OFFICE OF THE
INSPECTOR GENERAL

Smithsonian

Memo

Date: January 27, 2023

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

Cc: Ron Cortez, Under Secretary for Finance and Administration and Acting Chief Financial Officer
Jennifer Case, Controller, Office of Finance and Accounting
Porter N. Wilkinson, Chief of Staff to the Board of Regents
Greg Bettwy, Chief of Staff, Office of the Secretary

From: Cathy L. Helm, Inspector General

DocuSigned by:
Cathy Helm
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Subject: Independent Auditor's Report on the Smithsonian Institution's Fiscal Year 2022 Financial Statements (OIG-A-23-04)

This memorandum transmits the fiscal year 2022 financial statement audits of the Smithsonian Institution (Smithsonian) performed by the independent public accounting firm of KPMG LLP (KPMG). On January 27, 2023, KPMG issued its independent auditor's report on the Smithsonian Institution's statement of financial position as of September 30, 2022, and the related statements of financial activity and cash flows. KPMG expressed an unmodified opinion that concluded the financial statements were presented fairly, in all material respects, in accordance with the applicable financial reporting standards.

As part of our oversight activities, we reviewed KPMG's audit documentation and interviewed its representatives. Our review of KPMG's fiscal year 2022 audit procedures disclosed no instances where KPMG did not comply, in all material respects, with the applicable auditing standards.

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

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

If you have any questions, please do not hesitate to contact me or Joan T. Mockeridge, Assistant Inspector General for Audits, at (202) 633-7050.

Attachment

KPMG

SMITHSONIAN INSTITUTION

Financial Statements and Notes to Financial Statements

September 30, 2022 and 2021

(With Independent Auditors' Report Therein)

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Smithsonian Institution (the Organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of financial activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, and the results of its changes in net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

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

KPMG LLP

Washington D.C., District of Columbia
January 27, 2023

SMITHSONIAN INSTITUTION

Statements of Financial Position

September 30, 2022 and 2021

(Dollars in millions)

	2022			2021		
	Trust	**Federal**	**Total Funds**	**Trust**	**Federal**	**Total Funds**
Assets:						
Cash, cash equivalents, and U.S.Treasury balances	$ 207.5	796.4	1,003.9	149.6	758.6	908.2
Accounts receivable and other assets, net	62.7	2.8	65.5	51.8	3.0	54.8
Pledges receivable, net	329.0	—	329.0	369.1	—	369.1
Investments	2,627.0	—	2,627.0	2,834.7	—	2,834.7
Property and equipment, net	949.3	1,887.0	2,836.3	962.3	1,806.0	2,768.3
Operating lease right-of-use assets	91.4	—	91.4	110.4	—	110.4
Total assets	$ 4,266.9	2,686.2	6,953.1	4,477.9	2,567.6	7,045.5
Liabilities:						
Accounts payable and accrued expenses	$ 105.9	184.9	290.8	99.8	174.4	274.2
Operating lease liabilities	108.0	—	108.0	133.4	—	133.4
Deferred revenue	45.9	—	45.9	49.3	0.5	49.8
Unexpended federal appropriations	—	685.7	685.7	—	666.6	666.6
Deferred gain on sale of real estate	—	—	—	—	—	—
Environmental remediation obligations	—	46.1	46.1	—	46.6	46.6
Long-term debt	366.4	—	366.4	378.9	—	378.9
Total liabilities	626.2	916.7	1,542.9	661.4	888.1	1,549.5
Net assets:						
Without donor restriction						
Board designated	944.5	—	944.5	1,048.5	—	1,048.5
Undesignated	640.2	1,402.2	2,042.4	603.8	1,152.9	1,756.7
Net assets without donor restriction	1,584.7	1,402.2	2,986.9	1,652.3	1,152.9	2,805.2
With donor restriction						
Purpose and time restrictions	1,386.9	367.3	1,754.2	1,529.4	526.6	2,056.0
Endowments	669.1	—	669.1	634.8	—	634.8
Net assets with donor restriction	2,056.0	367.3	2,423.3	2,164.2	526.6	2,690.8
Total net assets	3,640.7	1,769.5	5,410.2	3,816.5	1,679.5	5,496.0
Total liabilities and net assets	$ 4,266.9	2,686.2	6,953.1	4,477.9	2,567.6	7,045.5

See accompanying notes to financial statements.

SMITHSONIAN INSTITUTION

Statements of Financial Activities

Year ended September 30, 2022

(Dollars in millions)

	2022								
	Without Donor Restriction			**With Donor Restriction**			**Total Funds**		
	Trust	**Federal**	**Total**	**Trust**	**Federal**	**Total**	**Trust**	**Federal**	**Total**
Operating:									
Support and revenues:									
Federal appropriations	$ —	822.4	822.4			—	—	822.4	822.4
Contributions	65.6	—	65.6	104.2		104.2	169.8	—	169.8
Grants and contracts	80.5	—	80.5	81.4		81.4	161.9	—	161.9
Business activities	133.5	—	133.5			—	133.5	—	133.5
Endowment payout	45.0	—	45.0	42.8		42.8	87.8	—	87.8
Imputed benefit revenue	—	122.7	122.7			—	—	122.7	122.7
Short-term investment income and other revenue	33.9	12.3	46.2	0.6		0.6	34.5	12.3	46.8
Total operating revenues	358.5	957.4	1,315.9	229.0	0.0	229.0	587.5	957.4	1,544.9
Net assets released from restrictions	197.7	40.6	238.3	(197.7)	(40.6)	(238.3)	—	—	—
Total support and revenues	556.2	998.0	1,554.2	31.3	(40.6)	(9.3)	587.5	957.4	1,544.9
Expenses:									
Program activities:									
Research	148.8	196.2	345.0			—	148.8	196.2	345.0
Collections management	20.5	266.4	286.9			—	20.5	266.4	286.9
Education, public programs, and exhibitions	98.1	298.8	396.9			—	98.1	298.8	396.9
Business activities	101.9	—	101.9			—	101.9	—	101.9
Total program activities	369.3	761.4	1,130.7	—	—	—	369.3	761.4	1,130.7
Supporting activities:									
Administration	18.7	207.3	226.0			—	18.7	207.3	226.0
Advancement	69.9	0.8	70.7			—	69.9	0.8	70.7
Total supporting activities	88.6	208.1	296.7	—	—	—	88.6	208.1	296.7
Total expenses	457.9	969.5	1,427.4	—	—	—	457.9	969.5	1,427.4
Change in net assets before depreciation and amortization	98.3	28.5	126.8	31.3	(40.6)	(9.3)	129.6	(12.1)	117.5
Depreciation, amortization, and changes in environmental remediation obligations	59.3	121.2	180.5	0.0	0.0	0.0	59.3	121.2	180.5
Change in net assets from operating activities	39.0	(92.7)	(53.7)	31.3	(40.6)	(9.3)	70.3	(133.3)	(63.0)
Nonoperating activities:									
Federal capital appropriations	—	—	—	—	227.2	227.2	—	227.2	227.2
Endowment gifts	—	—	—	32.6	—	32.6	32.6	—	32.6
Gifts for construction projects	—	—	—	10.0	—	10.0	10.0	—	10.0
Investment return, net of endowment payout	(127.6)	—	(127.6)	(150.8)	—	(150.8)	(278.4)	—	(278.4)
Gain on sale of real estate	—	—	—	—	—	—	—	—	0.0
Rent revenue	3.2	—	3.2	—	—	—	3.2	—	3.2
Unrelated income tax expense	(0.8)	—	(0.8)	—	—	—	(0.8)	—	(0.8)
Change in net assets of related organization and other	—	—	—	—	—	—	—	—	0.0
Losses on disposition of assets	—	(0.2)	(0.2)	—	—	—	—	(0.2)	(0.2)
Collection items not capitalized:									
Collection items purchased	(12.8)	(3.7)	(16.5)	—	—	—	(12.8)	(3.7)	(16.5)
Collection items sold	0.1	—	0.1	—	—	—	0.1	—	0.1
Net assets released from restrictions	31.3	345.9	377.2	(31.3)	(345.9)	(377.2)	—	—	0.0
Change in net assets from nonoperating activities	(106.6)	342.0	235.4	(139.5)	(118.7)	(258.2)	(246.1)	223.3	(22.8)
Change in net assets	(67.6)	249.3	181.7	(108.2)	(159.3)	(267.5)	(175.8)	90.0	(85.8)
Net assets, beginning of year	1,652.3	1,152.9	2,805.2	2,164.2	526.6	2,690.8	3,816.5	1,679.5	5,496.0
Net assets, end of year	$ 1,584.7	1,402.2	2,986.9	2,056.0	367.3	2,423.3	3,640.7	1,769.5	5,410.2

See accompanying notes to financial statements.

SMITHSONIAN INSTITUTION

Statements of Financial Activities

Year ended September 30, 2021

(Dollars in millions)

	2021								
	Without Donor Restriction			With Donor Restriction			Total Funds		
	Trust	Federal	Total	Trust	Federal	Total	Trust	Federal	Total
Operating:									
Support and revenues:									
Federal appropriations	$ —	773.9	773.9	—	—	—	—	773.9	773.9
Contributions	60.0	—	60.0	220.2	—	220.2	280.2	—	280.2
Grants and contracts	81.0	—	81.0	64.8	—	64.8	145.8	—	145.8
Business activities	86.0	—	86.0	—	—	—	86.0	—	86.0
Endowment payout	42.2	—	42.2	40.6	—	40.6	82.8	—	82.8
Imputed benefit revenue	—	107.1	107.1	—	—	—	—	107.1	107.1
Short-term investment income and other revenue	16.2	10.6	26.8	0.7	—	0.7	16.9	10.6	27.5
Total operating revenues	285.4	891.6	1,177.0	326.3	—	326.3	611.7	891.6	1,503.3
Net assets released from restrictions	148.1	58.0	206.1	(148.1)	(58.0)	(206.1)	—	—	—
Total support and revenues	433.5	949.6	1,383.1	178.2	(58.0)	120.2	611.7	891.6	1,503.3
Expenses:									
Program activities:									
Research	141.6	189.0	330.6	—	—	—	141.6	189.0	330.6
Collections management	18.8	252.0	270.8	—	—	—	18.8	252.0	270.8
Education, public programs, and exhibitions	69.7	288.3	358.0	—	—	—	69.7	288.3	358.0
Business activities	75.5	—	75.5	—	—	—	75.5	—	75.5
Total program activities	305.6	729.3	1,034.9	—	—	—	305.6	729.3	1,034.9
Supporting activities:									
Administration	51.7	204.5	256.2	—	—	—	51.7	204.5	256.2
Advancement	63.1	0.7	63.8	—	—	—	63.1	0.7	63.8
Total supporting activities	114.8	205.2	320.0	—	—	—	114.8	205.2	320.0
Total expenses	420.4	934.5	1,354.9	—	—	—	420.4	934.5	1,354.9
Change in net assets before depreciation and amortization	13.1	15.1	28.2	178.2	(58.0)	120.2	191.3	(42.9)	148.4
Depreciation, amortization, and changes in environmental remediation obligations	58.9	109.6	168.5	—	—	—	58.9	109.6	168.5
Change in net assets from operating activities	(45.8)	(94.5)	(140.3)	178.2	(58.0)	120.2	132.4	(152.5)	(20.1)
Nonoperating activities:									
Federal capital appropriations	—	—	—	—	213.3	213.3	—	213.3	213.3
Endowment gifts	—	—	—	37.3	—	37.3	37.3	—	37.3
Gifts for construction projects	—	—	—	79.9	—	79.9	79.9	—	79.9
Investment return, net of endowment payout	243.9	—	243.9	314.2	—	314.2	558.1	—	558.1
Gain on sale of real estate	0.4	—	0.4	—	—	—	0.4	—	0.4
Rent revenue	7.2	—	7.2	—	—	—	7.2	—	7.2
Unrelated income tax expense	0.1	—	0.1	—	—	—	0.1	—	0.1
Change in net assets of related organization and other	(4.8)	—	(4.8)	(2.2)	—	(2.2)	(7.0)	—	(7.0)
Losses on disposition of assets	(0.3)	(0.8)	(1.1)	—	—	—	(0.3)	(0.8)	(1.1)
Collection items not capitalized:									
Collection items purchased	(7.1)	(3.4)	(10.5)	—	—	—	(7.1)	(3.4)	(10.5)
Collection items sold	1.4	—	1.4	—	—	—	1.4	—	1.4
Net assets released from restrictions	11.2	41.8	53.0	(11.2)	(41.8)	(53.0)	—	—	—
Change in net assets from nonoperating activities	252.0	37.6	289.6	418.0	171.5	589.5	670.0	209.1	879.1
Change in net assets	206.2	(56.9)	149.3	596.2	113.5	709.7	802.4	56.6	859.0
Net assets, beginning of year	1,446.1	1,209.8	2,655.9	1,568.0	413.1	1,981.1	3,014.1	1,622.9	4,637.0
Net assets, end of year	$ 1,652.3	1,152.9	2,805.2	2,164.2	526.6	2,690.8	3,816.5	1,679.5	5,496.0

See accompanying notes to financial statements.

SMITHSONIAN INSTITUTION

Statements of Cash Flows

September 30, 2022 and 2021

(Dollars in millions)

	2022			2021		
	Trust	Federal	Total	Trust	Federal	Total
Cash flows from operating activities:						
Change in net assets	$ (175.8)	90.0	(85.8)	802.4	56.6	859.0
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Gain / loss on disposition of assets and other	0.8	1.2	2.0	0.3	8.1	8.4
Collection items purchased	12.8	3.7	16.5	7.1	3.4	10.5
Proceeds from sales of collection items	(0.1)	—	(0.1)	(1.4)	—	(1.4)
Depreciation and changes in environmental remediation obligations	59.3	119.5	178.8	58.9	109.6	168.5
Amortization of operating lease right-of-use assets	21.4	—	21.4	23.5	—	23.5
Present value discount and accretion	(0.1)	1.2	1.1	(0.1)	1.1	1.0
Contributions for endowments	(32.6)	1.2	(31.4)	(37.3)	—	(37.3)
Contributions for construction of facilities	(10.0)	—	(10.0)	(79.9)	—	(79.9)
Appropriations for repair, restoration, and construction	—	(227.2)	(227.2)	—	(213.3)	(213.3)
Net investment (gains) losses	201.2	—	201.2	(638.4)	—	(638.4)
Decrease (increase) in assets:						
Accounts receivables and other assets	(10.9)	0.2	(10.7)	14.0	(1.2)	12.8
Pledges receivable, net	34.8	—	34.8	(105.8)	—	(105.8)
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	6.8	2.6	9.4	6.0	(9.4)	(3.4)
Operating lease liabilities	(27.8)	—	(27.8)	(25.2)	—	(25.2)
Deferred revenue	(3.4)	(0.5)	(3.9)	(6.5)	(0.3)	(6.8)
Unexpended federal appropriations	—	29.3	29.3	—	44.0	44.0
Deferred gain on sale of real estate	—	—	—	(0.4)	—	(0.4)
Net cash provided by (used in) operating activities	76.4	21.2	97.6	17.2	(1.4)	15.8
Cash flows from investing activities:						
Purchases of property and equipment	(47.8)	(195.5)	(243.3)	(39.3)	(164.1)	(203.4)
Purchases of investment securities	(732.7)	—	(732.7)	(563.0)	—	(563.0)
Proceeds from sales/maturities of investment securities	739.2	—	739.2	545.8	—	545.8
Collection items purchased	(12.8)	(3.7)	(16.5)	(7.1)	(3.4)	(10.5)
Proceeds from sales of collection items	0.1	—	0.1	1.4	—	1.4
Net cash used in investing activities	(54.0)	(199.2)	(253.2)	(62.2)	(167.5)	(229.7)
Cash flows from financing activities:						
Appropriations for repair, restoration, and construction	—	217.0	217.0	—	214.5	214.5
Contributions for endowments	41.3	—	41.3	28.7	—	28.7
Contributions for construction of facilities	6.6	—	6.6	4.4	—	4.4
Principal from bond issuance, net	—	—	—	—	—	—
Principal payments on long-term debt	(12.4)	—	(12.4)	(12.3)	—	(12.3)
Net cash provided by financing activities	35.5	217.0	252.5	20.8	214.5	235.3
Net change in cash, cash equivalents and U.S. Treasury balances	57.9	39.0	96.9	(24.2)	45.6	21.4
Cash, cash equivalents and U.S. Treasury balances:						
Beginning of year	149.6	758.6	908.2	173.8	713.0	886.8
End of year	$ 207.5	797.6	1,005.1	149.6	758.6	908.2
Noncash investing activities:						
Construction cost accruals	$ 5.9	46.4	52.3	6.6	38.5	45.1
Cash paid for interest	$ 7.3	—	7.3	7.1	—	7.1

See accompanying notes to financial statements.

(1) Organization

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

The Smithsonian is a museum and an education and research complex consisting of 21 museums and the National Zoological Park in Washington, DC, and two museums in New York City. Additional facilities and programs are operated in five states and Panama. Research is carried out in eight research centers, in the museums and other facilities throughout the world. Smithsonian Enterprises (SE) was formed in 1999 by the Board to deliver profitable products and services that further the Smithsonian's mission.

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

In addition to Federal appropriations, the Smithsonian receives private support in the form of contributions, grants, and contracts, and earns income from investments and various business activities to support current operations. Business activities include Smithsonian magazines, the Smithsonian channel in partnership with Viacom/CBS, other publications, online catalogs, and retail operations located in its museums and centers. All other monies, related activities, and balances not considered Federal are referred to herein as “trust”, including all operating right-of-use assets and operating lease liabilities, regardless of whether the rent payments are paid from Federal appropriations.

(2) Summary of Significant Accounting Policies

(a) General

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

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

(b) Measure of Operations

The Smithsonian includes in its measure of operations Federal and trust support and revenues and expenses that are integral to its core programs services: research; collections management; education, public programs, and exhibitions; and business activities. The measure of operations excludes certain nonoperating activities, including Federal capital appropriations, gifts for capital and endowment, investment return in excess of amounts designated for operations, collection proceeds and acquisitions, and other nonrecurring items.

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

(c) Net Assets

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

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

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

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

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

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

U.S. Treasury balances of $796.4 at September 30, 2022 and $758.6 at September 30, 2021 consist of appropriated funds that are available to pay current liabilities and finance authorized purchase commitments of the Smithsonian. U.S. Treasury balances are carried forward until such time as goods or services are received and payments made, or until the funds are returned to the U.S. Treasury.

(e) Contracts with Customers and Accounts Receivable

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

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

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

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

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

The Smithsonian conducts sponsored program activity with various sponsors, including agencies and departments of the Federal government, local government entities, and foundations. Such grants and contracts revenue are recognized as the related qualifying expenses are incurred.

(g) Investments and Trusts Held by Others

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

Investments are generally reported at fair value. Publicly traded fixed income, global equities, natural resources, and cash and cash equivalents are reported and valued using readily determinable market prices. Nearly all the valuations reported by marketable alternative investments and public equities held in commingled funds rely upon third party administrators to objectively value positions and calculate net asset value (NAV) based on the funds' net asset value as a practical expedient. Investments in private equity structured funds (private equity, venture capital, real estate, natural resources) (collectively, nonmarketable investments) are valued at estimated fair value based on the funds' net asset value, or their equivalents, as a practical expedient, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. At September 30, 2022 and 2021, the Smithsonian had no plans or intentions to sell investments at amounts different from NAV. These estimated fair values may differ from the values that would have been used had a ready market existed for these investments, and the differences could be significant.

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

Equity hedge is an exchange traded option that seeks to reduce potential downside equity risk. Option contracts require payment of premiums in exchange for the right to purchase or sell underlying investments at a contracted strike price and maturity. As of September 30,2021, the equity hedge, a put option was classified as level 2 in the fair value hierarchy, had a notional value of $180 million and expired on August 29, 2022.

At September 30, 2022, the Smithsonian held futures contracts with notional amounts of $62.7 million. Futures contracts are standardized contracts traded on an exchange to buy or sell a particular financial instrument at a predetermined price in the future. During the period futures contracts are open, changes in the values of the contracts are recognized as unrealized gains and losses. When the futures contracts are closed, the Smithsonian records a realized gain or loss equal to the difference between the proceeds from, or the cost of, the close-out and the original price.

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

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

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

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

(h) Property and Equipment

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

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

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

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

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

(i) Collections – Stewardship Assets

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

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

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

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

(j) Federal Appropriations and Funds

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

Federal appropriations for general operations are recognized as operating revenue without donor restrictions, as qualifying expenses are incurred, and generally available for two years. The portion of these appropriations which are not obligated or expended are retained by the Smithsonian in accordance with Federal guidelines and returned to the U.S. Department of Treasury five years after the expiration of the obligation period. During fiscal year 2022, $0.5 related to the fiscal year 2016 appropriation was returned. During fiscal year 2021, $0.6 related to the fiscal year 2015 appropriation was returned.

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

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

(k) Annual Leave

Annual leave is accrued as it is earned by employees and is included in compensation and benefit costs. The liability for unused annual leave was $54.8 and $59.6 at September 30, 2022 and 2021, respectively, and is included in accounts payable and accrued expenses within the statements of financial position.

(l) Employee Benefit Plans

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

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

Federal employees hired after January 1, 1984, participate in the Federal Employees' Retirement System (FERS). Federal employees hired prior to January 1, 1984, had the option of remaining under the Civil Service Retirement System (CSRS) or electing FERS. The terms of both these plans are defined in Federal regulations. Under both systems, a specified percentage is withheld from each Federal employee's salary. The Smithsonian also contributes specified percentages of employees' salaries. The Smithsonian's expenses for these two plans were $59.3 and $53.2 in fiscal years 2022 and 2021, respectively.

Additional costs associated with these plans are borne by the U.S. government and are recorded as imputed benefit revenue and expense in the statements of financial activities. The Smithsonian recognized $122.7 and $107.1 in fiscal years 2022 and 2021, respectively.

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

Federal employees covered by CSRS or FERS are eligible to contribute to the Thrift Savings Plan (TSP), a defined contribution plan similar to a 401(k). The TSP is administered by the Federal Retirement Thrift Investment Board, an independent agency of the U.S. government. For FERS-covered employees, the Smithsonian is required to match contributions of specified percentages of base pay. No matching contributions are made for CSRS-covered employees. The Smithsonian's expenses for the TSP were $14.3 and $14.2 in fiscal years 2022 and 2021, respectively.

Most Federal employees are also eligible to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Smithsonian paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. The Smithsonian's expenses recognized for the FEGLI were $0.7 in fiscal years 2022 and 2021, respectively.

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

Trust Funded Pension, Health and Life Insurance Benefits

Substantially all trust fund employees are eligible to participate in defined contribution retirement plan under which the Smithsonian contributes specified percentages of employees' salaries. Such contributions are used to purchase individual annuities, the rights to which are immediately vested with the employees. Employees may also make voluntary contributions, subject to certain limitations. The Smithsonian's expenses for this plan were $22.6 and $21.5 in fiscal years 2022 and 2021, respectively.

In addition to the retirement plans, certain health care and life insurance benefits are made available to active and retired trust fund employees. The plan is contributory for retirees and requires payment of premiums and deductibles. Retiree contributions for premiums are established by an insurance carrier based on the average per capita cost of benefit coverage for all participants. The accrued benefit obligation under this plan was $15.7 and $20.6 at September 30, 2022 and 2021, respectively, and is included in accounts payable and accrued expenses in the statements of financial position.

Workers' Compensation

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

FECA expense is recognized based on amounts invoiced or expected to be invoiced by DOL and changes in the actuarially determined value of expected future benefits. The actuarially determined FECA liability represents the liability for expected future benefits for death, disability, medical, and miscellaneous costs for approved cases. The actuarial liability is calculated by DOL and evaluated by Smithsonian management annually, as of September 30, using a method utilizing historical benefit patterns related to specific incurred period, wage inflation factors, medical inflation factors and other variables. This liability constitutes an extended future estimate of cost which will not be obligated against budgetary resources until the fiscal year in which DOL bills the cost to the Smithsonian. The Smithsonian's expenses for the FECA were $2.7 in fiscal years 2022 and 2021, respectively.

(m) Functional Allocation of Expenses

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

- Research includes personnel, travel, and other costs associated with the Smithsonian's world-wide research programs.
- Collections management includes the care, storage, transportation, digitization, and other costs of managing the collections.
- Education, public programs, and exhibitions includes costs of providing a wide array of programing and outreach to academia and the general public as well as costs to display, manage, and transport exhibits.
- Business activities includes personnel, cost of goods sold, and related expenses.
- Administration includes costs for executive management, financial administration, human resources, and legal services.
- Advancement includes costs associated with individual and corporate gifts and grants, annual appeals, and other fund-raising efforts.

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

(n) Related Organizations

The Smithsonian recognizes its interest in the net assets of organizations that are financially interrelated and the changes in its interest as other nonoperating activities. During fiscal year 2021, the Smithsonian and the Friends of the National Zoo, as well as the UK Charitable Trust, were dissolved. The net asset balances were written-off and the losses are reflected in nonoperating activities within the statements of financial activities. There are no other related organizations of the Smithsonian.

(o) Income Taxes

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

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

The Smithsonian accounts for uncertain tax positions, when applicable. The tax years that remain subject to examination by the major tax jurisdictions under the statute are from the year 2018 and forward.

(p) Use of Estimates

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

(q) Risks and Uncertainties

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

(r) COVID-19 Pandemic

On March 13, 2020, the President of the United States declared a national emergency with respect to COVID-19, a respiratory disease declared to be a pandemic by the World Health Organization (Pandemic). The Pandemic affected the capital markets and the economy, and the museum, research and education sectors. The threat from the Pandemic was addressed on the national, Federal, state and local levels in various forms, including executive orders, state and local orders, and legislative actions.

All business activities of the Smithsonian were negatively affected by the Pandemic but have steadily improved in fiscal year 2022. During the Pandemic, museums were temporarily closed from March 2020 through April 2021, at which time certain museums reopened with several restrictions. By the end of June 2021, all museums had reopened partial days each week with limited capacity. In May 2022, all museums returned to normal operating hours with no capacity restrictions.

(s) Recently Adopted Accounting Pronouncements

Contributed Nonfinancial Assets

In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This standard increased transparency around contributed nonfinancial assets, also known as "gifts-in-kind" (GIK), by requiring that GIK be presented separately in the statement of financial activities. The standard also added quantitative and qualitative disclosures for GIK at a disaggregated level including how assets are valued and how they are used. The Smithsonian adopted this ASU in fiscal year 2022 using a retrospective approach. Because total GIK are not material to the Smithsonian financial statements, they were not presented separately in the statement of financial activities but are included in other revenue.

Contributed nonfinancial assets, or in-kind contributions, such as donated space, services, equipment, and other assets totaled $8.7 and $10.4 in fiscal years 2022 and 2021. These in-kind contributions are recorded at estimated fair value at the date of the gift. Estimated fair value of donated space is based on average square foot rental costs of comparable real estate space. All other donated assets are valued based on either receipts or appraisals provided by donors. Donated space, services, and other assets are primarily utilized in education, public program, and exhibition programmatic activities. Donated services are also utilized for advancement. In kind contributions are not monetized.

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

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

Intangibles

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU requires that implementation costs incurred for cloud computing arrangements be capitalized in accordance with Subtopic 350-40 and be amortized over the service term of the hosting arrangement. The Smithsonian adopted this ASU in FY22 using a prospective approach. The adoption of ASU 2018-15 did not have a material impact on the Smithsonian financial statements.

(Dollars in millions)

(3) Financial Assets and Liquidity Resources

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

To meet immediate and longer-term cash needs, the Smithsonian has a working capital investment policy. The policy requires excess funds be invested in short-term, high-quality instruments allowing for required liquidity and providing a maximum return within defined risk constraints. At September 30, 2022, the working capital investment fund totals $441.2 and is comprised of cash equivalents of $158.6 and short-term investments of $282.6. At September 30, 2021, the working capital investment fund totals $338.7 and is comprised of cash equivalents of $63.7 and short term investments of $275.0.

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

		2022			2021		
		Trust	**Federal**	**Total**	**Trust**	**Federal**	**Total**
Financial assets available within one year:							
Cash, cash equivalents, and U.S. Treasury balances	$	207.5	796.4	1,003.9	149.6	758.6	908.2
Accounts receivable and other assets, net		28.7	2.4	31.1	26.4	2.7	29.1
Pledges receivable, net		160.6	—	160.6	165.7	—	165.7
Working capital short-term investments		282.6	—	282.6	275.0	—	275.0
Total financial assets		679.4	798.8	1,478.2	616.7	761.3	1,378.0
Plus endowment payout approved for fiscal years 2023 and 2022		87.6	—	87.6	79.7	—	79.7
	$	767.0	798.8	1,565.8	696.4	761.3	1,457.7

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

(Continued)

(Dollars in millions)

(4) Accounts Receivable and Other Assets

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

	2022			2021		
	Trust	Federal	Total	Trust	Federal	Total
Grants and contracts	$ 13.3	2.4	15.7	12.4	2.7	15.1
Trade accounts, net of allowance for doubtful accounts of $0.3 in 2022 and 2021	15.4	—	15.4	14.0	—	14.0
Inventory	16.2	0.4	16.6	10.6	0.3	10.9
Deferred expenses	7.8	—	7.8	5.4	—	5.4
Accrued interest and dividends receivable	0.5	—	0.5	0.2	—	0.2
Other assets	9.5	—	9.5	9.2	—	9.2
Total receivables and other assets	$ 62.7	2.8	65.5	51.8	3.0	54.8

(5) Pledges Receivable

Pledges receivable consist of the following at September 30:

	2022	2021
Due within:		
Less than 1 year	$ 160.6	165.7
1 to 5 years	158.4	186.3
5 years and beyond	6.7	10.4
	325.7	362.4
Less:		
Allowance for uncollectible contributions	(4.8)	(5.6)
Unamortized discount (at rates ranging from 1.1% to 2.9%)	(8.9)	(7.7)
Contributions receivable, net	312.0	349.1
Charitable remainder trusts	17.0	20.0
Pledges receivable, net	$ 329.0	369.1

(6) Investments and Fair Value Measurements

Investments are comprised of the following at September 30:

	2022	2021
Endowment, including Board designated funds	$ 2,323.1	2,532.5
Working capital short-term investments	282.6	275.0
Charitable gift annuity investments	21.3	27.2
Total investments	$ 2,627.0	2,834.7

(Dollars in millions)

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

- Level 1 – Quoted or published prices in active markets for identical assets or liabilities, as of the reporting date.
- Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following summarizes the Smithsonian's investments at fair value as of September 30, 2022 and 2021:

	2022				
	Total	**Level 1**	**Level 2**	**Level 3**	**NAV (1)**
Endowment investments:					
Global equities:					
Developed markets	$ 349.1	52.0	—	—	297.1
Emerging markets	100.2	—	—	—	100.2
Marketable alternatives	339.2	—	—	—	339.2
Private equity:					
Private equity	196.0	—	—	—	196.0
Venture capital	785.6	7.5	—	—	778.1
Real assets:					
Energy and natural resources	83.4	—	—	—	83.4
Real estate funds	178.8	—	—	—	178.8
Futures contracts	40.5	—	40.5	—	—
Fixed income	17.8	—	—	—	17.8
Cash and equivalents	231.5	231.5	—	—	—
Pooled investments	2,322.1	291.0	40.5	—	1,990.6
U.S. Treasury deposits	1.0	1.0	—	—	—
Total endowment	2,323.1	292.0	40.5	—	1,990.6
Fixed income (working capital fund)	282.6	282.6	—	—	—
Gift annuities, primarily equities	21.3	21.3	—	—	—
Total investments	2,627.0	595.9	40.5	—	1,990.6
Charitable remainder trusts	17.0	—	—	17.0	—
	$ 2,644.0	595.9	40.5	17.0	1,990.6

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

(Dollars in millions)

	2021				
	Total	Level 1	Level 2	Level 3	NAV (1)
Endowment investments:					
Global equities:					
Developed markets	$ 452.1	58.6	—	—	393.5
Emerging markets	147.3	—	—	—	147.3
Marketable alternatives	357.2	—	—	—	357.2
Private equity:					
Private equity	225.1	—	—	—	225.1
Venture capital	936.5	27.2	—	—	909.3
Real assets:					
Energy and natural resources	92.1	—	—	—	92.1
Real estate funds	182.6	20.8	—	—	161.8
Equity hedge	5.5	—	5.5	—	—
Fixed income	23.0	—	—	—	23.0
Cash and equivalents	110.1	110.1	—	—	—
Pooled investments	2,531.5	216.7	5.5	—	2,309.3
U.S. Treasury deposits	1.0	1.0	—	—	—
Total endowment	2,532.5	217.7	5.5	—	2,309.3
Fixed income (working capital fund)	275.0	275.0	—	—	—
Gift annuities, primarily equities	27.2	27.2	—	—	—
Total investments	2,834.7	519.9	5.5	—	2,309.3
Charitable remainder trusts	20.0	—	—	20.0	—
	$ 2,854.7	519.9	5.5	20.0	2,309.3

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

The changes in Level 3 assets, charitable reminder trusts held by others, relate to valuation changes of the underlying assets. There were no transfers between levels during fiscal year 2022 or 2021.

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

	2022	2021
Fair value of Level 3 assets, beginning of the year	$ 20.0	16.2
Unrealized gains (losses)	(2.6)	4.1
Proceeds from distributions	(0.4)	(0.3)
Fair value of Level 3 assets, end of the year	$ 17.0	20.0

(Dollars in millions)

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

		2022			
		NAV	**Unfunded Commitments**	**Redemption terms**	**Notice Period (Days)**
Global equity:	(a)				
Developed markets		$ 297.1	—	Weekly to annually	9 - 90
Emerging markets		100.2	—	Monthly to semi-annually	14 - 90
Marketable alternatives	(b)	339.2	42.0	Monthly to at maturity	5 - N/A
Private equity:	(c)				
Private equity		196.0	91.0	N/A	N/A
Venture capital		778.1	142.0	N/A	N/A
Real assets:	(d)				
Energy and natural resources		83.4	20.1	N/A	N/A
Real estate funds		178.8	141.6	N/A	N/A
Fixed income	(e)	17.8	—	Quarterly	90
		$ 1,990.6	436.7		

		2021			
		NAV	**Unfunded Commitments**	**Redemption terms**	**Notice Period (Days)**
Global equity:	(a)				
Developed markets		$ 393.5	—	Weekly to annually	9 - 90
Emerging markets		147.3	—	Monthly to semi-annually	14 - 90
Marketable alternatives	(b)	357.2	48.2	Monthly to at maturity	45 - N/A
Private equity:	(c)				
Private equity		225.1	64.3	N/A	N/A
Venture capital		909.3	122.8	N/A	N/A
Real assets:	(d)				
Energy and natural resources		92.1	25.2	N/A	N/A
Real estate funds		161.8	117.2	Quarterly to at maturity	60 - N/A
Fixed income	(e)	23.0	—	Quarterly	90
		$ 2,309.3	377.7		

(a) Global equity is comprised of investments in funds and strategies invested in publicly listed equity securities in the global developed and emerging markets. Some of the funds are subject to lock-ups.

(b) Marketable alternatives consist of investments in a broad array of securities and strategies aimed to reduce volatility and enhance returns. Smithsonian's marketable alternatives managers may follow certain investment strategies including, but not limited, to long/short equity, credit and distressed, multi-strategy funds. Some of the funds are subject to soft and hard lock-ups and other funds are not eligible for redemption.

(c) Private equity consists of limited partnerships that are organized to invest primarily in shares of operating companies that are not listed on a publicly traded stock exchange. Private equity strategies include investments in leveraged buyouts, growth capital and distressed investments. Venture capital strategies invest in start-ups and businesses with perceived long-term growth potential. Distributions to limited partners are made as soon as feasible and, in accordance with the limited partnership agreement, when realizations (sales of portfolio companies) are made, or when interest payments, dividends, or recapitalizations are generated. Certain investments are commitment based and not eligible for withdrawal through the life of the fund. Timing of liquidation of funds in unknown.

(d) Real assets include real estate energy and natural resources investments that are made mostly in private limited partnerships as well as publicly traded securities funds. Distributions to limited partners are made as soon as feasible and, in accordance with the limited partnership agreement, when realizations (sales of portfolio companies) are made, or when interest payments, dividends, or recapitalizations are generated. Certain investments are commitment based and not eligible for withdrawal through the life of the fund. Timing of liquidation of funds in unknown.

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

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

(Dollars in millions)

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

		2022	2021
Dividend and interest income, net of expenses	$	7.9	7.3
Net realized and unrealized gains		(201.2)	634.8
Total investment return		(193.3)	642.1
Endowment payout allocated for operations		87.8	82.8
Short term investment income		(2.7)	1.2
Investment return, net of endowment payout		(278.4)	558.1
Total investment return	$	(193.3)	642.1

(7) Property and Equipment

Property and equipment consist of the following at September 30:

		2022		
		Trust	Federal	Total
Land	$	32.8	—	32.8
Construction in progress		47.2	369.2	416.4
Buildings and capital improvements		1,216.2	3,415.9	4,632.1
Equipment and software		290.7	267.0	557.7
Leasehold improvements		104.9	33.9	138.8
		1,691.8	4,086.0	5,777.8
Accumulated depreciation		(742.5)	(2,199.0)	(2,941.5)
Total property and equipment, net	$	949.3	1,887.0	2,836.3
Depreciation expense	$	59.3	121.2	180.5

(Dollars in millions)

		2021		
		Trust	Federal	Total
Land	$	32.8	—	32.8
Construction in progress		98.8	531.2	630.0
Buildings and capital improvements		1,211.7	3,070.8	4,282.5
Equipment and software		199.6	258.1	457.7
Leasehold improvements		104.0	29.0	133.0
		1,646.9	3,889.1	5,536.0
Accumulated depreciation		(684.6)	(2,083.1)	(2,767.7)
Total property and equipment, net	$	962.3	1,806.0	2,768.3
Depreciation expense	$	58.9	115.8	174.7

(8) Leases

Accounting for Leases as Lessee

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

Operating leases as a lessee are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position (see note 2(t)). Rent expense under operating leases that provide for scheduled rent increases over their terms is recognized on a straight-line basis.

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

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

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

(Dollars in millions)

The following table presents the various components of lease expense as of September 30, 2022 and 2021:

		2022	2021
Operating lease expense	$	23.9	25.5
Variable lease expense		7.8	9.8
Short-term lease costs		2.4	3.1
	$	34.1	38.4

The following table presents supplemental information relating to the cash flows arising from lease transactions for the years ended September 30, 2022 and 2021. Cash payments related to variable lease costs and short-term leases are not included in the measurement of ROU assets and operating lease liabilities, as such, are excluded from the amounts below.

		2022	2021
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash outflows from operating leases	$	30.1	21.9
Non cash right-of-use assets for lease liabilities			
Beginning balance		110.4	89.5
In exchange for new lease liabilities		2.5	44.5
Accumulated amortization, right-of-use assets		(21.5)	(23.6)

The weighted-average lease term and discount rate for Smithsonian leases for the years ended as of September 30, 2022 and 2021 is 4 years 9 months and 0.61%, and 5 years 7 months and .55%, respectively.

(Dollars in millions)

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

2023	$	32.2
2024		24.8
2025		23.0
2026		12.7
2027		11.1
Thereafter		9.4
Undiscounted cash flows for leases		113.2
Less: discount		(5.2)
Operating lease liabilities	$	108.0

Accounting for Leases as a Lessor

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

Rent income included in the statement of financial activities for the years ended September 30, 2022 and 2021 was $3.2 and $7.2, respectively.

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

2023	$	2.0
2024		2.0
2025		1.9
2026		1.9
2027		1.9
Thereafter		7.9
	$	17.6

(Dollars in millions)

(9) Accounts Payable and Accrued Expenses

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

		2022		
		Trust	**Federal**	**Total**
Accounts payable	$	37.5	88.0	125.5
Accrued salaries		17.3	28.1	45.4
Accrued annual leave		18.9	35.9	54.8
Workers' compensation (FECA)		2.3	27.0	29.3
Post retirement benefits		15.7	—	15.7
Other accrued personnel benefits		0.5	5.6	6.1
Deferred rent		0.7	—	0.7
Charitable gift annuity liabilities		12.6	—	12.6
Other accrued liabilities		0.4	0.3	0.7
Total accounts payable and accrued expenses	$	105.9	184.9	290.8

		2021		
		Trust	**Federal**	**Total**
Accounts payable	$	26.8	71.8	98.6
Accrued salaries		14.5	25.4	39.9
Accrued annual leave		19.8	39.8	59.6
Workers' compensation (FECA)		2.3	31.0	33.3
Post retirement benefits		20.6	—	20.6
Other accrued personnel benefits		0.5	6.1	6.6
Deferred rent		0.9	—	0.9
Charitable gift annuity liabilities		13.0	—	13.0
Other accrued liabilities		1.4	0.3	1.7
Total accounts payable and accrued expenses	$	99.8	174.4	274.2

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

(10) Environmental Remediation Obligations

The Smithsonian has unfunded environmental remediation obligations that are estimated based on third party studies, contractor bids, and internal estimates derived from recently completed remediation projects for similar facilities and other information for similar projects. The present value of the obligation is calculated using an inflation rate of 7.7% and 3.0% as well as a discount rate of 1.9% and 1.8% at September 30, 2022 and 2021, respectively. Each period the obligation is accreted to its present value. Because the related properties are fully depreciated, changes in the estimated obligation are expensed. Any difference between the estimated obligation and the actual cost of remediation is also expensed.

(Dollars in millions)

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

		2022	2021
Balance, beginning of the year	$	46.6	51.7
Accretion		1.2	1.1
Remediation costs		(2.4)	(8.0)
Change in estimate		0.7	1.8
Balance, end of the year	$	46.1	46.6

(11) Long-term Debt

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

		2022	2021
Series 2020 General Obligation Bonds, variable interest rate of 0.8% to 2.1%, principal ranging $10.8 to $13.0, due September 1, 2023 through 2034	$	140.6	151.2
Series 2020 General Obligations Bonds, term, principal amounts ranging $13.2 to $14.8, interest rate 2.645%, due September 1, 2035 through 2039		70.0	70.0
Series 2020 General Obligation Bonds, term, principal amounts ranging $15.1 to $16.5, interest rate 2.695%, due September 1, 2040 through 2044		66.0	66.0
Series 2010 Revenue Bonds, term, principal amounts ranging $1.9 to $2.4, interest rate 5.25%, due February 1, 2023 through 2028		12.9	14.7
Series 2003 Revenue Bonds, variable interest rate of 0.05% to 1.68%, due December 1, 2033			
Series A		52.5	52.5
Series B		25.0	25.0
		367.0	379.4
Less: Unamortized bond issuance cost (2020 bond)		(0.3)	(0.3)
Less: Unamortized underwriter's discount (2020 bond)		(0.7)	(0.7)
Plus: Unamortized bond premium (2010 bond)		0.4	0.5
	$	366.4	378.9

Series 2020 Revenue Bonds

The general obligation Series 2020 Federally taxable bonds were issued on June 18, 2020 to finance the costs of acquiring the Smithsonian’s consolidated administrative headquarters building located at 600

(Dollars in millions)

Maryland Avenue, SW, of Washington D.C. Interest is payable semiannually on March 1 and September 1. The bonds are subject to optional and mandatory redemption prior to their stated maturity.

The serial bonds mature annually through September 1, 2034, with principal repayments ranging from $10.8 to $13.0 per year. The term bonds maturing September 1, 2034 through 2039 have a fixed interest rate of 2.645%, and the term bonds maturing September 1, 2040 through 2044 have a fixed interest rate of 2.695%.

Series 2010 Revenue Bonds

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

The term bonds maturing on February 1, 2028 are subject to mandatory redemption by sinking fund installments ranging from $1.9 to $2.4 per year through the maturity date.

Series 2003 Revenue Bonds

The tax-exempt Series 2003 Revenue Bonds were issued by the Fairfax County Economic Development Authority (Virginia) on behalf of the Smithsonian to finance a portion of the Steven F. Udvar-Hazy Center, an extension of the National Air and Space Museum. The bonds are subject to early redemption at the option of the Smithsonian. Interest is payable monthly at a variable interest rate determined in accordance with the Indenture. Interest rates for Series A and Series B were 1.68% as of September 30, 2022 and 0.05% as of September 30, 2021.

The bonds are supported by a standby bond purchase agreement for both the Series A and Series B (collectively, the 2003 Liquidity Facility) with Wells Fargo (Trustee) and Northern Trust Company (Liquidity Facility provider). The 2003 Liquidity Facility provides liquidity support when the bonds are bearing interest at a daily or weekly rate and expires September 5, 2023.

Interest expense was $7.2 in fiscal year 2022 and $6.9 in fiscal year 2021.

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

2023	$	12.7
2024		12.9
2025		13.1
2026		13.3
2027		13.6
Thereafter		301.4
	$	367.0

The Smithsonian has a $50.0 line of credit available to provide additional resources if needed. There were no outstanding borrowings at September 30, 2022 and 2021. The amounts available to be borrowed on the line of credit are subject to the limitations of the Smithsonian's debt covenants.

(Dollars in millions)

(12) Net Assets

Net assets consist of the following as of September 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investment fund	$ —	1,378.6	1,378.6
Board designated quasi endowment funds	944.5	—	944.5
Total net assets subject to payout spending policy	944.5	1,378.6	2,323.1
Net assets with donor restrictions available for:			
Programs and operations	—	408.4	408.4
Capital repairs, renovation, and construction	—	230.7	230.7
Endowment contributions receivable and other	—	13.8	13.8
Net investment in property and equipment	2,085.8	384.1	2,469.9
Unfunded federal liabilities	(109.3)	—	(109.3)
Undesignated, including time restrictions	65.9	7.7	73.6
	$ 2,986.9	2,423.3	5,410.2

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investment fund	$ —	1,484.1	1,484.1
Board designated quasi endowment funds	1,048.5	—	1,048.5
Total net assets subject to payout spending policy	1,048.5	1,484.1	2,532.6
Net assets with donor restrictions available for:			
Programs and operations	—	403.7	403.7
Capital repairs, renovation, and construction	—	237.1	237.1
Endowment contributions receivable and other	—	20.6	20.6
Net investment in property and equipment	1,847.4	542.0	2,389.4
Unfunded federal liabilities	(117.7)	—	(117.7)
Undesignated, including time restrictions	27.0	3.3	30.3
	$ 2,805.2	2,690.8	5,496.0

Donor restricted endowment funds include accumulated appreciation of $691.5 as of September 30, 2022 and $845.7 as of September 30, 2021. Future-funded Federal liabilities include environmental remediation obligations, accrued annual leave, workers compensation, and litigation liabilities.

(Dollars in millions)

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

	2022			2021		
	Endowments at historical cost	Subject to purpose restriction and time	Total	Endowments at historical cost	Subject to purpose restriction and time	Total
Museums and general support	$ 169.1	302.0	471.1	172.3	346.7	519.0
Education, public programs, exhibitions	313.2	526.5	839.7	299.7	580.2	879.9
Research	104.6	164.6	269.2	100.1	190.3	290.4
Acquisitions and collections	70.1	129.5	199.6	61.0	144.3	205.3
Facilities and capital	12.1	631.6	643.7	1.7	794.5	796.2
	669.1	1,754.2	2,423.3	634.8	2,056.0	2,690.8

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

(13) Endowment Funds

The Smithsonian endowment consists of approximately 700 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments supporting the Smithsonian's programs and operations. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

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

(Dollars in millions)

Substantially all the assets of individual endowment funds are pooled and invested. Individual funds buying or disposing of units on the basis of the per unit market value at the beginning of the month in which the transaction takes place. Each fund participating in the investment pool receives an annual payout based on the number of units owned. The Smithsonian's spending policy is based on an annual endowment spending rate of 5% of the prior 20 quarters' average endowment value. This spending rate constitutes the Board's annual allocation for spending endowment earnings to support programs and operations. The Board authorized an additional allocation of up to 0.5% for fiscal year 2022 and 2021 for eligible funds to support the advancement priorities.

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

		2022	2021
Market value of fund per unit:			
Beginning of the year	$	1,414.37	1,104.32
End of the year	$	1,265.53	1,414.37
Payout per unit:			
Program and operations support	$	46.91	45.05
Advancement	$	3.88	3.94

The following table summarizes the change in endowment funds during fiscal year 2022 and 2021:

		2022		
		Without donor restrictions	With donor restrictions	Total
Endowment net assets at beginning of the year	$	1,048.5	1,484.1	2,532.6
Additional designation of quasi endowments and reinvestments		16.4	8.3	24.7
Uninvested cash		5.9	—	5.9
Contributions received		—	32.6	32.6
Investment return		(81.3)	(103.6)	(184.9)
Allocation of endowment assets for expenditure		(45.0)	(42.8)	(87.8)
Endowment net assets at end of year	$	944.5	1,378.6	2,323.1

(Continued)

(Dollars in millions)

	2021		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets at beginning of the year	$ 804.7	1,133.1	1,937.8
Additional designation of quasi endowments and reinvestments	16.3	9.7	26.0
Uninvested cash	1.6	—	1.6
Contributions received	—	23.2	23.2
Investment return	268.0	358.7	626.7
Allocation of endowment assets for expenditure	(42.1)	(40.6)	(82.7)
Endowment net assets at end of year	$ 1,048.5	1,484.1	2,532.6

Endowment funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level required to be maintained in perpetuity or the applicable donor gift document, creating an “underwater” endowment fund. Such deficiencies are generally the result of unfavorable market fluctuations and continuing the allocations for various programs is generally deemed prudent by the Board. Significant underwater endowment funds were $2.7 and $0 at September 30, 2022 and 2021.

(Dollars in millions)

(14) Net Assets Released From Restriction

Net assets are released from donor restrictions due to the passage of time, assets placed in service, or by incurring expenses satisfying the restricted purpose specified by the donors, and were as follows for fiscal years 2022 and 2021:

		2022	
	Trust	Federal	Total
Operating releases:			
Purpose restricted gifts released for:			
Museums and general support	$ 33.9	—	33.9
Education, public programs and exhibitions	97.0	—	97.0
Research	51.7	—	51.7
Acquisitions and collections	12.6	—	12.6
Facilities	2.5	40.6	43.1
Total operating releases	197.7	40.6	238.3
Nonoperating releases:			
Assets placed in service and released from:			
Capital appropriation	—	345.9	345.9
Capital contributons	31.3	—	31.3
Total nonoperating releases	31.3	345.9	377.2
Total releases	$ 229.0	386.5	615.5

(Dollars in millions)

		2021		
		Trust	Federal	Total
Operating releases:				
Purpose restricted gifts released for:				
Museums and general support	$	27.8	—	27.8
Education, public programs and exhibitions		64.4	—	64.4
Research		45.7	—	45.7
Acquisitions and collections		9.4	—	9.4
Facilities		0.8	58.0	58.8
Total operating releases		148.1	58.0	206.1
Nonoperating releases:				
Assets placed in service and released from:				
Capital appropriation		—	41.8	41.8
Capital contributons		11.2	—	11.2
Total nonoperating releases		11.2	41.8	53.0
Total releases	$	159.3	99.8	259.1

(15) Federal Appropriations

The Federal appropriation received in fiscal year 2022 is reconciled to Federal appropriation revenue recognized as follows:

		2022		
		Salaries and expenses	Repair, restoration, and construction	Total
Federal appropriations received	$	852.2	217.2	1,069.4
Unexpended appropriations		(182.8)	(185.0)	(367.8)
Amounts expended from prior years’ appropriations		153.0	195.0	348.0
Federal appropriation revenue	$	822.4	227.2	1,049.6
Without donor restrictions (operating)	$	822.4	—	822.4
With donor restrictions (nonoperating)		—	227.2	227.2
Federal appropriation revenue	$	822.4	227.2	1,049.6

(Dollars in millions)

The Federal appropriation received in fiscal year 2021 is reconciled to Federal appropriation revenue recognized, which includes the remaining amounts recognized from fiscal year 2020 appropriation for COVID-19 expenses from the Cares Act, as follows:

		2021		
		Salaries and expenses	Repair, restoration, and construction	Total
Federal appropriations received	$	818.2	214.5	1,032.7
Unexpended appropriations		(163.0)	(187.2)	(350.2)
Amounts expended from prior years' appropriations		118.7	186.0	304.7
Federal appropriation revenue	$	773.9	213.3	987.2
Without donor restrictions (operating)	$	773.9	—	773.9
With donor restrictions (nonoperating)		—	213.3	213.3
Federal appropriation revenue	$	773.9	213.3	987.2

(16) Business Activities

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

		2022			2021		
		Business activities revenue	Operating expenses	Net operating gain	Business activities revenue	Operating expenses	Net operating gain
Smithsonian Enterprises	$	116.1	91.9	24.2	70.7	66.0	4.7
All other business activities		17.4	12.1	5.3	15.3	11.5	3.8
		133.5	104.0	29.5	86.0	77.5	8.5

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

		2022	2021
Merchandise sales	$	45.4	12.0
Media		24.8	28.0
Concessions, licensing, and other		63.3	46.0
	$	133.5	86.0

(Dollars in millions)

(17) Functional Classification of Expenses

Operating expenses by functional and natural classification are presented for the year ended September 30, 2022 as follows:

	Program Activities				Supporting Activities		
	Research	Collections mgmt	Education, programs and exhibitions	Business activities	Admin	Advancement	Total
Trust							
Compensation and benefits	$ 79.8	13.8	44.2	53.1	20.2	40.9	252.0
Rent, utilities and services	63.0	4.9	49.5	13.4	(6.8)	25.5	149.5
Cost of sales	—	—	0.1	45.0	—	2.3	47.4
Travel and transportation	2.9	0.9	3.1	0.1	0.1	0.4	7.5
Other	3.1	0.9	1.2	(9.7)	5.2	0.8	1.5
Total before depreciation	148.8	20.5	98.1	101.9	18.7	69.9	457.9
Depreciation	6.8	20.5	20.0	2.1	9.8	0.1	59.3
Total operating expenses	$ 155.6	41.0	118.1	104.0	28.5	70.0	517.2
Federal							
Compensation and benefits	$ 134.3	166.0	185.3	—	133.2	0.4	619.2
Rent, utilities and services	56.9	94.5	107.9	—	68.1	0.4	327.8
Cost of sales	—	—	—	—	0.1	—	0.1
Travel and transportation	1.4	0.8	1.4	—	0.3	—	3.9
Other	3.6	5.1	4.2	—	5.6	—	18.5
Total before depreciation	196.2	266.4	298.8	—	207.3	0.8	969.5
Depreciation	14.0	41.9	45.0	—	20.1	0.2	121.2
Total operating expenses	$ 210.2	308.3	343.8	—	227.4	1.0	1,090.7
Total Operating Expenses							
Compensation and benefits	$ 214.1	179.8	229.5	53.1	153.4	41.3	871.2
Rent, utilities and services	119.9	99.4	157.4	13.4	61.3	25.9	477.3
Cost of sales	—	—	0.1	45.0	0.1	2.3	47.5
Travel and transportation	4.3	1.7	4.5	0.1	0.4	0.4	11.4
Other	6.7	6.0	5.4	(9.7)	10.8	0.8	20.0
Total before depreciation	345.0	286.9	396.9	101.9	226.0	70.7	1,427.4
Depreciation	20.8	62.4	65.0	2.1	29.9	0.3	180.5
Total operating expenses	$ 365.8	349.3	461.9	104.0	255.9	71.0	1,607.9

(Dollars in millions)

Operating expenses by functional and natural classification are presented for the year ended September 30, 2021 as follows:

		Program Activities				Supporting Activities		
		Research	Collections management	Education, public programs and exhibitions	Business activities	Administrative	Advancement	Total
Trust								
Compensation and benefits	$	78.2	13.7	40.5	46.1	30.4	38.3	247.2
Rent, utilities and services		60.3	4.0	27.0	12.4	14.8	21.9	140.4
Cost of sales		—	—	0.1	27.2	—	2.5	29.8
Travel and transportation		0.5	0.5	1.2	—	0.1	(0.1)	2.2
Other		2.6	0.6	0.9	(10.2)	6.4	0.5	0.8
Total before depreciation		141.6	18.8	69.7	75.5	51.7	63.1	420.4
Depreciation		6.8	20.4	19.8	2.0	9.8	0.1	58.9
Total operating expenses	$	148.4	39.2	89.5	77.5	61.5	63.2	479.3
Federal								
Compensation and benefits	$	128.8	157.4	177.4	—	131.6	0.3	595.5
Rent, utilities and services		52.7	78.7	94.7	—	65.4	0.3	291.8
Cost of sales		—	—	—	—	0.1	—	0.1
Travel and transportation		0.3	0.5	0.4	—	0.1	—	1.3
Other		7.2	15.4	15.8	—	7.3	0.1	45.8
Total before depreciation		189.0	252.0	288.3	—	204.5	0.7	934.5
Depreciation		12.6	37.9	40.7	—	18.2	0.2	109.6
Total operating expenses	$	201.6	289.9	329.0	—	222.7	0.9	1,044.1
Total Operating Expenses								
Compensation and benefits	$	207.0	171.1	217.9	46.1	162.0	38.6	842.7
Rent, utilities and services		113.0	82.7	121.7	12.4	80.2	22.2	432.2
Cost of sales		—	—	0.1	27.2	0.1	2.5	29.9
Travel and transportation		0.8	1.0	1.6	—	0.2	(0.1)	3.5
Other		9.8	16.0	16.7	(10.2)	13.7	0.6	46.6
Total before depreciation		330.6	270.8	358.0	75.5	256.2	63.8	1,354.9
Depreciation		19.4	58.3	60.5	2.0	28.0	0.3	168.5
Total operating expenses	$	350.0	329.1	418.5	77.5	284.2	64.1	1,523.4

Purchases of collection items are included in collections management activities.

(18) Commitments and Contingencies

(a) Government Awards

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

(b) Construction

As of September 30, 2022, the Smithsonian has commitments of approximately $394.8 related to construction in progress at several of its locations, the largest related to projects at the National Air and Space Museum of $191.5.

(c) Litigation

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

(d) Subsequent Events

Subsequent to September 30, 2022, the Smithsonian committed capital of $6.0 million to two funds and redeemed $8.0 million from its existing fund managers. Management has evaluated subsequent events from September 30, 2022 through January 27, 2023, which is the date that the financial statements are available to be issued and determined that there are no adjustments to or other items to disclose.