REPORT OF
THE TREASURER
OF THE
NATIONAL ACADEMY
OF SCIENCES

For the Year
Ended December 31, 2013
Contents

Treasurer’s Statement 1

I. Investments 7

Endowment, Trust, and Other Long-term Investments Pool – Description of Funds for the Year Ended December 31, 2013 Schedule 1 8

Endowment, Trust, and Other Long-term Investments Pool – Financial Detail of Funds for the Year Ended December 31, 2013 Schedule 1 – A 17

Endowment, Trust, and Other Long-term Investments Pool – Asset Allocation as of December 31, 2013 Schedule 2 21

Endowment, Trust, and Other Long-term Investments Pool – Change in Valuation and Market Value Summary Schedule 2 – A 22

II. Private Contributions 23

III. Financial Condition 43

Report of the Auditing Committee of the National Academy of Sciences 44

Independent Auditor’s Report 45

Statements of Financial Position 47

Statements of Activities 48

Statements of Cash Flows 49

Notes to the Financial Statements 50
Treasurer’s Statement

To the Council of the National Academy of Sciences:

This Report of the Treasurer of the National Academy of Sciences presents the financial position and results of operations as well as a review of the endowment, trust, and other long-term investments portfolio activities of our Academy for the year ended December 31, 2013.

Overview

The income that supports the activities of the Academy comes from two major sources: program revenue received from sponsors to pay for the myriad studies and other activities undertaken each year by the National Research Council (NRC), and a much smaller sum that we withdraw from our own endowment under the endowment spending policies adopted by the Council. Our total program revenue for 2013 experienced a decline of approximately 4% below 2012 revenue, which brings the two-year decline to approximately 11%. In projecting program level in 2014, we feel that this decline will be halted and that the program will remain steady at the 2013 level, and possibly a little higher.

With respect to the second source of revenue, it has for many years been the policy of the Council to limit annual endowment spending to 5% of the average value of endowment for the twelve quarters ending in June of the previous year. When the endowment declined significantly in 2008, the Council made the prudent decision to hold spending to 4% and to avoid spending whenever possible from specific endowment funds having values below the original gift amount, starting in 2009. These practices have continued each year through 2013; and for 2014, a conservative increase to a 4.25% draw has been set. The 2013 investment return on the endowment was positive at approximately 12.6%.

As we noted in last year’s report, the federal government announced toward the end of 2012, two settlements concerning the 2010 Deepwater Horizon disaster, one with BP Exploration and Production, Inc. and one with Transocean Deepwater, Inc. As part of each of these legal settlements, the NAS will receive $500 million to establish a new 30-year program on human health and environmental protection in the Gulf of Mexico. The total will be invested in a wasting endowment, which will be fully expended by the end of the program. The funds will be received in the first 5 years of the program. As of June 2014, we have received $29 million.

In June 2013, an advisory group was appointed to lead the strategic planning and development of the new Gulf Research Program. The advisory group draws science, engineering, and health expertise from the NAS, NAE, IOM, and NRC, and includes experts from academia and industry as well as those with deep connections to the Gulf region. With 24 members, this group represents a wide range of experience from diverse disciplines that will be invaluable in shaping the program. Members of the advisory group have been appointed to one-year terms and are charged with creating a strategic vision to guide the program as it develops.

NAS Highlights

Endowment, Trust, and Other Long-term Investments Portfolio

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

As I have already noted, the Council has limited spending to 4% since 2009, with a planned spending rate of 4.25% in 2014.

During 2013, the endowment, along with the broader market, experienced a welcome increase in its asset value.
The market value of the portfolio increased net of withdrawals and new contributions from $376.0 million on January 1, 2013, to $412.5 million at December 31, 2013. The portfolio returned 12.6% for the year, which was 3.1% lower than the benchmark return of 15.7%. While absolute performance results were satisfactory, performance relative to the benchmark was dampened primarily by the limited contribution from the venture capital, private equity, and multi-strategy hedge funds. On the positive side, investments in small and mid-size U.S. stocks and real estate funds produced returns exceeding their respective benchmarks.

The actual portfolio allocation and policy guidelines as of December 31, 2013, were as follows:

<table>
<thead>
<tr>
<th>Portfolio Allocation</th>
<th>Policy Guideline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed-Income:</strong></td>
<td></td>
</tr>
<tr>
<td>U.S. fixed income/cash</td>
<td>5%</td>
</tr>
<tr>
<td>Non-U.S. fixed income</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Equities:</strong></td>
<td></td>
</tr>
<tr>
<td>U.S. Large Cap Funds</td>
<td>24%</td>
</tr>
<tr>
<td>U.S. Small/Medium Cap Funds</td>
<td>11%</td>
</tr>
<tr>
<td>Non-U.S. Developed Markets</td>
<td>21%</td>
</tr>
<tr>
<td>Non-U.S. Emerging Markets</td>
<td>13%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>3%</td>
</tr>
<tr>
<td>Hedge Funds and Alternative Investments</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

Market values of the portfolio, after withdrawals, for the years ended December 31, 2013 and 2012, are displayed in the following chart (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Fixed-Income Securities</td>
<td>$44,997</td>
<td>$28,715</td>
</tr>
<tr>
<td>Equity Securities</td>
<td>367,506</td>
<td>347,235</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$412,503</td>
<td>$375,950</td>
</tr>
</tbody>
</table>

It is of some interest to compare our endowment performance with that of similar organizations. A good way of doing this is to review the results of the study of college and university endowments by the National Association of College and University Business Officers which found that as of June 30, 2013, the average 1, 5, and 10 year returns for endowments in the $100M - $500M range were 11.9%, 3.8%, and 7.0% respectively. The 1, 5, and 10 year returns of our endowment as of June 30, 2013 were 10.2%, 2.9%, and 7.4%, respectively. As you know, some years are better than others and that is why it is good to focus on the long-term return, for which the NAS endowment is performing favorably compared to its peers.

One further comparison may be useful. In gross terms, including the returns on investments, the gifts received, and the withdrawals made for endowment expenditures, the increase in the value of the endowment over December 31, 2012 was 9.7%, significantly in excess of inflation during the one-year period. On the same basis, the endowment has increased by 53.8% over the ten year period preceding December 31, 2013 for an average (compounded) rate of return of 4.4%, again in excess of the 2.5% annual inflation rate for the comparable period.

- See Schedule 2-A on page 23 for details of investments by asset class.
- Included in the $412.5 million total market value of the portfolio as of December 31, 2013, are $7.4 million for the Woods Hole Endowment Funds, $76.2 million for the Institute of Medicine (IOM), and $11.1 million for The National Academies’ Corporation (TNAC). TNAC, which is equally owned by the NAS and the National Academy of Engineering Fund (NAEF), owns and operates the Beckman Center (see note 1 to the financial statements on page 51).
- Withdrawals of $12.8 million were made to fund the President’s Committee, NAS General Fund’s activity, and NAS prizes and awards for the current period. Additional withdrawals of $1.5 million were made to fund Woods Hole, IOM, and TNAC activity.

**NAS General Funds**

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

For 2013, funding for the General Funds Budget totaled $5.2 million and expenditures totaled $4.8 million, resulting in a surplus of approximately $353,000. Comparable figures for 2012 were $4.6 million in
revenues, $4.7 million in expenditures, resulting in a small deficit of approximately $100,000.

The 2013 NAS General Funds activity is summarized as follows (in thousands):

**Revenues:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted Endowment</td>
<td>$ 4,039</td>
</tr>
<tr>
<td>Annual Giving from Members</td>
<td>586</td>
</tr>
<tr>
<td>Membership Dues</td>
<td>300</td>
</tr>
<tr>
<td>Annual Meeting</td>
<td>260</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$ 5,190</td>
</tr>
</tbody>
</table>

**Expenses:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Office</td>
<td>$ 1,002</td>
</tr>
<tr>
<td>Member Services:</td>
<td></td>
</tr>
<tr>
<td>Annual Meeting</td>
<td>737</td>
</tr>
<tr>
<td>Other</td>
<td>256</td>
</tr>
<tr>
<td>Programs/Projects:</td>
<td></td>
</tr>
<tr>
<td>Cultural Programs of the NAS</td>
<td>361</td>
</tr>
<tr>
<td>Evolution, Education &amp; Communication</td>
<td>173</td>
</tr>
<tr>
<td>Frontiers of Science</td>
<td>279</td>
</tr>
<tr>
<td>Committee on International Security &amp; Arms Control</td>
<td>219</td>
</tr>
<tr>
<td>InterAcademy Council</td>
<td>137</td>
</tr>
<tr>
<td>Foreign Meetings &amp; Other Expenses</td>
<td>597</td>
</tr>
<tr>
<td>President’s Office</td>
<td>33</td>
</tr>
<tr>
<td>NAS Executive Office</td>
<td>224</td>
</tr>
<tr>
<td>NRC Operations</td>
<td>819</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$ 4,837</td>
</tr>
</tbody>
</table>

**Surplus** $ 353

Any surplus in the General Funds Budget at the end of the year is added to the NAS Reserve; similarly, deficits are funded from the Reserve, which is invested in the NAS Endowment and Trust Pool. The NAS Reserve had a market value of $5.1 million on December 31, 2013, to which the 2013 surplus will be added.

The NAS Council has approved a General Funds Budget of $5.4 million for 2014, which is based on a slightly increased endowment expenditure rate of 4.25%.

**Prizes and Awards**

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

**Journal Publications**

Financial results of the *Proceedings of the National Academy of Sciences* are shown below for the years ended December 31, 2013 and 2012 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscriptions</td>
<td>$ 8,720</td>
<td>$ 6,300</td>
</tr>
<tr>
<td>Author charges</td>
<td>6,793</td>
<td>6,740</td>
</tr>
<tr>
<td>Other</td>
<td>28</td>
<td>102</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 15,541</td>
<td>$ 13,142</td>
</tr>
</tbody>
</table>

| **Expenses:** |          |          |
| Publishing    | $ 8,030  | $ 7,123  |
| Other         | 5,708    | 5,845    |
| **Total**     | $ 13,738 | $ 12,968 |

**Net** $ 1,803 $ 174

**Facilities**

NAS owns the following facilities:

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

NAS will continue to lease the National Academies Data Center at 8619 Westwood Center Drive in Vienna, Virginia.
**Development Office Programs**

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

Unrestricted philanthropic support is a vital resource for the Academies. In 2013, the NAS and IOM received nearly $4.5 million in unrestricted expendable support. Fund-raising efforts resulted in gifts to support the commemoration of the 150th anniversary of the NAS and the establishment of IOM’s Harvey V. Fineberg Impact Fund, in honor of its departing president:

- 411 NAS members and 14 friends of the NAS contributed $423,000 to support the NAS annual fund, an increase of 34% over 2012. Of these, 48 members made first time gifts and their gift were matched by Philip (NAS/IOM) and Sima Needleman who established a fund-raising challenge to encourage gifts from NAS members who had not previously supported the Academy. Additionally, $185,000 was contributed by members who made gifts to name a seat in the NAS auditorium, and an unrestricted gift of retirement plan assets was received from the estate of John D. Corbett (NAS).

- $570,000 was received from the Burroughs Wellcome Fund, the Carnegie Corporation of New York, ExxonMobil, the Kavli Foundation, the W.M. Keck Foundation, John D. and Catherine T. MacArthur Foundation, and the Alfred P. Sloan Foundation, as special unrestricted grants made in recognition of NAS’s 150th anniversary.

- Charitable gift annuities that will provide unrestricted support to the NAS and IOM increased in 2013 compared to 2012. $650,000 was received from Eugene (NAS) and Ruth Roberts, C. Thomas Caskey (IOM), and a friend of the NAS, Detlof Gloge.

- $2.6 million in gifts and pledges were received to support the Harvey V. Fineberg Impact Fund. 204 IOM members made contributions, including a gift of $1 million from John W. (IOM) and Valerie Rowe. Other major gifts were received from the George Family Foundation, the Carson Family Charitable Trust, the Ambrose Monell Foundation, and Presidents’ Circle members Axel and Sara L. Schupf. Funds raised will help the IOM address the challenges of healthcare delivery, cost, research, outcomes and education, and will be used to initiate studies, to educate the public about how to protect and enhance health, and to communicate findings from IOM reports to populations that would most benefit.

- We also received gifts this year for the unrestricted endowment, the income from which can be used in perpetuity for any need that the NAS identifies.

Many gifts and grants were received for restricted purposes to fund the numerous projects and activities of the NAS and IOM. The selected gifts described below highlight the scope of philanthropic support received during 2013:

- A $600,000 gift was made by Bruce M. (NAS) and Betty Alberts to support the Christine Mirzayan Science and Technology Policy Graduate Fellowship Program. The program, which was launched by Dr. Alberts while he was president of the NAS, enables young scientists, engineers, and healthcare professionals to engage in national science and technology policy issues while exploring career options.

- The IOM received a grant of $1.1 million from the JPB Foundation to develop a framework for assessing the environmental, social, and health effects associated with how food is grown, processed, distributed, and marketed within the U.S. food system.

- $637,000 was received to support the NAS’s Science and Entertainment Exchange, a program that connects entertainment industry professionals with top scientists and engineers to inform science and engineering-related storylines in film
and television. Support for the Exchange included grants of $500,000 from Google, Inc. and $100,000 from the California Endowment.

- Richard C. (NAS/IOM) and Rita Atkinson made gifts totaling $420,000 to support a second recipient of the 2014 NAS prize for advances in psychological and cognitive sciences; they endowed the prize in 2012. Additionally, the Koshland Science Museum received significant support from Gail F. Koshland, and NAS staff member James Reisa named the National Research Council as a beneficiary of his retirement plan to establish an endowment to support studies, workshops and projects in the environmental sciences.

- The Committee on Human Rights of the NAS, IOM and NAE received $246,000, including an IRA distribution received from Martha Vaughan (NAS), $70,000 from the estate of Avram Goldstein (NAS/IOM), and contributions from 190 members of the NAS, IOM, and NAE.

These gifts represent the many ways that members, friends, and organizations supported the NAS in 2013. This support is essential to the Academy’s ability to fulfill its mission as scientific adviser to the nation and we deeply appreciate the philanthropic support from our many donors.

**NRC Highlights**

**Revenues**

The two main sources of revenue for the NRC are the U.S. government and private / nonfederal entities. The total contract and grant revenue from both of these sources totaled $286.2 million in 2013 and $298.2 million in 2012.

**U.S. Government Contracts and Grants**

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

The total amount reimbursed by the U.S. government agencies in the year ended December 31, 2013, was $231.3 million (see following chart and the Statements of Activities on page 49) and in the year ended December 31, 2012, was $251.6 million.

<table>
<thead>
<tr>
<th>U.S. Government Revenues by Agency ($ in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency for International Development</td>
</tr>
<tr>
<td>Department of Agriculture</td>
</tr>
<tr>
<td>Department of Commerce</td>
</tr>
<tr>
<td>Department of Defense:</td>
</tr>
<tr>
<td>Defense Threat Reduction Agency</td>
</tr>
<tr>
<td>Department of the Air Force</td>
</tr>
<tr>
<td>Department of the Army</td>
</tr>
<tr>
<td>Department of Defense</td>
</tr>
<tr>
<td>Department of the Navy</td>
</tr>
<tr>
<td>Department of Education</td>
</tr>
<tr>
<td>Department of Energy</td>
</tr>
<tr>
<td>Department of Health and Human Services</td>
</tr>
<tr>
<td>Department of Homeland Security</td>
</tr>
<tr>
<td>Department of the Interior</td>
</tr>
<tr>
<td>Department of Justice</td>
</tr>
<tr>
<td>Department of Labor</td>
</tr>
<tr>
<td>Department of State</td>
</tr>
<tr>
<td>Department of Transportation</td>
</tr>
<tr>
<td>Department of Treasury</td>
</tr>
<tr>
<td>Department of Veterans Affairs</td>
</tr>
<tr>
<td>Environmental Protection Agency</td>
</tr>
<tr>
<td>Executive Office of the President</td>
</tr>
<tr>
<td>Government Accountability Office</td>
</tr>
<tr>
<td>Institute of Museum and Library Services</td>
</tr>
<tr>
<td>Marine Mammal Commission</td>
</tr>
<tr>
<td>National Aeronautics and Space Administration</td>
</tr>
<tr>
<td>National Geospatial-Intelligence Agency</td>
</tr>
<tr>
<td>National Science Foundation</td>
</tr>
<tr>
<td>National Security Agency</td>
</tr>
<tr>
<td>National Transportation Safety Board</td>
</tr>
<tr>
<td>Nuclear Regulatory Commission</td>
</tr>
<tr>
<td>Office of the Director of National Intelligence</td>
</tr>
<tr>
<td>Social Security Administration</td>
</tr>
<tr>
<td>U.S. Arctic Research Commission</td>
</tr>
<tr>
<td>Adjustment to Indirect Cost Receivable &amp; Other</td>
</tr>
<tr>
<td><strong>Total U.S. Government Agencies</strong></td>
</tr>
</tbody>
</table>

**Private/Nonfederal Contracts and Grants**

Private sponsors provided for new initiatives and co-sponsored government projects by funding awards in the amount of $55.0 million in 2013, compared with $46.6 million in 2012. The private and nonfederal revenues were comprised of contracts and grants ($51.4 million)
and other contributions ($3.6 million). (See Statements of Activities on page 48.)

- Other contributions revenue decreased from $5.9 million in 2012 to $3.6 million in 2013.

**Expenses**

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

As in many universities and nonprofit institutions, indirect cost expenditures provide necessary support services and should be kept in reasonable proportion to program expenditures. Historically, NRC management has successfully maintained a relatively constant relationship between program and support costs, i.e., the growth rate of indirect costs has been approximately equal to the growth rate of direct costs. During 2013, management worked to reduce the indirect costs to keep them in line with declining program level. In 2013, total indirect expenses were $75.8 million compared to an approved initial budget of $81.6 million. The 2014 indirect budget has been set at $74.6 million.

**Related Entities**

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

**Overall Financial Condition**

While program revenues declined this past year due to federal budget constraints, the endowment experienced a strong year with a 12.6% return, which contributed to an increase in net assets. The main reason for the large increase in net assets for the year is the $471 million recognition of revenue in 2013 for the Gulf Research Program. Funds for this program will be expended over the life of the program, which is no more than 30 years.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$847.5</td>
<td>$370.2</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>325.3</td>
<td>347.3</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>$522.2</td>
<td>$22.9</td>
</tr>
</tbody>
</table>

Net assets, or assets minus liabilities, can be a measurement of a not-for-profit organization’s ability to reinvest net income toward their mission while also maintaining reserves and helping protect against inflation. The NAS 2013 results of operations are further described in the financial statements starting on page 47.

**Conclusion**

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

Jeremiah P. Ostriker  
Treasurer
I. Investments
Endowment, Trust, and Other Long–term Investments Pool
Description of Funds for the Year Ended December 31, 2013

I. Funds that Support the NAS

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

<table>
<thead>
<tr>
<th>Description of Funds</th>
<th>Capital Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agassiz Fund — Bequest of Alexander Agassiz, a member of the Academy.</td>
<td>$50,000</td>
</tr>
<tr>
<td>Carnegie Fund — Balance of the original gift of $5,000,000 from the Carnegie Corporation of New York, for the purposes of the National Academy of Sciences/National Research Council, $1,725,000 of which has been used to cover the cost of the Academy building and the acquisition of other property.</td>
<td>3,275,000</td>
</tr>
<tr>
<td>Commonwealth Fund — A grant of the Commonwealth Fund for capital endowment of the Academy.</td>
<td>500,000</td>
</tr>
<tr>
<td>Carl Eckart Fund * — Bequest of Carl Eckart received for the general purposes of the Academy.</td>
<td>1,246,366</td>
</tr>
<tr>
<td>Ford Foundation Fund — A grant of the Ford Foundation for capital endowment of the Academy.</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Henrietta and Alexander Hollaender Fund * — A bequest to the Academy from Dr. Alexander and Mrs. Henrietta Hollaender.</td>
<td>500,000</td>
</tr>
<tr>
<td>Grayce B. Kerr Fund — A grant from Grayce B. Kerr for the general purposes of the Academy.</td>
<td>250,000</td>
</tr>
<tr>
<td>Nealley Fund — Bequest of George True Nealley for the general purposes of the Academy.</td>
<td>19,556</td>
</tr>
<tr>
<td>Simon Ramo Fund — A gift from Simon Ramo for the general purposes of the Academy.</td>
<td>14,000</td>
</tr>
<tr>
<td>Rockefeller Foundation Fund * — A grant of the Rockefeller Foundation to the National Academy of Sciences for the general purposes of the Academy.</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Dorothea and Herbert Simon Fund — A gift from Dorothea and Herbert Simon for the general purposes of the Academy.</td>
<td>898,752</td>
</tr>
<tr>
<td>Sloan Foundation Fund * — A grant of the Alfred P. Sloan Foundation for the general purposes of the Academy.</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Amy Prudden Turner Fund * — Bequest of Amy Prudden Turner for the general purposes of the Academy to serve as a memorial to her husband Scott and herself.</td>
<td>29,662</td>
</tr>
<tr>
<td>Anonymous Endowment Fund — A gift for the general purposes of the Academy from a donor who wishes to remain anonymous.</td>
<td>7,146,660</td>
</tr>
<tr>
<td>General Endowment Fund * — Bequest of David Lloyd Fillman and others for the general purposes of the Academy. By action of the Council, the International Critical Tables were transferred into this fund during fiscal year 1976, and proceeds from the sale of the Audubon Folios were transferred in fiscal year 1981.</td>
<td>4,034,079</td>
</tr>
<tr>
<td>Members Endowment Fund — Contributions from various members to be used for the general purposes of the Academy.</td>
<td>3,302,684</td>
</tr>
<tr>
<td>Subtotal — General Fund</td>
<td>$28,266,759</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description of Funds</th>
<th>Capital Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter C. Cornell Trust Fund * — To memorialize Detlev W. Bronk, former member and president of the Academy, for his contributions to science and the nation and to recognize the leadership and notable accomplishments of John S. Coleman as a member of the Academy’s staff. The gift may be fully expended for its intended purpose.</td>
<td>$100,000</td>
</tr>
<tr>
<td>J. Eric Jonsson Woods Hole Fund — A gift for the Woods Hole Study Center of the NAS in honor of J. Eric Jonsson, one of the founders of Texas Instruments and a former mayor of Dallas. The donor wishes to remain anonymous.</td>
<td>2,002,500</td>
</tr>
<tr>
<td>Richard King Mellon Foundation Fund — Grant from the Richard King Mellon Foundation for maintenance of the building and grounds at the Woods Hole Study Center.</td>
<td>50,000</td>
</tr>
<tr>
<td>Penzance Foundation Fund — A grant for the J. Eric Jonsson Woods Hole Study Center especially for support of the property’s Clark Carriage House.</td>
<td>502,500</td>
</tr>
</tbody>
</table>

* Denotes funds for which the contribution was not permanently restricted by the donor.
## Schedule 1

### Endowment, Trust, and Other Long–term Investments Pool

**Description of Funds for the Year Ended December 31, 2013**

<table>
<thead>
<tr>
<th>Description of Funds for the Year Ended December 31, 2013</th>
<th>Capital Contribution (Column 1 of Schedule 1–A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woods Hole Endowment — Contributions from the Brown Foundation and various individuals for maintenance of the Woods Hole Study Center.</td>
<td>971,400</td>
</tr>
<tr>
<td>Woods Hole Fund — Contributions from various individuals for maintenance of the Woods Hole Study Center.</td>
<td>12,874</td>
</tr>
<tr>
<td><strong>Subtotal — Woods Hole</strong></td>
<td><strong>$3,639,274</strong></td>
</tr>
</tbody>
</table>

### C. Presidents' Committee Funds — Each of the following funds supports NRC programmatic efforts in areas related to the purpose specified by the fund’s donor(s) awarded by a committee consisting of the NAS, NAE, and IOM Presidents.

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

* Denotes funds for which the contribution was not permanently restricted by the donor
### Schedule 1

**Endowment, Trust, and Other Long-term Investments Pool**

**Description of Funds for the Year Ended December 31, 2013**

<table>
<thead>
<tr>
<th>Scientists and Engineers for the Future Fund — Contribution from an individual who wishes to remain anonymous. The income from this fund is used to support educational projects focused on maintaining the health of American science and technology by ensuring an adequate supply of well-prepared American scientists and engineers for the future.</th>
<th>$1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subtotal — Presidents' Committee Funds</strong></td>
<td>$50,325,244</td>
</tr>
</tbody>
</table>

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

| **Arnold and Mabel Beckman Fund of the National Academies of Sciences and Engineering** * — A fully expendable fund designated for support of programs at the Beckman Center. The fund was established to receive contributions of unexpended income from the TNAC operations endowment as well as earnings from the TNAC program endowment. | $13,479,201 |
| **Seymour Benzer Lecture Series** — Contribution from Sydney Brenner to establish a free lecture series to increase public understanding of science, engineering, technology and health. | $120,000 |
| **Billings Fund** — Bequest of Mary Ann Palmer Draper (Mrs. Henry Draper) to support publication of the *Proceedings of the National Academy of Sciences* or for other purposes to be determined by the Academy. | $50,102 |
| **Blakeslee Fund** — Bequest of Albert Francis Blakeslee, the income from which is to be used in support of genetics research. | $886,902 |
| **Henry G. Booker Fellowship Fund** — Contributions from various individuals to provide a travel grant to one young American radio scientist to attend each International Union of Radio Science Assembly as a Henry G. Booker Fellow. | $20,826 |
| **Cultural Programs of the National Academy of Sciences Fund** — Contributions from various sources for sponsoring free cultural programs of merit for local residents and for providing a platform for musicians and artists. | $29,034 |
| **Henry and Bryna David Endowment** — A bequest of Henry and Bryna David for the establishment and funding of the Henry and Bryna David Endowment to support the communication of insights and discoveries from the social and behavioral sciences to policy makers and other decision makers to promote informed public policy and staff development through various Academy activities. | $850,000 |
| **Global Commons Project Fund** | $39,058 |
| **Frederic L. Hoch Fund** — Bequest of Frederic L. Hoch to establish the Martha Ludwig Hoch Fellowship Fund to provide grants to women studying in the sciences. | $50,000 |
| **Marian Koshland Science Museum Fund** * — Contributions from Dr. Daniel E. Koshland, Jr. and the Koshland Foundation to fund the operation and activities of the museum for the purpose of extending the resources of the National Academies and increasing public understanding of the nature and value of science. Dr. Koshland’s original commitment of $30 million was completed in 2004. The gift was used to fund the museum’s opening in April 2004 and ongoing operations until November 2004, when the remainder was invested in the Endowment, Trust, and Other Long-term Investments Pool. | $22,788,243 |
| **Bruce Alberts Fund of the Marian Koshland Science Museum** * — Contributions from Dr. Daniel E. Koshland, Jr. and the Koshland Foundation to support the travelling costs of the museum's exhibits, to fund new exhibits to replace traveling exhibits, and to extend the museum's outreach to school districts. | $5,134,871 |
| **Christine Mirzayan Fellowship** — A program designed to engage graduate students in various fields in the analysis and creation of science and technology policy. | $5,760 |
| **National Science Resources Center Fund** * — Funded by royalty revenues from elementary and middle school science kits developed by the National Science Resources Center (NSRC). Funds will be used to provide core support of NSRC programs to enhance and improve the learning and teaching of science in domestic and international schools. | $4,986,473 |

* Denotes funds for which the contribution was not permanently restricted by the donor.
Endowment, Trust, and Other Long–term Investments Pool
Description of Funds for the Year Ended December 31, 2013

<table>
<thead>
<tr>
<th>Description of Funds for the Year Ended December 31, 2013</th>
<th>Capital Contribution (Column 1 of Schedule 1–A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Canaan Library Fund — Contribution from the Board of the New Canaan Library to permanently maintain a current National Academies book collection in honor of Dr. H.R. Shepherd at their library.</td>
<td>$4,000</td>
</tr>
<tr>
<td>Kumar and Shela Patel Endowment for US–India Dialogs — To support US-India scientific and technical communication and dialog through various Academy activities.</td>
<td>$610,500</td>
</tr>
<tr>
<td>Arthur M. Sackler Colloquia of the National Academy of Sciences Fund — A gift from Mrs. Arthur M. Sackler to endow a series of scientific symposia that promote interaction among world–class researchers in rapidly advancing scientific fields.</td>
<td>$4,375,000</td>
</tr>
<tr>
<td>The Raymond and Beverly Sackler USA–UK Scientific Forum Endowment — Contribution from the Raymond and Beverly Sackler Foundation to endow a bilateral scientific forum. The primary purpose of this Forum is to forge a partnership between the scientific leadership of the United Kingdom and the United States through conferences and meetings on topics of immediate and future scientific concern.</td>
<td>$2,025,108</td>
</tr>
<tr>
<td>Raymond &amp; Beverly Sackler Fund — Contribution from Raymond and Beverly Sackler to provide support for studies and projects in the areas of basic biology and of biomedical science – including the convergence of biology, physics, mathematics, and engineering sciences – in addressing problems in biomedical science and human health.</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>NAS Members Endowment(s) — Additional member contributions that have been designated for special purposes, such as the Board on Chemical Sciences Fund and the Section 14 Chemistry Discretionary Fund.</td>
<td>$58,941</td>
</tr>
<tr>
<td>U.S. National Committee for the International Astronomical Union (USNC/IAU) Fund * — Contributions from USNC/IAU to provide funds in support of participation by U.S. astronomers in the activities of the International Astronomical Union Triennial General Assemblies.</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

Subtotal – Program Specific Funds

$57,614,019

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

<table>
<thead>
<tr>
<th>Description of Funds for the Year Ended December 31, 2013</th>
<th>Capital Contribution (Column 1 of Schedule 1–A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Psychological Association (APA) Science Directorate Fund — A gift from the APA to conduct activities that will help inform the public of the knowledge base, value, and importance of behavioral science research.</td>
<td>$30,000</td>
</tr>
<tr>
<td>Henryk Arctowski Fund — Bequest of Jane Arctowski in memory of her husband Henryk Arctowski, for the promotion and study of solar activity changes of short or long duration and their effects upon the ionosphere and terrestrial atmosphere.</td>
<td>$95,736</td>
</tr>
<tr>
<td>Richard C. Atkinson Fund — Gift of Richard C. Atkinson (NAS) to establish the National Academy of Sciences Prize in Psychological and Cognitive Sciences to be awarded for significant advances in the psychological and cognitive sciences with important implications for formal and systematic theory in these fields.</td>
<td>$3,151,479</td>
</tr>
<tr>
<td>Bache Fund — Bequest of Alexander Dallas Bache, a member of the Academy, to aid research in the physical and natural sciences.</td>
<td>$60,000</td>
</tr>
<tr>
<td>Blaauw Fund — Bequest of Marianne Blaauw to establish the Edmond and Marianne Blaauw Fund to support research in the field of ophthalmology.</td>
<td>$71,299</td>
</tr>
<tr>
<td>John J. Carty Fund — Gift of the American Telephone and Telegraph Company in recognition of the distinguished achievements of John J. Carty and as a lasting testimonial of the love and esteem in which he was held by his many thousands of associates in the Bell System, for a gold medal and award for noteworthy and distinguished accomplishments in any field of science.</td>
<td>$25,000</td>
</tr>
<tr>
<td>Comstock Fund — Gift of General Cyrus B. Comstock, a member of the Academy, to promote research in electricity, magnetism, or radiant energy through the Comstock Prize to be awarded for notable investigations.</td>
<td>$10,400</td>
</tr>
</tbody>
</table>

* Denotes funds for which the contribution was not permanently restricted by the donor.
# Endowment, Trust, and Other Long–term Investments Pool

## Description of Funds for the Year Ended December 31, 2013

<table>
<thead>
<tr>
<th>Description of Funds for the Year Ended December 31, 2013</th>
<th>Capital Contribution (Column 1 of Schedule 1–A)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Draper Fund</strong> — Gift of Mrs. Henry Draper in memory of her husband, a former member of the Academy, to found the Henry Draper Medal to be awarded for notable investigations in astronomical physics; the balance of income is applied to aid research in this science.</td>
<td>6,000</td>
</tr>
<tr>
<td><strong>Elliot Fund</strong> — Gift of Margaret Henderson Elliot to found the Daniel Giraud Elliot Gold Medal and Honorarium for the most meritorious work on zoology and paleontology published in each year.</td>
<td>8,000</td>
</tr>
<tr>
<td><strong>Estes Award in Social and Behavioral Sciences</strong> — A gift from William K. and Katherine W. Estes to be used initially for an award relating to contributions to the prevention of nuclear war. After several awards are given for this purpose, the remaining money will be set aside for use by the Division of Behavioral and Social Sciences and Education.</td>
<td>79,849</td>
</tr>
<tr>
<td><strong>Gibbs Brothers Fund</strong> — Gift of William Francis Gibbs and Frederic H. Gibbs to found the Gibbs Brothers Medal for outstanding contributions in the field of naval architecture and marine engineering.</td>
<td>24,000</td>
</tr>
<tr>
<td><strong>Gibbs Fund</strong> — Established by gift of Wolcott Gibbs, a member of the Academy, and increased by a bequest of the late Morris Loeb in 1914 for the promotion of research in chemistry.</td>
<td>5,274</td>
</tr>
<tr>
<td><strong>Ralph E. Gomory Award for the Application of Science</strong> — A grant from the International Business Machines Corporation for an award to be given in honor of Ralph Gomory.</td>
<td>179,046</td>
</tr>
<tr>
<td><strong>Gould Fund</strong> — Gift of Mrs. Alice Bache Gould in memory of her father, former member of the Academy, for the promotion of research in astronomy, bequest of $20,000 from the estate of Alice Bache Gould received in 1954, and bequest of $10,000 from the estate of Elizabeth Chandler Hockley received in 1979.</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Joseph Henry Fund</strong> — Contributions by Fairman Rogers, Joseph Patterson, George W. Childs, and others as an expression of their respect and esteem for Joseph Henry, for the establishment of a fund to assist meritorious investigators, especially in the direction of original research.</td>
<td>39,740</td>
</tr>
<tr>
<td><strong>Alexander Hollaender Award in Biophysics</strong> — A bequest of Alexander Hollaender, the income from which is to be used to provide a prize to an outstanding biophysicist. The prize is to be given at the Annual Meeting of the Academy, with selection of the recipient at the Academy's discretion.</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Hunsaker Fund</strong> — Gift of Mr. and Mrs. J. C. Hunsaker to found an Academy award in the field of aeronautical engineering.</td>
<td>24,750</td>
</tr>
<tr>
<td><strong>Franklin Livingston Hunt Fund</strong> — Bequest of Franklin Livingston Hunt to aid research in physics, chemistry, and preventive medicine. A portion of the income may also be used from time to time to provide a medal to be known as the Franklin Livingston Hunt Medal for distinguished accomplishment in scientific research.</td>
<td>10,465</td>
</tr>
<tr>
<td><strong>Kovalenko Fund</strong> — Gift of Michael S. Kovalenko, in memory of his wife, to found the Jessie Stevenson Kovalenko Gold Medal for meritorious research in medical sciences.</td>
<td>65,760</td>
</tr>
<tr>
<td><strong>Marsh Fund</strong> — Bequest of Othniel Charles Marsh, a member of the Academy, to promote original research in the natural sciences.</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>George P. Merrill Fund</strong> — Gift of Mrs. George P. Merrill, the income from which is to be used for studies of meteors, meteorites, and space.</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Stanley Miller Award</strong> * — Bequest of Stanley L. Miller, member of the Academy, to establish a medal to be awarded to a recipient selected by the Academy for work or contributions to early earth studies. The National Academy of Sciences Award in Early Earth and Life Sciences will rotate presentations of the Stanley Miller Medal for research on early earth sciences and the Charles Doolittle Walcott Medal for research on Cambrian or pre-Cambrian life and its history.</td>
<td>204,554</td>
</tr>
<tr>
<td><strong>Monsanto Award in Molecular Biology</strong> — A grant from the Monsanto Company for an award to be given in recognition of contributions in the field of molecular biology.</td>
<td>421,374</td>
</tr>
<tr>
<td><strong>Murray Fund</strong> — Gift of the late Sir John Murray to found the Alexander Agassiz Gold Medal in honor of a former member and president of the Academy, to be awarded for original contributions to the science of oceanography.</td>
<td>6,000</td>
</tr>
</tbody>
</table>

* Denotes funds for which the contribution was not permanently restricted by the donor
### Endowment, Trust, and Other Long–term Investments Pool
#### Description of Funds for the Year Ended December 31, 2013

<table>
<thead>
<tr>
<th>Description of Funds for the Year Ended December 31, 2013</th>
<th>Capital Contribution (Column 1 of Schedule 1–A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Academy of Sciences Award for Chemistry in Service to Society — Established by the E. I. DuPont de Nemours &amp; Company to recognize contributions to chemistry, whether in fundamental science or its applications, that clearly satisfy a societal need. Given in alternate years to chemists working in industry, academia, government, and nonprofit organizations.</td>
<td>181,838</td>
</tr>
<tr>
<td>National Academy of Sciences Award in Mathematics — Established by the American Mathematical Society for a prize to be awarded every four years in mathematics.</td>
<td>53,597</td>
</tr>
<tr>
<td>National Academy of Sciences Award in Chemical Sciences — An annual award currently sponsored and endowed by The Merck Company Foundation to recognize distinction in research and broad fundamental impact in pure chemistry. This award was originally established by the Occidental Petroleum Corporation in honor of Armand Hammer.</td>
<td>478,277</td>
</tr>
<tr>
<td>National Academy of Sciences Award in Neuroscience — Established by the Fidia Research Foundation for an award in neuroscience, to be given every three years.</td>
<td>140,206</td>
</tr>
<tr>
<td>National Academy of Sciences Award in Mathematics — Established by the American Mathematical Society for a prize to be awarded every four years in mathematics.</td>
<td>53,597</td>
</tr>
<tr>
<td>National Academy of Sciences Award in Chemical Sciences — An annual award currently sponsored and endowed by The Merck Company Foundation to recognize distinction in research and broad fundamental impact in pure chemistry. This award was originally established by the Occidental Petroleum Corporation in honor of Armand Hammer.</td>
<td>478,277</td>
</tr>
<tr>
<td>National Academy of Sciences Award in Neuroscience — Established by the Fidia Research Foundation for an award in neuroscience, to be given every three years.</td>
<td>140,206</td>
</tr>
<tr>
<td>Pradel Fund — A bequest of Jules Pradel to be applied to work on the human central nervous system and allied subjects.</td>
<td>16,392</td>
</tr>
<tr>
<td>H. P. Robertson Lectureship Fund — Contributions by friends of H. P. Robertson, foreign secretary of the Academy, to establish a lectureship under which distinguished scientists would be invited from anywhere in the world to present lectures to be known as the Robertson Memorial Lecture of the National Academy of Sciences.</td>
<td>20,325</td>
</tr>
<tr>
<td>Helen P. Smith Fund — A bequest of Helen P. Smith in memory of her husband, Gilbert Morgan Smith, to establish a triennial medal and honorarium to be conferred in recognition of published research in marine and freshwater algae.</td>
<td>67,107</td>
</tr>
<tr>
<td>Mrs. J. Lawrence Smith Fund — Gift of Mrs. J. Lawrence Smith in memory of her husband, a former member of the Academy, to found the J. Lawrence Smith Gold Medal to be awarded for important investigations of meteoric bodies and to assist, by grants of money, research concerning such objects.</td>
<td>8,000</td>
</tr>
<tr>
<td>Thompson Fund — Gift of Mrs. Mary Clark Thompson for a gold medal of appropriate design, to be known as the Mary Clark Thompson Gold Medal, to be awarded for important services to geology and paleontology.</td>
<td>10,000</td>
</tr>
<tr>
<td>Troland Fund — Bequest of Leonard T. Troland to be known as the Troland Foundation for Research in Psychophysics. The income is to be expended with a view to the actual advancement of scientific knowledge in the field of psychophysics.</td>
<td>505,359</td>
</tr>
<tr>
<td>Walcott Fund — Gift of Mrs. Mary Vaux Walcott in honor of her husband, a former member and president of the Academy, to establish a medal to be awarded to a recipient selected by the Academy for work or contributions to Cambrian or pre-Cambrian life and its history. The National Academy of Sciences Award in Early Earth and Life Sciences will rotate presentations of the Charles Doolittle Walcott Medal for research on Cambrian or pre–Cambrian life and its history and the Stanley Miller Medal for research on early earth sciences.</td>
<td>5,000</td>
</tr>
<tr>
<td>G. K. Warren Fund — Gift of Miss Emily B. Warren in memory of her father, a member of the Academy, the income from which is to be used for an award to be known as the G. K. Warren Prize in any field of science.</td>
<td>15,000</td>
</tr>
<tr>
<td>Watson Fund — Bequest of James Craig Watson, a member of the Academy, for the promotion of astronomical sciences through the award of the Watson Gold Medal and grants of money in aid of research.</td>
<td>25,000</td>
</tr>
</tbody>
</table>

Subtotal — Prizes and Awards $ 6,263,946

* Denotes funds for which the contribution was not permanently restricted by the donor
**Endowment, Trust, and Other Long–term Investments Pool**

**Description of Funds for the Year Ended December 31, 2013**

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

<table>
<thead>
<tr>
<th>Description of Funds for the Year Ended December 31, 2013</th>
<th>Capital Contribution (Column 1 of Schedule 1–A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment, Trust, and Other Long–term Investments Pool</td>
<td></td>
</tr>
<tr>
<td>F. Reserve Funds</td>
<td></td>
</tr>
<tr>
<td>National Academy of Sciences Reserve Fund *</td>
<td>$ 6,655,608</td>
</tr>
<tr>
<td>Proceedings of the National Academy of Sciences (PNAS) Fund *</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Transportation Research Board (TRB) Reserve Fund *</td>
<td></td>
</tr>
<tr>
<td>— Hold income in excess of expenditures for TRB core support activities in a fiscal year. This fund is used to cover temporary shortfalls and extraordinary one-time expenditures.</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Subtotal — Reserve Funds</td>
<td>$ 9,155,608</td>
</tr>
<tr>
<td>Subtotal — Funds that Support the NAS</td>
<td>$ 155,264,850</td>
</tr>
</tbody>
</table>

**II. Funds that Support the IOM**

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

<table>
<thead>
<tr>
<th>Description of Funds for the Year Ended December 31, 2013</th>
<th>Capital Contribution (Column 1 of Schedule 1–A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment, Trust, and Other Long–term Investments Pool</td>
<td></td>
</tr>
<tr>
<td>II. Funds that Support the IOM</td>
<td></td>
</tr>
<tr>
<td>A. General Funds</td>
<td></td>
</tr>
<tr>
<td>General Endowment Fund — Contributions from various sources, including members of the Institute of Medicine, for capital endowment of the Institute of Medicine.</td>
<td>$ 1,137,182</td>
</tr>
<tr>
<td>Robert Wood Johnson Foundation Fund — An endowment grant, the income from which is to be used for core support of the Institute of Medicine.</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Institute of Medicine Kellogg Fund * — A grant from the Kellogg Foundation to be used for the general purposes of the Institute of Medicine.</td>
<td>282,500</td>
</tr>
<tr>
<td>Institute of Medicine Members’ Dues *</td>
<td>197,500</td>
</tr>
<tr>
<td>Henry J. Kaiser Family Foundation Fund — Contribution to an endowment fund to support core activities of the Institute of Medicine. The grant indicates the Foundation’s view that the Institute of Medicine is of great importance to the development of sound social policy related to health. In 1989 this grant was amended by the Kaiser Family Foundation to provide for the transfer of $250,000 as a matching contribution to the endowment contribution to the Institute of Medicine’s Food and Nutrition Board.</td>
<td>488,485</td>
</tr>
<tr>
<td>John D. and Catherine T. MacArthur Foundation Fund — A grant to be used exclusively as an endowment to the Institute of Medicine, the income from which is restricted to the general purposes of the Institute.</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Pharmaceutical Discretionary Fund * — A grant from W. K. Kellogg to further the Institute of Medicine’s long-range program development.</td>
<td>480,000</td>
</tr>
<tr>
<td>Pharmaceutical Endowment Fund — Contributions of $250,000 over a period of five years from Glaxo, Inc., and $10,000 from Eli Lilly Company, the income from which is to be used for the general purposes of the Institute of Medicine.</td>
<td>259,448</td>
</tr>
<tr>
<td>Miscellaneous Private Sector Fund — Contributions from Kaiser Permanente to be used for core support requirements of the Institute of Medicine.</td>
<td>26,346</td>
</tr>
<tr>
<td>Subtotal — General Funds</td>
<td>$ 12,871,461</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description of Funds for the Year Ended December 31, 2013</th>
<th>Capital Contribution (Column 1 of Schedule 1–A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment, Trust, and Other Long–term Investments Pool</td>
<td></td>
</tr>
<tr>
<td>II. Funds that Support the IOM</td>
<td></td>
</tr>
<tr>
<td>B. Program Specific Funds — Each of the following funds supports a specific programmatic purpose as designated by the donor(s).</td>
<td></td>
</tr>
<tr>
<td>Distinguished Scholar Fund — Contributions from various IOM members to permit the selection of one or more persons of senior caliber to spend a period of time at the IOM in scholarly pursuits related to key program initiatives.</td>
<td>$ 16,550</td>
</tr>
</tbody>
</table>

* Denotes funds for which the contribution was not permanently restricted by the donor.
Endowment, Trust, and Other Long-term Investments Pool
Description of Funds for the Year Ended December 31, 2013

<table>
<thead>
<tr>
<th>Description of Funds for the Year Ended December 31, 2013</th>
<th>Capital Contribution (Column 1 of Schedule 1–A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Nutrition Board Corporations Fund — Contributions from Monsanto Company and Nestle, USA, Inc., to provide support for FNB activities.</td>
<td>125,000</td>
</tr>
<tr>
<td>Food and Nutrition Board Members Fund — Contributions from various members to be used for general purposes of the Food and Nutrition Board.</td>
<td>5,900</td>
</tr>
<tr>
<td>Norman F. Gant, M.D. and American Board of Obstetrics and Gynecology Fellowship Fund — A gift from the American Board of Obstetrics and Gynecology for an endowment to establish the Norman F. Gant, M.D. and American Board of Obstetrics and Gynecology Fellowship fund at the Institute of Medicine for an early career health scientist in the field of obstetrics and gynecology, as part of IOM’s Anniversary Fellows program.</td>
<td>650,500</td>
</tr>
<tr>
<td>David and Betty Hamburg Endowment Fund — Contributions from various individuals in support of communication/dissemination programs, collaborations among key public health stakeholders, and forward-looking studies. This fund honors former IOM president David Hamburg and his wife, colleague, and longtime NRC participant Beatrix Hamburg.</td>
<td>1,012,775</td>
</tr>
<tr>
<td>Howard Hughes Medical Institute Fund — Contribution for the exclusive use of the Institute of Medicine to initiate and maintain a program of studies whose purpose is to foster the translation of science into advances in health.</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Kellogg Health of the Public Fund — Contribution for the establishment of the Kellogg Health of the Public Fund, an endowment which shall be held and used by the National Academy of Sciences to advance the Institute of Medicine's capacity to contribute to the improvement of the health of America's communities.</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Kellogg Health of the Public Fund Matching Contributions — In response to the Kellogg challenge grant to match dollar for dollar up to $2.5 million to support communication and outreach activities now and for future projects.</td>
<td>2,572,544</td>
</tr>
<tr>
<td>Omenn Fellowship Fund — A gift from Gilbert S. Omenn and Martha Darling created the Gilbert S. Omenn Anniversary Fellow. The purpose of the Gilbert S. Omenn Fellowship at the IOM is to enable early-career scholars combining biomedical science and population health to participate actively in the IOM study process, promoting the linkage of public health and medicine — both scientifically and through practice and policy.</td>
<td>752,805</td>
</tr>
<tr>
<td>Pharmacy Fellowship Fund — The American Association of Colleges of Pharmacy and the American College of Clinical Pharmacy established the Pharmacy Fellowship Fund to be a part of the IOM anniversary Fellows program providing early career health science scholars from the field of study in the pharmaceutical and clinical sciences to participate in the IOM study process.</td>
<td>400,000</td>
</tr>
<tr>
<td>James C. Puffer / ABFM Fund — Gift from the American Board of Family Medicine to establish a 2-year fellowship enabling early career health policy or health science scholars in family medicine to participate actively and further their careers as future leaders in the field.</td>
<td>826,000</td>
</tr>
<tr>
<td>Richard and Hinda Rosenthal Lecture Series — Through the generosity of the Richard and Hinda Rosenthal Foundation, a lecture series was established in 1988. In 2000, the Richard and Hinda Rosenthal Lecture Series was endowed at the Institute of Medicine of the National Academy of Sciences to bring greater attention to some of the critical health policy issues facing the country.</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Leonard D. Schaeffer Fund — Gift from Leonard D. Schaeffer to establish an endowed position in the Executive Office of the Institute of Medicine</td>
<td>2,020,684</td>
</tr>
<tr>
<td>Women’s Health Issues Fund — Contribution from Syntex (U.S.A.), Inc., to be used for purposes related to women’s health issues.</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Subtotal — Program Specific Funds</strong></td>
<td>$19,928,108</td>
</tr>
</tbody>
</table>

* Denotes funds for which the contribution was not permanently restricted by the donor.
Endowment, Trust, and Other Long–term Investments Pool
Description of Funds for the Year Ended December 31, 2013

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

Gustav O. Lienhard Award — Initially established by an annual grant award in 1986, the Robert Wood Johnson Foundation in 1991 approved a grant for endowment of the Gustav O. Lienhard Award to be given annually in recognition of an outstanding contribution to the advancement of health care.

$1,200,000

Rhoda and Bernard G. Sarnat International Prize in Mental Health — A grant from Rhoda and Bernard G. Sarnat for the purpose of honoring an individual, group, or organization for distinguished accomplishments in the field of mental health.

1,009,179

Sandra H. Matthews Cecil Award * — Recognizes a current or former administrative support staff member who has made a significant and sustained contribution to developing and maintaining efficient, effective, and service oriented support for the membership or program activities.

153,150

Subtotal — Prizes and Awards

2,362,329

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

IOM Reserve Fund * — Unexpended balance earned on endowment based on IOM Council spending plan. The IOM reserve permits the effective management of unanticipated financial emergencies.

500,000

Subtotal — Reserve Funds

500,000

III. FUNDS HELD ON BEHALF OF OTHERS

A. The National Academies' Corporation (TNAC)

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

8,000,000

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

1,939,644

Subtotal — The National Academies' Corporation

9,939,644

TOTAL

200,866,392

* Denotes funds for which the contribution was not permanently restricted by the donor
## SCHEDULE 1-A

### Endowment, Trust, and Other Long-term Investments Pool

#### Financial Detail of Funds for the Year Ended December 31, 2013

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Funds that Support the NAS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A. General Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agassiz Fund</td>
<td>$ 50</td>
<td>$ 504</td>
<td>-</td>
<td>$ 62</td>
<td>$ (21)</td>
</tr>
<tr>
<td>Carnegie Fund</td>
<td>3,275</td>
<td>34,840</td>
<td>-</td>
<td>4,258</td>
<td>(1,423)</td>
</tr>
<tr>
<td>Commonwealth Fund</td>
<td>500</td>
<td>2,262</td>
<td>-</td>
<td>276</td>
<td>(92)</td>
</tr>
<tr>
<td>Carl Eckart Fund *</td>
<td>1,246</td>
<td>2,302</td>
<td>-</td>
<td>281</td>
<td>(94)</td>
</tr>
<tr>
<td>Ford Foundation Fund</td>
<td>5,000</td>
<td>22,237</td>
<td>-</td>
<td>2,718</td>
<td>(908)</td>
</tr>
<tr>
<td>Henrietta and Alexander Hollaender Fund *</td>
<td>500</td>
<td>994</td>
<td>-</td>
<td>121</td>
<td>(41)</td>
</tr>
<tr>
<td>Grayce B. Kerr Fund</td>
<td>250</td>
<td>494</td>
<td>-</td>
<td>63</td>
<td>(20)</td>
</tr>
<tr>
<td>Nealley Fund</td>
<td>20</td>
<td>200</td>
<td>-</td>
<td>24</td>
<td>(8)</td>
</tr>
<tr>
<td>Simon Ramo Fund</td>
<td>14</td>
<td>33</td>
<td>-</td>
<td>4</td>
<td>(1)</td>
</tr>
<tr>
<td>Rockefeller Foundation Fund *</td>
<td>1,000</td>
<td>4,509</td>
<td>-</td>
<td>551</td>
<td>(184)</td>
</tr>
<tr>
<td>Dorothy and Herbert Simon Fund</td>
<td>899</td>
<td>1,307</td>
<td>-</td>
<td>160</td>
<td>(45)</td>
</tr>
<tr>
<td>Sloan Foundation Fund *</td>
<td>1,000</td>
<td>4,494</td>
<td>-</td>
<td>549</td>
<td>(184)</td>
</tr>
<tr>
<td>Amy Prudden Turner Fund *</td>
<td>30</td>
<td>114</td>
<td>-</td>
<td>14</td>
<td>(5)</td>
</tr>
<tr>
<td>Anonymous Endowment Fund</td>
<td>7,147</td>
<td>14,448</td>
<td>-</td>
<td>1,766</td>
<td>(590)</td>
</tr>
<tr>
<td>General Endowment Fund *</td>
<td>4,034</td>
<td>8,984</td>
<td>63</td>
<td>1,107</td>
<td>(349)</td>
</tr>
<tr>
<td>General Endowment Fund</td>
<td>454</td>
<td>513</td>
<td>-</td>
<td>63</td>
<td>(21)</td>
</tr>
<tr>
<td>Members Endowment Fund</td>
<td>2,848</td>
<td>5,059</td>
<td>-</td>
<td>615</td>
<td>(226)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 28,267</td>
<td>$ 103,294</td>
<td>63</td>
<td>$ 12,632</td>
<td>$ (4,212)</td>
</tr>
</tbody>
</table>

| **B. Woods Hole**                       |                             |                   |                     |                             |                             |
| Peter C. Cornell Trust Fund *           | $ 100                       | $ 238             | -                   | $ 29                        | (10)                        | $ 257                       |
| J. Erik Jonsson Woods Hole Fund         | 2,003                       | 4,123             | -                   | 504                         | (169)                       | 4,458                       |
| Richard King Mellon Foundation Fund     | 50                          | 174               | -                   | 21                          | (7)                         | 188                         |
| Penzance Foundation Fund                | 502                         | 1,036             | -                   | 127                         | (42)                        | 1,121                       |
| Woods Hole Endowment Fund               | 971                         | 1,192             | -                   | 146                         | (49)                        | 1,289                       |
| Woods Hole Fund                         | 13                          | 37                | -                   | 4                           | (2)                         | 39                          |
| **Total**                                | $ 3,639                     | $ 6,800           | -                   | $ 831                       | (279)                       | $ 7,352                     |

| **C. Presidents' Committee Funds**      |                             |                   |                     |                             |                             |
| Basic Science Fund - Earth Sciences     | $ 503                       | $ 1,475           | -                   | $ 179                       | (63)                        | $ 1,591                     |
| Biology and Biotechnology Fund          | 420                         | 907               | -                   | 106                         | (105)                       | 908                         |
| Thomas Lincoln Casey Fund               | 258                         | 5,783             | -                   | 706                         | (285)                       | 6,204                       |
| Coca-Cola Foundation Fund               | 50                          | 74                | -                   | 9                           | (4)                         | 79                          |
| Arthur L. Day Fund                      | 5,048                       | 17,640            | -                   | 2,168                       | (723)                       | 19,085                      |
| Cecil and Ida Green Fund                | 467                         | 1,514             | -                   | 186                         | (39)                        | 1,661                       |
| W. K. Kellogg Foundation Fund           | 20,000                      | 41,482            | -                   | 5,109                       | (1,528)                     | 45,063                      |
| Kobelt Fund *                           | 297                         | 1,995             | -                   | 225                         | (123)                       | 2,097                       |
| Andrew W. Mellon Foundation Fund        | 1,000                       | 1,449             | -                   | 180                         | (20)                        | 1,669                       |
| George and Cynthia Mitchell Endowment for Sustainability Sciences | 20,000 | 24,320 | - | 3,006 | (795) | 26,531 |
| George and Cynthia Mitchell Matching Endowment * | 115 | 151 | - | 19 | - | 170 |
| Frank Press Fund for Dissemination and Outreach | 1,167 | 2,101 | - | 260 | (104) | 2,257 |
| Scientists and Engineers for the Future Fund | 1,000 | 1,574 | - | 191 | (25) | 1,740 |
| **Total**                                | $ 50,325                    | $ 100,465         | -                   | $ 12,344                    | $ (3,814)                   | $ 108,995                   |

* Denotes funds for which the contribution was not permanently restricted by the donor
## Endowment, Trust, and Other Long-term Investments Pool

### Financial Detail of Funds for the Year Ended December 31, 2013

|------------------------|------------------------------------------|-----------------------------|---------------------|----------------------|-----------------------------|-----------------------------|

### D. Program Specific Funds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arnold and Mabel Beckman Fund</td>
<td>$13,479 $</td>
<td>$12 $</td>
<td>$1,500 $</td>
<td>$86 $</td>
<td>$(574) $</td>
<td>$1,024 $</td>
</tr>
<tr>
<td>of the NAS and NAE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seymour Benzer Lecture Series</td>
<td>120</td>
<td>137</td>
<td>-</td>
<td>18 $</td>
<td>-</td>
<td>155</td>
</tr>
<tr>
<td>Billings Fund</td>
<td>50</td>
<td>1,002</td>
<td>-</td>
<td>125 $</td>
<td>(1)</td>
<td>1,126</td>
</tr>
<tr>
<td>Blakeslee Fund</td>
<td>887</td>
<td>2,271</td>
<td>-</td>
<td>276 $</td>
<td>(93)</td>
<td>2,454</td>
</tr>
<tr>
<td>Henry G. Booker Fellowship Fund</td>
<td>21</td>
<td>62</td>
<td>-</td>
<td>8 $</td>
<td>-</td>
<td>70</td>
</tr>
<tr>
<td>Communications Initiative Fund *</td>
<td>-</td>
<td>3,212</td>
<td>-</td>
<td>392 $</td>
<td>(131)</td>
<td>3,473</td>
</tr>
<tr>
<td>Cultural Programs of the NAS Fund</td>
<td>29</td>
<td>46</td>
<td>1</td>
<td>6 $</td>
<td>-</td>
<td>53</td>
</tr>
<tr>
<td>Henry and Bryna David Endowment</td>
<td>850</td>
<td>1,401</td>
<td>-</td>
<td>167 $</td>
<td>(130)</td>
<td>1,438</td>
</tr>
<tr>
<td>Global Commons Project Fund</td>
<td>39</td>
<td>182</td>
<td>-</td>
<td>23 $</td>
<td>(1)</td>
<td>204</td>
</tr>
<tr>
<td>Hoch Fellowship Fund</td>
<td>50</td>
<td>51</td>
<td>-</td>
<td>6 $</td>
<td>-</td>
<td>57</td>
</tr>
<tr>
<td>Marian Koshland Science Museum Fund</td>
<td>22,788</td>
<td>18,730</td>
<td>2</td>
<td>2,267 $(1,318)</td>
<td>19,681</td>
<td></td>
</tr>
<tr>
<td>Bruce Alberts Fund for the Marian Koshland Science Museum *</td>
<td>5,135</td>
<td>6,897</td>
<td>-</td>
<td>862 $(10)</td>
<td>7,749</td>
<td></td>
</tr>
<tr>
<td>Christine Mirzayan Fellowship Endowment</td>
<td>6</td>
<td>8</td>
<td>-</td>
<td>1 $</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>National Science Resources Center Fund *</td>
<td>4,986</td>
<td>6,089</td>
<td>-</td>
<td>750 $(816)</td>
<td>6,023</td>
<td></td>
</tr>
<tr>
<td>New Canaan Library Fund</td>
<td>4</td>
<td>12</td>
<td>-</td>
<td>1 $</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td>Kumar and Shela Patel Endowment for US-India Dialogs</td>
<td>611</td>
<td>826</td>
<td>6</td>
<td>103 $(13)</td>
<td>922</td>
<td></td>
</tr>
<tr>
<td>Arthur M. Sackler Colloquia Fund</td>
<td>4,375</td>
<td>5,699</td>
<td>-</td>
<td>701 $(309)</td>
<td>6,091</td>
<td></td>
</tr>
<tr>
<td>Raymond &amp; Beverly Sackler USA-UK Scientific Forum Endowment</td>
<td>2,025</td>
<td>2,168</td>
<td>-</td>
<td>271 $(3)</td>
<td>2,436</td>
<td></td>
</tr>
<tr>
<td>Raymond &amp; Beverly Sackler Fund</td>
<td>2,000</td>
<td>2,352</td>
<td>-</td>
<td>294 $(3)</td>
<td>2,643</td>
<td></td>
</tr>
<tr>
<td>NAS Members Endowment(s)</td>
<td>59</td>
<td>313</td>
<td>-</td>
<td>39 $(1)</td>
<td>351</td>
<td></td>
</tr>
<tr>
<td>USNC/IAU *</td>
<td>100</td>
<td>178</td>
<td>2</td>
<td>23 $</td>
<td>-</td>
<td>201</td>
</tr>
</tbody>
</table>

### E. Prizes and Awards

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>American Psychological Association</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Science Directorate Fund</td>
<td>$30</td>
<td>$75</td>
<td>-</td>
<td>9 $</td>
<td>$(3)</td>
<td>81</td>
</tr>
<tr>
<td>Henryk Arctowski Fund</td>
<td>96</td>
<td>3,532</td>
<td>-</td>
<td>436 $(94)</td>
<td>3,874</td>
<td></td>
</tr>
<tr>
<td>Richard C. Atkinson Fund</td>
<td>3,151</td>
<td>983</td>
<td>2,630 $</td>
<td>348 $</td>
<td>-</td>
<td>3,961</td>
</tr>
<tr>
<td>Bache Fund</td>
<td>60</td>
<td>385</td>
<td>-</td>
<td>46 $(30)</td>
<td>401</td>
<td></td>
</tr>
<tr>
<td>Blauuw Fund</td>
<td>71</td>
<td>837</td>
<td>-</td>
<td>101 $(62)</td>
<td>876</td>
<td></td>
</tr>
<tr>
<td>John J. Carty Fund</td>
<td>25</td>
<td>708</td>
<td>-</td>
<td>88 $(4)</td>
<td>792</td>
<td></td>
</tr>
<tr>
<td>Comstock Fund</td>
<td>10</td>
<td>863</td>
<td>-</td>
<td>108 $(2)</td>
<td>969</td>
<td></td>
</tr>
<tr>
<td>Draper Fund</td>
<td>6</td>
<td>346</td>
<td>-</td>
<td>42 $(22)</td>
<td>366</td>
<td></td>
</tr>
<tr>
<td>Elliot Fund</td>
<td>8</td>
<td>163</td>
<td>-</td>
<td>20 $(1)</td>
<td>182</td>
<td></td>
</tr>
<tr>
<td>Estes Award in Social and Behavioral Sciences</td>
<td>80</td>
<td>225</td>
<td>-</td>
<td>28 $(1)</td>
<td>252</td>
<td></td>
</tr>
<tr>
<td>Gibbs Brothers Fund</td>
<td>24</td>
<td>218</td>
<td>-</td>
<td>27 $(1)</td>
<td>244</td>
<td></td>
</tr>
<tr>
<td>Gibbs Fund</td>
<td>5</td>
<td>156</td>
<td>-</td>
<td>19 $(11)</td>
<td>164</td>
<td></td>
</tr>
<tr>
<td>Ralph E. Gomory Award for the Application of Science</td>
<td>179</td>
<td>522</td>
<td>-</td>
<td>65 $(3)</td>
<td>584</td>
<td></td>
</tr>
<tr>
<td>Gould Fund</td>
<td>50</td>
<td>692</td>
<td>-</td>
<td>83 $(52)</td>
<td>723</td>
<td></td>
</tr>
<tr>
<td>Joseph Henry Fund</td>
<td>40</td>
<td>450</td>
<td>-</td>
<td>54 $(34)</td>
<td>470</td>
<td></td>
</tr>
<tr>
<td>Alexander Hollaender Award in Biophysics</td>
<td>100</td>
<td>317</td>
<td>-</td>
<td>38 $(25)</td>
<td>330</td>
<td></td>
</tr>
<tr>
<td>Hunsaker Fund</td>
<td>25</td>
<td>448</td>
<td>-</td>
<td>56 $(1)</td>
<td>503</td>
<td></td>
</tr>
<tr>
<td>Franklin Livingston Hunt Fund</td>
<td>10</td>
<td>262</td>
<td>-</td>
<td>33 $</td>
<td>-</td>
<td>295</td>
</tr>
</tbody>
</table>

* Denotes funds for which the contribution was not permanently restricted by the donor
## Endowment, Trust, and Other Long-term Investments Pool

### Financial Detail of Funds for the Year Ended December 31, 2013

(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Kovalenko Fund</td>
<td>$66</td>
<td>$1,516</td>
<td>$1</td>
<td>$188</td>
<td>$(34)</td>
<td>$1,671</td>
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<tr>
<td>Marsh Fund</td>
<td>10</td>
<td>197</td>
<td>-</td>
<td>24</td>
<td>(15)</td>
<td>206</td>
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<tr>
<td>George P. Merrill Fund</td>
<td>10</td>
<td>646</td>
<td>-</td>
<td>78</td>
<td>(48)</td>
<td>676</td>
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<tr>
<td>Stanley Miller Award *</td>
<td>205</td>
<td>220</td>
<td>-</td>
<td>28</td>
<td>(1)</td>
<td>247</td>
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<tr>
<td>Monsanto Award in Molecular Biology</td>
<td>421</td>
<td>1,065</td>
<td>-</td>
<td>131</td>
<td>(35)</td>
<td>1,161</td>
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<tr>
<td>Murray Fund</td>
<td>6</td>
<td>164</td>
<td>-</td>
<td>19</td>
<td>(20)</td>
<td>163</td>
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<tr>
<td>NAS Award for Chemistry in Service to Society</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>NAS Award in Mathematics</td>
<td>54</td>
<td>54</td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>61</td>
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<tr>
<td>NAS Award in Chemical Sciences</td>
<td>478</td>
<td>554</td>
<td>31</td>
<td>68</td>
<td>(24)</td>
<td>629</td>
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<tr>
<td>NAS Award in Neuroscience</td>
<td>140</td>
<td>510</td>
<td></td>
<td>62</td>
<td>(30)</td>
<td>542</td>
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<tr>
<td>NAS Fund for Sciences and Technology in International Affairs</td>
<td>49</td>
<td>256</td>
<td>-</td>
<td>32</td>
<td>-</td>
<td>288</td>
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<td>Pradel Fund</td>
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<td>1,878</td>
<td>-</td>
<td>227</td>
<td>(115)</td>
<td>1,990</td>
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<tr>
<td>H. P. Robertson Lectureship Fund</td>
<td>20</td>
<td>326</td>
<td>-</td>
<td>41</td>
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<td>366</td>
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<td>Helen P. Smith Fund</td>
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<td>646</td>
<td>-</td>
<td>81</td>
<td>(1)</td>
<td>726</td>
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<td>Mrs. J. Lawrence Smith Fund</td>
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<td>706</td>
<td>-</td>
<td>88</td>
<td>(1)</td>
<td>793</td>
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<td>Thompson Fund</td>
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<td>219</td>
<td>-</td>
<td>28</td>
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<td>Troland Fund</td>
<td>506</td>
<td>4,387</td>
<td>-</td>
<td>542</td>
<td>(121)</td>
<td>4,808</td>
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<td>Walcott Fund</td>
<td>5</td>
<td>79</td>
<td>-</td>
<td>9</td>
<td>(18)</td>
<td>70</td>
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<td>G. K. Warren Fund</td>
<td>15</td>
<td>189</td>
<td>-</td>
<td>24</td>
<td>(2)</td>
<td>211</td>
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<tr>
<td>Watson Fund</td>
<td>25</td>
<td>1,421</td>
<td>-</td>
<td>178</td>
<td>(4)</td>
<td>1,595</td>
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**Total:** $6,263 $26,573 $2,662 $3,499 $(845) $31,889

### F. Reserve Funds

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<tr>
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<tbody>
<tr>
<td>National Academy of Sciences Reserve Fund *</td>
<td>$6,656</td>
<td>$5,037</td>
<td>-</td>
<td>$577</td>
<td>$(548)</td>
<td>$5,066</td>
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<tr>
<td>Proceedings of the National Academy of Sciences Fund *</td>
<td>1,000</td>
<td>1,228</td>
<td>-</td>
<td>154</td>
<td>(1)</td>
<td>1,381</td>
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<tr>
<td>Transportation Research Board Reserve Fund *</td>
<td>1,500</td>
<td>2,500</td>
<td>-</td>
<td>313</td>
<td>(4)</td>
<td>2,809</td>
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<tr>
<td>Due to (from) National Academy of Sciences *</td>
<td>-</td>
<td>-</td>
<td>(252)</td>
<td>(9)</td>
<td>-</td>
<td>(261)</td>
</tr>
</tbody>
</table>

**Total:** $9,156 $8,765 $(252) $1,035 $(553) $8,995

Subtotal — Funds that Support the NAS: $155,264 $297,545 $3,982 $36,760 $(13,106) $325,181

### II. Funds that Support the IOM

#### A. General Funds

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>General Endowment Fund</td>
<td>$1,137</td>
<td>$1,814</td>
<td>-</td>
<td>$224</td>
<td>$(33)</td>
<td>$2,005</td>
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<tr>
<td>Robert Wood Johnson Foundation Fund</td>
<td>5,000</td>
<td>10,453</td>
<td>-</td>
<td>1,294</td>
<td>(194)</td>
<td>11,553</td>
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<tr>
<td>IOM Kellogg Fund *</td>
<td>283</td>
<td>572</td>
<td>-</td>
<td>71</td>
<td>(11)</td>
<td>632</td>
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<tr>
<td>IOM Members Dues *</td>
<td>198</td>
<td>385</td>
<td>-</td>
<td>48</td>
<td>(8)</td>
<td>425</td>
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<tr>
<td>Henry J. Kaiser Family Foundation Fund</td>
<td>488</td>
<td>816</td>
<td>-</td>
<td>101</td>
<td>(15)</td>
<td>902</td>
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<tr>
<td>John D. and Catherine T. MacArthur Foundation Fund</td>
<td>5,000</td>
<td>10,364</td>
<td>-</td>
<td>1,259</td>
<td>(191)</td>
<td>11,432</td>
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<tr>
<td>Pharmaceutical Discretionary Fund *</td>
<td>480</td>
<td>1,021</td>
<td>-</td>
<td>127</td>
<td>(20)</td>
<td>1,128</td>
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<tr>
<td>Pharmaceutical Endowment Fund</td>
<td>259</td>
<td>495</td>
<td>-</td>
<td>61</td>
<td>(9)</td>
<td>547</td>
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<td>Miscellaneous Private Sector Fund</td>
<td>26</td>
<td>58</td>
<td>-</td>
<td>7</td>
<td>(1)</td>
<td>64</td>
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</table>

**Total:** $12,871 $25,978 $3,192 $(482) $28,688

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

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### Endowment, Trust, and Other Long-term Investments Pool

#### Financial Detail of Funds for the Year Ended December 31, 2013

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B. Program Specific Funds</strong></td>
<td></td>
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<tr>
<td>Distinguished Scholar Fund</td>
<td>$17</td>
<td>$77</td>
<td>- $</td>
<td>$10</td>
<td>(1 $)</td>
<td>$86</td>
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<tr>
<td>Food &amp; Nutrition Board (FNB) Fund</td>
<td>525</td>
<td>1,678</td>
<td>-</td>
<td>210</td>
<td>(2)</td>
<td>1,886</td>
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<tr>
<td>FNB Corporations Fund</td>
<td>125</td>
<td>486</td>
<td>-</td>
<td>60</td>
<td>(1)</td>
<td>545</td>
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<tr>
<td>FNB Members Fund</td>
<td>6</td>
<td>28</td>
<td>1</td>
<td>3</td>
<td>-</td>
<td>32</td>
</tr>
<tr>
<td>Norman Gant &amp; ABOG Fellowship</td>
<td>650</td>
<td>825</td>
<td>-</td>
<td>102</td>
<td>(44)</td>
<td>883</td>
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<td>Hamburg Endowment Fund</td>
<td>1,013</td>
<td>1,412</td>
<td>-</td>
<td>177</td>
<td>(2)</td>
<td>1,587</td>
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<tr>
<td>Howard Hughes Medical Institute Fund</td>
<td>5,000</td>
<td>15,658</td>
<td>-</td>
<td>1,959</td>
<td>(38)</td>
<td>17,579</td>
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<tr>
<td>Kellogg Health of the Public Fund</td>
<td>5,000</td>
<td>6,432</td>
<td>-</td>
<td>791</td>
<td>(324)</td>
<td>6,899</td>
</tr>
<tr>
<td><strong>Endowment, Trust, and Other Long-term Investments Pool</strong></td>
<td>$19,929</td>
<td>$35,391</td>
<td>$372</td>
<td>$4,465</td>
<td>$(491)</td>
<td>$39,737</td>
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<tr>
<td><strong>C. Prizes and Awards</strong></td>
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<tr>
<td>Gustav O. Lienhard Award</td>
<td>$1,200</td>
<td>$4,416</td>
<td>- $</td>
<td>$548</td>
<td>(79) $</td>
<td>$4,885</td>
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<tr>
<td>Rhonda and Bernard G. Samat International Prize in Mental Health</td>
<td>1,009</td>
<td>1,492</td>
<td>-</td>
<td>185</td>
<td>(38)</td>
<td>1,639</td>
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<tr>
<td>Sandra H. Matthews Cecil Award *</td>
<td>153</td>
<td>137</td>
<td>18</td>
<td>20</td>
<td>-</td>
<td>175</td>
</tr>
<tr>
<td><strong>Endowment, Trust, and Other Long-term Investments Pool</strong></td>
<td>$2,362</td>
<td>$6,045</td>
<td>$18</td>
<td>$753</td>
<td>$(117)</td>
<td>$6,699</td>
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<tr>
<td><strong>D. Reserve Funds</strong></td>
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<tr>
<td>IOM Reserve Fund *</td>
<td>$500</td>
<td>$984</td>
<td>- $</td>
<td>$123</td>
<td>(1) $</td>
<td>$1,106</td>
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<tr>
<td><strong>Endowment, Trust, and Other Long-term Investments Pool</strong></td>
<td>$35,662</td>
<td>$68,398</td>
<td>$390</td>
<td>$8,533</td>
<td>$(1,091)</td>
<td>$76,230</td>
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<tr>
<td><strong>Subtotal — Funds that Support the IOM</strong></td>
<td>$190,926</td>
<td>$365,943</td>
<td>$4,372</td>
<td>$45,293</td>
<td>$(14,197)</td>
<td>$401,411</td>
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<tr>
<td><strong>Subtotal — NAS and IOM Funds</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Endowment, Trust, and Other Long-term Investments Pool</strong></td>
<td>$200,866</td>
<td>$375,950</td>
<td>$4,372</td>
<td>$46,543</td>
<td>$(14,362)</td>
<td>$412,503</td>
</tr>
</tbody>
</table>

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

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Endowment, Trust, and Other Long-term Investments Pool
Asset Allocation as of December 31, 2012

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Large Equity</td>
<td>23.8%</td>
</tr>
<tr>
<td>U.S. Small/Mid Cap Equity</td>
<td>11.2%</td>
</tr>
<tr>
<td>Non-U.S. Equity (Developed)</td>
<td>21.5%</td>
</tr>
<tr>
<td>Non-U.S. Equity (Emerging)</td>
<td>12.6%</td>
</tr>
<tr>
<td>Real Estate Equity</td>
<td>3.3%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>3.6%</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>13.1%</td>
</tr>
<tr>
<td>U.S. Fixed Income/Cash</td>
<td>5.2%</td>
</tr>
<tr>
<td>Non-U.S. Fixed Income</td>
<td>5.7%</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

SCHEDULE 2
## Endowment, Trust, and Other Long-term Investments Pool

### Change in Valuation and Market Value Summary

#### Change in Valuation from 12/31/12 to 12/31/13

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Market Value at 12/31/12</td>
<td>$375,950</td>
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<tr>
<td>Realized Capital Gain</td>
<td>5,411</td>
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<tr>
<td>Unrealized Capital Gains</td>
<td>30,585</td>
</tr>
<tr>
<td>Reinvested Income</td>
<td>10,547</td>
</tr>
<tr>
<td>Contributions</td>
<td>4,372</td>
</tr>
<tr>
<td>Expenditures and Transfers</td>
<td>(14,362)</td>
</tr>
<tr>
<td><strong>Market Value at 12/31/13</strong></td>
<td>$412,503</td>
</tr>
</tbody>
</table>

#### Holdenings and Market Value Summary as of 12/31/13

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>U.S. Large Equity</th>
<th>Non-U.S. Equity (Emerging)</th>
<th>Non-U.S. Equity (Developed)</th>
<th>U.S. Fixed Income/Cash</th>
<th>Hedge Funds</th>
<th>Private Equity</th>
<th>GRAND TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkshire Hathaway A $25,262</td>
<td>Capital Intl Emerging Market $22,581</td>
<td>Dodge &amp; Cox International $10,886</td>
<td>PIMCO Funds Total Return $16,804</td>
<td>Tactician Windward $4,858</td>
<td>$15,070</td>
<td>$412,503</td>
</tr>
<tr>
<td>Berkshire Hathaway B 53</td>
<td>Templeton Emerging Market $12,338</td>
<td>Driehaus International Discovery $13,271</td>
<td>Cash Equivalents $4,490</td>
<td>Makena Capital Associates $26,118</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vanguard Institutional Index 4,988</td>
<td>Wisdomtree Emerging Markets $17,001</td>
<td>Vanguard European Stock Index 4,591</td>
<td>Other $101</td>
<td>Renaissance Inst'l Futures $11,711</td>
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<tr>
<td>Vanguard Precious Metals &amp; Mining 3,977</td>
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<td>Vanguard Pacific Stock Index 8,967</td>
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<td>Bowery Opportunity Fund $4,841</td>
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<tr>
<td>Materials Select Sector SPDR 9,237</td>
<td>Other 19</td>
<td>Vanguard International Growth 12,450</td>
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<td>Rosetta Capital Management $1,375</td>
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<tr>
<td>Powershares Water Portfolio 4,300</td>
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<td>Vanguard International Value 11,770</td>
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<td>Davidson Kempner 5,254</td>
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<tr>
<td>Vanguard Energy Fund 4,279</td>
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<td>Matthews Asia Dividend Fund 3,308</td>
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<tr>
<td>Wisdomtree Large Cap Dividend 6,495</td>
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<td>Platinum Asia Dividend Fund 11,415</td>
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<td>Renaissance Inst'l Equities (long-short) 18,672</td>
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<td>Other 29</td>
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<td>Maverick Fund Ltd. (long-short) 20,602</td>
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<td>Other 92</td>
<td></td>
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</tr>
<tr>
<td><strong>Subtotal</strong> $97,957</td>
<td><strong>Subtotal</strong> $51,939</td>
<td><strong>Subtotal</strong> $88,522</td>
<td><strong>Subtotal</strong> $54,157</td>
<td><strong>Subtotal</strong> $15,070</td>
<td></td>
<td><strong>GRAND TOTAL</strong> $412,503</td>
</tr>
<tr>
<td><strong>U.S. Small/Mid Cap Equity</strong></td>
<td><strong>U.S. Fixed Income/Cash</strong></td>
<td><strong>Non-U.S. Fixed Income</strong></td>
<td><strong>Hedge Funds</strong></td>
<td><strong>Private Equity</strong></td>
<td><strong>GRAND TOTAL</strong></td>
<td></td>
</tr>
<tr>
<td>SPDR S&amp;P Biotech ETF $12,499</td>
<td>PIMCO Funds Total Return $16,804</td>
<td>PIMCO Foreign Bond $14,736</td>
<td>Tactician Windward $4,858</td>
<td>$15,070</td>
<td><strong>GRAND TOTAL</strong> $412,503</td>
<td></td>
</tr>
<tr>
<td>Vanguard Extended Market Index 22,055</td>
<td>Cash Equivalents $4,490</td>
<td>PIMCO Developing $6,005</td>
<td>Makena Capital Associates $26,118</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Vanguard Small Cap Index 11,670</td>
<td>Other $101</td>
<td>PIMCO Emerging Bond $2,843</td>
<td>Renaissance Inst'l Futures $11,711</td>
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</tr>
<tr>
<td>Other 61</td>
<td></td>
<td>Other $19</td>
<td>Bowery Opportunity Fund $4,841</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong> $46,285</td>
<td><strong>Subtotal</strong> $21,395</td>
<td><strong>Subtotal</strong> $23,603</td>
<td>Rosetta Capital Management $1,375</td>
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<td></td>
</tr>
<tr>
<td><strong>Non-U.S. Equity (Developed)</strong></td>
<td><strong>Non-U.S. Fixed Income</strong></td>
<td><strong>Hedge Funds</strong></td>
<td><strong>Private Equity</strong></td>
<td><strong>GRAND TOTAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dodge &amp; Cox International $10,886</td>
<td>PIMCO Foreign Bond $14,736</td>
<td>Tactician Windward $4,858</td>
<td>$15,070</td>
<td><strong>GRAND TOTAL</strong> $412,503</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Driehaus International Discovery 13,271</td>
<td>PIMCO Developing $6,005</td>
<td>Makena Capital Associates $26,118</td>
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<td></td>
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<tr>
<td>Templeton Institutional 11,835</td>
<td>PIMCO Emerging Bond $2,843</td>
<td>Renaissance Inst'l Futures $11,711</td>
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<tr>
<td>Vanguard European Stock Index 4,591</td>
<td>Other $19</td>
<td>Bowery Opportunity Fund $4,841</td>
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<tr>
<td>Vanguard Pacific Stock Index 8,967</td>
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<td>Rosetta Capital Management $1,375</td>
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<tr>
<td>Vanguard International Growth 12,450</td>
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<td>Davidson Kempner 5,254</td>
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<tr>
<td>Vanguard International Value 11,770</td>
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<tr>
<td>Matthews Asia Dividend Fund 3,308</td>
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<tr>
<td>Platinum Asia Dividend Fund 11,415</td>
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<tr>
<td>Other 29</td>
<td></td>
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<tr>
<td><strong>Subtotal</strong> $88,522</td>
<td><strong>Subtotal</strong> $54,157</td>
<td><strong>Subtotal</strong></td>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>GRAND TOTAL</strong> $412,503</td>
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</tr>
</tbody>
</table>

**Holdings and Market Value Summary as of 12/31/13**

**U.S. Fixed Income/Cash**

- PIMCO Funds Total Return: $16,804
- Cash Equivalents: $4,490

**Non-U.S. Fixed Income**

- PIMCO Foreign Bond: $14,736
- PIMCO Developing: $6,005
- PIMCO Emerging Bond: $2,843

**Hedge Funds**

- Tactician Windward: $4,858
- Makena Capital Associates: $26,118
- Renaissance Inst'l Futures: $11,711
- Bowery Opportunity Fund: $4,841
- Rosetta Capital Management: $1,375
- Davidson Kempner: $5,254

**Private Equity**

- $15,070

**GRAND TOTAL**

- $412,503
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COSI Columbus
Council of Academic Programs in Communication Sciences and Disorders
Croplife International A.I.S.B.L.
Deere & Company
Donna Kempner Architectural Photography
RG & AM Douglas Foundation
The Dow Chemical Company
Drexel University
Duke Corporation
E.I. du Pont de Nemours & Company
Economic & Social Research Council
Elanco Animal Health
The Ellison Medical Foundation
Elsevier Science
Essilor of America, Inc.
Eucalyptus Associates, Inc.
Evonik Corporation
ExxonMobil Foundation
FasterCures, a Center of the Milken Institute
John E. Fetzer Institute, Inc.
Fondation Merieux USA, Inc.
Foundation for Child Development
Michael J. Fox Foundation for Parkinson's Disease
The Franklin Institute
James F. and Sarah T. Fries Foundation
GE Foundation
Genentech, Inc.
General Mills, Inc.
Georgia Health Sciences University
Georgia State University
Geosyntec Consultants
Gerontological Society of America
Rosalinde and Arthur Gilbert Foundation
GLOBALFOUNDRIES
The Goodyear Tire & Rubber Company
William T. Grant Foundation
Greater Rochester Health Foundation
Harrisburg University of Science and Technology
The John A. Hartford Foundation, Inc.
Harvard University
Robert & Mary Haythornthwaite Foundation
HCA Inc.
Health Partners
Healthy Weight Commitment Foundation
Hearing Industries Association
Hearing Loss Association of America, Inc.
Herbst Family Foundation
HH Medstar Health, Inc.
Highmark, Inc.
Hirsh Family Foundation
Hogg Foundation for Mental Health
Home Box Office, Inc.
Hubbard Feeds
Human Factors and Ergonomics Society
Humana, Inc.
James B. Hunt Institute for Educational Leadership
IEEE
Illinois Beef Association
INEOS Nitriles
Infectious Diseases Society of America
Institute for Feed Education and Research
Intel Corporation
International Business Machines Corporation
International Society for Stem Cell Research
International Society for Cardiovascular Translational Research
Iowa Corn Promotion Board and Iowa Corn Growers Association
Iowa State University
Japan International Transport Institute USA
The JCT Foundation
Kansas State University
The Katz Family Foundation
Kellogg Company
Kemin Industries, Inc.
Kimberly-Clark Corporation
The Susan G. Komen Breast Cancer Foundation
Kraft Foods, Inc.
Kramer Family Foundation
Lampl-Herbert Consultants, Inc.
LeadingAge, Inc.
Marvin and Annette Lee Foundation, Inc.
LIVESTRONG Foundation
Lockheed Martin Corporation
The Lubin Family Foundation
Lundbeck Research USA, Inc.
The MAC AIDS Fund
Christy and John Mack Foundation
March of Dimes Foundation

40
The Marianthi Foundation
Martin Blanck Associates, LLC
Massachusetts Institute of Technology
Massachusetts Medical Society
Mayo Clinic
Mayo Foundation for Medical Education and Research
McDonald's Corporation
The McKnight Foundation
Medtronic, Inc.
Merck Partnership for Giving
Michelin North America, Inc.
Michigan State University
Microsoft Matching Gift Program/Giving Campaign
Milbank Memorial Fund
Minnesota Corn Growers Association
Mississippi State University
Mondelez Global International
Monsanto Company
The David and Lindsay Morgenthaler Foundation
National Academies of Practice
National Academy of Education
National Association of County and City Health Officials
National Association of Emergency Medical Technicians
National Association of Social Workers
National Biomedical Research Foundation Inc.
National Cattlemen's Beef Association
National Foundation on Fitness, Sports, and Nutrition
National Instruments
National League for Nursing, Inc.
National Organization for Associate Degree Nursing
National Philanthropic Trust
National Pork Board
National Society of Genetic Counselors
Nellie Mae Education Foundation
Nestle USA, Inc.
New Jersey Institute of Technology
New Mexico State University
Noblis Inc.
NORC at the University of Chicago
North Shore LIJ Health System
Northeastern University
Northern Illinois University
Northrop Grumman Corporation
Northwestern University
Norwegian Academy of Science and Letters
University of Notre Dame
Oak Ridge National Laboratory
The Obesity Society
The Ohio State University
Oil Spill Recovery Institute
Oklahoma State University
Oncology Nursing Society
Optical Society of America
OptumRx Inc.
Oxbow Carbon, LLC
Partners HealthCare Systems, Inc.
Partnership for a Healthier America
Patent Properties, Inc.
PATH
PepsiCo, Inc.
Pfizer Foundation Matching Gifts Program
Physician Assistant Education Association
Population Association of America
PPD Development, LLC
Premier Healthcare Alliance
The Procter & Gamble Company
Purdue University
Quest Diagnostics Incorporated
Raytheon Company
Reebok International Ltd.
Rensselaer Polytechnic Institute
Research Corporation for Science Advancement
The Research Foundation of State University of New York
Rice University
Rochester Institute of Technology
B. Don and Becky Russell Charitable Foundation
Rutgers, The State University of New Jersey
The Rutter Foundation
SAGE Publications
Samsung Electronic North America
Samueli Foundation
Sanofi Pasteur
The SCAN Foundation
Science Spark
Semiconductor Research Corporation
Sesame Workshop
Shell Oil Company
Siemens Corporate Research, Inc.
Siemens Corporation
Society for Neuroscience
Society for Research in Child Development
Society for Simulation in Healthcare
Society of Pediatric Psychology
The Spencer Foundation
SPIE
Stanford University
State University of New York
Syracuse University
The Clara J. Szekely Foundation, Inc.
Takeda Pharmaceuticals
Morris & Charlotte Tanenbaum Family Foundation
Target Corporation
Tate & Lyle Ingredients Americas
Temple University of the Commonwealth
Texas A&M University
Texas Association of Nonprofit Organizations
Texas State University
Trauma Center Association of America, Inc.
Tufts University
Tyson Foods, Inc.
U.S. Poultry & Egg Association
UNICEF
United Health Foundation
United Healthcare
UnitedHealth Group, Inc.
Universiteit Gent
University of Akron
University of Alabama
University of Arizona
University of Arkansas
University of California, Berkeley
University of California, Davis
University of California, Irvine
University of California, Los Angeles
University of California, Riverside
University of Colorado
University of Connecticut
University of Illinois
University of Iowa
The University of Kansas Center for Research, Inc.
University of Kentucky
University of Louisville
University of Maryland
University of Maryland Faculty Physicians, Inc.
University of Massachusetts
University of Michigan
University of Missouri
University of Nebraska
University of North Carolina
University of North Carolina at Charlotte
University of Oregon
University of Rochester
University of Southern California
University of Southern California
University of Southern Mississippi
University of Tennessee
The University of Texas at Austin
The University of Texas at San Antonio
University of Texas Health Science Center at San Antonio
University of Toronto
University of Wisconsin
Virginia Tech University
Vitality Group, LLC
Washington State University
Washington University
The George Washington University
Water Research Foundation
Joan and Sanford I. Weill Medical College of
Cornell University
WEM Foundation
West Virginia University
Westat
Yale University
Yanofsky Family Trust
YMCA of the USA
Zerhouni Family Charitable Foundation, Inc.
Zinpro Corporation

We have made every effort to list donors accurately and according to their wishes. If we have made an error, please accept our apologies and contact the Office of Development at (202) 334-1342 so that we may correct our records.
III. Financial Condition
June 10, 2014

Dr. Ralph J. Cicerone
President
National Academy of Sciences

Dear Dr. Cicerone:

In accordance with paragraph 11 of section II of the Bylaws of the National Academy of Sciences, the firm of KPMG LLP was retained by the Auditing Committee on behalf of the Council to conduct an audit of the accounts of the Treasurer for the year ended December 31, 2013, and to report to the Auditing Committee.

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

Respectfully submitted,

Auditing Committee
Independent Auditors’ Report

The Auditing Committee
National Academy of Sciences:

Report on the Financial Statements

We have audited the accompanying financial statements of the National Academy of Sciences (NAS), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

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

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of NAS as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

May 21, 2014
### NATIONAL ACADEMY OF SCIENCES

**Statements of Financial Position**

**December 31, 2013 and 2012**

**In thousands**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,014</td>
<td>$2,429</td>
</tr>
<tr>
<td>Short-term investments (notes 3 and 4)</td>
<td>55,656</td>
<td>60,691</td>
</tr>
<tr>
<td>Contracts receivable</td>
<td>70,127</td>
<td>87,321</td>
</tr>
<tr>
<td>Contributions and other receivables, net (note 6)</td>
<td>37,648</td>
<td>13,931</td>
</tr>
<tr>
<td>Other current assets</td>
<td>8,538</td>
<td>6,664</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>174,983</td>
<td>171,036</td>
</tr>
<tr>
<td><strong>Other assets (notes 2, 13, 14, and 16)</strong></td>
<td>8,528</td>
<td>6,366</td>
</tr>
<tr>
<td>Long-term investments (notes 3 and 4)</td>
<td>456,322</td>
<td>413,560</td>
</tr>
<tr>
<td>Contributions receivable, net (note 6)</td>
<td>454,320</td>
<td>14,950</td>
</tr>
<tr>
<td>Property and equipment, net (notes 5 and 15)</td>
<td>178,367</td>
<td>180,790</td>
</tr>
<tr>
<td>Einstein Memorial</td>
<td>1,723</td>
<td>1,723</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,274,243</td>
<td>$788,425</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$39,326</td>
<td>$45,986</td>
</tr>
<tr>
<td>Deferred revenue (notes 7 and 12)</td>
<td>33,908</td>
<td>31,703</td>
</tr>
<tr>
<td>Lines of credit (note 8)</td>
<td>13,569</td>
<td>35,069</td>
</tr>
<tr>
<td>Other current liabilities (note 13)</td>
<td>6,460</td>
<td>5,238</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>93,263</td>
<td>117,996</td>
</tr>
<tr>
<td>Bonds payable (note 13)</td>
<td>171,920</td>
<td>175,507</td>
</tr>
<tr>
<td>Funds held on behalf of others (notes 3 and 4)</td>
<td>11,109</td>
<td>10,006</td>
</tr>
<tr>
<td>Accrued employee benefits (note 14)</td>
<td>1,802</td>
<td>6,934</td>
</tr>
<tr>
<td>Other long-term liabilities (notes 2, 13 and 15)</td>
<td>10,762</td>
<td>14,783</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>288,856</td>
<td>325,226</td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>107,901</td>
<td>90,167</td>
</tr>
<tr>
<td>Temporarily restricted (note 9)</td>
<td>751,544</td>
<td>247,348</td>
</tr>
<tr>
<td>Permanently restricted (note 10)</td>
<td>125,942</td>
<td>125,684</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>985,387</td>
<td>463,199</td>
</tr>
<tr>
<td><strong>Commitments and contingencies (notes 3, 12, 13, 14, 17, and 18)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$1,274,243</td>
<td>$788,425</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
## NATIONAL ACADEMY OF SCIENCES

**Statements of Activities**

**Years ended December 31, 2013 and 2012**

*(In thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily restricted</td>
</tr>
<tr>
<td><strong>Revenues, gains, and other support:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government contracts and grants (note 12)</td>
<td>$ 231,295</td>
<td>-</td>
</tr>
<tr>
<td>Private contracts and grants</td>
<td>18,551</td>
<td>32,831</td>
</tr>
<tr>
<td>Gulf Research Program</td>
<td>-</td>
<td>471,407</td>
</tr>
<tr>
<td>Other contributions</td>
<td>2,300</td>
<td>1,034</td>
</tr>
<tr>
<td>Fees and publications</td>
<td>19,966</td>
<td>-</td>
</tr>
<tr>
<td>Investment income (note 3)</td>
<td>12,241</td>
<td>40,874</td>
</tr>
<tr>
<td>Other income (note 13)</td>
<td>16,709</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restriction (note 9)</td>
<td>41,950</td>
<td>(41,950)</td>
</tr>
<tr>
<td>Total revenues, gains, and other support</td>
<td>343,012</td>
<td>504,196</td>
</tr>
<tr>
<td><strong>Expenses (notes 13, 14, and 15):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programs (note 11)</td>
<td>275,482</td>
<td>-</td>
</tr>
<tr>
<td>Management and general</td>
<td>51,947</td>
<td>-</td>
</tr>
<tr>
<td>Fundraising</td>
<td>2,584</td>
<td>-</td>
</tr>
<tr>
<td>Total expenses</td>
<td>330,013</td>
<td>-</td>
</tr>
<tr>
<td>Postretirement changes other than net periodic benefit cost (note 14)</td>
<td>(4,735)</td>
<td>-</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>17,734</td>
<td>504,196</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>90,167</td>
<td>247,348</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$ 107,901</td>
<td>751,544</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
### NATIONAL ACADEMY OF SCIENCES

**Statements of Cash Flows**

*Years ended December 31, 2013 and 2012*

*(In thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$522,188</td>
<td>$22,935</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>8,253</td>
<td>7,897</td>
</tr>
<tr>
<td>Loss on disposal of property and equipment</td>
<td>31</td>
<td>788</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>23</td>
<td>146</td>
</tr>
<tr>
<td>Net gain on investments</td>
<td>(40,634)</td>
<td>(30,193)</td>
</tr>
<tr>
<td>Net gain on investments held on behalf of others</td>
<td>(966)</td>
<td>(669)</td>
</tr>
<tr>
<td>Amounts collected on behalf of others</td>
<td>(6,604)</td>
<td>(4,178)</td>
</tr>
<tr>
<td>Amounts remitted on behalf of others</td>
<td>5,395</td>
<td>3,881</td>
</tr>
<tr>
<td>Change in value of interest rate swap</td>
<td>(4,109)</td>
<td>(495)</td>
</tr>
<tr>
<td>Change in value of split-interest agreements</td>
<td>158</td>
<td>70</td>
</tr>
<tr>
<td>Contributions restricted for construction or endowment</td>
<td>(2,588)</td>
<td>(3,014)</td>
</tr>
<tr>
<td>(Increase) decrease in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>(463,110)</td>
<td>1,454</td>
</tr>
<tr>
<td>Contracts receivable</td>
<td>17,194</td>
<td>5,089</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(1,874)</td>
<td>920</td>
</tr>
<tr>
<td>Other assets</td>
<td>(2,312)</td>
<td>692</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(6,660)</td>
<td>(13,206)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>2,205</td>
<td>(1,394)</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>1,986</td>
<td>(284)</td>
</tr>
<tr>
<td>Funds held on behalf of others</td>
<td>1,103</td>
<td>821</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>257</td>
<td>(217)</td>
</tr>
<tr>
<td>Accrued employee benefits</td>
<td>(5,132)</td>
<td>(731)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>24,804</td>
<td>(9,688)</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities:** |         |         |
| Additions to property and equipment | (5,992) | (29,964) |
| Sales or maturities of investments | 206,421 | 187,021 |
| Purchases of investments          | (202,411) | (183,920) |
| Net cash used in investing activities | (1,982) | (26,863) |

| **Cash flows from financing activities:** |         |         |
| Contributions restricted for construction or endowment | 2,588 | 3,014 |
| Proceeds from lines of credit      | 59,500  | 181,868 |
| Payments on lines of credit        | (81,000) | (167,684) |
| Payments on bank note              | -       | (63)    |
| Payments on bond principal         | (3,325) | (2,100) |
| Decrease in bond proceeds held by trustee | - | 22,512 |
| Net cash (used in) provided by financing activities | (22,237) | 37,547 |
| Net increase in cash and cash equivalents | 585     | 996     |

| Cash and cash equivalents, beginning of year | 2,429 | 1,433 |
| Cash and cash equivalents, end of year | $3,014 | $2,429 |

**Supplemental disclosure of cash flow information:**

| Interest paid | $6,074 | $5,303 |

See accompanying notes to financial statements.
NATIONAL ACADEMY OF SCIENCES
Notes to
Financial Statements
December 31, 2013 and 2012

(1) ORGANIZATION AND RELATED ENTRIES

(a) National Academy of Sciences

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

(b) National Research Council

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

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

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

(c) Institute of Medicine

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

(d) National Academy of Engineering

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

(e) National Academy of Engineering Fund

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

(f) The National Academies’ Corporation

The National Academies’ Corporation (TNAC) was separately incorporated in 1986 as a not-for-profit corporation for the purpose of constructing and maintaining a study and conference facility. This facility, the Arnold and Mabel Beckman Center, located in Irvine, California, operates to expand and support the general activities of NAS, NRC, IOM, and NAE. TNAC is controlled by NAS and NAEF. The financial position and results of TNAC are not consolidated in the NAS financial statements. NAS manages the operations of the Beckman Center. TNAC contributed $16,610 and $0 to the NRC for the years ended December 31, 2013 and 2012, respectively, to be spent on programs conducted in whole or in part at the Beckman Center.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

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

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

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

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

(b) Cash Equivalents

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

(c) Investments

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

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

(d) Contributions

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

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

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

Allowances are recorded for estimated uncollectible contributions based upon management’s judgment and analysis of the credit worthiness of the donor, past collection experience, and other relevant factors. Contributions to be received after one year are discounted at an appropriate rate commensurate with risks involved. Amortization of the discount is recorded as additional revenue and is used in accordance with donor imposed restrictions, if any, on the contributions. These inputs represent Level 3 inputs in the fair value hierarchy. The carrying value of contributions receivable approximates fair value because of the relatively short maturity of these assets.

NAS performs certain fundraising activities on behalf of NAEF. NAS collected a total of $6.3 million and $3.9 million in 2013 and 2012, respectively, on behalf of NAEF. NAS disbursed $5.4 million and $3.8 million to NAEF from these collected amounts in 2013 and 2012, respectively. Amounts collected but not yet remitted to NAEF are included in other current liabilities in the statements of financial position.

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

(e) Contracts and Grants

The majority of NAS activities are performed under cost-reimbursable contracts and grants with the U.S. government. For the years ended December 31, 2013 and 2012, the Department of Transportation provided 48% and 40%, respectively, of NAS government contract and grant revenue.

NAS records federal contracts and grants as exchange transactions, recognizing revenue as recoverable costs are incurred. Revenues from nonfederal contracts and grants classified as exchange transactions are also recognized as recoverable costs are incurred.
Contracts receivable consisted of $21.1 million of billed receivables and $49.0 million of unbilled receivables as of December 31, 2013. Contracts receivable consisted of $33.7 million of billed receivables and $53.6 million of unbilled receivables as of December 31, 2012.

(i) Inventories

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

(g) Property and Equipment

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

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Depreciable Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>40 years</td>
</tr>
<tr>
<td>Buildings and leasehold improvements</td>
<td>Lesser of the remaining life of the building or improvement</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>4 to 10 years</td>
</tr>
<tr>
<td>Capitalized software</td>
<td>3 to 10 years</td>
</tr>
</tbody>
</table>

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

(h) Split-Interest Agreements

Charitable gift annuity agreements are classified as other assets and other long-term liabilities in the statements of financial position. Periodically, NAS pays a fixed amount of the assets to the beneficiary designated by the donor. Upon termination of an annuity, the remainder interest in the assets is available for use by NAS as restricted or unrestricted assets in accordance with the donor’s designation. At December 31, 2013 and 2012, NAS had charitable gift annuity assets of $2.9 million and $2.1 million, respectively. NAS has recorded a liability of $1.6 million and $1.3 million at December 31, 2013 and 2012, respectively, representing the present value of estimated future cash payments to annuitants based on the annuitant’s life expectancy.

(i) Deferred Revenue

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

(j) Income Taxes

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

(k) Risks and Uncertainties

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

(l) Recently Adopted Accounting Pronouncements

Effective December 31, 2012, NAS applied the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This update provides guidance on how fair value measurement should be applied where existing GAAP already requires or permits fair value measurements. In addition, this guidance requires expanded disclosures regarding fair value measurements. The adoption of the measurement guidance did not have a material impact on the financial statements.

(m) Use of Estimates

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

Investments, which are reported at fair value (except as noted), consisted of the following as of December 31, 2013 and 2012 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-term investments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>8,114</td>
<td>5,520</td>
</tr>
<tr>
<td>Bonds and notes</td>
<td>35,760</td>
<td>45,269</td>
</tr>
<tr>
<td>Equity</td>
<td>11,782</td>
<td>9,902</td>
</tr>
<tr>
<td><strong>Total short-term investments</strong></td>
<td><strong>55,656</strong></td>
<td><strong>60,691</strong></td>
</tr>
<tr>
<td><strong>Long-term investments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment pool, including endowment assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>4,490</td>
<td>5,413</td>
</tr>
<tr>
<td>Bonds and notes</td>
<td>40,507</td>
<td>23,302</td>
</tr>
<tr>
<td>Equity</td>
<td>298,279</td>
<td>259,788</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>54,157</td>
<td>66,790</td>
</tr>
<tr>
<td>Private equity</td>
<td>15,070</td>
<td>20,657</td>
</tr>
<tr>
<td><strong>Total long-term investments</strong></td>
<td><strong>412,503</strong></td>
<td><strong>375,950</strong></td>
</tr>
<tr>
<td><strong>Gulf Research Program investments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>29</td>
<td>-</td>
</tr>
<tr>
<td>Bonds and notes</td>
<td>2,522</td>
<td>-</td>
</tr>
<tr>
<td>Equity</td>
<td>2,902</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,453</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other long-term investments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>247</td>
<td>1,549</td>
</tr>
<tr>
<td>Bonds and notes</td>
<td>17,453</td>
<td>17,163</td>
</tr>
<tr>
<td>Equity</td>
<td>20,666</td>
<td>18,898</td>
</tr>
<tr>
<td><strong>Total long-term investments</strong></td>
<td><strong>$ 456,322</strong></td>
<td><strong>$ 413,560</strong></td>
</tr>
</tbody>
</table>

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

The NAS obligation to TNAC for these funds held in trust, which totaled approximately $11.1 million and $10.0 million as of December 31, 2013 and 2012, respectively, is reported as funds held on behalf of others in the statements of financial position.

Investment income is reported net of investment expenses of approximately $709,000 and $699,000 for the years ended December 31, 2013 and 2012, respectively, and is comprised of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends income</td>
<td>$12,481</td>
<td>$11,036</td>
</tr>
<tr>
<td>Net gain on investments</td>
<td>40,634</td>
<td>30,193</td>
</tr>
<tr>
<td><strong>Total investment income</strong></td>
<td><strong>$ 53,115</strong></td>
<td><strong>$ 41,229</strong></td>
</tr>
</tbody>
</table>

**(4) FAIR VALUE MEASUREMENTS**

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

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

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

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

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

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

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

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

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

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

Fair value of alternative investments including private equity securities and hedge funds is based on the alternative investment fund managers’ net asset value (NAV). Private equity investments are comprised of limited partnership interests. Valuations provided by alternative investment fund managers include estimates, appraisals, assumptions and methods that are reviewed by management. When necessary, NAS adjusts NAV for contributions and distributions subsequent to the latest NAV valuation date when calculating fair value. NAS analyzes the NAVs provided by alternative investment fund managers on a regular basis considering relevant economic and market conditions, applicable benchmarks and our understanding of the nature and related risks of the investments. Since the most significant valuation inputs are not observable in the marketplace, the alternative investment valuations are disclosed in Level 2 or Level 3. The distinction is that those funds which are available for redemption in the near term at NAV are included in Level 2.

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

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

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

NAS’ policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period in which the event or change in circumstances occurred. During 2013 certain amounts were transferred from level 3 to level 2 due to the ability to redeem the investments within the near term as of December 31, 2013 and certain amounts were transferred from level 2 to level 3 due to investment of cash held by the fund manager at December 31, 2012. There were no transfers among levels during 2012.
The following table presents NAS’ fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2013 (in thousands):

<table>
<thead>
<tr>
<th>Financial Assets:</th>
<th>Fair value measurements using</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td><strong>Fair value</strong></td>
<td></td>
</tr>
<tr>
<td>Short-term and long-term investments:</td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$12,880</td>
</tr>
<tr>
<td>Bonds and notes</td>
<td></td>
</tr>
<tr>
<td>U.S. treasuries/government bonds</td>
<td>4,110</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>41,591</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>24,635</td>
</tr>
<tr>
<td>Non-U.S. fixed income</td>
<td>25,906</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
</tr>
<tr>
<td>U.S. large equity</td>
<td>69,006</td>
</tr>
<tr>
<td>Long/short equity funds</td>
<td>50,689</td>
</tr>
<tr>
<td>U.S. small/mid equity</td>
<td>64,399</td>
</tr>
<tr>
<td>Non-U.S. equity (developed)</td>
<td>83,007</td>
</tr>
<tr>
<td>Non-U.S. equity (emerging)</td>
<td>52,508</td>
</tr>
<tr>
<td>Real estate</td>
<td>14,020</td>
</tr>
<tr>
<td>**Total short-term and long-term invest-</td>
<td></td>
</tr>
<tr>
<td>ments</td>
<td>511,978</td>
</tr>
<tr>
<td>Hedge funds</td>
<td></td>
</tr>
<tr>
<td>Multi-strategies/multi-vehicle</td>
<td>47,924</td>
</tr>
<tr>
<td>Fixed income single strategy</td>
<td>4,858</td>
</tr>
<tr>
<td>Commodity futures contracts</td>
<td>1,375</td>
</tr>
<tr>
<td><strong>Private equity</strong></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>11,967</td>
</tr>
<tr>
<td>Global</td>
<td>2,199</td>
</tr>
<tr>
<td>Domestic</td>
<td>904</td>
</tr>
<tr>
<td>**Total short-term and long-term invest-</td>
<td></td>
</tr>
<tr>
<td>ments</td>
<td>511,978</td>
</tr>
<tr>
<td><strong>Charitable gift annuity assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>172</td>
</tr>
<tr>
<td>Bonds and notes</td>
<td></td>
</tr>
<tr>
<td>U.S. treasuries/government bonds</td>
<td>209</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>471</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>130</td>
</tr>
<tr>
<td>Non-U.S. fixed income</td>
<td>151</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
</tr>
<tr>
<td>U.S. large equity</td>
<td>735</td>
</tr>
<tr>
<td>U.S. small/mid equity</td>
<td>487</td>
</tr>
<tr>
<td>Non-U.S. equity (developed)</td>
<td>232</td>
</tr>
<tr>
<td>Non-U.S. equity (emerging)</td>
<td>156</td>
</tr>
<tr>
<td>Real estate</td>
<td>117</td>
</tr>
<tr>
<td>**Total charitable gift annuity assets</td>
<td>2,860</td>
</tr>
<tr>
<td><strong>Deferred compensation assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>306</td>
</tr>
<tr>
<td>Bonds and notes</td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>157</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
</tr>
<tr>
<td>U.S. large equity</td>
<td>390</td>
</tr>
<tr>
<td>U.S. small/mid equity</td>
<td>596</td>
</tr>
<tr>
<td>Non-U.S. equity (developed)</td>
<td>232</td>
</tr>
<tr>
<td><strong>Total deferred compensation assets</strong></td>
<td>1,681</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>$516,519</td>
</tr>
</tbody>
</table>

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The following table presents NAS’ fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2012 (in thousands):

<table>
<thead>
<tr>
<th>Financial Liabilities:</th>
<th>Fair value</th>
<th>Fair value measurements using</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Funds held on behalf of others</td>
<td>$11,109</td>
<td>$7,915</td>
</tr>
<tr>
<td>Deferred compensation liability</td>
<td>1,681</td>
<td>1,681</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>9,304</td>
<td>-</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>$22,094</td>
<td>$9,596</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Assets:</th>
<th>Fair value</th>
<th>Fair value measurements using</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Short-term and long-term investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$12,482</td>
<td>$12,482</td>
</tr>
<tr>
<td>Bonds and notes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. treasuries/government bonds</td>
<td>7,610</td>
<td>7,610</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>31,946</td>
<td>1,020</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>23,935</td>
<td>12,458</td>
</tr>
<tr>
<td>Non-U.S. fixed income</td>
<td>22,243</td>
<td>22,243</td>
</tr>
<tr>
<td>Equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. large equity</td>
<td>70,411</td>
<td>70,411</td>
</tr>
<tr>
<td>Long/short equity funds</td>
<td>33,597</td>
<td>-</td>
</tr>
<tr>
<td>U.S. small/mid equity</td>
<td>46,789</td>
<td>46,789</td>
</tr>
<tr>
<td>Non-U.S. equity (developed)</td>
<td>74,407</td>
<td>65,040</td>
</tr>
<tr>
<td>Non-U.S. equity (emerging)</td>
<td>50,007</td>
<td>50,007</td>
</tr>
<tr>
<td>Real estate</td>
<td>13,377</td>
<td>13,377</td>
</tr>
<tr>
<td>Hedge funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund of funds – multi-strategies</td>
<td>27,175</td>
<td>-</td>
</tr>
<tr>
<td>Multi-strategies/multi-vehicle</td>
<td>35,170</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income single strategy</td>
<td>4,445</td>
<td>-</td>
</tr>
<tr>
<td>Private equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>16,360</td>
<td>-</td>
</tr>
<tr>
<td>Global</td>
<td>2,999</td>
<td>-</td>
</tr>
<tr>
<td>Domestic</td>
<td>1,298</td>
<td>-</td>
</tr>
<tr>
<td>Total short-term and long-term investments</td>
<td>474,251</td>
<td>301,437</td>
</tr>
<tr>
<td>Charitable gift annuity assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>39</td>
<td>39</td>
</tr>
<tr>
<td>Bonds and notes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. treasuries/government bonds</td>
<td>153</td>
<td>153</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>340</td>
<td>340</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>105</td>
<td>105</td>
</tr>
<tr>
<td>Equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. small/mid equity</td>
<td>1,477</td>
<td>1,477</td>
</tr>
<tr>
<td>Total charitable gift annuity assets</td>
<td>2,114</td>
<td>2,114</td>
</tr>
<tr>
<td>Deferred compensation assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>61</td>
<td>61</td>
</tr>
<tr>
<td>Bonds and notes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>344</td>
<td>344</td>
</tr>
</tbody>
</table>
The following table presents the changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2013 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Balance beginning of year</th>
<th>Net gain (loss) on investments</th>
<th>Transfers into/out of level 3</th>
<th>Balance end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long/short equity funds</td>
<td>$ 8,829</td>
<td>$ 2,774</td>
<td>-</td>
<td>$ (11,603)</td>
</tr>
<tr>
<td>Hedge funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-strategies/multi-vehicle</td>
<td>12,205</td>
<td>2,754</td>
<td>4,500</td>
<td>11,500</td>
</tr>
<tr>
<td>Private equity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>16,360</td>
<td>(2,841)</td>
<td>953</td>
<td>(2,505)</td>
</tr>
<tr>
<td>Global</td>
<td>2,999</td>
<td>(269)</td>
<td></td>
<td>(531)</td>
</tr>
<tr>
<td>Domestic</td>
<td>1,298</td>
<td>67</td>
<td></td>
<td>(461)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 41,691</td>
<td>$ 2,485</td>
<td>5,453</td>
<td>(3,497)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>46,029</strong></td>
</tr>
</tbody>
</table>

The following table presents the changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2012 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Balance beginning of year</th>
<th>Net gain (loss) on investments</th>
<th>Transfers into/out of level 3</th>
<th>Balance end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long/short equity funds</td>
<td>$ 7,725</td>
<td>$ 1,104</td>
<td>-</td>
<td>$ 8,829</td>
</tr>
<tr>
<td>Hedge funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-strategies/multi-vehicle</td>
<td>11,223</td>
<td>982</td>
<td>-</td>
<td>12,205</td>
</tr>
<tr>
<td>Private equity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>20,450</td>
<td>(3,836)</td>
<td>967</td>
<td>(1,221)</td>
</tr>
<tr>
<td>Global</td>
<td>3,560</td>
<td>(23)</td>
<td>-</td>
<td>(538)</td>
</tr>
<tr>
<td>Domestic</td>
<td>1,545</td>
<td>(109)</td>
<td>-</td>
<td>(138)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 44,503</td>
<td>(1,882)</td>
<td>967</td>
<td>(1,897)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>41,691</strong></td>
</tr>
</tbody>
</table>

Gains and losses included in changes in net assets are presented in investment income in the statements of activities. Level 3 assets had unrealized gains of approximately $2.5 million and unrealized losses of approximately $1.9 million, respectively, for the years ended December 31, 2013 and 2012.
The following table presents the nature and risk of assets with fair values estimated using NAV held at December 31, 2013 (in thousands):

<table>
<thead>
<tr>
<th>Fair value</th>
<th>Unfunded commitments</th>
<th>Redemption frequency</th>
<th>Redemption notice period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long/short equity funds –</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. large equity (a)</td>
<td>$ 39,274</td>
<td>N/A</td>
<td>Quarterly/Annually</td>
</tr>
<tr>
<td><strong>Long/short equity funds –</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-U.S. equity (developed) (b)</td>
<td>11,415</td>
<td>N/A</td>
<td>Monthly</td>
</tr>
<tr>
<td>Hedge fund – multi-strategies/multi-vehicle (c)</td>
<td>47,924</td>
<td>N/A</td>
<td>Quarterly/Annually</td>
</tr>
<tr>
<td>Hedge fund – fixed income single strategy (d)</td>
<td>4,858</td>
<td>N/A</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Private equity – Asia (e)</td>
<td>11,967</td>
<td>4,998</td>
<td>N/A</td>
</tr>
<tr>
<td>Private equity – Global (f)</td>
<td>2,199</td>
<td>229</td>
<td>N/A</td>
</tr>
<tr>
<td>Private equity – Domestic (g)</td>
<td>904</td>
<td>303</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 118,541</td>
<td>$ 5,530</td>
<td></td>
</tr>
</tbody>
</table>

Notes:

(a) This category relates to long-short equity hedge funds comprised of equity investments in U.S. large cap. Each of these funds buys investments long and sells short with the ability to use leverage. These funds can also invest in derivative instruments such as forward, futures and option contracts. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. All of the investments in this category are redeemable within the near term from December 31, 2013.

(b) This category relates to a long-short equity hedge fund comprised of equity investments in Non-U.S. developed countries. This fund buys investments long and sells short with the ability to use leverage. This fund can also invest in derivative instruments such as forward, futures and option contracts. The fair value of the investment in this category has been estimated using the NAV per share of the investment. The investment in this category is redeemable within the near term from December 31, 2013.

(c) This class includes investments in multi-strategy, multi-vehicle hedge funds with the objective of maximizing long-term, risk-adjusted returns and capital appreciation by investing in securities, investment funds, discretionary accounts, and investment partnerships across a broad range of marketable and alternative asset classes. Asset classes include domestic and international marketable equity securities, hedged equity, real estate, natural resource, fixed income, and private equity and absolute return strategies, primarily focused in the United States. The fair value of the investments in this category has been estimated using the NAV per share of the investments. It is estimated that the underlying assets of the funds will be liquidated over 1 to 9 years.

(d) This class includes an investment in a single strategy hedge fund focused on undervalued fixed income securities. Investments held by this fund consist of U.S. government agency mortgage-backed securities and derivatives, primarily in the form of collateralized mortgage obligations. Securities are generally held in the portfolio as long as interest rates and repayment rates are unfolding as anticipated. The majority of the investment return is expected to come from trading mortgage-backed securities in an attempt to maximize interest income. The fair value of the investment in this class has been estimated using the NAV per share of the investment. The investment in this category is redeemable within the near term from December 31, 2013.

(e) This class includes several private equity funds that invest in equity, debt or debt-oriented instruments, primarily in privately held companies which own or contractually control operating entities located in the People’s Republic of China and India. Investments held in India primarily include equity securities of “early to early growth stage” companies in multiple sectors, except real estate. The fair values of these investments have been estimated using the NAV of NAS’ ownership interest in partners’ capital. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over 1 to 9 years.

(f) This class includes several global private equity funds with diverse portfolios consisting primarily of venture capital funds, leveraged buyout funds, mid-stage growth capital funds, and international private equity funds. These investments are focused on several industries including, but not limited to, insurance, services, and consumer-related industries. The fair values of these investments have been estimated using the NAV of NAS’
ownership interest in partners’ capital. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over 1 to 2 years.

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

(5) PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2013 and 2012, is comprised of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$29,689</td>
<td>$29,689</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>31,564</td>
<td>31,167</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>177,074</td>
<td>174,395</td>
</tr>
<tr>
<td>Capitalized software</td>
<td>13,812</td>
<td>13,291</td>
</tr>
<tr>
<td>Work in progress</td>
<td>1,825</td>
<td>312</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>3,327</td>
<td>3,327</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>$(78,924)</td>
<td>$(71,391)</td>
</tr>
<tr>
<td>Total property and equipment, net</td>
<td>$178,367</td>
<td>$180,790</td>
</tr>
</tbody>
</table>

(6) CONTRIBUTIONS RECEIVABLE

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

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$36,316</td>
</tr>
<tr>
<td>One to five years</td>
<td>483,428</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Discount at rates from 0.73% to 6.75% to estimated net present value</td>
<td>(29,108)</td>
</tr>
<tr>
<td>Allowance for uncollectible contributions</td>
<td>(845)</td>
</tr>
<tr>
<td>Less current portion</td>
<td>489,791</td>
</tr>
<tr>
<td>Total contributions receivable, long-term</td>
<td>$454,320</td>
</tr>
</tbody>
</table>

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

At December 31, 2012, the discount on contributions receivable was approximately $894,000 at rates ranging from 0.73% to 6.75% and the allowance for uncollectible contributions was approximately $845,000.

(7) DEFERRED REVENUE

Deferred revenue consisted of the following as of December 31, 2013 and 2012 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances from private grants and contract sponsors</td>
<td>$19,020</td>
<td>$16,767</td>
</tr>
<tr>
<td>Advances from U.S. government sponsors</td>
<td>8,032</td>
<td>8,368</td>
</tr>
<tr>
<td>Publication subscriptions and other</td>
<td>6,856</td>
<td>6,568</td>
</tr>
<tr>
<td>Total deferred revenue</td>
<td>$33,908</td>
<td>$31,703</td>
</tr>
</tbody>
</table>

(8) LINES OF CREDIT

Until December 2012, NAS was party to a $34 million unsecured line of credit from Bank of America, which bore interest at LIBOR plus 0.65%. NAS was also party
to a $15 million unsecured line of credit from Wells Fargo, which bore interest at LIBOR plus 0.65%.

In December 2012, NAS terminated the lines of credit with Bank of America and Wells Fargo and entered into two new line of credit agreements. Under the new lines of credit, NAS is party to a $55 million line of credit from Wells Fargo, which bears interest at LIBOR plus 0.55% and expires on March 3, 2014, and a $15 million line of credit from TD Bank, which bears interest at LIBOR plus 0.55% and expires on August 31, 2014. NAS has pledged and granted to each bank a security interest in NAS’ gross revenues.

Interest expense related to the lines of credit for the years ended December 31, 2013 and 2012, was approximately $304,000 and $213,000, respectively.

(9) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2013 and 2012 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gulf Research Program</td>
<td>$470,491</td>
<td>$         -</td>
</tr>
<tr>
<td>Other sponsored research and advisory programs</td>
<td>164,977</td>
<td>143,984</td>
</tr>
<tr>
<td>General endowment</td>
<td>82,562</td>
<td>74,007</td>
</tr>
<tr>
<td>Prizes and awards</td>
<td>29,958</td>
<td>26,334</td>
</tr>
<tr>
<td>Woods Hole facility</td>
<td>3,556</td>
<td>3,023</td>
</tr>
<tr>
<td>Total temporarily restricted net assets</td>
<td>$751,544</td>
<td>$247,348</td>
</tr>
</tbody>
</table>

Temporarily restricted net assets were released from restriction for the following purposes during the years ended December 31, 2013 and 2012 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gulf Research Program</td>
<td>$1,372</td>
<td>$         -</td>
</tr>
<tr>
<td>Other sponsored research and advisory programs</td>
<td>34,973</td>
<td>35,561</td>
</tr>
<tr>
<td>General endowment</td>
<td>4,524</td>
<td>4,203</td>
</tr>
<tr>
<td>Prizes and awards</td>
<td>812</td>
<td>779</td>
</tr>
<tr>
<td>Woods Hole facility</td>
<td>269</td>
<td>262</td>
</tr>
<tr>
<td>Total temporarily restricted net assets released from restriction</td>
<td>$41,950</td>
<td>$40,805</td>
</tr>
</tbody>
</table>

(10) ENDOWMENT

(a) Permanently Restricted Net Assets

The income generated by permanently restricted net assets is available to support donor-specified programs. As of December 31, 2013 and 2012, NAS held the following permanently restricted net assets, classified by the purpose for which the income is to be used (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsored research and advisory programs</td>
<td>$84,918</td>
<td>$84,505</td>
</tr>
<tr>
<td>General Endowment</td>
<td>32,368</td>
<td>32,524</td>
</tr>
<tr>
<td>Prizes and awards</td>
<td>5,117</td>
<td>5,116</td>
</tr>
<tr>
<td>Woods Hole facility</td>
<td>3,539</td>
<td>3,539</td>
</tr>
<tr>
<td>Total permanently restricted net assets</td>
<td>$125,942</td>
<td>$125,684</td>
</tr>
</tbody>
</table>

(b) Endowment Assets

The NAS endowment consists of approximately 115 individual funds established to support general operations, sponsored research and advisory programs, prizes and awards, and the operations of the Woods Hole facility. The endowment is comprised solely of donor-restricted endowment funds. The investments of the endowment are included in the NAS long-term investment pool, as described in note 3.

Interpretation of Relevant Law

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

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

**Return Objectives and Strategies**

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

The asset allocation guidelines are as follows:

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment assets, beginning of year</td>
<td>$ (2)</td>
<td>$ 172,129</td>
<td>$ 122,831</td>
<td>$ 294,958</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>-</td>
<td>8,298</td>
<td>-</td>
<td>8,298</td>
</tr>
<tr>
<td>Net gain on investments</td>
<td>2</td>
<td>28,266</td>
<td>-</td>
<td>28,268</td>
</tr>
<tr>
<td>Total investment return</td>
<td>2</td>
<td>36,564</td>
<td>-</td>
<td>36,566</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>703</td>
<td>2,312</td>
<td>3,015</td>
</tr>
<tr>
<td>Amounts appropriated for expenditure</td>
<td>-</td>
<td>(11,614)</td>
<td>-</td>
<td>(11,614)</td>
</tr>
<tr>
<td>Other changes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 appropriation expended in 2013</td>
<td>-</td>
<td>(6,124)</td>
<td>-</td>
<td>(6,124)</td>
</tr>
<tr>
<td>Unspent purpose restricted appropriations</td>
<td>-</td>
<td>8,000</td>
<td>-</td>
<td>8,000</td>
</tr>
<tr>
<td>Accrued expenses withdrawn in 2014</td>
<td>-</td>
<td>(1)</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Endowment assets, end of year</td>
<td>$ -</td>
<td>$ 199,657</td>
<td>$ 125,143</td>
<td>$ 324,800</td>
</tr>
</tbody>
</table>
Changes in endowment assets for the fiscal year ended December 31, 2012 are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment assets, beginning of year</td>
<td>$ (160)</td>
<td>$ 155,031</td>
<td>$ 119,817</td>
<td>$ 274,688</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>-</td>
<td>7,262</td>
<td>-</td>
<td>7,262</td>
</tr>
<tr>
<td>Net gain on investments</td>
<td>158</td>
<td>19,459</td>
<td>-</td>
<td>19,617</td>
</tr>
<tr>
<td>Total investment return</td>
<td>158</td>
<td>26,721</td>
<td>-</td>
<td>26,879</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>-</td>
<td>3,014</td>
<td>3,014</td>
</tr>
<tr>
<td>Amounts appropriated for expenditure</td>
<td>-</td>
<td>(10,681)</td>
<td>-</td>
<td>(10,681)</td>
</tr>
<tr>
<td>Other changes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011 appropriation expended in 2012</td>
<td>-</td>
<td>(5,066)</td>
<td>-</td>
<td>(5,066)</td>
</tr>
<tr>
<td>Unspent purpose restricted appropriations</td>
<td>-</td>
<td>5,864</td>
<td>-</td>
<td>5,864</td>
</tr>
<tr>
<td>Accrued expenses withdrawn in 2013</td>
<td>-</td>
<td>260</td>
<td>-</td>
<td>260</td>
</tr>
<tr>
<td>Endowment assets, end of year</td>
<td>$ (2)</td>
<td>$ 172,129</td>
<td>$ 122,831</td>
<td>$ 294,958</td>
</tr>
</tbody>
</table>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gift donated to the permanent endowment. Deficiencies of this nature are reported as unrestricted net assets. At December 31, 2013, there were no endowment funds with a fair value below the original value of the gift. At December 31, 2012, there was one endowment fund with a fair value below the original value of the gift. This deficiency was primarily a result of unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Subsequent gains that restored the fair value of the assets of the endowment fund to the required level were classified as an increase in unrestricted net assets.

(11) PROGRAM EXPENSES

Program expenses for the years ended December 31, 2013 and 2012 are summarized as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation Research Board</td>
<td>$110,658</td>
<td>$100,840</td>
</tr>
<tr>
<td>Policy and Global Affairs</td>
<td>60,479</td>
<td>66,521</td>
</tr>
<tr>
<td>Institute of Medicine</td>
<td>31,267</td>
<td>45,779</td>
</tr>
<tr>
<td>Earth and Life Studies</td>
<td>16,317</td>
<td>17,688</td>
</tr>
<tr>
<td>Engineering and Physical Sciences</td>
<td>15,553</td>
<td>17,828</td>
</tr>
<tr>
<td>Behavioral and Social Sciences and Education</td>
<td>11,404</td>
<td>10,825</td>
</tr>
<tr>
<td>Proceedings of the National Academy of Sciences</td>
<td>13,746</td>
<td>12,968</td>
</tr>
<tr>
<td>National Academy Press</td>
<td>3,358</td>
<td>3,096</td>
</tr>
<tr>
<td>National Academy of Engineering</td>
<td>2,918</td>
<td>3,879</td>
</tr>
<tr>
<td>Koshland Science Museum</td>
<td>1,250</td>
<td>2,307</td>
</tr>
<tr>
<td>Gulf Research Program</td>
<td>934</td>
<td>-</td>
</tr>
<tr>
<td>NAS</td>
<td>7,598</td>
<td>7,777</td>
</tr>
<tr>
<td>Total program expenses</td>
<td>$275,482</td>
<td>$289,508</td>
</tr>
</tbody>
</table>
(12) RECOVERY OF INDIRECT COSTS

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

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

NAS has a cumulative net over recovery of approximately $0.8 million and $5.1 million as of December 31, 2013 and 2012, respectively. The over recovery is included in the deferred revenue balance in the statements of financial position.

(13) BUILDING PROJECT AND FINANCING

(a) Building Project Revenue Bonds

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

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

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

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

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

NAS is obligated under the revenue bonds as follows (in thousands):

<table>
<thead>
<tr>
<th>Bond Details</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2008A revenue bonds, term, at flexible rates (1.1% in 2013 and 0.3% in 2012) maturing at various dates from January 1, 2013 through 2039</td>
<td>$65,090</td>
<td>$66,325</td>
</tr>
<tr>
<td>Series 2009A revenue bonds, term, at flexible rates (0.7% in 2013 and 0.3% in 2012) maturing at various dates from January 1, 2013 through 2028</td>
<td>51,150</td>
<td>52,120</td>
</tr>
<tr>
<td>Series 2010A revenue bonds, serial, with interest rates ranging from 3.0% to 5.0%, maturing at various dates from April 1, 2013 through 2030</td>
<td>28,265</td>
<td>29,385</td>
</tr>
<tr>
<td>Series 2010A revenue bonds, term, Interest rate 5%, maturing April 1, 2035</td>
<td>13,205</td>
<td>13,205</td>
</tr>
<tr>
<td>Interest rate 5%, maturing April 1, 2040</td>
<td>16,960</td>
<td>16,960</td>
</tr>
<tr>
<td>Total bonds, at face value</td>
<td>174,670</td>
<td>177,995</td>
</tr>
<tr>
<td>Plus unamortized premium</td>
<td>837</td>
<td>967</td>
</tr>
<tr>
<td>Total bonds payable</td>
<td>175,507</td>
<td>178,962</td>
</tr>
<tr>
<td>Less current portion (included in other current liabilities)</td>
<td>(3,587)</td>
<td>(3,455)</td>
</tr>
<tr>
<td>Bonds payable, long-term</td>
<td>$171,920</td>
<td>$175,507</td>
</tr>
</tbody>
</table>
The serial and term bonds represent unsecured general obligations of NAS.

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

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

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

<table>
<thead>
<tr>
<th>Years ending December 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>3,475</td>
</tr>
<tr>
<td>2015</td>
<td>3,645</td>
</tr>
<tr>
<td>2016</td>
<td>3,820</td>
</tr>
<tr>
<td>2017</td>
<td>4,005</td>
</tr>
<tr>
<td>2018</td>
<td>4,195</td>
</tr>
<tr>
<td>Thereafter</td>
<td>155,530</td>
</tr>
<tr>
<td></td>
<td>$ 174,670</td>
</tr>
</tbody>
</table>

The carrying value of bonds payable in the financial statements was approximately $0.9 million and $5.2 million less than fair value as of December 31, 2013 and 2012, respectively. NAS estimated the fair value of bonds payable through valuations provided by an independent financial institution. If measured at fair value in the statement of financial position, the bonds payable would be categorized as Level 2 in the fair value hierarchy.

Interest expense on the bonds payable for 2013 and 2012 totaled $3.6 million and $2.9 million, respectively. Of this amount, $1.1 million was capitalized as part of the building restoration project for 2012. There was no interest capitalized in 2013.

**(b) Interest Rate Swaps**

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

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

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

In May 2009, NAS entered into an additional swap agreement as a result of a counterparty exercising a swaption related to the Series 1999A Revenue Bonds. The variable-to-fixed swap requires NAS to pay 5.00% on a notional amount of $55 million and to receive a floating rate equal to 67% of 1-month LIBOR plus 0.41%.

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

With regard to the fixed-to-variable interest rate swap, NAS recorded a gain on the change in the fair value of its swap agreement of $7,000 and $163,000, for the years ended December 31, 2013 and 2012, respectively, which is included in other income in the accompanying statements of activities. The fair value of the interest
rate swap was recorded as an asset of $208,000 and $201,000 as of December 31, 2013 and 2012, respectively, and is included in other assets in the statements of financial position.

Pertaining to the swaption and resultant variable-to-fixed interest rate swap, NAS recorded a gain on the change in the fair value of approximately $4,278,000 and $516,000, for the years ended December 31, 2013 and 2012, respectively, which is included in other income in the statements of activities. The fair value of the swap is recorded as a liability of approximately $9.3 million and $13.6 million as of December 31, 2013 and 2012, respectively, and is included in other current liabilities and other long term liabilities.

(14) EMPLOYEE BENEFITS

(a) Retirement Plans

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

In addition, NAS has a voluntary employee contribution retirement plan that is funded solely by employee contributions made on a pretax salary-reduction basis under Section 403(b) of the Internal Revenue Code. The funding vehicles under the plan consist of group investments issued by TIAA and CREF, as well as mutual funds issued by TIAA-CREF, Vanguard Fiduciary Trust Company, and other third-parties.

Pension expense for the years ended December 31, 2013 and 2012, amounted to approximately $12.0 million and $12.6 million, respectively. The NAS policy is to fund pension benefits as they are earned. The NAS normal retirement age is 60, but there is no mandatory age for retirement.

(b) Deferred Compensation

NAS holds long-term investments as part of a frozen deferred compensation arrangement for certain employees. The fair value of these investments was approximately $1.7 million and $1.8 million as of December 31, 2013 and 2012, respectively, which is reported within other assets in the statements of financial position. The related obligation is included in accrued employee benefits in the statements of financial position.

(c) Postretirement and Postemployment Benefits

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net actuarial (gain)/ loss</td>
<td>$(3,208)</td>
<td>$216</td>
</tr>
<tr>
<td>Recognized net actuarial loss</td>
<td>$(584)</td>
<td>$(692)</td>
</tr>
<tr>
<td>Prior service credit</td>
<td>$(707)</td>
<td>-</td>
</tr>
<tr>
<td>Recognized prior service cost</td>
<td>$(210)</td>
<td>$(210)</td>
</tr>
<tr>
<td>Recognized net initial obligation</td>
<td>$(26)</td>
<td>$(26)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$(4,735)</td>
<td>$(712)</td>
</tr>
</tbody>
</table>
Items not yet recognized as a component of net periodic benefit cost at December 31, 2013 and 2012 are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net actuarial loss</td>
<td>$3,172</td>
<td>$6,964</td>
</tr>
<tr>
<td>Prior service (credit) cost</td>
<td>$(392)</td>
<td>512</td>
</tr>
<tr>
<td>Unrecognized net initial obligation</td>
<td>-</td>
<td>39</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,780</strong></td>
<td><strong>$7,515</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior service cost</td>
<td>$(49)</td>
<td>$210</td>
</tr>
<tr>
<td>Recognized actuarial loss</td>
<td>49</td>
<td>583</td>
</tr>
<tr>
<td>Recognized net initial obligation</td>
<td>-</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-</strong></td>
<td><strong>819</strong></td>
</tr>
</tbody>
</table>

The following table presents the changes in benefit obligations, changes in plan assets, funded status, and the components of net periodic benefit cost for the year ended December 31, 2013 and 2012 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in benefits obligation:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits obligation, beginning of year</td>
<td>$28,796</td>
<td>$25,938</td>
</tr>
<tr>
<td>Service cost</td>
<td>909</td>
<td>803</td>
</tr>
<tr>
<td>Interest cost</td>
<td>1,132</td>
<td>1,146</td>
</tr>
<tr>
<td>Plan participants’ contributions</td>
<td>120</td>
<td>110</td>
</tr>
<tr>
<td>Amendments</td>
<td>(707)</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(1,205)</td>
<td>1,443</td>
</tr>
<tr>
<td>Benefits provided</td>
<td>(777)</td>
<td>(644)</td>
</tr>
<tr>
<td><strong>Benefits obligation, end of year</strong></td>
<td>28,268</td>
<td>28,796</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets, beginning of year</td>
<td>23,668</td>
<td>20,204</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>3,780</td>
<td>2,742</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>1,391</td>
<td>1,362</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(692)</td>
<td>(640)</td>
</tr>
<tr>
<td><strong>Fair value of plan assets, end of year</strong></td>
<td>28,147</td>
<td>23,668</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funded status</strong></td>
<td>($121)</td>
<td>($5,128)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Components of net periodic benefit cost:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$909</td>
<td>$803</td>
</tr>
<tr>
<td>Interest cost</td>
<td>1,132</td>
<td>1,146</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(1,775)</td>
<td>(1,515)</td>
</tr>
<tr>
<td>Recognized prior service cost</td>
<td>210</td>
<td>210</td>
</tr>
<tr>
<td>Recognized actuarial loss</td>
<td>584</td>
<td>692</td>
</tr>
<tr>
<td>Recognized net initial obligation</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td><strong>Net periodic benefit cost</strong></td>
<td><strong>$1,086</strong></td>
<td><strong>$1,362</strong></td>
</tr>
</tbody>
</table>

The assumptions used to determine net periodic benefit cost for the years ended December 31, 2013 and 2012 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>4.00%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Expected long-term return on plan assets</td>
<td>7.50</td>
<td>7.50</td>
</tr>
<tr>
<td>Rate of increase in healthcare costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under age 65</td>
<td>8.00</td>
<td>7.50</td>
</tr>
<tr>
<td>Over age 65</td>
<td>5.00</td>
<td>5.00</td>
</tr>
</tbody>
</table>

The assumptions used to calculate the accumulated postretirement benefit obligation for the years ended December 31, 2013 and 2012 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>4.75%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Rate of increase in healthcare costs for next year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under age 65</td>
<td>8.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Over age 65</td>
<td>5.00</td>
<td>5.00</td>
</tr>
</tbody>
</table>

The trend rate for growth in healthcare costs was assumed to decline gradually beginning in 2016 to 5% in the year 2021 for under age 65 and to remain at 5% for over age 65 for the years ended December 31, 2013 and 2012.

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postretirement benefit obligation</td>
<td>$3,280</td>
<td>$3,535</td>
</tr>
<tr>
<td>Benefit expense</td>
<td>332</td>
<td>305</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postretirement benefit obligation</td>
<td>$(2,714)</td>
<td>$(2,902)</td>
</tr>
<tr>
<td>Benefit expense</td>
<td>(264)</td>
<td>(244)</td>
</tr>
</tbody>
</table>
NAS postretirement benefit plan asset allocations at December 31, 2013 and 2012, by asset class are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Bonds and notes</td>
<td>35</td>
<td>36</td>
</tr>
<tr>
<td>Equity</td>
<td>59</td>
<td>57</td>
</tr>
</tbody>
</table>

100% 100%

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

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

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

<table>
<thead>
<tr>
<th>Financial Assets:</th>
<th>Fair Value</th>
<th>Fair value measurements using</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retiree Welfare Benefit Plan investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$1,818</td>
<td>$1,818</td>
</tr>
<tr>
<td>Bonds and notes</td>
<td>1,979</td>
<td>-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>7,002</td>
<td>4,660</td>
</tr>
<tr>
<td>Non-U.S. fixed income</td>
<td>749</td>
<td>749</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. large equity</td>
<td>4,212</td>
<td>4,212</td>
</tr>
<tr>
<td>U.S. small/mid equity</td>
<td>8,677</td>
<td>8,677</td>
</tr>
<tr>
<td>Non-U.S. equity (developed)</td>
<td>3,440</td>
<td>3,440</td>
</tr>
<tr>
<td>Non-U.S. equity (emerging)</td>
<td>270</td>
<td>270</td>
</tr>
<tr>
<td>Total investments</td>
<td>$28,147</td>
<td>$23,826</td>
</tr>
</tbody>
</table>

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

NAS expects to contribute to the Plan the actuarially determined net periodic cost for 2014, which is approximately $95,000.

The following benefit payments, which reflect future services, are expected to be paid in future years as noted, as of December 31, 2013 (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Benefit Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$1,161</td>
</tr>
<tr>
<td>2015</td>
<td>$1,371</td>
</tr>
<tr>
<td>2016</td>
<td>$1,477</td>
</tr>
<tr>
<td>2017</td>
<td>$1,595</td>
</tr>
<tr>
<td>2018</td>
<td>$1,718</td>
</tr>
<tr>
<td>2019-2023</td>
<td>$9,426</td>
</tr>
</tbody>
</table>

The measurement date of the plan assets and benefit obligations for 2013 and 2012 is December 31, 2013 and 2012, respectively.

(15) CONDITIONAL ASSET RETIREMENT OBLIGATION

NAS recorded an asset retirement obligation for which fair value of the liability could be reasonably estimated relating to the regulatory remediation of asbestos and other hazardous materials in one of its office buildings.
Remediation of the asbestos and other hazardous materials began in 2010 and was completed in 2012. NAS recognized a gain on the settlement of the asset retirement obligation of $56,000 for the year ended December 31, 2012, which is included in other income in the statement of activities. As of December 31, 2013 and 2012, NAS had no remaining liability for remediation costs.

(16) RELATED-PARTY TRANSACTIONS

The NAS Council has authorized two agreements providing noninterest-bearing, collateralized advances to two employees in connection with the purchase of each employee’s residence. The agreements between the parties were executed in May 2005 and April 2013. The agreement executed in May 2005 provides that the repayment obligation will be adjusted to allocate to each party its proportional share of the appreciation or depreciation in the value of the residence, which is based on the relative financing percentage provided by each party. That agreement will terminate upon payoff of the advance, sale of the property, or the end of the individual’s employment with NAS, which will not exceed 12 years. The agreement executed in April 2013 will terminate upon the first to occur of the date the individual ceases to occupy the property as principal residence, sale of the property, or the end of the individual’s employment with NAS. The estimated present value of both receivables is $3.8 million and $2.3 million at December 31, 2013 and 2012, respectively, and is included in other assets in the statements of financial position.

An agreement authorized by the NAS Council in May 2007 to provide a noninterest-bearing, collateralized advance to an employee in connection with the purchase of that employee’s residence terminated during 2013. The estimated present value of that receivable was $0.9 million at December 31, 2012 and was included in other current assets in the statement of financial position.

(17) COMMITMENTS AND CONTINGENCIES

(a) Leases

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

<table>
<thead>
<tr>
<th>Years ending December 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>435</td>
</tr>
<tr>
<td>2015</td>
<td>448</td>
</tr>
<tr>
<td>2016</td>
<td>545</td>
</tr>
<tr>
<td>2017</td>
<td>589</td>
</tr>
<tr>
<td>2018</td>
<td>607</td>
</tr>
<tr>
<td>Thereafter</td>
<td>4,978</td>
</tr>
<tr>
<td></td>
<td>$ 7,602</td>
</tr>
</tbody>
</table>

Rental expense amounted to approximately $0.4 million and $2.0 million for the years ended December 31, 2013 and 2012, respectively.

During the year ended December 31, 2011, NAS exercised an option to terminate one of its leases early. The lease was originally scheduled to end December 31, 2017, and under the revised agreement ended on December 31, 2012. NAS’ obligation under the lease terminated on that date.

(b) Contingencies

NAS receives a portion of its revenues directly or indirectly from federal government grants and contracts, all of which are subject to audit by the Defense Contract Audit Agency, which has completed its examinations through December 31, 2005. A contingency exists relating to unexamined periods and final settlements of examined periods to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

(18) SUBSEQUENT EVENTS

In March 2014, NAS renewed its line of credit with Wells Fargo for $45 million. The line of credit bears interest at LIBOR plus 0.55% and expires on June 30, 2015.

NAS has evaluated subsequent events from the statement of financial position date through May 21, 2014, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.
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