

## **Section II**

### **Schedule of Expenditures of Federal Awards**

**California Institute of Technology  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2003**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
<b>MAJOR PROGRAM</b>			
<b>Research and Development Program</b>			
<b>Direct Funds</b>			
<b>Executive Office of the President</b> Office of Science and Technology Policy	27 RD		\$ 120,044
<b>Department of Agriculture</b> United States Department of Agriculture	10 RD		40,413
<b>Department of Commerce</b> National Oceanic & Atmospheric Administration	11 RD		34,091
<b>Department of Defense</b>			
Air Force	12 RD		6,187,085
Army	12 RD		7,047,885
Navy	12 RD		11,828,003
National Imagery and Mapping Agency	12 RD		115,447
National Reconnaissance Office	12 RD		15,238
Defense Advanced Research Project Agency	12 RD		<u>3,009,001</u>
Total Department of Defense			<u>28,202,659</u>
<b>Department of Education</b> Department of Education	84 RD		25,670
<b>Department of Energy</b> Department of Energy	81 RD		11,620,164
<b>Department of Health and Human Services</b> National Institutes of Health	93 RD		34,291,360
<b>Department of Interior</b> United States Geological Survey	15 RD		1,316,872
<b>Environmental Protection Agency</b> United States Environmental Protection Agency ("EPA")	66 RD		79,950
<b>Federal Communications Commission</b> Federal Communications Commission	32 RD		138,804
<b>Institute of Museum and Library Services</b> Institute of Museum and Library Services	45 RD		114,078
<b>National Aeronautics and Space Administration ("NASA")</b> NASA	43 RD		26,105,974
<b>National Science of Foundation</b> National Science Foundation	47 RD		<u>76,480,219</u>
Total Research and Development -- Direct Funds			<u>178,570,298</u>

The accompanying notes are an integral part of this Schedule.

**California Institute of Technology**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended September 30, 2003**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
<b>MAJOR PROGRAMS (CONTINUED)</b>			
<b>Research and Development Program (Continued)</b>			
<b>Pass-Through Funds</b>			
<b>Department of Commerce</b>			
<i>National Oceanic &amp; Atmospheric Administration</i> ( <i>"NOAA"</i> )			
University Corporation for Atmospheric Research	11 RD	NA87GP0105	\$ 2,758
University of California San Diego	11 RD	NA66RG0477	<u>(1,158)</u>
Total NOAA Pass-Through			<u>1,600</u>
Total Department of Commerce – Pass-Through			<u>1,600</u>
<b>Department of Defense</b>			
<b>Air Force</b>			
Advanced Projects Research Incorporated	12 RD	F04611-99-C-0017	156
Aeropath Corporation	12 RD	F49620-02-C-0071	47,275
Alphatech, Inc.	12 RD	F33615-01-C-3149	130,060
Brown University	12 RD	F49620-99-1-0272	197,324
Cornell University	12 RD	F30602-01-2-0577	96,508
Duke University	12 RD	F30602-01-2-0561	175,359
ERC, Inc.	12 RD	F04611-99-C-0025	95,130
HRL Laboratories, LLC	12 RD	F33615-02-C-1184	214,239
Massachusetts Institute of Technology	12 RD	F49620-00-C-0035	(682)
Sparta, Inc	12 RD	F04611-01-C-0001	(42)
Stanford University	12 RD	F49620-01-1-0365	199,351
Universal Technology Corporation	12 RD	F33615-98-C-2807	50,000
Universal Technology Corporation	12 RD	F33615-02-D-2299	9,669
University of California Los Angeles	12 RD	F49620-01-1-0361	203,808
University of California Los Angeles	12 RD	F33615-01-C-3149	41,115
University of California San Diego	12 RD	F49620-01-1-0497	146,907
University of Minnesota	12 RD	F49620-98-1-0433	50,471
University of Utah	12 RD	F08637-98-C-6011	<u>34,031</u>
Total Air Force Pass Through			<u>1,690,679</u>
<b>Army</b>			
Cornell University	12 RD	DAAD19-01-1-0541	93,611
Duke University	12 RD	DAAH04-96-1-0045	19,430
Electric Power Research Institute	12 RD	DAAG55-98-1-3001	62,247
General Electric Company	12 RD	DABT-63-C-0001	54,902
Los Alamos Technical Associated, Inc.	12 RD	DABT63-98-C-0052	2,628
Nextech Materials, Ltd.	12 RD	DAAD19-02-C-0059	37,000
Trex Enterprises	12 RD	DASG60-03-C-0008	30,008
Trex Enterprises	12 RD	DAAL01-94-C-0100	(24,537)
Trex Enterprises	12 RD	DAAH01-02-C-0031	1,215
University of California Los Angeles	12 RD	DAAH01-01-1-R002	78,066

The accompanying notes are an integral part of this Schedule.

**California Institute of Technology**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended September 30, 2003**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
<b>MAJOR PROGRAMS (CONTINUED)</b>			
<b>Research and Development Program (Continued)</b>			
<b>Pass-Through Funds (Continued)</b>			
<b>Department of Defense (Continued)</b>			
<b>Army (Continued)</b>			
University of Delaware	12 RD	DAAD17-00-C-0100	\$ (30,919)
University of Illinois	12 RD	DAAG55-97-1-0126	<u>1,610</u>
Total Army Pass-Through			<u>325,261</u>
<b>Navy</b>			
Boeing Company	12 RD	N00421-02-D-3223	459,101
Colorado School of Mines	12 RD	N00014-02-1-0665	455,713
Cornell University	12 RD	N00014-01-1-0765	66,778
Harvard University	12 RD	N00014-01-0651	377,786
Los Gatos Research	12 RD	N00014-97-C-0300	5,357
Massachusetts Institute of Technology	12 RD	N00014-02-1-0915	88,583
National Renewable Energy Laboratory	12 RD	N00014-98-3-0015	(126,314)
Naval Research Laboratory	12 RD	N00173-01-P-1550	1,611
Princeton University	12 RD	N00014-02-1-0826	222,795
Princeton University	12 RD	N66001-02-1-8929	778,795
Stanford University	12 RD	N00014-02-1-0589	164,656
TRW Incorporated	12 RD	N66001-97-C-8609	6,449
University of Arizona	12 RD	N00014-95-1-1319	(45,428)
University of California Berkeley	12 RD	N00014-01-1-0890	74,062
University of California Los Angeles	12 RD	N66001-02-C-8042	237,112
University of California Los Angeles	12 RD	N66001-00-1-8937	81,527
University of California Los Angeles	12 RD	N66001-96-C-8632	(275)
University of California Los Angeles	12 RD	N66001-00-C-8092	36,947
University of California Los Angeles	12 RD	N00014-02-1-0180	83,070
University of California San Diego	12 RD	N00014-02-1-0666	71,672
University of California Santa Barbara	12 RD	N00014-01-1-0764	118,144
University of Colorado At Boulder	12 RD	N00014-02-1-0714	<u>66,673</u>
Total Navy Pass-Through			<u>3,224,814</u>
<b>National Reconnaissance Office</b>			
Massachusetts Institute of Technology	12 RD	NRO 000-00-C-0102	131,750
Stanford University	12 RD	NRO 000-01-C-0311	<u>(7,025)</u>
Total Defense Advanced Research Project Agency – Pass-Through			<u>124,725</u>
<b>Defense Advanced Research Project Agency</b>			
Hewlett Packard	12 RD	MDA972-01-3-0005	3,575
HRL Laboratories, LLC	12 RD	MDA972-01-C-0002	54,243
Starzent, Inc	12 RD	MDA972-03-C-0003	36,844
TRW Incorporated	12 RD	MDA972-02-C-0040	20,000

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**California Institute of Technology**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended September 30, 2003**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
<b>MAJOR PROGRAMS (CONTINUED)</b>			
<b>Research and Development Program (Continued)</b>			
<b>Pass-Through Funds (Continued)</b>			
<b>Department of Defense (Continued)</b>			
<b>Defense Advanced Research Project Agency (Continued)</b>			
TRW Incorporated	12 RD	MDA972-02-C-0065	\$ 20,000
University of California Los Angeles	12 RD	MDA972-02-2-001	69,706
University of California San Diego	12 RD	MDA972-00-1-0019	<u>166,974</u>
Total Defense Advanced Research Project Agency – Pass-Through			<u>371,342</u>
Total Department of Defense – Pass-Through			<u>5,736,821</u>
<b>Department of Energy</b>			
Carnegie Institute	81 RD	DE-FC03-03NA00144	11,202
Fermilab National Accelerator Laboratory	81 RD	DE-AC02-76CH03000	925,537
Lawrence Berkeley National Laboratory	81 RD	DE-AC03-76SF00098	64,520
Lawrence Livermore National Laboratory	81 RD	W-7405-ENG-48	5,133,456
Lawrence Livermore National Laboratory	81 RD	DE-AC36-99G010337	(7,420)
Los Alamos National Laboratory	81 RD	W-7405-ENG-36	29,270
National Renewable Energy Laboratory	81 RD	DE-AC36-99GO-10337	534,003
Sandia National Laboratories	81 RD	DE-AC04-94AL85000	508,737
University of California Los Angeles	81 RD	DE-FG03-91ER40662	9,166
University of Nevada	81 RD	DE-FC28-98NV12081	<u>476,394</u>
Total Department of Energy – Pass-Through			<u>7,684,865</u>
<b>Department of Health and Human Services</b>			
<i>National Institutes of Health</i>			
Case Western Reserve University	93 RD	1 R01 AG18629-01	(66)
Childrens Hospital of LA	93 RD	5 U01 CA88199	924,909
Childrens Hospital of LA	93 RD	R01 AI40567	29,981
City of Hope	93 RD	R01 RR06217	139,950
Cornell University	93 RD	R01 MH62528	19,110
Cornell University	93 RD	7 R01 NS34998-05	33,580
Indiana University	93 RD	P01 DK43881	129,942
Johns Hopkins University	93 RD	1 P50 DK57325-01	273,205
Lawrence Berkeley National Laboratory	93 RD	R01 CA80792	101,914
Loma Linda University	93 RD	R01 CA85779	96,199
Medical University of South Carolina	93 RD	2 P01 HL 52813-06	40,267
Molecular Sciences Institute	93 RD	1 P50-HG02370	252,579
Oregon Health Sciences University	93 RD	1 P01 GM067166	13,804
Purdue University	93 RD	1 P01 A1055672-01	26,886
The Scripps Research Institute	93 RD	1 R01 GM57148	129,189
The Scripps Research Institute	93 RD	P01 GM56552	8,143
The Scripps Research Institute	93 RD	1 R01 GM57148-03	(41,200)
University of California Los Angeles	93 RD	R01 MH61223-01	174,316
University of California Los Angeles	93 RD	5 P41 RR13642-04	320,204
University of Southern California	93 RD	1 R01 AG13860-01	(31,632)
University of Tennessee	93 RD	R01 NS046356-01	34,736

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**California Institute of Technology**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended September 30, 2003**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
<b>MAJOR PROGRAMS (CONTINUED)</b>			
<b>Research and Development Program (Continued)</b>			
<b>Pass-Through Funds (Continued)</b>			
<b>Department of Health and Human Services (Continued)</b>			
<i>National Institutes of Health (continued)</i>			
University of Texas Southwestern Medical Center	93 RD	5 U54 GM62114	\$ 1,508,332
University of Texas Southwestern Medical Center	93 RD	U54 GM62114	100,957
University of Utah	93 RD	P01 GM66521	317,559
Whitehead Institute For Biomedical Research	93 RD	U54 HG002045	<u>83,291</u>
Total National Institutes of Health – Pass-Through			<u>4,686,155</u>
Total Department of Health and Human Services – Pass-Through			<u>4,686,155</u>
<b>Department of Interior</b>			
<i>United States Geological Survey ("USGS")</i>			
University of Southern California	15 RD	02HQAG0008	93,999
University of Southern California	15 RD	02HQAG0008	<u>2,083</u>
Total United States Geological Survey – Pass-Through			<u>96,082</u>
Total Department of Interior – Pass-Through			<u>96,082</u>
<b>Department of State</b>			
Nat'l Council For Eurasian And E European Research	19 RD	Iitle VIII Grant	<u>6,786</u>
Total Department of State – Pass-Through			<u>6,786</u>
<b>Environmental Protection Agency ("EPA")</b>			
Howard University	66 RD	R829626	89,087
Massachusetts Institute of Technology	66 RD	R824970-01-0	(84,108)
University of California Riverside	66 RD	CR 827331-01	5,228
University of Houston	66 RD	R-83037701	<u>17,560</u>
Total EPA – Pass-Through			<u>27,767</u>
<b>Federal Emergency Management Agency ("FEMA")</b>			
Federal Emergency Management Agency			
State of California - Office of Emergency Services	83 RD	FEMA-1008-8012-CA	<u>625,280</u>
Total Federal Emergency Management Agency – Pass-Through			<u>625,280</u>

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**California Institute of Technology**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended September 30, 2003**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
<b>MAJOR PROGRAMS (CONTINUED)</b>			
<b>Research and Development Program (Continued)</b>			
<b>Pass-Through Funds (Continued)</b>			
<b>National Aeronautics and Space Administration ("NASA")</b>			
Case Western Reserve University	43 RD	NAG5-12723	\$ 94,485
Cornell University	43 RD	NAG5-9794	11,274
Emcore Corporation	43 RD	NAS3-02201	47,520
Harvard University	43 RD	NAG5-9643	92,595
Lockheed Martin Corporation	43 RD	NAS2-03004	36,273
Pennsylvania State University	43 RD	NAG5-12181	14,999
Smithsonian Astro	43 RD	NAS8-39073	577,234
Space Telescope Science Institute	43 RD	NAS5-26555	628,394
Tecstar Power Systems Incorporated	43 RD	NAS3-01131	(153,503)
Universities Space Research Association	43 RD	NCC3-975	42,103
University of Alabama In Huntsville	43 RD	NCC8-200	23,220
University of California Berkeley	43 RD	NAS5-00133	1,571,272
University of California Berkeley	43 RD	NAG5-11200	32,663
University of California Berkeley	43 RD	NAG5-10411	(149)
University of California Los Angeles	43 RD	NCC2-1364	223,626
University of Colorado At Boulder	43 RD	NAG5-11911	7,179
University of Maryland	43 RD	NAG5-10876	32,305
University of Maryland	43 RD	NAG5-8877	80,626
University of Southern California	43 RD	NCC2-1224	13,721
University of Space Research	43 RD	NAS5-97001	628,607
University of Washington	43 RD	NCC2-1273	54,230
<b>Total National Aeronautics and Space Administration -- Pass-Through</b>			<b>4,058,674</b>
<b>National Science Foundation</b>			
Brown University	47 RD	CCR-0086065	93,307
California Association For Research In Astronomy	47 RD	AST-9613615	1,104,529
California State University Northridge	47 RD	DMS-0105158	1,502
Cornell University	47 RD	AST-0138263	100,452
Incorporated Research Institute For Seismology	47 RD	EAR-0004370	20,299
Johns Hopkins University	47 RD	PHY-9980044	10,984
Johns Hopkins University	47 RD	AST-0122449	524,953
Michigan State University	47 RD	DEB-9981397	248,073
National Bureau of Economic Research, Inc	47 RD	SES-0214013	7,839
National Radio Astronomy Observatory	47 RD	AST-9223814	137,847
National Radio Astronomy Observatory	47 RD	AST-0223851	120,055
New Jersey Institute	47 RD	AST-9987366	14,480
New York University	47 RD	CTS-0103002	190,573
Northeastern University	47 RD	PHY-0204786	163,922
Pennsylvania State University	47 RD	DMS-0101360	79,923
Texas A&M Research Foundation	47 RD	OCE-9320477	14,978
University of Arizona	47 RD	BES-0086944	23,002
University of California Berkeley	47 RD	MCB-0313546	8,627
University of California Berkeley	47 RD	EEC-9701568	4,280
University of California Berkeley	47 RD	OPP-0091840	70,901

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**California Institute of Technology**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended September 30, 2003**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
<b>MAJOR PROGRAMS (CONTINUED)</b>			
<b>Research and Development Program (Continued)</b>			
<b>Pass-Through Funds (Continued)</b>			
<b>National Science Foundation</b>			
University of California Berkeley	47 RD	EEC-9701568	\$ 143,019
University of California Los Angeles	47 RD	CCR-0121778	117,575
University of California Los Angeles	47 RD	ECS-0103559	56,479
University of California San Diego	47 RD	ACI-96-19020	1,138,350
University of California San Diego	47 RD	EEC-0088130	27,321
University of California San Diego	47 RD	ACI-0122272	1,852,145
University of California San Diego	47 RD	ACI-0332113	213,828
University of California Santa Barbara	47 RD	OPP-9980654	104
University of California Santa Cruz	47 RD	AST-9876783	86,317
University of Chicago	47 RD	AST-0096913	190,747
University of Delaware	47 RD	EIA-0103723	12,290
University of Florida	47 RD	ACI-0086044	248,033
University of Florida	47 RD	PHY-0122557	553,382
University of Illinois	47 RD	ACI-9619019	161,360
University of Illinois	47 RD	AST-0096741	31,333
University of Iowa	47 RD	ATM-0205198	55,367
University of Northern Colorado	47 RD	REC-0095023	2,011
University of Southern California	47 RD	EAR-0106924	99,939
University of Southern California	47 RD	EAR-0137983	15,736
University of Texas	47 RD	DMR-0103134	233,795
University of Utah	47 RD	EIA-8920219	(23,385)
University of Utah	47 RD	EIA-9871440	10,062
University of Virginia	47 RD	SES-0094800	192,528
University of Washington	47 RD	DMR-0120967	<u>278,086</u>
Total National Science Foundation – Pass-Through			<u>8,636,948</u>
Total Research and Development – Pass-Through Funds			<u>31,560,978</u>
Total Research and Development Program			<u>210,131,276</u>
<b>Student Financial Assistance Program</b>			
<b>Direct Funds</b>			
<b>Department of Education</b>			
Federal Work Study Program	84 033		368,264
Federal Supplemental Educational Opportunity Grant	84 007		429,988
Federal Pell Grant Program	84 063		<u>446,146</u>
Total Student Financial Assistance Cluster			<u>1,244,398</u>
Total Major Programs			<u>211,375,674</u>

The accompanying notes are an integral part of this Schedule.



**California Institute of Technology**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended September 30, 2003**

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
<b>NON-MAJOR PROGRAMS</b>			
<b>Student Financial Assistance Program</b>			
<b>Pass-Through Funds</b>			
Department of Education California Student Aid Commission Cal Grants	84.069A		\$ <u>7,451</u>
Total Department of Education – Pass-Through Funds			<u>7,451</u>
Total Non-Major Programs			<u>7,451</u>
Total Federal Awards			<u>\$ 211,383,125</u>

The accompanying notes are an integral part of this Schedule.

# California Institute of Technology

## Notes to Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2003

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#### 1. Summary of Significant Accounting Policies

##### *General*

The California Institute of Technology (the "Institute") is a private, not-for-profit institution of higher education based in Pasadena, California. The Institute provides education and training services, primarily for students at the undergraduate, graduate, and postdoctoral levels, and performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the United States government.

##### *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared in accordance with the Office of Management and Budget ("OMB") Circular A-133, Audits of States, Local Governments and Not-for-Profit Organizations and the American Institute of Certified Public Accountants Statement of Position 98-3, Audits of States, Local Governments, and Non-Profit Organizations. The Schedule summarizes the expenditures of the Institute under programs of the federal government for the fiscal year ended September 30, 2003. Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Institute in accordance with accounting principles generally accepted in the United States of America.

The accompanying Schedule has been prepared on the cash basis of accounting.

Negative balances reflected in the Schedule represent adjustments to prior periods.

Expenditures for direct costs are recognized as incurred using the cash basis of accounting and the cost accounting principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursements. Moreover, expenditures include a portion of costs associated with general institution activities (Facilities and Administrative costs) which are allocated to awards under negotiated formulas commonly referred to as indirect cost rates.

The Institute receives funding or reimbursement from Federal Government agencies primarily for research under Government grants and contracts. Grants and contracts provide for reimbursement of indirect costs based on rates negotiated with the Department of Defense's Office of Naval Research ("ONR"), the Institute's cognizant Federal Agency. The Institute's indirect cost reimbursements have been based on fixed rates with carry forward of under- or over-recoveries. ONR engages the Defense Contract Audit Agency ("DCAA") to audit both direct and indirect charges to the Institute's grants and contracts. ONR has approved final indirect cost rates through the 2000 fiscal year. The 2003 and 2002 fiscal years actual incurred costs are currently under audit by DCAA and, in the opinion of management, the results of such audits will not have a material impact on the Schedule.

**California Institute of Technology**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2003**

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The Institute discloses its accounting policies for the purposes of indirect cost negotiation on a Disclosure Statement, in accordance with Cost Accounting Standards. Certain revisions to the Disclosure Statement have been filed with ONR; however, final approval has not been received. In the opinion of management, the official approval process will not have a material effect on the Schedule.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the Institute and agencies and departments of the federal government and all subawards to the Institute by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The awards are classified into major program categories in accordance with the provisions of OMB Circular A-133. The awards set forth in this Schedule do not include amounts related to the Jet Propulsion Laboratory ("JPL") which is a NASA Federally Funded Research and Development Center ("FFRDC") managed by the Institute. Please refer to the separate financial statements and related reports of the Independent Auditors of JPL and the DCAA.

**2. Reconciliation of the Schedule of Expenditures of Federal Awards to the Institute's Financial Statements**

The following table is a reconciliation of total expenditures presented on the Schedule to "Organized Research - Other Campus Research" reported on the Institute's financial statements for the fiscal year ended September 30, 2003.

Total expenditures from the Schedule	\$211,383,125
JPL Interdivisional Authorizations and Intergovernmental Personnel Act	35,912,236
Adjustments:	
Add:	
Allocation of interest, depreciation expenses, and JPL net gain	41,832,888
Non-federal expenses and other	12,754,075
Less:	
Capitalization of certain property and equipment included in the Schedule	(22,049,403)
Allocated overhead expenses, JPL direct costs and other	(92,919,143)
Conversion to cash basis of accounting and other	<u>(537,514)</u>
Total Organized Research - Other Campus Research reported on the Statement of Activities	<u>\$186,376,264</u>

**California Institute of Technology**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2003**

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**3. Loan Advances**

During the fiscal year ended September 30, 2003, the Institute advanced loans totaling \$403,378 for the Federal Perkins Loan Program (CFDA Number 84.038). The outstanding balance at September 30, 2003 is \$6,789,456. The Federal Perkins Loan Program is administered directly by the Institute. Balances and transactions related to this program are included in the Institute's financial statements.

**4. Federal Direct Loan Program**

During the fiscal year ended September 30, 2003, the Institute processed \$823,133 of new loans under the Federal Direct Loan Program (CFDA Number 84.268), (which includes Subsidized Stafford Loans, Parent Loans for Undergraduate Students and Unsubsidized Stafford Loans).

**5. Transfers**

During the fiscal year ended September 30, 2003, the Institute transferred \$137,697 from the Federal Work Study Program (FWS) to the Federal Supplemental Educational Opportunity Grant Program (FSEOG). The transferred amounts are reflected as revenues/expenditures recognized in the program in which the funds were utilized.

**6. Federal Work Study (FWS) Carryforwards**

During the fiscal year ended September 30, 2003, the Institute spent \$55,079 of FWS funds which were carried forward from the fiscal year ended September 30, 2002. During fiscal year ended September 30, 2003, the Institute carried forward \$55,079 of FWS funds which are to be spent during the fiscal year ended September 30, 2004. The carryforward amount is reflected as revenues/expenditures recognized in the fiscal year in which the funds were utilized.

**California Institute of Technology**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2003**

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**7. Contingencies**

The Institute receives funding or reimbursement from agencies of the United States government for various activities, which are subject to audit, and is a defendant in various legal actions incident to the conduct of its activities. Except as specifically discussed below, management does not expect that liabilities, if any, for these audits or legal actions will have a material impact on the Institute's financial position.

The Institute has been named as a potentially responsible party (PRP) by NASA under the Comprehensive Environmental Response, Compensation and Liability Act, as amended. As a PRP, the Institute may be jointly liable for contribution towards clean-up costs, estimated to be in excess of \$100 million, of the NASA/JPL Superfund site. The Institute believes that it will have recourse to the United States government for any liabilities it may incur in connection with being named a PRP for that site.

The Institute has been named as one of the defendants in a False Claims Act action brought by a qui tam relator corporation. The complaint, which was filed in the federal district court in Washington, D.C. and served on the Institute in July 2002, alleges that the Institute engaged in misconduct in connection with certain patents obtained relating to the DNA sequencer. Damages and penalties under the False Claims Act include fines of five thousand five hundred dollars to eleven thousand dollars, per claim, treble damages and attorneys' fees. The Department of Justice investigated the allegations of the complaint and declined to intervene in the case on behalf of the United States. The relator has opted to pursue the case on its own. On July 3, 2003, the district court in Washington, D.C., granted the defendants' motion for change of venue to the central district of California. The Institute filed a motion to dismiss the complaint on July 28, 2003. After hearing oral argument, the court granted the motion, dismissing the case in its entirety. The court issued its opinion on October 17, 2003. On November 6, 2003, the relator filed a Notice of Appeal to the United States Court of Appeals for the Ninth Circuit. In a related matter, in February 2003 the Institute was named as a defendant in a suit brought by a former postdoctoral scholar at the Institute, who maintains, inter alia, that he is the primary inventor of the DNA sequencer and was improperly excluded from the relevant patent applications. The complaint asserts claims for change of inventorship, breach of contract, fraud, and other claims. Trial of the inventorship claims is scheduled for December 2003. The Institute denies all of the plaintiff's material allegations. The Institute intends to defend both matters vigorously.

Officials of the Institute presently are not able to predict the impact, if any, that final resolution of the matters discussed in the proceeding two paragraphs will have on the Institute's financial position, operating results or federal program amounts listed in the accompanying Schedule.