emergency Physicians
 American College of Laboratory Animal Medicine
 American College of Surgeons
 American Medical Association
 American Occupational Therapy Association, Inc.
 American Physical Therapy Association
 American Society of Animal Science
 American Society for Nutrition
 American Speech-Language Hearing Association
 Annual Reviews
 Association of American Cancer Institutes
 Association of American Veterinary Medical Colleges
 Association of Behavioral Health A Wellness, Inc.
 Association of Schools and Colleges of Optometry
 Auburn University
 Avon Foundation for Women
 The Beall Family Foundation
 Becton Dickinson and Company
 Bell Family Foundation
 Bennett Family Foundation
 The Diane & Norman Bernstein Foundation
 Boston Scientific Corporation
 Brain Canada Foundation
 Bristol-Myers Squibb Company
 California Institute for Regenerative Medicine
 California Institute of Technology
 Cargill, Inc.
 Catholic Health Association of the United States
 Catholic Health Initiatives
 CEA Foundation
 Chevron Corporation
 Cochlear Americas
 The Coleman Family Fund at Schwab Charitable Fund
 Comcast Corporation

The Community Foundation National Capital Region
 Share Fund
 Cornell University
 Council of Academic Programs in Communication
 Sciences and Disorders
 Council on Social Work Education, Inc.
 CT Development
 Dairy Research Institute
 Dewberry
 Evonik Corporation
 Foundation for the National Institutes of Health
 Genentech, Inc.
 Hassett Willis
 Hearing Loss Association of America, Inc.
 Hewlett-Packard Company
 International Life Sciences Institute North America
 INC Nutrition Research & Education Foundation
 Institute for Healthcare Advancement
 Intel Corporation
 Inter-American Development Bank
 The JCT Foundation
 W.M. Keck Foundation
 Kramer Family Foundation
 The Marianthi Foundation
 Martin Blanck Associates, LLC
 McDonald's Corporation
 MMS Education
 National Alliance for Eye and Vision Research
 National Association of Chain Drug Stores Foundation
 National Association of Emergency Medical Technicians
 National Association of EMS Physicians
 National Board for Certified Counselors, Inc.
 National Board of Medical Examiners
 National Cattlemen's Beef Association
 National Multiple Sclerosis Society
 North Carolina State University
 Northeastern University
 Northwest Power and Conservation Council
 Novus International Inc.
 One Mind for Research
 Patent Properties, Inc.
 Physician Assistant Education Association

PPD Development, LLC
 Purdue Research Foundation
 Qualcomm, Inc.
 Reebok International Ltd.
 The Research Foundation of State University of New York
 Robert & Mary Haythornthwaite Foundation
 Royal Bank of Canada
 The Rutter Foundation
 Rx PhRMA
 Dame Jillian & Dr. Arthur M. Sackler Foundation
 Vesto M. Slipper Charitable Trust
 Society for Neuroscience
 Society for Simulation in Healthcare
 Special Fund No. 9 of The Community Foundation for Greater Atlanta
 Stanford University
 Target Corporation
 TBL Foundation
 Temple University

Trauma Center Association of America, Inc.
 Tufts University
 UNICEF
 United Way Worldwide
 University of Maryland
 University of Minnesota
 University of Missouri
 University of Notre Dame
 University of Southern California
 UT-Battelle
 Waksman Foundation For Microbiology
 Weed Science Society of America
 WEM Foundation
 West Virginia University Research Corporation
 West Virginia University
 The Williams Family Fund of the AYCO Charitable Foundation
 Zandan Foundation Fund of the Austin Community Foundation

\$1,000 to \$10,000

Abbott Fund Matching Grant Plan
 Academia Sinica
 Ajinomoto Heartland, Inc.
 Alliance for a Healthier Generation, Inc.
 American Academy of Home Care Medicine Inc.
 American Association of Colleges of Nursing
 The American Board of Obstetrics and Gynecology
 American Century Investments Foundation
 American College of Medical Genetics
 American College of Obstetricians & Gynecologists
 American College of Sport Medicine
 American Diabetes Association
 American Heart Association
 American Mathematical Society
 American Nurses Association
 American University
 Animal Cancer Foundation
 Ruth and Ken Arnold Family Fund at the Houston Jewish Community Foundation
 Association for Molecular Pathology, Inc.
 Axxess Technology Solutions
 Bank of America Corporation
 BASF Corporation
 Baumol Family Foundation
 Bayer Corporation
 The Arnold and Mabel Beckman Foundation
 Boston University
 BP Oil Inc.
 Lillian and Robert Brent Fund
 Brinkman Family Foundation
 The Harold & Colene Brown Family Foundation

Cancer Support Community
 Carnegie Mellon University
 Case Western Reserve University
 Cisco Systems, Inc.
 Citizen Bank
 Clemson University Research Foundation
 Colgate-Palmolive Company
 Community Health Accreditation Program
 Congressional Hunger Center
 Cook Medical
 Ellis and Bettsy Cowling Fund of Triangle Community Foundation, Inc.
 The Critical Path Institute
 CSU Ventures, Inc.
 Deere & Company
 RG & AM Douglas Foundation
 Drexel University
 Eastman Chemical Company
 EMC Corporation
 Emory University
 Eucalyptus Associates, Inc.
 Michael J. Fox Foundation for Parkinson's Disease
 Friends of Cancer Research
 Gatsby Charitable Foundation
 GE Foundation
 General Electric Company
 Georgia Regents Research Institute, Inc.
 Georgia State University
 Gerontological Society of America
 Gilead Sciences Inc.
 Golden Family Foundation

The Goodyear Tire & Rubber Company	Sanofi Pasteur
The Hershey Company	Scripps Institute of Oceanography
Home Instead, Inc.	The Seattle Foundation
Hood Family Fund of the Bank of America Charitable Gift Fund	Sesame Workshop
Human Factors and Ergonomics Society	Siemens Corporation
Hyman Family Charitable Foundation	Society of Pediatric Psychology
Infusion Nurses Certification Corporation	Syracuse University
International Business Machines Corporation	Szekely Family Foundation
International Society for Cardiovascular Translational Research	Texas A&M University
Iowa State University	Texas State University
Joan and Irwin Jacobs Fund of the Jewish Community Foundation San Diego	Tuckson Health Connections LLC
Johnson & Johnson Family of Companies Matching Gifts Program	UnityPoint at Home
Kansas State University	University of Akron Research Foundation
W. K. Kellogg Foundation	University of Alabama
Kimberly-Clark Corporation	University of Arizona
Lockheed Corporation	University of Arkansas
Louisiana State University	University of California, San Diego
March of Dimes Foundation	University of Chicago
Marin Community Foundation	University of Colorado
Massachusetts Medical Society	University of Connecticut
MedStar Health	University of Florida
Miami Foundation	University of Georgia
Michigan State University	University of Idaho
Milbank Memorial Fund	University of Illinois at Urbana-Champaign
The Milken Family Foundation	The University of Kansas Center for Research, Inc.
Mississippi State University	University of Louisville
National Alliance for Caregiving Inc.	University of Maryland Faculty Physicians, Inc.
National Institute of Biomedical Imaging and Bioengineering	University of Massachusetts Lowell
New Jersey Institute of Technology	University of Nebraska
Northwestern University	University of New Mexico
Notah Begay III Foundation	University of North Carolina at Greensboro
The Ohio State University	University of North Carolina at Charlotte
The Ohio University Foundation	University of Oregon
Optical Society of America	University of Pennsylvania
Oregon State University	University of Pittsburgh
Partnership for a Healthier America	University of Southern Mississippi
Pennsylvania State University	The University of Tennessee, Knoxville
The Procter & Gamble Company	University of Texas at Arlington
Purdue University	University of Texas-Austin
Rensselaer Polytechnic Institute	University of Wisconsin-Madison
Rice University	J. Craig Venter Family Foundation
Rochester Institute of Technology	Virginia Commonwealth University
Rutgers, The State University of New Jersey	Viterbi Family Fund of the Jewish Community Foundation
Samsung Electronic North America	Gail and Lois Warden Fund
	Washington State University
	Yanofsky Family Trust
	Zerhouni Family Charitable Foundation, Inc.

We have made every effort to list donors accurately and according to their wishes. If we have made an error, please accept our apologies and contact the Office of Development at 202.334.2431 so that we may correct our records.

III. Financial Condition



NATIONAL ACADEMY OF SCIENCES

Auditing Committee

June 2, 2015

Dr. Ralph J. Cicerone
President
National Academy of Sciences

Dear Dr. Cicerone:

In accordance with paragraph 11 of section II of the Bylaws of the National Academy of Sciences, the firm of KPMG LLP was retained by the Auditing Committee on behalf of the Council to conduct an audit of the accounts of the Treasurer for the year ended December 31, 2014, and to report to the Auditing Committee.

The independent accountants have completed their audit and submitted their report. In accordance with paragraph 13 of section II of the Bylaws, the Auditing Committee has reviewed the report and recommends to the Council that it be accepted and that the opinion of the independent accountants be published with the report of the Treasurer.

Respectfully submitted,

Auditing Committee

Robert H. Wurtz, Chair
Claude R. Canizares
Susan Gottesman
Ronald L. Graham
Brian W. Matthews



KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report

The Auditing Committee
National Academy of Sciences:

Report on the Financial Statements

We have audited the accompanying financial statements of the National Academy of Sciences (NAS), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NAS' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NAS' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the National Academy of Sciences as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

May 22, 2015

NATIONAL ACADEMY OF SCIENCES
Statements of Financial Position
December 31, 2014 and 2013
(In thousands)

Assets	2014	2013
Current assets:		
Cash and cash equivalents	\$ 9,481	\$ 3,014
Short-term investments (notes 3 and 4)	51,156	55,656
Contracts receivable (notes 2 and 12)	78,046	70,127
Contributions and other receivables, net (notes 2 and 6)	81,810	37,648
Other current assets	9,585	8,538
Total current assets	<u>230,078</u>	<u>174,983</u>
Other assets (notes 2, 13, 14, and 15)	8,192	8,528
Long-term investments (notes 3 and 4)	490,908	456,322
Contributions receivable, net (notes 2 and 6)	395,180	454,320
Property and equipment, net (note 5)	173,632	178,367
Einstein Memorial	1,723	1,723
Total assets	<u>\$ 1,299,713</u>	<u>\$ 1,274,243</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 37,801	\$ 39,326
Deferred revenue (notes 7 and 12)	37,979	33,908
Lines of credit (note 8)	7,061	13,569
Other current liabilities (notes 2 and 13)	5,679	6,460
Total current liabilities	<u>88,520</u>	<u>93,263</u>
Bonds payable (note 13)	168,191	171,920
Funds held on behalf of others (notes 3 and 4)	11,582	11,109
Accrued employee benefits (note 14)	8,207	1,802
Other long-term liabilities (notes 2 and 13)	11,503	10,762
Total liabilities	<u>288,003</u>	<u>288,856</u>
Net assets:		
Unrestricted	110,515	107,901
Temporarily restricted (note 9)	766,186	751,544
Permanently restricted (note 10)	135,009	125,942
Total net assets	<u>1,011,710</u>	<u>985,387</u>
Commitments and contingencies (notes 3, 12, 13, 14, 16, and 17)		
Total liabilities and net assets	<u>\$ 1,299,713</u>	<u>\$ 1,274,243</u>

See accompanying notes to financial statements.

NATIONAL ACADEMY OF SCIENCES
Statements of Activities
Years ended December 31, 2014 and 2013
(In thousands)

	2014				2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:								
Government contracts and grants (note 12)	\$ 231,188	-	-	231,188	\$ 231,295	-	-	231,295
Private contracts and grants	19,446	29,825	-	49,271	18,551	32,831	-	51,382
Gulf Research Program	-	10,543	-	10,543	-	471,407	-	471,407
Other contributions	3,496	468	9,067	13,031	2,300	1,034	258	3,592
Fees and publications	17,544	-	-	17,544	19,966	-	-	19,966
Investment income (note 3)	5,744	20,106	-	25,850	12,241	40,874	-	53,115
Other income (note 13)	11,204	-	-	11,204	16,709	-	-	16,709
Net assets released from restriction (note 9)	46,300	(46,300)	-	-	41,950	(41,950)	-	-
Total revenues, gains, and other support	334,922	14,642	9,067	358,631	343,012	504,196	258	847,466
Expenses (notes 13 and 14):								
Programs (note 11)	274,155	-	-	274,155	275,482	-	-	275,482
Management and general	48,794	-	-	48,794	51,947	-	-	51,947
Fundraising	2,453	-	-	2,453	2,584	-	-	2,584
Total expenses	325,402	-	-	325,402	330,013	-	-	330,013
Postretirement changes other than net periodic benefit cost (note 14)	6,906	-	-	6,906	(4,735)	-	-	(4,735)
Change in net assets	2,614	14,642	9,067	26,323	17,734	504,196	258	522,188
Net assets at beginning of year	107,901	751,544	125,942	985,387	90,167	247,348	125,684	463,199
Net assets at end of year	\$ 110,515	766,186	135,009	1,011,710	\$ 107,901	751,544	125,942	985,387

See accompanying notes to financial statements.

NATIONAL ACADEMY OF SCIENCES
Statements of Cash Flows
Years ended December 31, 2014 and 2013
(In thousands)

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 26,323	\$ 522,188
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,177	8,253
Loss on disposal of property and equipment	77	31
Bad debt expense	(119)	23
Net gain on investments	(12,538)	(40,634)
Net gain on investments held on behalf of others	(264)	(966)
Amounts collected on behalf of others	(5,689)	(6,604)
Amounts remitted on behalf of others	6,266	5,395
Change in value of interest rate swap	667	(4,109)
Change in value of split-interest agreements	(91)	158
Contributions restricted for construction or endowment	(3,665)	(2,588)
(Increase) decrease in assets:		
Other receivables	15,097	(463,110)
Contracts receivable	(7,919)	17,194
Other current assets	(1,047)	(1,874)
Other assets	590	(2,312)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,525)	(6,660)
Deferred revenue	4,071	2,205
Other current liabilities	(1,878)	1,986
Funds held on behalf of others	473	1,103
Other long-term liabilities	80	257
Accrued employee benefits	6,405	(5,132)
Net cash provided by operating activities	33,491	24,804
Cash flows from investing activities:		
Additions to property and equipment	(3,631)	(5,992)
Sales or maturities of investments	196,061	206,421
Purchases of investments	(213,136)	(202,411)
Net cash used in investing activities	(20,706)	(1,982)
Cash flows from financing activities:		
Contributions restricted for construction or endowment	3,665	2,588
Proceeds from lines of credit	128,597	59,500
Payments on lines of credit	(135,105)	(81,000)
Payments on bond principal	(3,475)	(3,325)
Net cash used in financing activities	(6,318)	(22,237)
Net increase in cash and cash equivalents	6,467	585
Cash and cash equivalents, beginning of year	3,014	2,429
Cash and cash equivalents, end of year	\$ 9,481	\$ 3,014
Supplemental disclosure of cash flow information:		
Interest paid	\$ 5,765	\$ 6,074

See accompanying notes to financial statements.

NATIONAL ACADEMY OF SCIENCES

Notes to

Financial Statements

December 31, 2014 and 2013

(1) ORGANIZATION AND RELATED ENTITIES

(a) National Academy of Sciences

The National Academy of Sciences (NAS) was formed under a charter that was passed as an Act of Incorporation by the United States Congress and signed into law on March 3, 1863. NAS operates as a private cooperative society of distinguished scholars engaged in scientific or engineering research, dedicated to the furtherance of science and its use for the general welfare.

(b) National Research Council

Most of the activities undertaken by NAS are carried out through the divisions and boards of the National Research Council (NRC). The NRC draws on a wide cross section of the nation's leading scientists and engineers for advisory services to government agencies and Congress. To respond effectively to both the disciplinary concerns of the research community and the complex interdisciplinary problems facing American society, NRC performs its studies and workshops through the following six major divisions:

- Behavioral and Social Sciences and Education
- Earth and Life Studies
- Engineering and Physical Sciences
- Policy and Global Affairs
- Transportation Research Board
- Gulf Research Program

NRC activities are under the control of the NAS governance structure and, therefore, are included in the NAS financial statements.

(c) Institute of Medicine

The Institute of Medicine (IOM), established in 1970, conducts studies of policy issues related to health and medicine. IOM issues position statements on these policies, cooperates with the major scientific and professional societies in the field, identifies qualified individuals to serve on study groups in other organizational units, and disseminates information to the public and the relevant professions. IOM was established as a

separate membership organization within NAS. The financial activities and results of IOM are included in the NAS financial statements.

(d) National Academy of Engineering

The National Academy of Engineering (NAE) was established in 1964 under the charter of NAS as a related parallel organization, autonomous in its governance, administration, and the selection of its members. NAE shares with NAS the responsibility for advising the federal government on scientific issues. The NAE conducts independent program activities and activities through the NRC. The results of both of these activities are included in the NAS financial statements.

(e) National Academy of Engineering Fund

The National Academy of Engineering Fund (NAEF) is a separately incorporated not-for-profit organization established and controlled by NAE to raise funds to support its goals. The financial activities and results of NAEF are not included in the NAS financial statements.

(f) The National Academies' Corporation

The National Academies' Corporation (TNAC) was separately incorporated in 1986 as a not-for-profit corporation for the purpose of constructing and maintaining a study and conference facility. This facility, the Arnold and Mabel Beckman Center, located in Irvine, California, operates to expand and support the general activities of NAS, NRC, IOM, and NAE. TNAC is controlled by NAS and NAEF. The financial position and results of TNAC are not consolidated in the NAS financial statements. NAS manages the operations of the Beckman Center. TNAC contributed \$16,610 to the NRC for the year ended December 31, 2013, to be spent on programs conducted in whole or in part at the Beckman Center. No such contributions were made for the year ended December 31, 2014.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of NAS are classified and reported as follows:

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by NAS. Generally, the donors of these assets permit NAS to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of NAS and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unrestricted – Net assets arising from exchange transactions and contributions not subject to donor-imposed stipulations.

(b) Cash Equivalents

NAS reports liquid, temporary investments purchased with original maturities of three months or less as cash equivalents.

(c) Investments

Investments are stated at fair value. Changes in the fair value of investments are reported within investment income in the statements of activities.

Certain investments are pooled for long-term investment purposes. Investments in the pool are administered as an open-end investment trust, with shares of the pool funds expressed in terms of participating capital units (PCUs). PCU values are used to determine equity in the allocation of investment income among funds in the pool whenever additional funds are contributed or withdrawn.

(d) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until all conditions are substantially met.

Revenues from nonfederal grants qualifying as contributions are recorded by NAS upon notification of the grant award. Such grants are classified as temporarily restricted net assets when use of the grant funds is limited to specific areas of study or is designated for use in future periods.

Gifts of land, buildings, or equipment are reported as unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Temporary restrictions on gifts that must be used to acquire long-lived assets are released in the period in which the assets are acquired or placed in service.

Allowances are recorded for estimated uncollectible contributions based upon management's judgment and analysis of the credit worthiness of the donor, past collection experience, and other relevant factors. Contributions to be received after one year are discounted at an appropriate rate commensurate with risks involved.

Amortization of the discount is recorded as additional revenue and is used in accordance with donor imposed restrictions, if any, on the contributions. These inputs represent Level 3 inputs in the fair value hierarchy. The carrying value of contributions receivable approximates fair value because of the relatively short maturity of these assets.

NAS performs certain activities in connection with fundraising by NAEF. NAS collected a total of \$5.4 million and \$6.3 million in 2014 and 2013, respectively, on behalf of NAEF. NAS disbursed \$6.2 million and \$5.4 million to NAEF from these collected amounts in 2014 and 2013, respectively. Amounts collected but not yet remitted to NAEF are included in other current liabilities in the statements of financial position.

Gulf Research Program revenue relates to two agreements between NAS and BP Exploration and Production, Inc. (BP) and Transocean Deepwater Inc. (Transocean), respectively. As a result of separate plea agreements between those corporations and the federal government related to the 2010 Deepwater Horizon disaster, NAS was asked to establish a program focused on human health and environmental protection in the Gulf of Mexico. BP will pay \$350.0 million over five years, and Transocean will pay \$150.0 million over four years, to fund this 30-year, \$500.0 million program. The present value of these payments in 2013 was \$471.4 million, which was recognized as revenue in that year. The present value of the balance of these payments is \$452.9 million and \$464.4 million as of December 31, 2014 and 2013, respectively. The unpaid balance due for each agreement is reflected in contributions and other receivables (current) and contributions receivable (long-term) in the statements of financial position.

(e) Contracts and Grants

The majority of NAS activities are performed under cost-reimbursable contracts and grants with the U.S. government. For the years ended December 31, 2014 and 2013, the Department of Transportation provided 44% and 48%, respectively, of NAS government contract and grant revenue.

NAS records federal contracts and grants as exchange transactions, recognizing revenue as recoverable costs are incurred. Revenues from nonfederal contracts and grants classified as exchange transactions are also recognized as recoverable costs are incurred.

Contracts receivable consisted of \$16.6 million of billed receivables, \$55.0 million of unbilled receivables, and \$6.4 million of indirect costs under recovered on federal

contracts and grants as of December 31, 2014. Contracts receivable consisted of \$21.1 million of billed receivables and \$49.0 million of unbilled receivables as of December 31, 2013.

(f) Inventories

Inventories are stated at the lower of cost or net realizable value and include both work in-process and finished goods related to publication activities. The majority of NAS publication inventories and supplies reside with an NAS unit, the National Academy Press (NAP). NAP uses the full absorption costing methodology in pricing finished products. This methodology includes direct printing and related indirect costs. Inventories are included in other current assets in the statements of financial position.

(g) Property and Equipment

Depreciation of NAS buildings and equipment is computed on a straight-line basis using the following lives:

<u>Asset class</u>	<u>Depreciable lives</u>
Buildings	40 years
Building and leasehold improvements	Lesser of the remaining life of the building or improvement
Furniture and equipment	4 to 10 years
Capitalized software	3 to 10 years

The Einstein Memorial sculpture is valued at cost and is not depreciated. Work-in-progress is not depreciated until the related assets are placed in service. Capitalized software is amortized over its depreciable life when it is ready for its intended use and placed in service.

(h) Split-Interest Agreements

Charitable gift annuity agreements are classified as other assets and other long-term liabilities in the statements of financial position. Periodically, NAS pays a fixed amount of the assets to the beneficiary designated by the donor. Upon termination of an annuity, the remainder interest in the assets is available for use by NAS as restricted or

unrestricted assets in accordance with the donor’s designation. At December 31, 2014 and 2013, NAS had charitable gift annuity assets of \$2.8 million and \$2.9 million, respectively. NAS has recorded a liability of \$1.8 million and \$1.6 million at December 31, 2014 and 2013, respectively, representing the present value of estimated future cash payments to annuitants based on the annuitant’s life expectancy.

(i) Deferred Revenue

For both federal and nonfederal grants and contracts that are determined to be exchange transactions, revenue is recognized as the related costs are incurred. Funds received in advance of being earned for these grants are recorded as deferred revenue in the statements of financial position.

(j) Income Taxes

NAS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income. NAS recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. NAS does not believe its financial statements include any uncertain tax positions.

(k) Risks and Uncertainties

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

(l) Use of Estimates

The preparation of these financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosures in the financial statements. Actual results could differ from those estimates.

(3) INVESTMENTS

Investments, which are reported at fair value (except as noted), consisted of the following as of December 31, 2014 and 2013 (in thousands):

	2014	2013
Short-term investments:		
Cash equivalents	\$ 4,326	\$ 8,114
Bonds and notes	35,826	35,760
Equity	11,004	11,782
Total short-term investments	<u>\$ 51,156</u>	<u>\$ 55,656</u>
Long-term investments:		
<i>Investment pool, including endowment assets:</i>		
Cash equivalents	\$ 10,631	\$ 4,490
Bonds and notes	34,805	40,507
Equity	284,954	298,279
Hedge funds	73,700	54,157
Private equity	18,899	15,070
	<u>422,989</u>	<u>412,503</u>
<i>Gulf Research Program investments:</i>		
Cash equivalents	133	29
Bonds and notes	13,279	2,522
Equity	13,556	2,902
	<u>26,968</u>	<u>5,453</u>
<i>Other long-term investments:</i>		
Cash equivalents	775	247
Bonds and notes	22,571	17,453
Equity	17,605	20,666
	<u>40,951</u>	<u>38,366</u>
Total long-term investments	<u>\$ 490,908</u>	<u>\$ 456,322</u>

TNAC, a related entity, invests certain of its assets in the NAS long-term investment pool. TNAC investments participate in the investment pool proportionally with all other funds in this pool.

The NAS obligation to TNAC for these funds held in trust, which totaled approximately \$11.6 million and \$11.1 million as of December 31, 2014 and 2013, respectively, is reported as funds held on behalf of others in the statements of financial position.

Investment income is reported net of investment expenses of approximately \$735,000 and \$709,000 for the years ended December 31, 2014 and 2013, respectively, and is comprised of the following (in thousands):

	2014	2013
Interest and dividends income	\$ 13,312	\$ 12,481
Net gain on investments	12,538	40,634
Total investment income	<u>\$ 25,850</u>	<u>\$ 53,115</u>

(4) FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Financial Accounting Standards Board Accounting Standards Codification Topic 820 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about NAS' business, its value or financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. Furthermore, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

The following methods, assumptions, and inputs were used to estimate the fair value of each class of financial instruments:

The carrying value of cash equivalents such as money market funds approximates the fair value because of the short maturity of these investments. These amounts are disclosed in Level 1.

NAS' fixed maturity investments (bonds and notes) include U.S. Treasury securities, mortgage-backed securities, corporate bonds, and mutual funds that invest in these types of securities. Other than U.S. Treasury securities and mutual funds, these investments generally do not trade on a daily basis. The fair value estimates of such debt securities are based on prices provided by NAS' investment managers and custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. NAS' debt securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services. Accordingly, the estimates of fair value for such debt securities are included in Level 2 inputs. The estimated values of U.S. Treasury securities and debt mutual funds are based on actively traded market prices and are accordingly included in the bonds and notes amount in Level 1.

Fair values of exchange-traded equity securities and mutual funds that invest in equity securities have been determined by NAS from observable market quotations on major trade exchanges. Accordingly, such equity securities are disclosed in Level 1.

Fair value of alternative investments including private equity securities and hedge funds is based on the alternative investment fund managers' net asset value (NAV). Private equity investments are comprised of limited partnership interests. Valuations provided by alternative investment fund managers include estimates, appraisals, assumptions and methods that are reviewed by management. When necessary, NAS adjusts NAV for contributions and distributions subsequent to the latest NAV valuation date when calculating fair value. NAS analyzes the NAVs provided by alternative investment fund managers on a regular basis considering relevant economic and market conditions, applicable benchmarks and our

understanding of the nature and related risks of the investments. Since the most significant valuation inputs are not observable in the marketplace, the alternative investment valuations are disclosed in Level 2 or Level 3. The distinction is that those funds which are available for redemption in the near term at NAV are included in Level 2.

Charitable gift annuity investments and deferred compensation investments are held in debt and equity mutual funds along with some U.S. Treasury securities, all of which are included in Level 1. The deferred compensation obligation to employees is equal to the fair value of the investments held and is disclosed in the same levels as the investment assets.

NAS has interest rate swap agreements covering the variable-rate bonds payable. The fair value of the swaps are determined using pricing models based on observable market data such as prices of instruments with similar maturities and characteristics, interest rate yield curves, and measures of interest rate volatility. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and NAS. Accordingly, the interest rate swaps are included in Level 2.

The funds held on behalf of others liability approximates the investments held in NAS' long-term investment pool on behalf of TNAC. Therefore, the liability is disclosed in the same levels as the investment assets.

NAS' policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period in which the event or change in circumstances occurred. There were no transfers among levels during 2014. During 2013 certain amounts were transferred from level 3 to level 2 due to the ability to redeem the investments within the near term as of December 31, 2013 and certain amounts were transferred from level 2 to level 3 due to investment of cash held by the fund manager at December 31, 2012.

The following table presents NAS' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2014 (in thousands):

	Fair Value	Fair value measurements using		
		Level 1	Level 2	Level 3
Financial assets:				
Short-term and long-term investments:				
Cash equivalents	\$ 15,865	\$ 15,865	\$ -	\$ -
Bonds and notes				
U.S. treasuries/government bonds	4,095	4,095	-	-
Mortgage-backed securities	58,451	30,035	28,416	-
Corporate bonds	23,580	12,673	10,907	-
Non-U.S. fixed income	20,355	20,355	-	-
Equity				
U.S. large equity	70,758	70,758	-	-
Long/short equity funds	54,749	-	54,749	-
U.S. small/mid equity	70,423	70,423	-	-
Non-U.S. equity (developed)	71,443	71,443	-	-
Non-U.S. equity (emerging)	43,628	43,628	-	-
Real estate	16,118	16,118	-	-
Hedge funds				
Multi-strategies/multi-vehicle	67,359	-	29,834	37,525
Fixed income single strategy	4,880	-	4,880	-
Commodity futures contracts	1,461	1,461	-	-
Private equity				
Asia	16,543	-	-	16,543
Global	1,899	-	-	1,899
Domestic	457	-	-	457
Total short-term and long-term investments	542,064	356,854	128,786	56,424
Charitable gift annuity assets:				
Cash equivalents	60	60	-	-
Bonds and notes				
U.S. treasuries/government bonds	251	251	-	-
Mortgage-backed securities	263	44	219	-
Corporate bonds	114	114	-	-
Non-U.S. fixed income	91	91	-	-
Equity				
U.S. large equity	906	906	-	-
U.S. small/mid equity	538	538	-	-
Non-U.S. equity (developed)	352	352	-	-
Non-U.S. equity (emerging)	104	104	-	-
Real estate	152	152	-	-
Total charitable gift annuity assets	2,831	2,612	219	-
Deferred compensation assets:				
Cash equivalents	268	268	-	-
Bonds and notes				
Corporate bonds	78	78	-	-
Equity				
U.S. large equity	475	475	-	-
U.S. small/mid equity	216	216	-	-
Non-U.S. equity (developed)	172	172	-	-
Total deferred compensation assets	1,209	1,209	-	-
Total financial assets	\$ 546,104	\$ 360,675	\$ 129,005	\$ 56,424

<i>(Continued)</i>	Fair value	Fair value measurements using		
		Level 1	Level 2	Level 3
Financial liabilities:				
Funds held on behalf of others	\$ 11,582	\$ 7,587	\$ 2,450	\$ 1,545
Deferred compensation liability	1,209	1,209	-	-
Interest rate swaps	9,958	-	9,958	-
Total financial liabilities	<u>\$ 22,749</u>	<u>\$ 8,796</u>	<u>\$ 12,408</u>	<u>\$ 1,545</u>

The following table presents NAS' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2013 (in thousands):

	Fair value	Fair value measurements using		
		Level 1	Level 2	Level 3
Financial assets:				
Short-term and long-term investments:				
Cash equivalents	\$ 12,880	\$ 12,880	\$ -	\$ -
Bonds and notes				
U.S. treasuries/government bonds	4,110	4,110	-	-
Mortgage-backed securities	41,591	16,804	24,787	-
Corporate bonds	24,635	12,373	12,262	-
Non-U.S. fixed income	25,906	25,906	-	-
Equity				
U.S. large equity	69,006	69,006	-	-
Long/short equity funds	50,689	-	50,689	-
U.S. small/mid equity	64,399	64,399	-	-
Non-U.S. equity (developed)	83,007	83,007	-	-
Non-U.S. equity (emerging)	52,508	52,508	-	-
Real estate	14,020	14,020	-	-
Hedge funds				
Multi-strategies/multi-vehicle	47,924	-	16,965	30,959
Fixed income single strategy	4,858	-	4,858	-
Commodity futures contracts	1,375	1,375	-	-
Private equity				
Asia	11,967	-	-	11,967
Global	2,199	-	-	2,199
Domestic	904	-	-	904
Total short-term and long-term investments	511,978	356,388	109,561	46,029
Charitable gift annuity assets:				
Cash equivalents	172	172	-	-
Bonds and notes				
U.S. treasuries/government bonds	209	209	-	-
Mortgage-backed securities	471	43	428	-
Corporate bonds	130	130	-	-
Non-U.S. fixed income	151	151	-	-
Equity				
U.S. large equity	735	735	-	-
U.S. small/mid equity	487	487	-	-
Non-U.S. equity (developed)	232	232	-	-
Non-U.S. equity (emerging)	156	156	-	-
Real estate	117	117	-	-
Total charitable gift annuity assets	2,860	2,432	428	-

(Continued)	Fair value	Fair value measurements using		
		Level 1	Level 2	Level 3
Deferred compensation assets:				
Cash equivalents	306	306	-	-
Bonds and notes				
Corporate bonds	157	157	-	-
Equity				
U.S. large equity	390	390	-	-
U.S. small/mid equity	596	596	-	-
Non-U.S. equity (developed)	232	232	-	-
Total deferred compensation assets	1,681	1,681	-	-
Total financial assets	\$ 516,519	\$ 360,501	\$ 109,989	\$ 46,029
Financial liabilities:				
Funds held on behalf of others	\$ 11,109	\$ 7,915	\$ 1,954	\$ 1,240
Deferred compensation liability	1,681	1,681	-	-
Interest rate swaps	9,304	-	9,304	-
Total financial liabilities	\$ 22,094	\$ 9,596	\$ 11,258	\$ 1,240

The following table presents the changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2014 (in thousands):

	Balance beginning of year	Net gain (loss) on investments	Purchases	Sales	Transfers into/(out of) level 3	Balance end of year
Hedge funds:						
Multi-strategies /multi-vehicle	\$ 30,959	\$ 1,566	\$ 5,000	\$ -	\$ -	\$ 37,525
Private equity:						
Asia	11,967	3,494	1,975	(893)	-	16,543
Global	2,199	42	-	(342)	-	1,899
Domestic	904	(220)	-	(227)	-	457
	\$ 46,029	\$ 4,882	\$ 6,975	\$ (1,462)	\$ -	\$ 56,424

The following table presents the changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2013 (in thousands):

	Balance beginning of year	Net gain (loss) on investments	Purchases	Sales	Transfers into/(out of) level 3	Balance end of year
Equity:						
Long/short equity funds	\$ 8,829	\$ 2,774	\$ -	\$ -	\$ (11,603)	\$ -
Hedge funds:						
Multi-strategies /multi-vehicle	12,205	2,754	4,500	-	11,500	30,959
Private equity:						
Asia	16,360	(2,841)	953	(2,505)	-	11,967
Global	2,999	(269)	-	(531)	-	2,199
Domestic	1,298	67	-	(461)	-	904
	\$ 41,691	\$ 2,485	\$ 5,453	\$ (3,497)	\$ (103)	\$ 46,029

Gains and losses included in changes in net assets are presented in investment income in the statements of activities. Level 3 assets had unrealized gains of approximately \$4.9 million and \$2.5 million, respectively, for the years ended December 31, 2014 and 2013.

The following table presents the nature and risk of assets with fair values estimated using NAV held at December 31, 2014 (in thousands):

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Long/short equity funds -				
U.S. large equity (a)	\$ 43,639	N/A	Quarterly/Annually	45 days/365 days
Long/short equity funds -				
Non-U.S. equity (developed) (b)	11,110	N/A	Monthly	45 days
Hedge fund – multi-strategies/ multi-vehicle (c)	67,359	N/A	Quarterly/Annually	45 days/365 days
Hedge fund – fixed income single strategy (d)	4,880	N/A	Quarterly	30 days
Private equity – Asia (e)	16,543	2,783	N/A	N/A
Private equity – Global (f)	1,899	229	N/A	N/A
Private equity – Domestic (g)	457	303	N/A	N/A
Total	<u>\$ 145,887</u>	<u>\$ 3,315</u>		

Notes:

(a) This category relates to long-short equity hedge funds comprised of equity investments in U.S. large cap. Each of these funds buys investments long and sells short with the ability to use leverage. These funds can also invest in derivative instruments such as forward, futures and option contracts. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. All of the investments in this category are redeemable within the near term from December 31, 2014.

(b) This category relates to a long-short equity hedge fund comprised of equity investments in Non-U.S. developed countries. This fund buys investments long and sells short with the ability to use leverage. This fund can also invest in derivative instruments such as forward, futures and option contracts. The fair value of the investment in this category has been estimated using the net asset value per share of the investment. The investment in this category is redeemable within the near term from December 31, 2014.

(c) This class includes investments in multi-strategy, multi-vehicle hedge funds with the objective of maximizing long-term, risk-adjusted returns and capital appreciation by investing in securities, investment funds, discretionary accounts, and investment partnerships across a broad range of marketable and alternative asset classes. Asset classes include domestic and international marketable equity securities, hedged

equity, real estate, natural resource, fixed income, and private equity and absolute return strategies, primarily focused in the United States. The fair values of the investments in this class have been estimated using the NAV per share of the investments. Approximately \$29.8 million of investments in this category are redeemable within the near term from December 31, 2014.

(d) This class includes an investment in a single strategy hedge fund focused on undervalued fixed income securities. Investments held by this fund consist of U.S. government agency mortgage-backed securities and derivatives, primarily in the form of collateralized mortgage obligations. Securities are generally held in the portfolio as long as interest rates and repayment rates are unfolding as anticipated. The majority of the investment return is expected to come from trading mortgage-backed securities in an attempt to maximize interest income. The fair value of the investment in this class has been estimated using the NAV per share of the investment. The investment in this category is redeemable within the near term from December 31, 2014.

(e) This class includes several private equity funds that invest in equity, debt or debt-oriented instruments, primarily in privately held companies which own or contractually control operating entities located in the People's Republic of China and India. Investments held in India primarily include equity securities of "early to early growth stage" companies in multiple sectors, except real estate. The fair values of these investments have been estimated using the NAV of NAS' ownership

interest in partners' capital. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over 1 to 8 years.

(f) This class includes several global private equity funds with diverse portfolios consisting primarily of venture capital funds, leveraged buyout funds, mid-stage growth capital funds, and international private equity funds. These investments are focused on several industries including, but not limited to, insurance, services, and consumer-related industries. The fair values of these investments have been estimated using the NAV of NAS' ownership interest in partners' capital. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over 1 year.

(g) This class includes several domestic private equity funds which make investments in domestic equity securities, warrants or other securities that are generally not actively traded at the time of investment. These investments are focused on several industries including, but not limited to, insurance, financial services, consumer-related, and communications. The fair values of these investments have been estimated using the NAV of NAS' ownership interest in partners' capital. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over 1 year.

(5) PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2014 and 2013, is comprised of the following (in thousands):

	2014	2013
Land	\$ 29,689	\$ 29,689
Furniture and equipment	29,844	31,564
Buildings and improvements	177,757	177,074
Capitalized software	16,546	13,812
Work in progress	1,225	1,825
Leasehold improvements	3,390	3,327
	258,451	257,291
Less accumulated depreciation and amortization	(84,819)	(78,924)
Total property and equipment, net	\$ 173,632	\$ 178,367

(6) CONTRIBUTIONS RECEIVABLE

Contributions not yet collected are included in contributions and other receivables (current) and contributions receivable (long-term) in the statements of financial position, and mature as follows (in thousands):

Less than one year	\$ 80,840
One to five years	413,431
	494,271
Less:	
Discount at rates from 0.73% to 6.75% to estimated net present value	(18,251)
Allowance for uncollectible contributions	(704)
	475,316
Less current portion	(80,136)
Total contributions receivable, long-term	\$ 395,180

As of December 31, 2014 and 2013, 95% and 95%, respectively, of contributions receivable was due from two corporations. NAS does not believe there is any significant risk associated with collection of these receivables.

At December 31, 2013, the discount on contributions receivable was approximately \$29,108,000 at rates ranging from 0.73% to 6.75% and the allowance for uncollectible contributions was approximately \$845,000.

(7) DEFERRED REVENUE

Deferred revenue consisted of the following as of December 31, 2014 and 2013 (in thousands):

	2014	2013
Advances from private grants and contract sponsors	\$ 17,946	\$ 19,020
Advances from U.S. government sponsors	13,629	8,032
Publication subscriptions and other	6,404	6,856
Total deferred revenue	\$ 37,979	\$ 33,908

(8) LINES OF CREDIT

Until March 2014, NAS was party to a \$55 million line of credit from Wells Fargo, which bore interest at LIBOR plus 0.55%. In March 2014, NAS renewed its line of credit with Wells Fargo for \$45 million. The renewed line of credit bears interest at LIBOR plus 0.55% and expires on June 30, 2015. NAS is also party to a \$15 million line of credit from TD Bank, which bears interest at LIBOR plus 0.55% and expires on August 31, 2015. NAS has pledged and granted to each bank a security interest in NAS' gross revenues.

Interest expense related to the lines of credit for the years ended December 31, 2014 and 2013, was approximately \$143,000 and \$304,000, respectively.

(9) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2014 and 2013 (in thousands):

	2014	2013
Gulf Research Program	\$ 479,950	\$ 470,491
Other sponsored research and advisory programs	168,077	164,977
General endowment	83,647	82,562
Prizes and awards	30,890	29,958
Woods Hole facility	3,622	3,556
Total temporarily restricted net assets	<u>\$ 766,186</u>	<u>\$ 751,544</u>

Temporarily restricted net assets were released from restriction for the following purposes during the years ended December 31, 2014 and 2013 (in thousands):

	2014	2013
Gulf Research Program	\$ 3,019	\$ 1,372
Other sponsored research and advisory programs	37,045	34,973
General endowment	4,741	4,524
Prizes and awards	1,204	812
Woods Hole facility	291	269
Total temporarily restricted net assets released from restriction	<u>\$ 46,300</u>	<u>\$ 41,950</u>

(10) ENDOWMENT

(a) Permanently Restricted Net Assets

The income generated by permanently restricted net assets is available to support donor-specified programs. As of December 31, 2014 and 2013, NAS held the following permanently restricted net assets, classified by the purpose for which the income is to be used (in thousands):

	2014	2013
Sponsored research and advisory programs	\$ 93,981	\$ 84,918
General endowment	32,372	32,368
Prizes and awards	5,117	5,117
Woods Hole facility	3,539	3,539
Total permanently restricted net assets	<u>\$ 135,009</u>	<u>\$ 125,942</u>

(b) Endowment Assets

The NAS endowment consists of approximately 120 individual funds established to support general operations, sponsored research and advisory programs, prizes

and awards, and the operations of the Woods Hole facility. The endowment is comprised solely of donor-restricted endowment funds. The investments of the endowment are included in the NAS long-term investment pool, as described in note 3.

Interpretation of Relevant Law

NAS has interpreted the District of Columbia “Uniform Prudent Management of Institutional Funds Act of 2007” (the Act) as requiring NAS, absent explicit donor stipulations to the contrary, to act in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulate endowment funds, taking into account both its obligation to preserve the value of the endowment and its obligation to use the endowment to achieve the purposes for which it was donated. NAS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment required by the applicable donor gift instrument. The remaining portion of donor-restricted endowment funds that are not classified as permanently restricted are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NAS. In making a determination to appropriate or accumulate, NAS adheres to the standard of prudence prescribed by the Act and considers the following factors:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the institution and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the institution; and
- (7) The investment policy of the institution

Return Objectives and Strategies

NAS has adopted an investment and spending policy for endowment assets that is designed to provide a predictable stream of funding to programs supported by the endowment while seeking to protect the real purchasing power of the assets from inflation. Accordingly, NAS has adopted guidelines which feature a material commitment to equity and equity-like investments.

The asset allocation guidelines are as follows:

Asset category	Guideline percentage
U.S. large equity	19%
U.S. small/mid cap equity	9
Non-U.S. equity (developed)	20
Non-U.S. equity (emerging)	15
Real estate	3
Total equity	66
U.S. fixed income/cash	9
Non-U.S. fixed income	5
Total fixed	14
Multi-strategy and private equity funds	20
Total	100%

NAS has adopted a spending policy that limits the annual spending to 5% of the three-year average fair value of the participating funds in the endowment portfolio. This is consistent with NAS' objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Changes in endowment assets for the fiscal year ended December 31, 2014 are as follows (in thousands):

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment assets, beginning of year	\$ -	\$ 199,657	\$ 125,143	\$ 324,800
Investment return:				
Interest and dividend income	-	8,652	-	8,652
Net gain on investments	-	7,767	-	7,767
Total investment return	-	16,419	-	16,419
Contributions	-	278	3,746	4,024
Amounts appropriated for expenditure	-	(12,623)	-	(12,623)
Other changes:				
2013 appropriation expended in 2014	-	(7,998)	-	(7,998)
Unspent purpose restricted appropriations	-	9,326	-	9,326
Accrued expenses withdrawn in 2015	-	261	-	261
Endowment assets, end of year	\$ -	\$ 205,320	\$ 128,889	\$ 334,209

Changes in endowment assets for the fiscal year ended December 31, 2013 are as follows (in thousands):

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment assets, beginning of year	\$ (2)	\$ 172,129	\$ 122,831	\$ 294,958
Investment return:				
Interest and dividend income	-	8,298	-	8,298
Net gain on investments	2	28,266	-	28,268
Total investment return	2	36,564	-	36,566
Contributions	-	703	2,312	3,015
Amounts appropriated for expenditure	-	(11,614)	-	(11,614)
Other changes:				
2012 appropriation expended in 2013	-	(6,124)	-	(6,124)
Unspent purpose restricted appropriations	-	8,000	-	8,000
Accrued expenses withdrawn in 2014	-	(1)	-	(1)
Endowment assets, end of year	\$ -	\$ 199,657	\$ 125,143	\$ 324,800

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gift donated to the permanent endowment. Deficiencies of this nature are reported as unrestricted net assets. At December 31, 2014 and 2013, there were no endowment funds with a fair value below the original value of the gift.

(11) PROGRAM EXPENSES

Program expenses for the years ended December 31, 2014 and 2013 are summarized as follows (in thousands):

	2014	2013
Transportation Research Board	\$ 106,706	\$ 110,658
Policy and Global Affairs	62,461	60,479
Institute of Medicine	33,032	31,267
Earth and Life Studies	16,142	16,317
Engineering and Physical Sciences	15,319	15,553
Proceedings of the National Academy of Sciences	13,327	13,746
Behavioral and Social Sciences and Education	10,810	11,404
NAS	6,327	7,598
National Academy of Engineering	3,724	2,918
National Academy Press	3,199	3,358
Gulf Research Program	1,872	934
Koshland Science Museum	1,236	1,250
Total program expenses	\$ 274,155	\$ 275,482

(12) RECOVERY OF INDIRECT COSTS

NAS receives indirect cost recovery on its federal contracts and grants. An overhead assessment is applied to direct salaries, accrued leave, fringe benefits, and services provided by outside contractors (e.g., temporary personnel agencies, consultants) on NAS property. A general and administrative assessment (G&A) is applied to direct costs and overhead less subcontract costs and stipends. Therefore, both the overhead and G&A rates are applied to projects incurring direct salaries and other direct costs such as travel. If a program does not require direct salaries, such as a travel grant program, a subcontract/flow-through administration rate is applied. Certain off-site work (not performed on NAS property) is assessed reduced overhead rates.

NAS bills for indirect cost recovery throughout the year based on negotiated rates. At the end of each year, NAS compares actual expenses incurred in each of its cost pools to the amounts recovered based on its billing rates. The difference is recorded as its indirect cost carryforward. If NAS over recovers on its indirect costs

during the year, a liability is recorded. If NAS under recovers, a receivable is recorded.

NAS has a cumulative net under recovery of approximately \$6.4 million and a net over recovery of \$0.8 million as of December 31, 2014 and 2013, respectively. The under recovery is included in the contracts receivable balance and the over recovery is included in the deferred revenue balance in the statements of financial position.

(13) BUILDING PROJECT AND FINANCING

(a) Building Project Revenue Bonds

In January 1999, the District of Columbia issued Series 1999A, Series 1999B, and Series 1999C tax-exempt revenue bonds on behalf of NAS. Proceeds from the sale of the revenue bonds financed the cost of the acquisition of 44,250 square feet of land and related construction of an office building, as well as paid certain costs of issuing the bonds. This building consolidates most of NAS' program activities into one location.

In June 2008, the District of Columbia issued Series 2008A tax-exempt revenue bonds in the amount of \$66,325,000 on behalf of NAS. The proceeds were used to refund the Series 1999B and Series 1999C revenue bonds, as well as pay certain costs of issuing the bonds.

In April 2009, the District of Columbia issued Series 2009A tax-exempt revenue bonds in the amount of \$57,500,000 on behalf of NAS. The proceeds were used to refund the Series 1999A revenue bonds, as well as pay certain costs of issuing the bonds.

In May 2010, the District of Columbia issued Series 2010A tax-exempt revenue bonds in the amount of \$59,550,000 on behalf of NAS. These bonds were sold to finance the cost to restore the NAS headquarters building on Constitution Avenue in Washington, D.C. and pay for certain costs of issuance. The restoration was completed in 2012.

In December 2012, NAS remarketed the Series 2008A and 2009A bonds as direct bank purchases. The Series 2008A bonds were purchased by Wells Fargo Municipal Capital Strategies LLC; the Series 2009A bonds were purchased by TD Bank, N.A. Both agreements stipulate mandatory repurchase in December 2020 at which point NAS could renew the direct purchase agreements, remarket the bonds, or repurchase the bonds. NAS is obligated under the revenue bonds as follows (in thousands):

	2014	2013
Series 2008A revenue bonds, term, at flexible rates (1.1% in 2014 and 1.1% in 2013) maturing at various dates from January 1, 2014 through 2039	\$ 63,790	\$ 65,090
Series 2009A revenue bonds, term, at flexible rates (0.7% in 2014 and 0.7% in 2013) maturing at various dates from January 1, 2014 through 2028	50,135	51,150
Series 2010A revenue bonds, serial, with interest rates ranging from 3.0% to 5.0%, maturing at various dates from April 1, 2014 through 2030	27,105	28,265
Series 2010A revenue bonds, term:		
Interest rate 5%, maturing April 1, 2035	13,205	13,205
Interest rate 5%, maturing April 1, 2040	16,960	16,960
Total bonds, at face value	171,195	174,670
Plus unamortized premium	725	837
Total bonds payable	171,920	175,507
Less current portion (included in other current liabilities)	(3,729)	(3,587)
Bonds payable, long-term	\$168,191	\$171,920

The serial and term bonds represent unsecured general obligations of NAS.

Interest on the 2008A and 2009A bonds is payable monthly. Interest on the 2010A bonds is payable semiannually every April 1 and October 1.

The term bonds maturing on April 1, 2035, and April 1, 2040, are subject to mandatory redemption by operation of sinking fund installments. Installment payments for the term bond maturing April 1, 2035, begin on April 1, 2031, and range from \$2.4 to \$2.9 million per year through the maturity date. Installment payments for the term bond maturing April 1, 2040, begin on April 1, 2036, and range from \$3.1 to \$3.8 million per year through the maturity date.

Scheduled maturities and sinking fund requirements are as follows (in thousands):

Years ending December 31:	
2015	\$ 3,645
2016	3,820
2017	4,005
2018	4,195
2019	4,390
Thereafter	151,140
	<u>\$ 171,195</u>

The carrying value of bonds payable in the financial statements was approximately \$3.7 million and \$0.9 million less than fair value as of December 31, 2014 and 2013, respectively. NAS estimated the fair

value of bonds payable through valuations provided by an independent financial institution. If measured at fair value in the statement of financial position, the bonds payable would be categorized as Level 2 in the fair value hierarchy.

Interest expense on the bonds payable for 2014 and 2013 totaled \$3.6 million and \$3.6 million, respectively.

(b) Interest Rate Swaps

In October 1999, NAS entered into a swap agreement, with an effective date of February 1, 2000, relating to the \$66 million face amount of its Series 1999A revenue bonds. The agreement provides for NAS to receive 4.97% in interest on a notional amount of \$65 million and to pay interest at a floating rate option based on the weekly interest rate resets of tax-exempt variable-rate issues per the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. NAS amended the agreement for the 2005 – 2020 period by agreeing to give up the benefit of any 30-day period during which the SIFMA index remains below 2.25% for the entire 30 days. Each time this occurs, the rate on the swap portfolio reverts to the fixed rate noted above for that month only.

NAS entered into this fixed-to-variable swap agreement to manage its exposure to interest rate changes. The fixed-rate debt obligations exposed NAS to variability in the cost recovery stream due to changes in interest rates. NAS recovers the costs of borrowing through a capital investment incentive rate that is set by the U.S. government and is tied to a variable index. If interest rates increase, the capital investment incentive recovery increases.

Conversely, if interest rates decrease, the capital investment incentive recovery decreases. Therefore, NAS entered into a derivative instrument that ties the fixed-rate debt to a variable index to manage fluctuations in cash flows resulting from interest rate risk. By using derivative financial instruments to hedge exposures to changes in interest rates, NAS exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes NAS, which creates credit risk for NAS. When the fair value of a derivative contract is negative, NAS owes the counterparty, and therefore, it does not possess credit risk. NAS minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

In May 2009, NAS entered into an additional swap agreement as a result of a counterparty exercising a

swaption related to the Series 1999A Revenue Bonds. The variable-to-fixed swap requires NAS to pay 5.00% on a notional amount of \$55 million and to receive a floating rate equal to 67% of 1-month LIBOR plus 0.41%.

NAS entered into this variable-to-fixed swap agreement in order to preserve the synthetic variable rate achieved through the 1999 swap agreement once the fixed-rate Series 1999A bonds were refunded with the variable-rate Series 2009A bonds.

With regard to the fixed-to-variable interest rate swap, NAS recorded a gain on the change in the fair value of its swap agreement of \$164,000 and \$7,000, for the years ended December 31, 2014 and 2013, respectively, which is included in other income in the accompanying statements of activities. The fair value of the interest rate swap was recorded as an asset of \$372,000 and \$208,000 as of December 31, 2014 and 2013, respectively, and is included in other assets in the statements of financial position.

Pertaining to the swaption and resultant variable-to-fixed interest rate swap, NAS recorded a loss on the change in the fair value of approximately \$662,000 for the year ended December 31, 2014 and a gain of approximately \$4,278,000, for the year ended December 31, 2013, respectively, which is included in other income in the statements of activities. The fair value of the swap is recorded as a liability of approximately \$10.0 million and \$9.3 million as of December 31, 2014 and 2013, respectively, and is included in other current liabilities and other long-term liabilities.

(14) EMPLOYEE BENEFITS

(a) Retirement Plans

NAS has a noncontributory defined contribution retirement plan covering substantially all of its employees (based on certain benefit eligibility requirements). The funding vehicles under the plan consist of group investments issued by Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF), known collectively as TIAA-CREF, as well as mutual funds issued by TIAA-CREF, Vanguard Fiduciary Trust Company, and other third-parties. Participants in this plan vest immediately. NAS has received a favorable determination letter from the IRS on the qualification of this plan under Section 401(a) of the Internal Revenue Code.

In addition, NAS has a voluntary employee contribution retirement plan that is funded solely by employee contributions made on a pretax salary-reduction basis under Section 403(b) of the Internal Revenue Code. The

funding vehicles under the plan consist of group investments issued by TIAA and CREF, as well as mutual funds issued by TIAA-CREF, Vanguard Fiduciary Trust Company, and other third-parties.

Pension expense for the years ended December 31, 2014 and 2013, amounted to approximately \$11.7 million and \$12.0 million, respectively. The NAS policy is to fund pension benefits as they are earned. The NAS normal retirement age is 62, but there is no mandatory age for retirement.

(b) Deferred Compensation

NAS holds long-term investments as part of a frozen deferred compensation arrangement for certain employees. The fair value of these investments was approximately \$1.2 million and \$1.7 million as of December 31, 2014 and 2013, respectively, which is reported within other assets in the statements of financial position. The related obligation is included in accrued employee benefits in the statements of financial position.

(c) Postretirement and Postemployment Benefits

NAS provides certain health and life insurance benefits for employees retired due to length of service. All benefit-eligible employees may become eligible for service retiree benefits if they reach age 60 while working for NAS and complete 5 years of service in a benefit-eligible status for medical and 10 years of service for life insurance benefits. In addition, certain health and life insurance benefits are provided for employees retired due to disability. A benefit-eligible employee may become eligible for disabled retiree benefits if deemed totally disabled under NAS' long-term disability insurance or if they are eligible for disability benefits from the Social Security Administration. Life insurance benefits are provided based on coverage at date of disability and health insurance may be continued if the disabled retiree had participated in an NAS health insurance plan for 5 years at the date of disability. Insurance companies whose premiums are determined on an experience-rated basis provide life and health insurance benefits for retirees. Medicare supplement insurance is not experience rated. The retiree welfare benefit plan is contributory for health insurance purposes for employees who retired on or after January 1, 1990. Participant contributions for health insurance are based on a percentage of the monthly premium paid by NAS (from 25% to 100%). The participant contribution is also based on their date of retirement, length of service and choice of health insurance carrier.

NAS has elected to recognize the initial postretirement benefit obligation over a period of 20 years. The accrued postretirement benefit obligation is reported in accrued employee benefits in the statements of financial position.

Postretirement changes other than net periodic benefit cost are as follows (in thousands):

	2014	2013
Net actuarial (gain)/loss	\$ 6,906	\$ (3,208)
Recognized net actuarial loss	(49)	(584)
Prior service credit	-	(707)
Recognized prior service cost	49	(210)
Recognized net initial obligation	-	(26)
Total	<u>\$ 6,906</u>	<u>\$ (4,735)</u>

Items not yet recognized as a component of net periodic benefit cost at December 31, 2014 and 2013 are as follows (in thousands):

	2014	2013
Net actuarial loss	\$ 10,029	\$ 3,172
Prior service (credit) cost	(343)	(392)
Total	<u>\$ 9,686</u>	<u>\$ 2,780</u>

The estimated amounts, measured at year-end, that are expected to be recognized in the net periodic benefit cost over the next fiscal year for the postretirement benefit plan are as follows (in thousands):

	2014	2013
Prior service cost	\$ (49)	\$ (49)
Recognized actuarial loss	643	49
Total	<u>\$ 594</u>	<u>\$ -</u>

The following table presents the changes in benefit obligations, changes in plan assets, funded status, and the components of net periodic benefit cost for the year ended December 31, 2014 and 2013 (in thousands):

	2014	2013
Change in benefits obligation:		
Benefits obligation, beginning of year	\$ 28,268	\$ 28,796
Service cost	890	909
Interest cost	1,315	1,132
Plan participants' contributions	117	120
Amendments	-	(707)
Actuarial (gain) loss	6,157	(1,205)
Benefits provided	(797)	(777)
Benefits obligation, end of year	<u>35,950</u>	<u>28,268</u>

(Continued)	2014	2013
Change in plan assets:		
Fair value of plan assets, beginning of year	28,147	23,668
Actual return on plan assets	1,362	3,780
Employer contributions	216	1,391
Benefits paid	(773)	(692)
Fair value of plan assets, end of year	<u>28,952</u>	<u>28,147</u>
Funded status	<u>\$ (6,998)</u>	<u>\$ (121)</u>

Components of net periodic benefit cost:		
Service cost	\$ 890	\$ 909
Interest cost	1,315	1,132
Expected return on plan assets	(2,110)	(1,775)
Recognized prior service cost	(49)	210
Recognized actuarial loss	49	584
Recognized net initial obligation	-	26
Net periodic benefit cost	<u>\$ 95</u>	<u>\$ 1,086</u>

The assumptions used to determine net periodic benefit cost for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Discount rate	4.75%	4.00%
Expected long-term return on plan assets	7.50	7.50
Rate of increase in healthcare costs:		
Under age 65	8.00	8.00
Over age 65	5.00	5.00

The assumptions used to calculate the accumulated postretirement benefit obligation for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Discount rate	4.00%	4.75%
Rate of increase in healthcare costs for next year:		
Under age 65	8.00	8.00
Over age 65	6.50	5.00

The trend rate for growth in healthcare costs was assumed to decline gradually beginning in 2016 to 4.5% in the year 2029 for under age 65 and to 4.5% in the year 2023 for over age 65 for the year ended December 31, 2014. The trend rate for growth in healthcare costs was assumed to decline gradually beginning in 2016 to 5% in the year 2021 for under age 65 and to remain at 5% for over age 65 for the year ended December 31, 2013.

The healthcare cost trend rate assumption has a significant impact on the postretirement benefit costs and obligations. The effect of a 1% increase in the assumed healthcare cost trend rate would have resulted in the following effects (in thousands):

	2014	2013
Postretirement benefit obligation	\$ 5,380	\$ 3,280
Benefit expense	330	332

The effect of a 1% decrease in the assumed healthcare cost trend rate would have resulted in the following effects (in thousands):

	2014	2013
Postretirement benefit obligation	\$ (4,301)	\$ (2,714)
Benefit expense	(266)	(264)

NAS postretirement benefit plan asset allocations at December 31, 2014 and 2013, by asset class are as follows:

	2014	2013
Cash	3%	6%
Bonds and notes	39	35
Equity	58	59
	100%	100%

The investment objective of the Plan is to produce a rate of return over the long term that will provide for fund growth, protect against the effect of inflation, and provide for some stability in different market environments. The fund is diversified between fixed income and equity investments. With this diversification and investment in broader market funds, there is reasonable assurance that no single security or class of securities will have a disproportionate impact on the Plan assets. The Plan assets are invested with a long-term growth strategy, with a 70% equity guideline.

The overall long-term rate of return was developed by estimating the long-term real rate of return for the Plan's asset mix, while taking into account the effects of inflation. This estimate was developed by evaluating the history and similar asset allocation of the NAS Endowment.

The following table presents the fair value hierarchy for the postretirement benefit plan assets at December 31, 2014 (in thousands):

	Fair value	Fair value measurements using	
		Level 1	Level 2
Financial assets:			
Retiree Welfare Benefit Plan investments:			
Cash equivalents	\$ 782	\$ 782	\$ -
Bonds and notes			
U.S. treasuries/government bonds	790	790	-
Mortgage-backed securities	4,008	-	4,008
Corporate bonds	5,881	4,829	1,052
Non-U.S. fixed income	753	753	-
Equity			
U.S. large equity	3,828	3,828	-
U.S. small/mid equity	8,682	8,682	-
Non-U.S. equity (developed)	3,991	3,991	-
Non-U.S. equity (emerging)	237	237	-
Total investments	\$28,952	\$ 23,892	\$ 5,060

The following table presents the fair value hierarchy for the postretirement benefit plan assets at December 31, 2013 (in thousands):

	Fair value	Fair value measurements using	
		Level 1	Level 2
Financial assets:			
Retiree Welfare Benefit Plan investments:			
Cash equivalents	\$ 1,818	\$ 1,818	\$ -
Bonds and notes			
Mortgage-backed securities	1,979	-	1,979
Corporate bonds	7,002	4,660	2,342
Non-U.S. fixed income	749	749	-
Equity			
U.S. large equity	4,212	4,212	-
U.S. small/mid equity	8,677	8,677	-
Non-U.S. equity (developed)	3,440	3,440	-
Non-U.S. equity (emerging)	270	270	-
Total investments	\$ 28,147	\$ 23,826	\$ 4,321

The methods and assumptions used to estimate the fair value of each class of financial instrument are further discussed in footnote 4, *Fair Value Measurements*.

NAS expects to contribute to the Plan the actuarially determined net periodic cost for 2015, which is approximately \$1.1 million.

The following benefit payments, which reflect future services, are expected to be paid in future years as noted, as of December 31, 2014 (in thousands):

2015	\$	1,047
2016		1,180
2017		1,334
2018		1,481
2019		1,541
2020 – 2024		9,398
	\$	<u>15,981</u>

The measurement date of the plan assets and benefit obligations for 2014 and 2013 is December 31, 2014 and 2013, respectively.

(15) RELATED-PARTY TRANSACTIONS

The NAS Council has authorized two agreements providing noninterest-bearing, collateralized advances to two employees in connection with the purchase of each employee's residence. The agreements between the parties were executed in May 2005 and April 2013. The agreement executed in May 2005 provides that the repayment obligation will be adjusted to allocate to each party its proportional share of the appreciation or depreciation in the value of the residence, which is based on the relative financing percentage provided by each party. That agreement will terminate upon pay-back of the advance, sale of the property, or the end of the individual's employment with NAS, which will not exceed 12 years. The agreement executed in April 2013 will terminate upon the first to occur of the date the individual ceases to occupy the property as principal residence, sale of the property, or the end of the individual's employment with NAS. The estimated present value of both receivables is \$3.8 million and \$3.8 million at December 31, 2014 and 2013, respectively, and is included in other assets in the statements of financial position.

An agreement authorized by the NAS Council in May 2007 to provide a noninterest-bearing, collateralized advance to an employee in connection with the purchase of that employee's residence terminated during 2013.

(16) COMMITMENTS AND CONTINGENCIES

(a) Leases

NAS is committed to one noncancelable operating lease for space. Future minimum rental payments due under the noncancelable operating lease are as follows (in thousands):

Year ending December 31:		
2015	\$	448
2016		545
2017		589
2018		607
2019		625
Thereafter		4,353
	\$	<u>7,167</u>

Rental expense amounted to approximately \$401,000 and \$394,000 for the years ended December 31, 2014 and 2013, respectively.

(b) Contingencies

NAS receives a portion of its revenues directly or indirectly from federal government grants and contracts, all of which are subject to audit by the Defense Contract Audit Agency, which has completed its examinations through December 31, 2006. A contingency exists relating to unexamined periods and final settlements of examined periods to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

(17) SUBSEQUENT EVENTS

NAS has evaluated subsequent events from the statement of financial position date through May 22, 2015, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.

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