

**OFFICE OF THE  
INSPECTOR GENERAL**

**Memo**

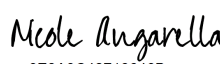


Date: January 17, 2025

To: Audit and Review Committee, Board of Regents  
Lonnie G. Bunch III, Secretary

Cc: Meroe S. Park, Deputy Secretary and Chief Operating Officer  
Ron Cortez, Under Secretary for Finance and Administration and Chief Financial Officer  
John Lynskey, Deputy Chief Financial Officer and Controller, Office of Finance and Accounting  
Porter N. Wilkinson, Chief of Staff to the Board of Regents  
Greg Bettwy, Chief of Staff, Office of the Secretary  
Jennifer McIntyre, Chief Legal Officer  
Kate Forester, Deputy Chief of Staff, Office of the Regents

From: Nicole Angarella, Inspector General

Signed by:  
  
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Subject: Independent Auditor's Report on the Smithsonian Institution's Fiscal Year 2024 Financial Statements (OIG-A-25-01)

This memorandum transmits the fiscal year 2024 financial statement audits of the Smithsonian Institution (Smithsonian) performed by the independent public accounting firm of KPMG LLP (KPMG). On January 17, 2025, KPMG issued its independent auditor's report on the Smithsonian Institution's statement of financial position as of September 30, 2024, and the related statements of financial activity and cash flows. KPMG expressed an unmodified opinion that concluded the financial statements were presented fairly, in all material respects, in accordance with the applicable financial reporting standards.

As part of our oversight activities, we reviewed KPMG's audit documentation and interviewed its representatives. Our review of KPMG's fiscal year 2024 audit procedures disclosed no instances where KPMG did not comply, in all material respects, with the applicable auditing standards.

Our oversight of KPMG's audit was not intended to enable us to express, and we do not express, an opinion about the Smithsonian's financial statements, internal controls over financial reporting, or compliance with laws and regulations.

KPMG is responsible for its audit reports and the conclusions therein.

If you have any questions, please do not hesitate to contact me or Joan Mockeridge, Assistant Inspector General for Audits.

Attachment



## **SMITHSONIAN INSTITUTION**

Financial Statements and Notes to Financial Statements

As of and for the Fiscal Years ended September 30, 2024 and 2023

(With Independent Auditors' Report Thereon)



KPMG LLP  
Aon Center  
Suite 5500  
200 E. Randolph Street  
Chicago, IL 60601-6436

## Independent Auditors' Report

The Office of the Inspector General,  
Audit and Review Committee of the Board of Regents,  
and the Secretary of the Smithsonian Institution:

### *Opinion*

We have audited the financial statements of the Smithsonian Institution (the Organization), which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of financial activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2024 and 2023, and the results of its changes in net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Trust and Federal information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*KPMG LLP*

Chicago, Illinois  
January 17, 2025

**SMITHSONIAN INSTITUTION**

Statements of Financial Position

As of September 30, 2024 and 2023

(Dollars in millions)

	2024			2023		
	Trust	Federal	Total Funds	Trust	Federal	Total Funds
<b>Assets:</b>						
Cash, cash equivalents, and U.S.Treasury balances (notes 2 and 3)	\$ 486.3	723.7	1,210.0	409.8	805.2	1,215.0
Accounts receivable and other assets, net (note 4)	73.0	3.1	76.1	63.2	4.0	67.2
Pledges receivable, net (note 5)	220.5	—	220.5	274.7	—	274.7
Investments (note 6)	2,890.7	—	2,890.7	2,609.2	—	2,609.2
Property and equipment, net (note 7)	915.2	2,168.9	3,084.1	927.9	2,034.4	2,962.3
Operating lease right-of-use assets (note 8)	84.8	—	84.8	70.3	—	70.3
<b>Total assets</b>	<b>\$ 4,670.5</b>	<b>2,895.7</b>	<b>7,566.2</b>	<b>4,355.1</b>	<b>2,843.6</b>	<b>7,198.7</b>
<b>Liabilities:</b>						
Accounts payable and accrued expenses (note 9)	\$ 103.3	174.6	277.9	102.2	182.4	284.6
Operating lease liabilities (note 8)	92.1	—	92.1	79.6	—	79.6
Deferred revenue	39.2	0.7	39.9	40.7	0.7	41.4
Unexpended federal appropriations	—	612.7	612.7	—	696.8	696.8
Environmental remediation obligations (note 10)	—	69.1	69.1	—	53.0	53.0
Long-term debt (note 11)	340.7	—	340.7	353.6	—	353.6
<b>Total liabilities</b>	<b>575.3</b>	<b>857.1</b>	<b>1,432.4</b>	<b>576.1</b>	<b>932.9</b>	<b>1,509.0</b>
<b>Net assets (notes 12 and 13):</b>						
<b>Without donor restriction</b>						
Board designated	1,071.3	—	1,071.3	1,003.9	—	1,003.9
Undesignated	657.6	1,623.9	2,281.5	602.4	1,460.2	2,062.6
<b>Net assets without donor restriction</b>	<b>1,728.9</b>	<b>1,623.9</b>	<b>3,352.8</b>	<b>1,606.3</b>	<b>1,460.2</b>	<b>3,066.5</b>
<b>With donor restriction</b>						
Purpose and time restrictions	1,550.0	414.7	1,964.7	1,428.7	450.5	1,879.2
Endowments	816.3	—	816.3	744.0	—	744.0
<b>Net assets with donor restriction</b>	<b>2,366.3</b>	<b>414.7</b>	<b>2,781.0</b>	<b>2,172.7</b>	<b>450.5</b>	<b>2,623.2</b>
<b>Total net assets</b>	<b>4,095.2</b>	<b>2,038.6</b>	<b>6,133.8</b>	<b>3,779.0</b>	<b>1,910.7</b>	<b>5,689.7</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,670.5</b>	<b>2,895.7</b>	<b>7,566.2</b>	<b>4,355.1</b>	<b>2,843.6</b>	<b>7,198.7</b>

See accompanying notes to financial statements.

**SMITHSONIAN INSTITUTION**

Statements of Financial Activities

Year ended September 30, 2024

(Dollars in millions)

	2024								
	Without Donor Restriction			With Donor Restriction			Total Funds		
	Trust	Federal	Total	Trust	Federal	Total	Trust	Federal	Total
Operating:									
Support and revenues:									
Federal appropriations (note 15)	\$ —	910.8	910.8	—	—	—	—	910.8	910.8
Contributions	60.9	—	60.9	103.3	—	103.3	164.2	—	164.2
Grants and contracts	93.8	—	93.8	99.9	—	99.9	193.7	—	193.7
Business activities (note 16)	175.0	—	175.0	—	—	—	175.0	—	175.0
Endowment payout (note 6)	58.0	—	58.0	57.6	—	57.6	115.6	—	115.6
Imputed benefit revenue (note 2)	—	50.7	50.7	—	—	—	—	50.7	50.7
Short-term investment income and other revenue	68.8	13.7	82.5	17.0	—	17.0	85.8	13.7	99.5
Total operating revenues	456.5	975.2	1,431.7	277.8	—	277.8	734.3	975.2	1,709.5
Net assets released from restrictions (note 14)	219.5	27.7	247.2	(219.5)	(27.7)	(247.2)	—	—	—
Total support and revenues	676.0	1,002.9	1,678.9	58.3	(27.7)	30.6	734.3	975.2	1,709.5
Expenses (note 17):									
Program activities:									
Research	177.0	188.5	365.5	—	—	—	177.0	188.5	365.5
Collections management	15.5	274.9	290.4	—	—	—	15.5	274.9	290.4
Education, public programs, and exhibitions	104.6	297.9	402.5	—	—	—	104.6	297.9	402.5
Business activities (note 16)	128.8	—	128.8	—	—	—	128.8	—	128.8
Total program activities	425.9	761.3	1,187.2	—	—	—	425.9	761.3	1,187.2
Supporting activities:									
Administration	47.7	237.7	285.4	—	—	—	47.7	237.7	285.4
Advancement	88.9	2.3	91.2	—	—	—	88.9	2.3	91.2
Total supporting activities	136.6	240.0	376.6	—	—	—	136.6	240.0	376.6
Total expenses	562.5	1,001.3	1,563.8	—	—	—	562.5	1,001.3	1,563.8
Change in net assets from operating activities	113.5	1.6	115.1	58.3	(27.7)	30.6	171.8	(26.1)	145.7
Depreciation (note 7)	66.6	131.6	198.2	—	—	—	66.6	131.6	198.2
Change in net assets from operations after depreciation	46.9	(130.0)	(83.1)	58.3	(27.7)	30.6	105.2	(157.7)	(52.5)
Nonoperating activities:									
Federal capital appropriations (note 15)	—	—	—	—	287.4	287.4	—	287.4	287.4
Endowment gifts	—	—	—	69.6	—	69.6	69.6	—	69.6
Gifts for construction projects	—	—	—	0.8	—	0.8	0.8	—	0.8
Investment return, net of endowment payout (note 6)	65.8	—	65.8	88.4	—	88.4	154.2	—	154.2
Rent revenue (note 8)	3.0	—	3.0	—	—	—	3.0	—	3.0
Unrelated income tax expense	(4.8)	—	(4.8)	—	—	—	(4.8)	—	(4.8)
Losses on disposition of assets	—	(0.4)	(0.4)	—	—	—	—	(0.4)	(0.4)
Collection items not capitalized:									
Collection items purchased	(11.8)	(1.4)	(13.2)	—	—	—	(11.8)	(1.4)	(13.2)
Collection items sold	—	—	—	—	—	—	—	—	—
Net assets released from restrictions (note 14)	23.5	295.5	319.0	(23.5)	(295.5)	(319.0)	—	—	—
Change in net assets from nonoperating activities	75.7	293.7	369.4	135.3	(8.1)	127.2	211.0	285.6	496.6
Change in net assets	122.6	163.7	286.3	193.6	(35.8)	157.8	316.2	127.9	444.1
Net assets, beginning of year (note 12)	1,606.3	1,460.2	3,066.5	2,172.7	450.5	2,623.2	3,779.0	1,910.7	5,689.7
Net assets, end of year (note 12)	\$ 1,728.9	1,623.9	3,352.8	2,366.3	414.7	2,781.0	4,095.2	2,038.6	6,133.8

See accompanying notes to financial statements.

**SMITHSONIAN INSTITUTION**

Statements of Financial Activities

Year ended September 30, 2023

(Dollars in millions)

	2023								
	Without Donor Restriction			With Donor Restriction			Total Funds		
	Trust	Federal	Total	Trust	Federal	Total	Trust	Federal	Total
Operating:									
Support and revenues:									
Federal appropriations (note 15)	\$ —	870.8	870.8	—	—	—	—	870.8	870.8
Contributions	74.0	—	74.0	138.0	—	138.0	212.0	—	212.0
Grants and contracts	83.1	—	83.1	90.1	—	90.1	173.2	—	173.2
Business activities (note 16)	169.7	—	169.7	—	—	—	169.7	—	169.7
Endowment payout (note 6)	50.8	—	50.8	49.4	—	49.4	100.2	—	100.2
Imputed benefit revenue (note 2)	—	54.7	54.7	—	—	—	—	54.7	54.7
Short-term investment income and other revenue	58.7	12.4	71.1	10.7	—	10.7	69.4	12.4	81.8
Total operating revenues	436.3	937.9	1,374.2	288.2	—	288.2	724.5	937.9	1,662.4
Net assets released from restrictions (note 14)	204.1	19.1	223.2	(204.1)	(19.1)	(223.2)	—	—	—
Total support and revenues	640.4	957.0	1,597.4	84.1	(19.1)	65.0	724.5	937.9	1,662.4
Expenses (note 17):									
Program activities:									
Research	161.7	177.7	339.4	—	—	—	161.7	177.7	339.4
Collections management	13.7	260.9	274.6	—	—	—	13.7	260.9	274.6
Education, public programs, and exhibitions	101.8	290.2	392.0	—	—	—	101.8	290.2	392.0
Business activities (note 16)	125.2	—	125.2	—	—	—	125.2	—	125.2
Total program activities	402.4	728.8	1,131.2	—	—	—	402.4	728.8	1,131.2
Supporting activities:									
Administration	33.3	220.6	253.9	—	—	—	33.3	220.6	253.9
Advancement	77.0	1.9	78.9	—	—	—	77.0	1.9	78.9
Total supporting activities	110.3	222.5	332.8	—	—	—	110.3	222.5	332.8
Total expenses	512.7	951.3	1,464.0	—	—	—	512.7	951.3	1,464.0
Change in net assets from operating activities	127.7	5.7	133.4	84.1	(19.1)	65.0	211.8	(13.4)	198.4
Depreciation (note 7)	69.0	128.0	197.0	—	—	—	69.0	128.0	197.0
Change in net assets from operations after depreciation	58.7	(122.3)	(63.6)	84.1	(19.1)	65.0	142.8	(141.4)	1.4
Nonoperating activities:									
Federal capital appropriations (note 15)	—	—	—	—	285.8	285.8	—	285.8	285.8
Endowment gifts	—	—	—	73.0	—	73.0	73.0	—	73.0
Gifts for construction projects	—	—	—	1.7	—	1.7	1.7	—	1.7
Investment return, net of endowment payout (note 6)	(32.3)	—	(32.3)	(38.3)	—	(38.3)	(70.6)	—	(70.6)
Rent revenue (note 8)	2.9	—	2.9	—	—	—	2.9	—	2.9
Unrelated income tax expense	(0.6)	—	(0.6)	—	—	—	(0.6)	—	(0.6)
Losses on disposition of assets	(0.1)	(0.1)	(0.2)	—	—	—	(0.1)	(0.1)	(0.2)
Collection items not capitalized:									
Collection items purchased	(10.9)	(3.1)	(14.0)	—	—	—	(10.9)	(3.1)	(14.0)
Collection items sold	0.1	—	0.1	—	—	—	0.1	—	0.1
Net assets released from restrictions (note 14)	3.8	183.5	187.3	(3.8)	(183.5)	(187.3)	—	—	—
Change in net assets from nonoperating activities	(37.1)	180.3	143.2	32.6	102.3	134.9	(4.5)	282.6	278.1
Change in net assets	21.6	58.0	79.6	116.7	83.2	199.9	138.3	141.2	279.5
Net assets, beginning of year (note 12)	1,584.7	1,402.2	2,986.9	2,056.0	367.3	2,423.3	3,640.7	1,769.5	5,410.2
Net assets, end of year (note 12)	\$ 1,606.3	1,460.2	3,066.5	2,172.7	450.5	2,623.2	3,779.0	1,910.7	5,689.7

See accompanying notes to financial statements.

SMITHSONIAN INSTITUTION

Statements of Cash Flows

September 30, 2024 and 2023

(Dollars in millions)

	2024			2023		
	Trust	Federal	Total	Trust	Federal	Total
Cash flows from operating activities:						
Change in net assets	\$ 316.2	127.9	444.1	138.3	141.2	279.5
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Loss on disposition of assets and other	—	1.2	1.2	0.4	0.3	0.7
Collection items purchased	11.8	1.4	13.2	10.9	3.1	14.0
Proceeds from sales of collection items	—	—	—	(0.1)	—	(0.1)
Depreciation (notes 7 and 17)	66.6	131.6	198.2	69.0	128.0	197.0
Amortization of operating lease right-of-use assets	16.8	—	16.8	21.1	—	21.1
Present value discount and accretion	—	1.8	1.8	(0.1)	1.4	1.3
Contributions for endowments	(69.6)	—	(69.6)	(73.0)	(1.2)	(74.2)
Contributions for construction of facilities	(0.8)	—	(0.8)	(1.7)	—	(1.7)
Appropriations for repair, restoration, and construction (note 15)	—	(287.4)	(287.4)	—	(285.8)	(285.8)
Net investment (gains) losses (note 6)	(264.2)	—	(264.2)	(33.2)	—	(33.2)
Decrease (increase) in assets:						
Accounts receivables and other assets	(9.8)	0.9	(8.9)	(0.5)	(1.2)	(1.7)
Pledges receivable, net	50.4	—	50.4	51.4	—	51.4
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	0.7	(10.9)	(10.2)	(2.9)	(4.8)	(7.7)
Operating lease liabilities	(18.8)	—	(18.8)	(28.4)	—	(28.4)
Deferred revenue	(1.5)	—	(1.5)	(5.2)	0.7	(4.5)
Unexpended federal appropriations	—	(19.1)	(19.1)	—	21.2	21.2
Environmental remediation obligation	—	14.3	14.3	—	5.5	5.5
Net cash provided (used) by operating activities	97.8	(38.3)	59.5	146.0	8.4	154.4
Cash flows from investing activities:						
Purchases of property and equipment	(53.5)	(264.2)	(317.7)	(48.8)	(273.4)	(322.2)
Purchases of investment securities	(726.2)	—	(726.2)	(618.1)	—	(618.1)
Proceeds from sales/maturities of investment securities	708.9	—	708.9	669.1	—	669.1
Collection items purchased	(11.8)	(1.4)	(13.2)	(10.9)	(3.1)	(14.0)
Proceeds from sales of collection items	—	—	—	0.1	—	0.1
Net cash used in investing activities	(82.6)	(265.6)	(348.2)	(8.6)	(276.5)	(285.1)
Cash flows from financing activities:						
Appropriations for repair, restoration, and construction	—	222.4	222.4	—	275.7	275.7
Contributions for endowments	46.4	—	46.4	67.3	—	67.3
Contributions for construction of facilities	27.8	—	27.8	10.3	—	10.3
Principal from bond issuance, net	—	—	—	—	—	—
Principal payments on long-term debt	(12.9)	—	(12.9)	(12.7)	—	(12.7)
Net cash provided by financing activities	61.3	222.4	283.7	64.9	275.7	340.6
Net change in cash, cash equivalents and U.S. Treasury balances	76.5	(81.5)	(5.0)	202.3	7.6	209.9
Cash, cash equivalents and U.S. Treasury balances:						
Beginning of year (note 2(d), note 3)	409.8	805.2	1,215.0	207.5	797.6	1,005.1
Prior period adjustment	—	—	—	—	—	—
End of period (note 2(d), note 3)	\$ 486.3	723.7	1,210.0	409.8	805.2	1,215.0
Noncash investing activities:						
Construction cost accruals	\$ 5.5	51.8	57.3	5.1	48.7	53.8
Cash paid for interest	\$ 9.0	—	9.0	8.9	—	8.9



## SMITHSONIAN INSTITUTION

Notes to Financial Statements

September 30, 2024 and 2023

(Dollars in millions)

### (1) Organization

The Smithsonian Institution (Smithsonian) was created by an act of Congress in 1846 in accordance with the terms of the will of James Smithson of England, who, in 1826, bequeathed property to the United States of America “to found at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge among men.” Congress established the Smithsonian as a trust of the United States of America and vested responsibility for its administration in the Smithsonian Board of Regents (Board).

The Smithsonian Institution is the world’s largest museum, education, and research complex, with 21 museums, 14 education and research centers, and the National Zoo—shaping the future by preserving heritage, discovering new knowledge, including sharing our resources with the world. Additional facilities and programs are operated in five states and Panama. Research is carried out in eight research centers, museums, and other facilities worldwide Smithsonian Enterprises (SE) was formed in 1999 by the Board to deliver profitable products and services that further the Smithsonian’s mission.

A substantial portion of the Smithsonian’s operations is funded by annual Federal appropriations from the U.S. Congress to cover its core programs. The Smithsonian also receives Federal appropriations for constructing, repairing, and restoring of its facilities. Certain facilities have been constructed entirely by Federal appropriations, while others have been constructed with a combination of Federal and private funds. All monies, related activities, and balances from Federal appropriations are referred to herein as “Federal”.

In addition to Federal appropriations, the Smithsonian receives private support through contributions, grants, and contracts, and earns income from investments and various business activities to support current operations. Business activities include retail, media, and travel. All other monies, related activities, and balances not considered Federal are referred to herein as “trust”, including all operating right-of-use assets and operating lease liabilities, regardless of whether the rent payments are paid from Federal appropriations.

### (2) Summary of Significant Accounting Policies

#### (a) General

The financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) under Financial Accounting Standards Board (*FASB Accounting Standards Codification (ASC) 958, Not-For-Profit Presentation of Financial Statements*).

These financial statements do not include the accounts of the National Gallery of Art, the John F. Kennedy Center for the Performing Arts, or the Woodrow Wilson International Center for Scholars, which were established by Congress within the Smithsonian but are governed by independent boards of trustees and not controlled by the Smithsonian. They prepare their own financial statements and undergo separate audits.

#### (b) Measure of Operations

The Smithsonian includes federal and trust support and revenues and expenses in its measure of operations and services, which are integral to its core programs: research, collections management,

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education, public programs, exhibitions, and business activities. The measure of operations excludes certain nonoperating activities, including Federal capital appropriations, gifts for capital and endowment, investment return over amounts designated for operations, collection proceeds and acquisitions, and other nonrecurring items.

The Board approves a portion of the Smithsonian's cumulative investment return for support of current operations. The remainder is retained to support operations in future years and to offset potential market declines. The amount is computed under the Smithsonian's spending policy and is allocated for use based on the underlying donor-imposed restrictions (see notes 12, 13, and 14). The annual allocation is referred to as the "endowment payout."

### **(c) Net Assets**

The Smithsonian's net assets, support and revenues, expenses, and gains and losses are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

*Without donor restrictions* – Net assets without donor restrictions consist of the Smithsonian's net investment in property and equipment less any unfunded liabilities, and all other sources that are not subject to donor-imposed restrictions or other legal stipulations. At the discretion of the Smithsonian's Board of Regents, trust funds which are not expended for operating activities may be set aside for designated purposes.

*With donor restrictions* – Net assets with donor restrictions carry specific donor-imposed stipulations on using the contributed funds, including Federal appropriations received for specific capital projects. Donor-imposed restrictions may expire by the passage of time or fulfillment of the donor's stipulations. Unconditional contributions restricted to the acquisition or construction of long-lived assets are recorded as nonoperating revenue with donor restrictions in the period received. Donor restrictions are generally considered met and the net assets released from restriction when the related long-lived asset is placed in service.

Other net assets with donor restrictions include net assets with stipulations that require the corpus of the gift to be maintained, with only the income to be used to support operations or other specified purposes.

### **(d) Cash, Cash Equivalents, and U.S. Treasury Balances**

Cash, cash equivalents, and U.S. Treasury balances include interest-bearing demand deposits and appropriated amounts yet to be disbursed remaining on deposit with the U.S. Department of Treasury (U.S. Treasury). The Smithsonian considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents, except where such cash equivalents are part of a long-term investment strategy (see note 6). For purposes of the statements of cash flow, cash equivalents held within the investments are excluded from cash and cash equivalents.

U.S. Treasury balances of \$723.7 at September 30, 2024 and \$805.2 at September 30, 2023 consist of appropriated funds that are available to pay current liabilities and finance authorized purchase commitments of the Smithsonian. U.S. Treasury balances are carried forward until such time as goods or services are received and payments made, or until the funds are returned to the U.S. Treasury.

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### **(e) *Contracts with Customers and Accounts Receivable***

Business activities, including advertising, subscriptions, licensing, and other revenues are generally recognized as the services are provided over the period of performance. Revenues from magazines and long-term contracts are deferred and recognized proportionately over the period of the underlying agreement. Concessions and retail sales are recognized when goods or services are sold at a point in time.

Customer receivables are invoiced based on contractual terms. The Smithsonian maintains allowances for doubtful accounts to reflect management's best estimate of probable losses inherent in receivable balances. Management determines the allowances for doubtful accounts based on known troubled accounts, historical experience, and other currently available evidence.

### **(f) *Contributions, including Government Grants and Contracts, and Pledges Receivable***

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Unconditional promises to give are recognized initially at fair value with consideration given to anticipated future cash receipts and discounting such amounts at a risk-adjusted rate. Amortization of the discount is included in contributions revenue. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Allowance is made, if necessary, for uncollectible pledges receivable based on management's judgment and analysis of the donors' creditworthiness, past collection experience, and other relevant factors.

The Smithsonian conducts sponsored program activity with various sponsors, including federal agencies and departments, local government entities, and foundation. Grants and contracts revenue are recognized as the related qualifying expenses are incurred.

### **(g) *Investments and Trusts Held by Others***

Smithsonian employs an investment strategy that is designed to achieve returns that support Smithsonian's mission and fulfill its fiduciary responsibility to its donors and constituents.

Investments are generally reported at fair value. Publicly traded fixed income, global equities, natural resources, and cash and cash equivalents are reported and valued using readily determinable market prices. Nearly all the valuations reported by marketable alternative investments and public equities held in commingled funds rely upon third party administrators to objectively value positions and calculate net asset value (NAV) based on the funds' net asset value as a practical expedient. Investments in private equity structured funds (private equity, venture capital, real estate, natural resources) (collectively, nonmarketable investments) are valued at estimated fair value based on the funds' net asset value, or their equivalents, as a practical expedient, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. At September 30, 2024 and 2023, the Smithsonian had no plans or intentions to sell investments at amounts different from NAV. These estimated fair values may differ from the values that would have been used had a ready market existed for these investments, and the differences could be significant.

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The Smithsonian may use derivative instruments to hedge risk in the portfolio, provide tactical asset class exposure and rebalance in a low cost and efficient manner. Derivatives such as futures, options, swap contracts, and forwards, if held, are recorded at fair value with the resulting gain or loss recognized in the Statement of Financial Activities.

Futures contracts are standardized contracts traded on an exchange to buy or sell a particular financial instrument at a predetermined price in the future. During the period futures contracts are open, changes in the values of the contracts are recognized as unrealized gains and losses. When the futures contracts are closed, the Smithsonian records a realized gain or loss equal to the difference between the proceeds from, or the cost of, the close-out and the original price. At September 30, 2024, the Smithsonian did not hold futures contracts.

Purchases and sales of investments are reflected on the trade-date basis using average historical cost. Dividend and interest income are recorded when earned on an accrual basis. In accordance with the policy of stating investments at fair value, the net change in unrealized appreciation or depreciation for the year is reflected in the statements of financial activities (see note 6).

The Smithsonian is also party to various split interest agreements with donors consisting primarily of irrevocable charitable remainder trusts and gift annuities.

Charitable remainder trusts held by others – Assets are reflected in pledges receivable, net with contribution revenues recognized at the date the trust is established based on the net present value of the estimated future payments to be made to the donors and/or other beneficiaries. Income distributions from these trusts are recorded as investment income and changes in the fair value of these trusts are recorded as unrealized gains or losses in the statement of financial activities.

Charitable gift annuities – Assets are included in investments and recognized at fair value at the date of the annuity agreement. An annuity liability is also recognized for the present value of future cash flows expected to be paid to the donor. Contribution revenue recognized is equal to the difference between the assets and the annuity liabilities. The annuity liabilities are adjusted during the term of the annuity for payments to donors, accretion of discounts, and changes in the life expectancies of the donors.

### **(h) Property and Equipment**

Certain land occupied by Smithsonian buildings, located primarily in the District of Columbia, Maryland, and Virginia, was appropriated, and reserved by Congress for the Smithsonian's use. The Smithsonian serves as the trustee of the land for as long as it is used to carry out its mission. The land is titled in the name of the U.S. government and no value has been assigned in the accompanying financial statements.

Property and equipment purchased with Federal or Trust funds are recorded at cost. Property and equipment acquired through transfers from government agencies are recorded at net book value or fair value at the date of transfer, whichever is more readily determinable. Property and equipment acquired through donation are recorded at estimated fair value at the gift date.

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Property and equipment assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	30 years
Capital improvements	15 years
Equipment and software	3 – 10 years
Exhibit costs	10 years

Leasehold improvements are amortized over the shorter of the lease term or their useful lives.

### **(i) Collections – Stewardship Assets**

The Smithsonian acquires its collections by purchase or donation. Collections are held for public exhibition, education, or research. The Smithsonian's collections management policy includes guidance on the preservation, care, and maintenance of the collections and procedures relating to the accession/deaccession of collection items.

In conformity with the practice generally followed by museums, no value is assigned to the collections in the statement of financial position. Purchases of collection items are recognized as reductions in the appropriate net asset class in the period of acquisition. Proceeds from deaccessions or insurance recoveries for lost or destroyed collection items are recognized as increases in net assets without donor restrictions and designated for future collection acquisitions.

Noncash deaccessions of collection items result from the exchange, donation, or destruction due to deterioration, a lack of mission relation, or duplicate other objects. During the fiscal year, noncash deaccessions included works of art, animals, historical objects, and natural specimens.

Items that are acquired with the intent to sell, exchange, or otherwise be used for financial gain are not considered collection items and are recorded as other assets at their fair value at the date of acquisition.

### **(j) Federal Appropriations and Funds**

The U.S. Government provides federal appropriations to support the general operations of the Smithsonian and the construction, repair, and restoration of its facilities. Appropriated funds are to be spent in accordance with applicable law, and revenue is recognized proportionately over the fiscal year as the qualifying expenses are incurred. Unexpended appropriation balances are classified as a liability in the statements of financial position.

Federal appropriations for general operations are recognized as operating revenue without donor restrictions, as qualifying expenses are incurred, and generally available for two years. The portion of these appropriations that are not obligated or expended are retained by the Smithsonian in accordance with Federal guidelines and returned to the U.S. Department of Treasury five years after the expiration of the obligation period. During fiscal year 2024, \$1.0 related to the fiscal year 2018 appropriation was returned. During fiscal year 2023, \$0.9 related to the fiscal year 2017 appropriation was returned.

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Amounts appropriated for construction or repair and restoration of facilities are recognized as nonoperating revenues with donor restrictions as capital is expended and generally available for obligation until expended. Such amounts remain purpose-restricted until the capital project is completed and placed in service, when time the net assets are released from restrictions.

Net assets of Federal funds without donor restrictions consist primarily of cash held at U.S. Treasury and net investment in property and equipment acquired or constructed with Federal funds less unfunded liabilities for environmental remediation obligations, annual leave, and estimated Federal Employees Compensation Act liabilities for workers compensation claims. Net assets of Federal funds with donor restrictions consist of U.S. Treasury cash balances and construction in progress.

### **(k) Annual Leave**

Annual leave is accrued as earned by employees and is included in compensation and benefit costs. The liability for unused annual leave was \$56.7 and \$54.5 at September 30, 2024 and 2023, respectively, and is included in accounts payable and accrued expenses within the statements of financial position.

### **(l) Employee Benefit Plans**

The Smithsonian offers its employees a comprehensive set of benefits including pension, health and life insurance, and workers' compensation for injuries sustained on the job. The Smithsonian's contributions to the retirement, health, and life insurance plans described below are recognized in the statements of financial activities.

#### *Federal Funded Pension, Health, and Life Insurance Benefits, including Imputed Benefits*

Federal employees hired after January 1, 1984, participate in the Federal Employees' Retirement System (FERS). Federal employees hired before to January 1, 1984, had the option of remaining under the Civil Service Retirement System (CSRS) or electing FERS. The terms of both these plans are defined in Federal regulations. Under both systems, a specified percentage is withheld from each Federal employee's salary. The Smithsonian also contributes specified percentages of employees' salaries. The Smithsonian's expenses for these two plans were \$66.6 and \$57.7 in fiscal years 2024 and 2023, respectively.

The U.S. Government bears additional costs associated with these plans, which are recorded as imputed benefit revenue and expense in the statements of financial activities. The Smithsonian recognized \$50.7 and \$54.7 in fiscal years 2024 and 2023, respectively.

The Smithsonian's contributions to the pension plans are calculated using rates established by the Office of Personnel Management (OPM), the agency with U.S. government-wide responsibility for the oversight and administration of the plans. Consistent with reporting under multi-employer pension plans, the Smithsonian does not report CFRS and FERS assets, accumulated plan benefits, or future liabilities, if any, applicable to its covered employees. This data is reported for plan participants by OPM.

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The imputed benefits estimate was changed in fiscal year 2023 to use the actual FERS wage base instead of estimates of FERS wages. Management believes this to be the most appropriate method of calculation of imputed benefits. Smithsonian considered this as a change in estimate and will be recognized in the current and future years in line with Treasury and FASAB guidance.

Federal employees covered by CSRS or FERS are eligible to contribute to the Thrift Savings Plan (TSP), a defined contribution plan similar to a 401(k). The Federal Retirement Thrift Investment Board, an independent agency of the U.S. government, administers the TSP. For FERS-covered employees, the Smithsonian is required to match contributions of specified percentages of base pay. No matching contributions are made for CSRS-covered employees. The Smithsonian's expenses for the TSP were \$16.7 and \$15.1 in fiscal years 2024 and 2023, respectively.

Most Federal employees are also eligible to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Smithsonian paying one-third. Additional coverage is optional and to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. The Smithsonian's expenses recognized for the FEGLI were \$0.8 in fiscal years 2024 and 2023.

Most Federal employees are eligible to enroll in the Federal Employees Health Benefit (FEHB) Program, which provides post-retirement health benefits if certain conditions are met. OPM administers this plan and Smithsonian is not obligated under it.

### *Trust Funded Pension, Health, and Life Insurance Benefits*

Substantially all trust fund employees are eligible to participate in defined contribution retirement plan under which the Smithsonian contributes specified percentages of employees' salaries. Such contributions are used to purchase individual annuities, the rights to which are immediately vested with the employees. Employees may also make voluntary contributions, subject to certain limitations. The Smithsonian's expenses for this plan were \$24.4 and \$23.2 in fiscal years 2024 and 2023, respectively.

In addition to the retirement plans, certain health care and life insurance benefits are made available to active and retired trust fund employees. The plan is contributory for retirees and requires payment of premiums and deductibles. An insurance carrier establishes retiree contributions for premiums based on the average per capita cost of benefit coverage for all participants. The accrued benefit obligation under this plan was \$16.7 and \$14.5 at September 30, 2024 and 2023, respectively, and is included in accounts payable and accrued expenses in the statements of financial position.

### *Workers' Compensation*

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to Smithsonian employees injured on the job, or those who have incurred work-related occupational diseases and to beneficiaries of employees whose deaths are attributable to job-related or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays claims and subsequently seeks reimbursement from the Smithsonian.

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FECA expense is recognized based on amounts invoiced or expected to be invoiced by DOL and changes in the actuarially determined value of expected future benefits. The actuarially determined FECA liability represents the liability for expected future benefits for death, disability, medical, and miscellaneous costs for approved cases. The actuarial liability is calculated by DOL and evaluated by Smithsonian management annually, as of September 30, using a method utilizing historical benefit patterns related to specific incurred period, wage inflation factors, medical inflation factors and other variables. This liability constitutes an extended future estimate of cost that will not be obligated against budgetary resources until the fiscal year in which DOL bills the cost to the Smithsonian. The Smithsonian's expenses for the FECA were \$1.9 and \$2.4 in fiscal years 2024 and 2023, respectively.

### **(m) Contributed Services and Donated Assets**

Contributed nonfinancial assets, or gift in-kind contributions, such as donated space, services, equipment, and other assets totaled \$15.1 and \$10.0 in fiscal years 2024 and 2023, respectively. These gift in-kind contributions are recorded at estimated fair value at the date of the gift. The estimated fair value of donated space is based on average square foot rental costs of comparable real estate space. All other donated assets are valued based on either receipts or appraisals provided by donors. Donated space, services, and other assets are primarily utilized in education, public program, and exhibition programmatic activities. Donated services are also utilized for advancement. In-kind contributions are not monetized.

Unless otherwise specified, gift-in-kind contributions are restricted to use by specific Smithsonian units. In the statements of financial activities, these contributions are recognized as program support revenues (within other revenue) and program activities expenses.

Each year volunteers make significant contributions of time to the Smithsonian, enhancing its programs and activities in the museums and with its collections. The services provided do not meet the criteria for recognition of contributed services, and accordingly, are not reflected in the statements of financial activities. Contributed services are reflected in the statements of financial activities at fair value if the services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services, which would be typically purchased, if not provided by donation.

### **(n) Functional Allocation of Expenses**

The cost of providing various programs and other activities summarized on a functional and natural basis is shown in note 17.

- Research includes personnel, travel, and other costs associated with the Smithsonian's worldwide research programs.
- Collections management includes care, storage, transportation, digitization, and other costs.
- Education, public programs, and exhibitions includes costs of providing a wide array of programming and outreach to academia and the general public as well as costs to display, manage, and transport exhibits.



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- Business activities includes personnel, cost of sales, and related expenses.
- Administrative includes executive management, financial administration, human resources, and legal services costs.
- Advancement includes costs associated with individual and corporate gifts and grants, annual appeals, and other fund-raising efforts.

Costs that benefit more than one program, such as security, facilities, depreciation, and amortization, are allocated across programs based on relative square feet, or direct costs as a percentage of total costs, before allocations.

Administrative costs are allocated across the programs proportionate to the program activity totals based on key departments.

### **(o) Related Organizations**

The Smithsonian doesn't have any related organizations.

### **(p) Income Taxes**

The Smithsonian is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the Code). As such, the Smithsonian is generally exempt from Federal income taxes to the extent provided under Section 501 of the Code, except for unrelated business income.

The Tax Cuts and Jobs Act (the Act) was enacted in December 2017. Among other things, the Act imposes new taxes and established new rules for calculating unrelated business taxable income. The Smithsonian has reflected an estimate in its financial statements for unrelated trade or business income tax using the current proposed regulatory guidance and will continue to evaluate the impact of the Act on current and future tax positions.

The Smithsonian accounts for uncertain tax positions, when applicable.

### **(q) Use of Estimates**

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

### **(r) Risks and Uncertainties**

The Smithsonian invests in a variety of investment securities. Investment securities are exposed to such risks as interest rate, market, and credit risks. As a result, changes in the values of investment securities may occur that could materially affect the value of the Smithsonian's investments and its financial position.

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**(s) Recently Adopted Accounting Pronouncements**

**Financial Instruments – Credit Losses**

In June 2016, the US Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*. This ASU created a new model for recognizing losses on financial instruments, the Current Expected Credit Loss (CECL) model. The CECL model aims to provide more timely recognition of credit losses. It requires entities to recognize credit losses on receivables based on expected future losses, as opposed to the incurred loss model where losses are booked when probable. This shift in approach aims to provide a more forward-looking and timely approach to recognizing credit loss to the users of financial statements. The adoption of this standard did not have a material impact on the Smithsonian’s financial statements.

**(3) Financial Assets and Liquidity Resources**

Federal appropriations provide significant funding for the Smithsonian’s various programs and general operating costs, in addition to capital support for the repair, renovation and construction of its facilities. At the date of appropriation, an equal amount of cash is deposited and held by the U.S. Treasury on the Smithsonian’s behalf until expended.

To meet immediate and longer-term cash needs, the Smithsonian has a working capital investment policy. The policy requires excess funds be invested in securities that are short-term or securities with maturities greater than one year that are highly liquid, easily convertible, and high-quality allowing for required liquidity and providing a maximum return within defined risk constraints. At September 30, 2024, the working capital investment fund totals \$513.2 and is comprised of cash equivalents of \$299.4 and investments of \$213.1. At September 30, 2023, the working capital investment fund totaled \$470.0 and is comprised of cash equivalents of \$307.2 and investments of \$162.8.

Financial assets available for general expenditures (operating expenses, capital, and debt service), without donor or other restrictions limiting their use, consist of the following at September 30:

	2024			2023		
	Trust	Federal	Total	Trust	Federal	Total
Financial assets available within one year:						
Cash, cash equivalents, and U.S. Treasury balances	\$ 486.3	723.7	1,210.0	409.8	805.2	1,215.0
Accounts receivable and other assets, net	35.0	2.7	37.7	27.7	3.6	31.3
Pledges receivable, net	138.1	—	138.1	140.9	—	140.9
Working capital investments	213.1	—	213.1	162.8	—	162.8
Total financial assets	872.5	726.4	1,598.9	741.2	808.8	1,550.0
Plus endowment payout approved for fiscal years 2025 and 2024	109.6	—	109.6	98.8	—	98.8
	<u>\$ 982.1</u>	<u>726.4</u>	<u>1,708.5</u>	<u>840.0</u>	<u>808.8</u>	<u>1,648.8</u>

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Quasi-endowment assets include funds without donor restrictions designated by the Board to function as endowment funds supporting the Smithsonian's programs and operations, including the directors' salaries of certain museums and centers and various operating costs. Although the Smithsonian does not intend to spend from its board designated endowment funds, other than amounts approved, these funds could be made available, if necessary (see note 13).

**(4) Accounts Receivable and Other Assets**

Accounts receivable and other assets consist of the following at September 30:

	2024			2023		
	Trust	Federal	Total	Trust	Federal	Total
Grants and contracts	\$ 18.7	2.7	21.4	12.4	3.6	16.0
Trade accounts, net of allowance for doubtful accounts of \$0.3 in 2024 and \$0.2 in 2023	16.3	—	16.3	15.3	—	15.3
Inventory	16.3	0.3	16.6	15.3	0.3	15.6
Deferred expenses	9.8	0.1	9.9	8.6	0.1	8.7
Accrued interest and dividends receivable	2.5	—	2.5	2.2	—	2.2
Other assets	9.4	—	9.4	9.4	—	9.4
Total receivables and other assets	\$ 73.0	3.1	76.1	63.2	4.0	67.2

**(5) Pledges Receivable**

Pledges receivable consist of the following at September 30:

	2024	2023
Contributions Receivable Due within:		
Less than 1 year	\$ 138.1	140.9
1 to 5 years	64.1	116.5
5 years and beyond	8.5	6.6
	210.7	264.0
Less:		
Allowance for uncollectible contributions	(3.1)	(4.0)
Unamortized discount (at rates ranging from 1.1% to 2.9%)	(6.9)	(8.2)
Contributions receivable, net	200.7	251.8
Charitable remainder trusts	19.8	22.9
Pledges receivable, net	\$ 220.5	274.7

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**(6) Investments and Fair Value Measurements**

Investments are comprised of the following at September 30:

	<u>2024</u>	<u>2023</u>
Endowment, including Board designated funds	\$ 2,651.1	2,424.1
Working capital investments	213.1	162.8
Charitable gift annuity investments	<u>26.5</u>	<u>22.3</u>
Total investments	<u>\$ 2,890.7</u>	<u>2,609.2</u>

The three levels of the fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- Level 1 – Quoted or published prices in active markets for identical assets or liabilities, as of the reporting date.
- 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.

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The following summarizes the Smithsonian's investments at fair value as of September 30, 2024 and 2023:

	<b>2024</b>				<b>NAV <sup>(1)</sup></b>
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Endowment investments:					
Global Equity <sup>(2)</sup>	\$ 801.2	130.3	—	—	670.9
Marketable alternatives	387.4	—	—	—	387.4
Private equity:					
Private equity	232.4	—	—	—	232.4
Venture capital	722.4	0.1	—	—	722.3
Real assets:					
Energy and natural resources	79.4	—	—	—	79.4
Real estate funds	246.3	—	—	—	246.3
Futures contracts	—	—	—	—	—
Fixed income	74.9	54.6	—	—	20.3
Cash and equivalents	106.1	106.1	—	—	—
Pooled investments	2,650.1	291.1	—	—	2,359.0
U.S. Treasury deposits	1.0	1.0	—	—	—
Total endowment	2,651.1	292.1	—	—	2,359.0
Fixed income (working capital fund)	213.1	213.1	—	—	—
Gift annuities, primarily equities	26.5	26.5	—	—	—
Total investments	2,890.7	531.7	—	—	2,359.0
Charitable remainder trusts	19.8	—	—	19.8	—
	<u>\$ 2,910.5</u>	<u>531.7</u>	<u>—</u>	<u>19.8</u>	<u>2,359.0</u>

<sup>(1)</sup> Investments held through limited partnerships and comingled funds for which fair value is estimated using the NAV's reported by the investment managers as a practical expedient have not been categorized within the fair value hierarchy, however these investments are included in the table above to permit reconciliation with the statement of financial position.

<sup>(2)</sup> Effective January 1, 2024 Developed Markets and Emerging Markets asset classes were combined into the Global Equity asset class.

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	2023				
	Total	Level 1	Level 2	Level 3	NAV <sup>(1)</sup>
Endowment investments:					
Global equities:					
Developed markets	\$ 442.2	64.8	—	—	377.4
Emerging markets	106.5	—	—	—	106.5
Marketable alternatives	334.2	—	—	—	334.2
Private equity:					
Private equity	211.3	—	—	—	211.3
Venture capital	710.4	2.3	—	—	708.1
Real assets:					
Energy and natural resources	89.2	—	—	—	89.2
Real estate funds	199.0	—	—	—	199.0
Futures contracts	18.9	—	18.9	—	—
Fixed income	59.0	40.4	—	—	18.6
Cash and equivalents	252.4	252.4	—	—	—
Pooled investments	2,423.1	359.9	18.9	—	2,044.3
U.S. Treasury deposits	1.0	1.0	—	—	—
Total endowment	2,424.1	360.9	18.9	—	2,044.3
Fixed income (working capital fund)	162.8	162.8	—	—	—
Gift annuities, primarily equities	22.3	22.3	—	—	—
Total investments	2,609.2	546.0	18.9	—	2,044.3
Charitable remainder trusts	22.9	—	—	22.9	—
	<u>\$ 2,632.1</u>	<u>546.0</u>	<u>18.9</u>	<u>22.9</u>	<u>2,044.3</u>

<sup>(1)</sup> Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented within the statement of financial position.

The changes in Level 3 assets, charitable remainder trusts held by others, relate to valuation changes of the underlying assets. There were no transfers between levels during fiscal year 2024 or 2023.

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The following table summarizes the changes in Level 3 assets, charitable remainder trusts held by others, measured at fair value on a recurring basis for the years ended September 30:

	<u>2024</u>	<u>2023</u>
Fair value of Level 3 assets, beginning of the year	\$ 22.9	17.0
Unrealized gains (losses)	(2.9)	6.3
Proceeds from distributions	<u>(0.2)</u>	<u>(0.4)</u>
Fair value of Level 3 assets, end of the year	\$ <u>19.8</u>	<u>22.9</u>

The following summarizes information relating to the investments, which are stated at NAV as practical expedient for fair value and includes information about the nature, strategies, and risks of these major classes of nonmarketable investments as of September 30:

		<u>2024</u>			
		<u>NAV</u>	<u>Unfunded Commitments</u>	<u>Redemption terms</u>	<u>Notice Period (Days)</u>
Global equity	(a)	\$ 670.9	—	Daily to annually	0 - 90
Marketable alternatives	(b)	387.4	43.8	Monthly to at maturity	45 - N/A
Private equity:	(c)				
Private equity		232.4	79.5	N/A	N/A
Venture capital		722.3	141.4	N/A	N/A
Real assets:	(d)				
Energy and natural resources		79.4	31.7	N/A	N/A
Real estate funds		246.3	125.3	N/A	N/A
Fixed income	(e)	<u>20.3</u>	—	Quarterly	90
		\$ <u>2,359.0</u>	<u>421.7</u>		

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		<b>2023</b>			
		<b>NAV</b>	<b>Unfunded Commitments</b>	<b>Redemption terms</b>	<b>Notice Period (Days)</b>
Global equity:	(a)				
Developed markets		\$ 377.4	—	Weekly to annually	9 - 90
Emerging markets		106.5	—	Monthly to semi-annually	14 - 90
Marketable alternatives	(b)	334.2	24.9	Monthly to at maturity	45 - N/A
Private equity:	(c)				
Private equity		211.3	69.0	N/A	N/A
Venture capital		708.1	175.2	N/A	N/A
Real assets:	(d)				
Energy and natural resources		89.2	12.2	N/A	N/A
Real estate funds		199.0	125.5	N/A	N/A
Fixed income	(e)	18.6	—	Quarterly	90
		<u>\$ 2,044.3</u>	<u>406.8</u>		

- (a) Global equity is comprised of investments in funds and strategies invested in publicly listed equity securities in the global developed and emerging markets. Some of the funds are subject to lock-ups.
- (b) Marketable alternatives consist of investments in a broad array of securities and strategies aimed to reduce volatility and enhance returns. Smithsonian's marketable alternatives managers may follow certain investment strategies including, but not limited to, long/short equity, credit, and distressed, multi-strategy funds. Some of the funds are subject to soft and hard lock-ups and other funds are not eligible for redemption.
- (c) Private equity consists of limited partnerships that are organized to invest primarily in shares of operating companies that are not listed on a publicly traded stock exchange. Private equity strategies include investments in leveraged buyouts, growth capital and distressed investments. Venture capital strategies invest in start-ups and businesses with perceived long-term growth potential. Distributions to limited partners are made as soon as feasible and, in accordance with the limited partnership agreement, when realizations (sales of portfolio companies) are made, or when interest payments, dividends, or recapitalizations are generated. Certain investments are commitment-based and not eligible for withdrawal through the life of the fund. Timing of liquidation of funds is unknown.
- (d) Real assets include real estate energy and natural resources investments that are made mostly in private limited partnerships as well as publicly traded securities funds. Distributions to limited partners are made as soon as feasible and, in accordance with the limited partnership agreement, when realizations (sales of portfolio companies) are made, or when interest payments, dividends, or recapitalizations are generated. Certain investments are commitment-based and are not eligible for withdrawal through the life of the fund. Timing of liquidation of funds is unknown.



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(e) Fixed income includes investments in funds that invest in U.S. government, agency and municipal bonds, and other interest-bearing products.

The Smithsonian is obligated under the terms of certain limited partnership agreements to remit additional funding periodically as capital calls are exercised. Such commitments are callable over the fund investment period, generally the first five years of the funds. The standard life of Smithsonian's investments in these private partnerships is between 8 and 10 years with possible one to two one-year extension periods and/or other termination clauses.

The following summarizes the investment return, net of expenses, and its classification in the statements of financial activities for the years ended September 30:

	<b>2024</b>	<b>2023</b>
Dividend and interest income, net of expenses	\$ 38.5	20.9
Net realized and unrealized gains (losses)	264.2	33.2
Total investment return	302.7	54.1
Endowment payout allocated for operations	115.6	100.2
Short term investment income (loss)	32.9	24.5
Investment return, net of endowment payout	154.2	(70.6)
Total investment return	\$ 302.7	54.1

**(7) Property and Equipment**

Property and equipment consist of the following at September 30:

	<b>2024</b>		
	<b>Trust</b>	<b>Federal</b>	<b>Total</b>
Land	\$ 32.8	—	32.8
Construction in progress	83.4	404.5	487.9
Buildings and capital improvements	1,264.3	3,901.2	5,165.5
Equipment and software	300.3	272.8	573.1
Leasehold improvements	105.0	34.6	139.6
	1,785.8	4,613.1	6,398.9
Accumulated depreciation	(870.6)	(2,444.2)	(3,314.8)
Total property and equipment, net	\$ 915.2	2,168.9	3,084.1
Depreciation expense	\$ 66.6	131.6	198.2

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	<b>2023</b>		
	<u>Trust</u>	<u>Federal</u>	<u>Total</u>
Land	\$ 32.8	—	32.8
Construction in progress	64.5	452.3	516.8
Buildings and capital improvements	1,236.4	3,599.5	4,835.9
Equipment and software	298.4	268.7	567.1
Leasehold improvements	104.7	34.2	138.9
	<u>1,736.8</u>	<u>4,354.7</u>	<u>6,091.5</u>
Accumulated depreciation	<u>(808.9)</u>	<u>(2,320.3)</u>	<u>(3,129.2)</u>
Total property and equipment, net	<u>\$ 927.9</u>	<u>2,034.4</u>	<u>2,962.3</u>
Depreciation expense	<u>\$ 69.0</u>	<u>128.0</u>	<u>197.0</u>

**(8) Leases**

*Accounting for Leases as Lessee*

The Smithsonian leases office and warehouse space as well as equipment under long-term operating leases expiring at various dates to 2032.

Operating leases as a lessee are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position. Rent expense under operating leases that provide for scheduled rent increases over their terms is recognized on a straight-line basis.

Right-of-use assets represent the right to use an underlying asset for the lease term, if the expected lease term is greater than 12 months. The Smithsonian elected a policy to not recognize ROU assets and lease liabilities for short-term leases, generally comprised of leases for office and communication equipment.

Lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and related liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate (5-Year yield established by the Department of Treasury). The commencement date is when the Smithsonian takes possession of the asset, or in the case of real estate leases, when the landlord makes the building available for use. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option.

Variable lease payments for leases are generally provided for as rent escalations based on increases in property taxes, operating expenses attributable to the leased properties. Changes in variable lease payments, other than those attributed to indexed rates estimates are recognized in the period in which they occur.

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The following table presents the various components of lease expense as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 23.1	22.8
Variable lease expense	7.3	8.3
Short-term lease costs	3.6	4.2
	<u>\$ 34.0</u>	<u>35.3</u>

The following table presents supplemental information relating to the cash flows arising from lease transactions for the years ended September 30, 2024 and 2023. Cash payments related to variable lease costs and short-term leases are not included in the measurement of ROU assets and operating lease liabilities, as such, are excluded from the amounts below.

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash outflows from operating leases	\$ 25.2	29.9
Non cash right-of-use assets for lease liabilities		
Beginning balance	70.3	91.4
In exchange for new lease liabilities	31.3	(2.3)
Accumulated amortization, right-of-use assets	(16.8)	(18.8)

The weighted-average lease term and discount rate for Smithsonian leases for the years ended as of September 30, 2024 and 2023 is 4 years 10 months and 2.83%, and 3 years 10 months and 0.63%, respectively.

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The Smithsonian currently limits leases using Federal funds to five years under the five-year contracting authority of the Federal Acquisition Streamlining Act. The Smithsonian still has legacy leases exceeding the current five-year authority that were executed prior to the enactment of the Federal Acquisition Streamlining Act. The table below presents a maturity analysis of expected undiscounted cash flows for all leases on an annual basis for the next five years and thereafter.

2025	\$	26.7
2026		17.0
2027		18.0
2028		15.2
2029		9.5
Thereafter		<u>11.2</u>
Undiscounted cash flows for leases		97.6
Add: discount		<u>(5.5)</u>
Operating lease liabilities	\$	<u><u>92.1</u></u>

*Accounting for Leases as a Lessor*

The Smithsonian leases certain office space to the existing tenants that were residing in the headquarters building when purchased in fiscal year 2020. Lease payments due to the Smithsonian are generally fixed and paid over the term of the lease. In general, the Smithsonian does not consider renewal periods to be reasonably certain of being exercised. Leases provided by the Smithsonian do not contain variable payments that are based on an index or rate. Variable payments are recognized as revenue as earned. The Smithsonian leases do not contain residual value guarantees or purchase options.

Rent income included in the statement of financial activities for the years ended September 30, 2024 and 2023 was \$3.0 and \$2.9, respectively.

Future undiscounted lease payments due to the Smithsonian on operating leases are as follows:

2025	\$	1.9
2026		1.9
2027		2.0
2028		2.0
2029		1.9
Thereafter		<u>3.9</u>
	\$	<u><u>13.6</u></u>

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**(9) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following at September 30:

	<b>2024</b>		
	<b>Trust</b>	<b>Federal</b>	<b>Total</b>
Accounts payable	\$ 40.0	92.7	132.7
Accrued salaries	9.4	12.9	22.3
Accrued annual leave	20.4	36.3	56.7
Workers' compensation (FECA)	2.0	26.3	28.3
Post retirement benefits	16.7	—	16.7
Other accrued personnel benefits	0.8	6.1	6.9
Deferred rent	0.2	—	0.2
Charitable gift annuity liabilities	11.8	—	11.8
Other accrued liabilities	2.0	0.3	2.3
<b>Total accounts payable and accrued expenses</b>	<b>\$ 103.3</b>	<b>174.6</b>	<b>277.9</b>

	<b>2023</b>		
	<b>Trust</b>	<b>Federal</b>	<b>Total</b>
Accounts payable	\$ 31.8	84.6	116.4
Accrued salaries	20.0	29.7	49.7
Accrued annual leave	19.1	35.4	54.5
Workers' compensation (FECA)	2.3	26.8	29.1
Post retirement benefits	14.5	—	14.5
Other accrued personnel benefits	1.0	5.6	6.6
Deferred rent	0.4	—	0.4
Charitable gift annuity liabilities	11.7	—	11.7
Other accrued liabilities	1.4	0.3	1.7
<b>Total accounts payable and accrued expenses</b>	<b>\$ 102.2</b>	<b>182.4</b>	<b>284.6</b>

Federal accrued annual leave, FECA, and other accrued liabilities are unfunded and cannot be met by the Smithsonian without continued annual Federal appropriations.

**(10) Environmental Remediation Obligations**

The Smithsonian has unfunded environmental remediation obligations that are estimated based on third party studies, contractor bids, and internal estimates derived from recently completed remediation projects for similar facilities and other information for similar projects. The present value of the obligation is calculated using an inflation rate of 3.2% and 5.5% as well as a discount rate of 2.6% and 2.5% at September 30, 2024 and 2023, respectively. Each period the obligation is accreted to its present value.

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Because the related properties are fully depreciated, changes in the estimated obligation are expensed. Any difference between the estimated obligation and the actual cost of remediation is also expensed.

The following summarizes activity in the unfunded environmental remediation obligation for the years ended September 30:

	<u>2024</u>	<u>2023</u>
Balance, beginning of the year	\$ 53.0	46.1
Accretion	1.8	1.4
Remediation costs	(1.0)	(3.5)
Change in estimate	1.6	9.0
Addition to liability <sup>(1)</sup>	13.7	—
Balance, end of year	<u>\$ 69.1</u>	<u>53.0</u>

<sup>(1)</sup> Addition to liability includes decontamination of collections for Garber Building #16.

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**(11) Long-term Debt**

The Smithsonian's long-term debt is unsecured and funded solely through trust funds without donor restrictions. Long-term debt is comprised of the following at September 30:

	<u>2024</u>	<u>2023</u>
Series 2020 General Obligation Bonds, variable interest rate of 1.2% to 2.1%, principal ranging \$11.0 to \$13.0, due September 1, 2025 through 2034	\$ 119.0	129.9
Series 2020 General Obligations Bonds, term, principal amounts ranging \$13.2 to \$14.8, interest rate 2.645%, due September 1, 2035 through 2039	70.0	70.0
Series 2020 General Obligation Bonds, term, principal amounts ranging \$15.2 to \$16.5, interest rate 2.695%, due September 1, 2040 through 2044	66.0	66.0
Series 2010 Revenue Bonds, term, principal amounts ranging \$2.0 to \$2.4, interest rate 5.25%, due February 1, 2025 through 2028	8.9	10.9
Series 2003 Revenue Bonds, variable interest rate of 1.85% to 4.6%, due December 1, 2033		
Series A	52.5	52.5
Series B	25.0	25.0
	<u>341.4</u>	<u>354.3</u>
Less: Unamortized bond issuance cost (2020 bond)	(0.3)	(0.3)
Less: Unamortized underwriter's discount (2020 bond)	(0.6)	(0.7)
Plus: Unamortized bond premium (2010 bond)	0.2	0.3
	<u>\$ 340.7</u>	<u>353.6</u>

**Series 2020 Revenue Bonds**

The general obligation Series 2020 Federally taxable bonds were issued on June 18, 2020, to finance the costs of acquiring the Smithsonian's consolidated administrative headquarters building located at 600 Maryland Avenue, SW, of Washington D.C. Interest is payable semiannually on March 1 and September 1. The bonds are subject to optional and mandatory redemption before to their stated maturity.

The serial bonds mature annually through September 1, 2034, with principal repayments ranging from \$10.9 to \$13.0 annually. The term bonds maturing September 1, 2035 through 2039, have a fixed interest rate of 2.645%, and the term bonds maturing September 1, 2040 through 2044, have a fixed interest rate of 2.695%.

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**Series 2010 Revenue Bonds**

The tax-exempt Series 2010 Revenue Bonds were issued by the District of Columbia on behalf of the Smithsonian to finance capital and other projects. Interest is payable semiannually on August 1 and February 1.

The term bonds maturing on February 1, 2028, are subject to mandatory redemption by sinking fund installments ranging from \$2.1 to \$2.4 per year through the maturity date.

**Series 2003 Revenue Bonds**

The tax-exempt Series 2003 Revenue Bonds were issued by the Fairfax County Economic Development Authority (Virginia) on behalf of the Smithsonian to finance a portion of the Steven F. Udvar-Hazy Center, an extension of the National Air and Space Museum. The bonds are subject to early redemption at the Smithsonian's option. Interest is payable monthly at a variable interest rate determined in accordance with the Indenture. Interest rates for Series A and Series B were 3.31% as of September 30, 2024 and 3.92% as of September 30, 2023.

The bonds are supported by a standby bond purchase agreement for both the Series A and Series B (collectively, the 2003 Liquidity Facility) with Wells Fargo (Trustee) and Northern Trust Company (Liquidity Facility provider). The 2003 Liquidity Facility provides liquidity support when the bonds are bearing interest at a daily or weekly rate and expires September 5, 2025.

Interest expense was \$8.9 in the fiscal year 2024 and \$8.8 in the fiscal year 2023.

Future annual maturities of long-term debt are as follows:

2025	\$	13.1
2026		13.3
2027		13.6
2028		13.9
2029		11.7
Thereafter		<u>275.8</u>
	\$	<u><u>341.4</u></u>

The Smithsonian has a \$50.0 line of credit available to provide additional resources if needed. There were no outstanding borrowings at September 30, 2024 and 2023. The amounts available to be borrowed on the line of credit are subject to the limitations of the Smithsonian's debt covenants.



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**(12) Net Assets**

Net assets consist of the following as of September 30:

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment investment fund	\$ —	1,579.7	1,579.7
Board designated quasi endowment funds	1,071.3	—	1,071.3
Total net assets subject to payout spending policy	1,071.3	1,579.7	2,651.0
Net assets with donor restrictions available for:			
Programs and operations	—	435.5	435.5
Capital repairs, renovation, and construction	—	307.4	307.4
Endowment contributions receivable and other	—	19.1	19.1
Net investment in property and equipment	2,310.4	433.0	2,743.4
Unfunded federal liabilities	(132.0)	—	(132.0)
Undesignated, including time restrictions	103.1	6.3	109.4
	<u>\$ 3,352.8</u>	<u>2,781.0</u>	<u>6,133.8</u>
	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment investment fund	\$ —	1,420.2	1,420.2
Board designated quasi endowment funds	1,003.9	—	1,003.9
Total net assets subject to payout spending policy	1,003.9	1,420.2	2,424.1
Net assets with donor restrictions available for:			
Programs and operations	—	431.2	431.2
Capital repairs, renovation, and construction	—	284.5	284.5
Endowment contributions receivable and other	—	14.5	14.5
Net investment in property and equipment	2,143.0	465.7	2,608.7
Unfunded federal liabilities	(115.6)	—	(115.6)
Undesignated, including time restrictions	35.2	7.1	42.3
	<u>\$ 3,066.5</u>	<u>2,623.2</u>	<u>5,689.7</u>

Donor-restricted endowment funds include accumulated appreciation of \$748.8 as of September 30, 2024 and \$658.3 as of September 30, 2023. Future-funded Federal liabilities include environmental remediation obligations, accrued annual leave, workers' compensation, and litigation liabilities.

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Net assets with donor restrictions were available for the following purposes as of September 30:

	2024			2023		
	Endowments at historical cost	Subject to purpose restriction and time	Total	Endowments at historical cost	Subject to purpose restriction and time	Total
Museums and general support \$	216.4	326.3	542.7	195.8	299.6	495.4
Education, public programs, exhibitions	399.0	508.1	907.1	346.1	502.5	848.6
Research	111.4	211.8	323.2	109.1	172.5	281.6
Acquisitions and collections	76.2	159.7	235.9	77.5	139.1	216.6
Facilities and capital	13.3	758.8	772.1	15.5	765.5	781.0
	<u>\$ 816.3</u>	<u>1,964.7</u>	<u>2,781.0</u>	<u>744.0</u>	<u>1,879.2</u>	<u>2,623.2</u>

Endowments at historical costs above includes charitable remainder trusts and endowment pledge receivables.

**(13) Endowment Funds**

The Smithsonian endowment consists of approximately 783 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments supporting the Smithsonian's programs and operations. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

Management has resolved to be guided by the standards of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in the management, investment, and expenditure of endowment funds although it is not required to do so as a matter of law. Management has interpreted UPMIFA, as allowing the Smithsonian to allocate for expenditure or accumulate so much of an endowment fund as it determines to be prudent for the uses, purposes, and durations for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until allocated for expenditure. The corpus of the Smithsonian's endowment funds consists of (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) changes to the permanent endowment made in accordance with the direction of the donor gift instrument. Earnings and accumulated appreciation of the endowment fund remain restricted until expenditure is allocated for in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the following factors are considered when making a determination to allocate or accumulate donor-restricted funds: duration and preservation of the fund; the purpose of board-designated or donor-restricted fund; general economic conditions; the possible impact of inflation and deflation; expected return from income and appreciation of investments; other available resources; and the Smithsonian's investment guidelines.

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The Smithsonian has adopted investment and spending policies for endowment assets that are intended to provide a predictable stream of funding for programs and operations while maintaining the purchasing power of the endowment. Under the investment policy, as approved by the Board, endowment assets are invested in a manner that reduces risk through diversification while obtaining a competitive rate of return. To satisfy its long-term rate-of-return, the Smithsonian relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends), targeting a diversified asset portfolio that utilizes fixed income and equity-based investments to achieve its long-term objectives within prudent risk constraints. The Board's Investment Committee reviews the long-term asset strategy of the investment pool.

Substantially all the assets of individual endowment funds are pooled and invested. Individual funds buying or disposing of units based on the per unit market value at the beginning of the month in which the transaction takes place. Each fund participating in the investment pool receives an annual payout based on the number of units owned. The Smithsonian's spending policy is based on an annual endowment spending rate of 5% of the prior 20 quarters' average endowment value. This spending rate constitutes the Board's annual allocation for spending endowment earnings to support programs and operations. The Board authorized an additional allocation of up to 0.5% for fiscal year 2024 and 0.5% for fiscal year 2023 for eligible funds to support the advancement priorities.

The following summarizes certain per-endowment unit information, in whole dollars.

	<u>2024</u>	<u>2023</u>
Market value of fund per unit:		
Beginning of the year	\$ 1,234.72	1,265.53
End of the year	1,307.28	1,234.72
Payout per unit:		
Program and operations support	\$ 56.37	52.18
Advancement	4.82	4.99

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The following table summarizes the change in endowment funds during fiscal year 2024 and 2023:

	<b>2024</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets at beginning of the year	\$ 1,003.9	1,420.2	2,424.1
Additional designation of quasi endowments and reinvestments	12.1	6.8	18.9
Uninvested cash	(3.1)	—	(3.1)
Contributions received	—	58.9	58.9
Investment return	116.4	151.4	267.8
Allocation of endowment assets for expenditure	<u>(58.0)</u>	<u>(57.6)</u>	<u>(115.6)</u>
Endowment net assets at end of year	<u>\$ 1,071.3</u>	<u>1,579.7</u>	<u>2,651.0</u>
	<b>2023</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets at beginning of the year	\$ 944.5	1,378.6	2,323.1
Additional designation of quasi endowments and reinvestments	81.5	12.2	93.7
Uninvested cash	3.8	—	3.8
Contributions received	—	67.7	67.7
Investment return	24.9	11.1	36.0
Allocation of endowment assets for expenditure	<u>(50.8)</u>	<u>(49.4)</u>	<u>(100.2)</u>
Endowment net assets at end of year	<u>\$ 1,003.9</u>	<u>1,420.2</u>	<u>2,424.1</u>

*Endowment Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level required to be maintained in perpetuity or the applicable donor gift document, creating an “underwater” endowment fund. Such deficiencies are generally the result of unfavorable market fluctuations and continuing the allocations for various programs is generally deemed prudent by the Board. Significant underwater endowment funds were \$1.9 and \$3.8 at September 30, 2024 and 2023, respectively.

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**(14) Net Assets Released from Restriction**

Net assets are released from donor restrictions due to the passage of time, assets placed in service, or by incurring expenses satisfying the restricted purpose specified by the donors, and were as follows for fiscal years 2024 and 2023:

	<b>2024</b>		
	<b>Trust</b>	<b>Federal</b>	<b>Total</b>
Operating releases:			
Purpose restricted gifts released for:			
Museums and general support	\$ 40.1	—	40.1
Education, public programs and exhibitions	106.3	—	106.3
Research	61.7	—	61.7
Acquisitions and collections	10.2	—	10.2
Facilities	1.2	27.7	28.9
Total operating releases	219.5	27.7	247.2
Nonoperating releases:			
Assets placed in service and released from:			
Capital appropriation	—	295.5	295.5
Capital contributions	23.5	—	23.5
Total nonoperating releases	23.5	295.5	319.0
Total releases	\$ 243.0	323.2	566.2

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	<b>2023</b>		
	<u>Trust</u>	<u>Federal</u>	<u>Total</u>
Operating releases:			
Purpose restricted gifts released for:			
Museums and general support	\$ 35.2	—	35.2
Education, public programs and exhibitions	100.6	—	100.6
Research	55.4	—	55.4
Acquisitions and collections	11.4	—	11.4
Facilities	1.5	19.1	20.6
	<u>204.1</u>	<u>19.1</u>	<u>223.2</u>
Total operating releases	204.1	19.1	223.2
Nonoperating releases:			
Assets placed in service and released from:			
Capital appropriation	—	183.5	183.5
Capital contributions	3.8	—	3.8
	<u>3.8</u>	<u>183.5</u>	<u>187.3</u>
Total nonoperating releases	3.8	183.5	187.3
Total releases	<u>\$ 207.9</u>	<u>202.6</u>	<u>410.5</u>

**(15) Federal Appropriations**

The Federal appropriation received in fiscal year 2024 is reconciled to Federal appropriation revenue recognized as follows:

	<b>2024</b>		
	<u>Salaries and expenses</u>	<u>Repair, restoration, and construction</u>	<u>Total</u>
Federal appropriations received	\$ 892.9	222.4	1,115.3
Unexpended appropriations	(157.1)	(152.3)	(309.4)
Amounts expended from prior years' appropriations	175.0	217.3	392.3
	<u>910.8</u>	<u>287.4</u>	<u>1,198.2</u>
Federal appropriation revenue	\$ 910.8	287.4	1,198.2
Without donor restrictions (operating)	\$ 910.8	—	910.8
With donor restrictions (nonoperating)	—	287.4	287.4
	<u>910.8</u>	<u>287.4</u>	<u>1,198.2</u>
Federal appropriation revenue	\$ 910.8	287.4	1,198.2

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The Federal appropriation received in fiscal year 2023 is reconciled to Federal appropriation revenue recognized as follows:

	<b>2023</b>		
	<b>Salaries and expenses</b>	<b>Repair, restoration, and construction</b>	<b>Total</b>
Federal appropriations received	\$ 892.9	275.7	1,168.6
Unexpended appropriations	(186.9)	(239.5)	(426.4)
Amounts expended from prior years' appropriations	164.8	249.6	414.4
Federal appropriation revenue	\$ 870.8	285.8	1,156.6
Without donor restrictions (operating)	\$ 870.8	—	870.8
With donor restrictions (nonoperating)	—	285.8	285.8
Federal appropriation revenue	\$ 870.8	285.8	1,156.6

**(16) Business Activities**

The following summarizes business activities for the years ended September 30:

	<b>2024</b>			<b>2023</b>		
	<b>Business activities revenue</b>	<b>Operating expenses</b>	<b>Net operating gain</b>	<b>Business activities revenue</b>	<b>Operating expenses</b>	<b>Net operating gain</b>
Smithsonian Enterprises	\$ 154.8	113.0	41.8	150.8	112.5	38.3
All other business activities	20.2	17.7	2.5	18.9	14.7	4.2
	\$ 175.0	130.7	44.3	169.7	127.2	42.5

Business activities revenue is further detailed as follows for the years ended September 30:

	<b>2024</b>	<b>2023</b>
Retail/E-Commerce	\$ 92.6	92.7
Media	41.1	41.3
Consumer Products and Services	21.7	17.0
Corporate	2.8	3.1
Other	16.8	15.6
	\$ 175.0	169.7

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**(17) Functional Classification of Expenses**

Operating expenses by functional and natural classification are presented for the year ended September 30, 2024 as follows:

	Program Activities				Supporting Activities		Total
	Research	Collections mgmt	Education, programs and exhibitions	Business activities	Admin	Advancement	
Trust:							
Compensation and benefits	\$ 90.3	14.8	51.1	64.7	32.5	51.2	304.6
Rent, utilities and services	77.1	(0.4)	48.9	23.0	5.4	32.6	186.6
Cost of sales	—	—	0.1	53.4	—	3.3	56.8
Travel and transportation	6.2	1.2	4.1	0.3	0.5	1.2	13.5
Other	3.4	(0.1)	0.4	(12.6)	9.3	0.6	1.0
Total before depreciation	177.0	15.5	104.6	128.8	47.7	88.9	562.5
Depreciation	6.1	24.5	21.1	1.9	12.9	0.1	66.6
Total operating expenses	\$ 183.1	40.0	125.7	130.7	60.6	89.0	629.1
Federal:							
Compensation and benefits	\$ 126.1	167.6	175.9	—	136.1	0.7	606.4
Rent, utilities and services	57.0	101.5	115.5	—	96.6	1.6	372.2
Cost of sales	—	—	0.1	—	0.1	—	0.2
Travel and transportation	2.4	1.5	2.3	—	0.5	—	6.7
Other	3.0	4.3	4.1	—	4.4	—	15.8
Total before depreciation	188.5	274.9	297.9	—	237.7	2.3	1,001.3
Depreciation	12.1	48.3	45.4	—	25.5	0.3	131.6
Total operating expenses	\$ 200.6	323.2	343.3	—	263.2	2.6	1,132.9
Total operating expenses:							
Compensation and benefits	\$ 216.4	182.4	227.0	64.7	168.6	51.9	911.0
Rent, utilities and services	134.1	101.1	164.4	23.0	102.0	34.2	558.8
Cost of sales	—	—	0.2	53.4	0.1	3.3	57.0
Travel and transportation	8.6	2.7	6.4	0.3	1.0	1.2	20.2
Other	6.4	4.2	4.5	(12.6)	13.7	0.6	16.8
Total before depreciation	365.5	290.4	402.5	128.8	285.4	91.2	1,563.8
Depreciation	18.2	72.8	66.5	1.9	38.4	0.4	198.2
Total operating expenses	\$ 383.7	363.2	469.0	130.7	323.8	91.6	1,762.0



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Operating expenses by functional and natural classification are presented for the year ended September 30, 2023 as follows:

	Program activities				Supporting activities		Total
	Research	Collections mgmt	Education, programs and exhibitions	Business activities	Admin	Advancement	
Trust:							
Compensation and benefits	\$ 83.2	14.0	47.4	62.0	24.9	43.6	275.1
Rent, utilities and services	70.4	(1.7)	49.1	19.6	(0.6)	29.4	166.2
Cost of sales	—	—	0.1	54.0	—	2.4	56.5
Travel and transportation	4.8	0.9	3.5	0.3	0.4	1.1	11.0
Other	3.3	0.5	1.7	(10.7)	8.6	0.5	3.9
Total before depreciation	161.7	13.7	101.8	125.2	33.3	77.0	512.7
Depreciation	6.4	25.4	21.8	2.0	13.3	0.1	69.0
Total operating expenses	\$ 168.1	39.1	123.6	127.2	46.6	77.1	581.7
Federal:							
Compensation and benefits	\$ 119.9	160.1	169.8	—	128.7	0.6	579.1
Rent, utilities and services	52.2	95.6	112.4	—	85.5	1.3	347.0
Cost of sales	—	—	—	—	0.2	—	0.2
Travel and transportation	2.4	1.4	2.5	—	0.4	—	6.7
Other	3.2	3.8	5.5	—	5.8	—	18.3
Total before depreciation	177.7	260.9	290.2	—	220.6	1.9	951.3
Depreciation	11.8	47.0	44.1	—	24.8	0.3	128.0
Total operating expenses	\$ 189.5	307.9	334.3	—	245.4	2.2	1,079.3
Total operating expenses:							
Compensation and benefits	\$ 203.1	174.1	217.2	62.0	153.6	44.2	854.2
Rent, utilities and services	122.6	93.9	161.5	19.6	84.9	30.7	513.2
Cost of sales	—	—	0.1	54.0	0.2	2.4	56.7
Travel and transportation	7.2	2.3	6.0	0.3	0.8	1.1	17.7
Other	6.5	4.3	7.2	(10.7)	14.4	0.5	22.2
Total before depreciation	339.4	274.6	392.0	125.2	253.9	78.9	1,464.0
Depreciation	18.2	72.4	65.9	2.0	38.1	0.4	197.0
Total operating expenses	\$ 357.6	347.0	457.9	127.2	292.0	79.3	1,661.0

Purchases of collection items are included in collections management activities.

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**(18) Commitments and Contingencies**

**(a) Government Awards**

The Smithsonian receives significant amounts of Federal funding in the form of grants and contracts. These awards are subject to audit by Federal agencies. Management is of the opinion that no material disallowances of costs or expenses are likely.

**(b) Construction**

As of September 30, 2024, the Smithsonian has commitments of approximately \$262.8 related to construction in progress at several of its locations, the largest related to projects at the National Air and Space Museum of \$41.3 and Historic Core Revitalization of \$40.4.

**(c) Litigation**

The Smithsonian is a party to various litigation, arising from the normal conduct of its operations. In the opinion of the Smithsonian's Chief Legal Officer, the ultimate resolution of these matters will not have a significant effect on the Smithsonian's financial position or future results of operations.

**(d) Subsequent Events**

Management has evaluated subsequent events from September 30, 2024 through January 17, 2025, which is the date that the financial statements are available to be issued and determined that there are no adjustments to or other items to disclose.