

Section II

Schedule of Expenditures of Federal Awards

**California Institute of Technology
Schedule of Expenditures of Federal Awards
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS			
Research and Development Program			
Direct Funds			
Executive Office of the President Office of Science and Technology Policy	27 011		\$ (42,033)
Department of Agriculture United States Department of Agriculture	10 206		22 077
Department of Commerce National Institute for Standards and Technology	11 609		3 333
National Oceanic & Atmospheric Administration	11 431		(47)
Total Department of Commerce			<u>3,286</u>
Department of Defense			
Air Force	12 000	FA9451-06-M-0357	3 643
Air Force	12 000	IPA - SERCEL	131,785
Air Force	12 000		(513)
Air Force	12 630		2,054,249
Air Force	12 800		2,940,565
Air Force	12 910		331,988
Army	12 000	DAAD19-01-1-0517	484
Army	12 000	W911NF-04-1-0201	180,044
Army	12 000	W911NF-05-1-0345	(22,347)
Army	12 000	W911NF-05-1-0434	(202)
Army	12 000	W912HQ-04-C-0045	394,496
Army	12 420		85,282
Army	12 431		2,306,501
Defense Advanced Research Projects Agency	12 910		2,623,845
Navy	12 000	HR0011-04-1-0054	402,251
Navy	12 000	N00173-05-P-0153	29,342
Navy	12 000	N00244-02-C-0032	411,322
Navy	12 000	HR0011-05-C-0097	417,515
Navy	12 000	N00014-04-1-0306	122,399
Navy	12 000	N00244-05-C-0066	2,592,552
Navy	12 000	MDA972-03-1-0007	53,046
Navy	12 000	N66001-05-1-8920	238,198
Navy	12 000	N86001-05-D-6023	332,282
Navy	12 300		4,277,789
National Security Agency	12 901		23,553
National Geospatial Intelligence Agency	12 630		<u>63,933</u>
Total Department of Defense			<u>19,994,002</u>

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California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Direct Funds (Continued)			
Department of Education			
Department of Education	84 116		\$ 33,419
Department of Energy			
Department of Energy	81 000	DE-FC26-02NT15383	(114,866)
Department of Energy	81 000	DE-FC26-02NT41581	25,449
Department of Energy	81 000	DE-FC26-02NT41631	(1,252)
Department of Energy	81 000	DE-FC26-04NT15521	287,532
Department of Energy	81 000	DE-FC26-04NT15525	392,819
Department of Energy	81 000	DE-FC26-04NT42212	136,908
Department of Energy	81 000	DE-FC36-04GO14276	1,009,757
Department of Energy	81 000	DE-FC52-06NA27319	10,501
Department of Energy	81 000	DE-FG02-03ER15483	73,922
Department of Energy	81 000	DE-FG02-04ER25613	111,608
Department of Energy	81 000	DE-FG02-04ER25657	148,849
Department of Energy	81 000	DE-FG02-04ER41316	564,113
Department of Energy	81 000	DE-FG02-04ER46175	141,146
Department of Energy	81 000	DE-FG02-05ER15716	331,306
Department of Energy	81 000	DE-FG02-05ER15754	150,485
Department of Energy	81 000	DE-FG02-05ER41359	1,663,553
Department of Energy	81 000	DE-FG02-05ER41361	363,837
Department of Energy	61 000	DE-FG02-05ER63983	133,864
Department of Energy	81 000	DE-FG02-06ER15762	184,780
Department of Energy	61 000	DE-FG02-06ER15773	88,257
Department of Energy	81 000	DE-FG02-92ER40701	3,456,879
Department of Energy	81 000	DE-FG02-03ER54711	2,287
Department of Energy	81 000	Fermilab PO#570788	6,924
Department of Energy	81 049		247,799
Department of Energy	81 064		6,219,993
Department of Energy	81 087		370,127
Department of Energy	81 112		<u>125,261</u>
Total Department of Energy			<u>16,131,838</u>
Department of Homeland Security			
Homeland Security Advanced Research Projects Agency	97 000	HSHQPA-05-9-0037	965,984
Department of State			
Department of State	19 000	S-LMAQM-04-GR-170	63,050

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California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
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For the Year Ended September 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Direct Funds (Continued)			
Department of Health and Human Services			
National Institutes of Health	93 000		\$ 32 302
National Institutes of Health	93 121		795 055
National Institutes of Health	93 172		2 587 765
National Institutes of Health	93 173		932 947
National Institutes of Health	93 242		1 244 712
National Institutes of Health	93 279		1 360 672
National Institutes of Health	93 282		51 530
National Institutes of Health	93 286		2 158 320
National Institutes of Health	93 306		63 677
National Institutes of Health	93 389		565 068
National Institutes of Health	93 396		269 280
National Institutes of Health	93 398		46 054
National Institutes of Health	93 399		1 816 297
National Institutes of Health	93 821		1 557 622
National Institutes of Health	93 837		402 742
National Institutes of Health	93 846		3 869
National Institutes of Health	93 847		1 127 124
National Institutes of Health	93 849		711 936
National Institutes of Health	93 853		7 943 945
National Institutes of Health	93 854		(296)
National Institutes of Health	93 855		1 222 963
National Institutes of Health	93 856		304 530
National Institutes of Health	93 859		7 627 069
National Institutes of Health	93 862		1 950 034
National Institutes of Health	93 865		1 623 997
National Institutes of Health	93 866		1 103 040
National Institutes of Health	93 867		6 208 390
Total Health and Human Services			43,710,644
Department of the Interior			
Department of the Interior	15 000	NBCHC030105	355 409
Department of the Interior	15 000	NBCH1050001	1 327 935
United States Geological Survey	15 000	06CRSA0401	23 993
United States Geological Survey	15 000	IPA 689312363	4 404
United States Geological Survey	15 000	PAGER 8931-2683	20 521
United States Geological Survey	15 807		1 288 839
United States Geological Survey	15 808		75 591
Total Department of Interior			3,086,692

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California Institute of Technology
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For the Year Ended September 30, 2006

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MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Direct Funds (Continued)			
Environmental Protection Agency			
United States Environmental Protection Agency (EPA)	66 000		\$ 87,354
United States Environmental Protection Agency (EPA)	66 509		155,746
United States Environmental Protection Agency (EPA)	66 511		<u>161,503</u>
Total Environmental Protection Agency			<u>404,603</u>
National Aeronautics and Space Administration (NASA)			
NASA	43 000		18,152,963
National Science Foundation			
National Science Foundation	47 000		418,875
National Science Foundation	47 041		2,175,696
National Science Foundation	47 047		13,960,648
National Science Foundation	47 049		41,450,183
National Science Foundation	47 050		4,766,609
National Science Foundation	47 070		4,699,253
National Science Foundation	47 074		1,272,539
National Science Foundation	47 075		575,011
National Science Foundation	47 076		2,468,355
National Science Foundation	47 078		<u>763,649</u>
Total National Science Foundation			<u>72,550,818</u>
Total Research and Development - Direct Funds			<u>175,087,343</u>
Pass-Through Funds			
Department of Commerce			
Rohm and Haas Company	11 612	DOC-RAH-CIT-001	24,618
University of Alaska Fairbanks	11 430	UAF 05-0132	66,768
University of Connecticut	11 430	5039	18,279
Woods Hole Institution of Oceanography	11 460	A100448	<u>35,711</u>
Total Department of Commerce - Pass-Through			<u>145,376</u>

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California Institute of Technology
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For the Year Ended September 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Defense			
Air Force			
Brown University	12 800	983-21054	\$ 79 777
Georgia Institute of Technology	12 630	E-25-6MV-G2	120 320
Harvard University	12 000	01-130068	205 680
Harvard University	12 910	02-130052	89 171
HRL Laboratories LLC	12 000	201136-BS	26 976
Irvine Sensors Corporation	12 000	23603	4 839
Kettering University	12 000	330144-01	206 774
Lockheed Martin Corporation	12 000	TT0669763	56 772
Luxtera	12 000	LUXTERA STTR	135 000
Massachusetts Institute of Technology	12 800	5710001972	23 189
Massachusetts Institute of Technology	12 800	5710002025	39 943
New Mexico Institute of Mining and Technology	12 114	P0004339	51 987
OptiComp Corporation	12 800	062305-07	134 305
Science Applications International Corporation	12 000	4400112557	6 486
SRI International	12 000	55-000715	14 418
Stanford University	12 630	PY-1360	64 611
University of California Los Angeles	12 800	0205 G CB208	109 090
University of Southern California	12 800	104666	33,859
Total Air Force Pass-Through			<u>1,403,197</u>
Army			
Cornell University	12 431	39508-6588	177 350
Lewis Center for Educational Research	12 000	LEWIS RADIO	6 121
Parasim, Inc	12 000	PARASIM.000002	76 971
Stanford University	12 431	28000-B	38 610
The Scripps Research Institute	12 420	5-75525	258 948
University of California Los Angeles	12 000	0205 G CE123	15 671
University of California Los Angeles	12 000	1000 G FC338	71,374
University of California Santa Barbara	12 000	KK4102	1 814 601
University of Chicago	12 000	28065-2	187 731
University of Delaware	12 000	10025	104 212
University of Southern California	12 100	108007	29 022
Yale University	12 431	YKP1098647	27,841
Total Army Pass-Through			<u>2,808,452</u>

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California Institute of Technology
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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Defense (Continued)			
Central Intelligence Agency			
MITRE Corporation	12 000	62869	\$ 250,000
Navy			
Boeing Company	12 000	KM5270	13 057
Colorado School of Mines	12 300	3225/22949	363 183
Colorado School of Mines	12 000	4-42517	151 858
Cornell University	12 300	42829-7100	27 465
Harvard	12 300	HARVARD.MLTRN	(21)
NLight Photonics Total	12 000	60561, 61627	55 200
Princeton University	12 300	916	84 289
University of California Berkeley	12 300	SA3318	244 085
University of California Santa Barbara	12 300	KK0119	65 690
University of Washington	12 000	756206	177 838
William Lettis & Associates Inc.	12 000	WLA 000002	1,451
Total Navy Pass-Through			1,184,095
Defense Advanced Research Projects Agency			
Hewlett Packard	12 000	HP 000002	497 466
Hewlett Packard	12 000	HR0011-04-3 0038	449 757
IBM Corporation	12 000	W0551063	21 437
Johns Hopkins University	12 000	908165	960 996
Massachusetts Institute of Technology	12 000	5710001623	189 735
Massachusetts Institute of Technology	12 300	5710001481	45 352
Northrop Corporation	12 000	02287RD96S	131 247
Northrop Corporation	12 000	39159942	84 649
Princeton University	12 910	341-6260-515	(5,340)
Raytheon	12 000	4400164414	600 284
Telaris Inc	12 000	HR0011-06-C-0029	29 454
University of California Berkeley	12 000	2003-DT-660	125 387
University of California Davis	12 910	007441-03	40 190
University of California Los Angeles	12 000	0980 G FE328	(4,448)
University of California San Diego	12 000	10255643	114,092
University of Colorado at Boulder	12 300	153-5530/31610	49 649

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California Institute of Technology
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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Defense Advanced Research Projects Agency (Continued)			
University of Connecticut	12 910	7301	\$ 134
University of Massachusetts	12 000	1040691	<u>13,254</u>
Total Defense Advanced Research Projects Agency - Pass-Through			<u>3,343,295</u>
Total Department of Defense Pass-Through			<u>8,989,039</u>
Department of Energy			
BSST LLC	81 000	04 DOE930-126	39 290
Carnegie Institute	81 000	4-3327-30	98 366
Ceramatec	81 000	CERAM.BSCF	64 778
Cornell University	81 000	44178-7367	19 571
Doherty Eye Institute	81 000	63735-A001	111 910
Fermilab National Accelerator Laboratory	81 064	512929/554897	502 879
Georgia Institute of Technology	81 049	E-17-6F8-G1	151 285
Lawrence Berkeley National Laboratory	81 000	6808360	14 180
Lawrence Livermore National Laboratory	81 000	B523297	4 379 139
Los Alamos National Laboratory	81 064	31692-001-06	68 010
National Renewable Energy Laboratory	81 064	XAT-4-33624-10	279 744
NexTech Materials, Ltd Total	81 000	NEXTECH DOE	20 820
Open Solutions GP Total	81 000	OPENS.000001	28 777
Sandia National Laboratories	81 000	523348	112 613
Texas Tech University	81 049	1310/C122-01	100 129
University of California Los Angeles	81 000	1000 G DC735	178
University of Nevada	81 065	UNR-04-50	1 150 152
Washington University in St. Louis	81 000	WU-HT-06-06	<u>27,654</u>
Total Department of Energy Pass-Through			<u>7,169,475</u>
Department of Homeland Security			
State of California - Office of Emergency Services	97 039	1505-17-10	<u>31,500</u>
Department of Health and Human Services			
National Institutes of Health			
Brown University	93 286	1545-27564	42 717
Childrens Hospital Los Angeles	93 856	30-8019-100425	50 000

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California Institute of Technology
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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Health and Human Services (Continued)			
National Institutes of Health (Continued)			
City of Hope	93 371	109	\$ 8 185
Cornell University	93 000	CORNELL.TEXTPR	35 137
Exploratorium	93 000	3428	10,650
Harvard University	93 903	137374	104,901
Indiana University	93 000	39510-0048	137,675
Jackson Laboratory	93 172	553143/565835	264,584
Johns Hopkins University	93 849	8004-25995X	59,320
Loma Linda University	93 000	LLU.SUBNIH	93,837
Massachusetts Institute of Technology	93 242	5710001655	132 170
Molecular Sciences Institute	93 000	MSI.000001	212 145
Princeton University	93 859	1207	51 183
Purdue University	93 858	511-1656-01	139 013
Purdue University	93 855	511-1851-01	234 709
Stanford University	93.172	17222070-35910	368 027
The Scripps Research Institute	93 659	5-74238	131 620
The Scripps Research Institute	93 859	5-74032	7 008
The Scripps Research Institute	93 000	5-74098	19 222
University of California Irvine	93 856	2005-1597	182,924
University of California Irvine	93 309	2003-1306	39 210
University of California Los Angeles	93 389	1580 G GF77B	568,446
University of California Los Angeles	93 847	0150 G FB197	189,437
University of California Los Angeles	93 395	1649GGB177	15 930
University of California Los Angeles	93 929	0845 G ED291	134 466
University of California San Diego	93 279	10253108	115 098
University of California San Francisco	93 821	3399sc	4 750
University of North Carolina	93 242	UNCAROL.000001	33,439
University of Puerto Rico	93 000	2006-001341	152 982
University of Southern California	93 655	110512	13 816
University of Tennessee	93 653	R105210070	43,557
University of Texas Southwestern Medical Center	93 859	UTSMC.000017	1 431,516
University of Utah	93 821	2112017	222,932
Total National Institutes of Health Pass-Through			<u>5,248,708</u>
Total Department of Health and Human Services Pass-Through			<u>5,248,708</u>

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California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Interior			
United States Geological Survey (USGS)			
University of Southern California	15.807	PO 071673	\$ 138,249
Department of State			
Natl Council For Eurasian And E European Research	19.300	821-11	7,011
Environmental Protection Agency (EPA)			
Harvard University	66.500	123233-03	25,755
Harvard University	66.509	122769-01	87,090
University of Houston	66.606	R-05-0307	102,043
Total EPA Pass-Through			214,888
National Aeronautics and Space Administration (NASA)			
Case Western Reserve University	43.000	CWRU.800M	64,127
Harvard University	43.000	131066-01	26,371
Harvard University	43.000	131111	87,402
Johns Hopkins University	43.000	911356	28,918
Lockheed Martin Corporation	43.000	8100000206	8,342
Monterey Bay Aquarium Research Institute	43.000	512953	50,956
National Space Biomedical Research Institute	43.000	NCC 9-58	179,175
Pennsylvania State University	43.000	2608-CIT-NASA-3620	11,339
Princeton University	43.000	129	28,804
Smithsonian Astro	43.000	GO6-7067A	84,460
Smithsonian Astro	43.000	TM3-4007X	58,222
Smithsonian Astro	43.000	GO6-7099X	26,178
Southwestern Research Institute	43.000	699048X	63,715
Space Telescope Science Institute	43.000	HST-GO-09799.03-A	1,308,870
Universities of Space Research Association	43.000	8500-98-011	755,857
University of Alabama	43.000	06-043	7,085
University of California Berkeley	43.000	SA2715-26309	505,620
University of California Los Angeles	43.000	0150 G DB006	109,447
University of California Los Angeles	43.000	0995 G FB200	10,863
University of California Los Angeles	43.000	0995 G FC658	5,879
University of California Los Angeles	43.000	0995 G GC317	698
University of California Santa Cruz	43.000	S0179865	8,302
University of Colorado At Boulder	43.000	1541820	7,644
University of Oklahoma	43.000	2005-09	7,896

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA) (Continued)			
University of Southern California	43 000	97019	\$ 84,639
University of Washington	43 000	429444	52,029
Total National Aeronautics and Space Administration Pass-Through			3,582,838
National Science Foundation			
Brown University	47 070	1456-26383	21,087
California Association For Research In Astronomy	47 049	24565	413,817
California State University Los Angeles	47 049	DMR-0351848 UAS-220995	54,650
Columbia University	47 070	556789	64,528
Cornell University	47 049	46559-7840	58,545
Fermilab National Accelerator Laboratory	47 000	566654	47,498
Florida International University	47 049	571275900-01	145,250
Howard University	47 000	634177-H017357	87,812
Incorporated Research Institute For Seismology	47 050	0310	40,004
Incorporated Research Institute For Seismology	47 050	473	95,538
Johns Hopkins University	47 049	8205-53652	438,356
Massachusetts Institute of Technology	47 049	5710001593	164,295
Medical College of Ohio	47 076	F 2005-109	2,499
National Radio Astronomy Observatory	47 000	206239	49,193
New Jersey Institute	47 049	992186	55,387
New Jersey Institute	47 000	990715	46,518
New Jersey Institute	47 049	990774	7,982
Northwestern University	47 049	0830 300 N665 737	2,713
Stanford University	47 000	13944760-25941-A	40
UNAVCO Inc.	47 050	EAR-0453975-02	42,375
University of Arizona	47 000	ARIZONA.NSF	172,002
University of California Berkeley	47 041	SA4591-10349PG	141,564
University of California Berkeley	47 041	SA4801	113,786
University of California Berkeley	47 078	SA 1425-1011PG	86,478
University of California Berkeley	47 078	SA4176-10020PG	18,157
University of California Davis	47 075	RA 012679 CIT	25,876
University of California Irvine	47 074	2003-1310	302,364
University of California Los Angeles	47 000	0143 G DB034	168,793
University of California Los Angeles	47 049	1000 G FC855	(38,749)
University of California Los Angeles	47 049	1000 G GB150	365,806
University of California Los Angeles	47 049	1000 G GB581	183,499

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
National Science Foundation (Continued)			
University of California Riverside	47 041	S-00085	\$ 60,646
University of California San Diego	47 070	10226829	409
University of California San Diego	47 070	10186971	(434)
University of California Santa Cruz	47 049	SO144475	129,918
University of Chicago	47 049	5-27668	181,871
University of Delaware	47 070	497010/1369	83,301
University of Florida	47 070	UF00113	50,055
University of Florida	47 049	UF01087	189,667
University of Georgia	47 041	RR185-31377877497	102,302
University of Illinois	47 000	2003-00863-01	57,724
University of Illinois	47 041	2003-07452-1	72,069
University of Iowa	47 050	4000088270	69,700
University of Southern California	47 041	100809	40,069
University of Southern California	47 050	76824	247,027
University of Southern California	47 000	H31068	432,268
University of Southern California	47 041	92271	(23,965)
University of Virginia	47 075	SES-0094800	56,265
University of Washington	47 000	594618	157,805
Total National Science Foundation - Pass-Through Funds			5,264,360
Total Research and Development - Pass-Through Funds			30,791,445
Total Research and Development Program			205,878,787

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Student Financial Assistance Cluster			
Direct Funds			
Department of Education			
Federal Work Study Program	84 033		\$ 238,869
Federal Supplemental Educational Opportunity Grant	84 007		336,988
Federal Pell Grant Program	84 063		<u>233,366</u>
Total Student Financial Assistance Cluster			<u>809,243</u>
Total Major Programs			206,688,031
NON MAJOR PROGRAMS			
Pass-Through Funds			
Department of Education			
California Student Aid Commission Cal Grants	84 059A		<u>11,571</u>
Total Department of Education Pass-Through Funds			<u>11,571</u>
Total Non-Major Programs			<u>11,571</u>
Total Federal Awards			<u>\$ 206,699,602</u>

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California Institute of Technology

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2006

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 on the cash basis of accounting and 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' Audit and Accounting Guide, *Government Auditing Standards* and *Circular A-133 Audits*. The Schedule summarizes the expenditures of the Institute under programs of the federal government for the year ended September 30, 2006, except those related to the Jet Propulsion Laboratory (A Federally Funded Research and Development Center managed by the California Institute of Technology), as discussed below. 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.

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.

Negative balances reflected in the Schedule represent adjustments to expenditures under awards made in prior years.

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 traditionally 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 September 30, 2004. Actual incurred costs for the year ended September 30, 2005 are being audited by DCAA and, in the opinion of management, the results of such audit will not have a material impact on the Schedule.

The Institute discloses its accounting policies for the purposes of direct costs and facilities and administrative costs in a Disclosure Statement, in accordance with Cost Accounting Standards. All amendments and updates have been approved by ONR.

California Institute of Technology
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

1. Summary of Significant Accounting Policies (Continued)

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 for JPL.

2. Loan Advances

During the year ended September 30, 2006, the Institute advanced loans totaling \$336,629 for the Federal Perkins Loan Program (CFDA Number 84.038). The outstanding balance at September 30, 2006 was \$4,223,035. 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.

3. Federal Direct Loan Program

During the year ended September 30, 2006, the Institute processed \$1,014,552 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).

4. Transfers

During the year ended September 30, 2006, 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 expended.

5. Federal Work Study (FWS) Carryforwards

During the year ended September 30, 2006, the Institute spent \$55,079 of FWS funds which were carried forward from the year ended September 30, 2005. During year ended September 30, 2006, the Institute carried forward \$55,079 of FWS funds which are to be spent during the year ended September 30, 2007. The carryforward amount is reflected as revenues/expenditures recognized in the year in which the funds were expended.

California Institute of Technology
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

6. Subrecipient Pass-Throughs

Of the federal expenditures presented in the Schedule, the Institute provided federal awards to subrecipients from the Institute's research and development cluster as follows:

<u>Program Title</u>	<u>Amount Provided to Subrecipients</u>
Department of Defense	
Air Force Office of Scientific Research	\$ 1,002,278
Army Research Office	393,902
Defense Advanced Research Projects Agency	797,790
Office of Naval Research	1,162,936
National Geospatial-Intelligence Agency	26,223
Space and Naval Warfare System	<u>133,827</u>
	<u>3,516,956</u>
Department of Energy	
Department of Energy	547,583
Lawrence Livermore National Laboratory	419,080
University of Nevada Reno	<u>478,576</u>
	<u>1,445,240</u>
Department of Health and Human Services	
National Institutes of Health	<u>3,696,636</u>
National Aeronautics & Space Administration	
National Aeronautics & Space Administration	6,424,445
National Space Biomedical Research Institute	39,847
Universities of Space Research Association	<u>42,102</u>
	<u>6,506,394</u>
National Science Foundation	
National Science Foundation	<u>5,705,335</u>
Total Amount Provided to Subrecipients	<u>\$ 20,870,562</u>

7. Contingencies

The amounts expended by the Institute under federal programs are subject to audit by governmental agencies. The Institute believes that any liabilities arising from such audits will not have a material impact on the Institute's financial position.

The National Science Foundation Office of Inspector General has recently undertaken an audit of the payroll distribution system at the Institute, and is currently auditing several other institutions. The report issued as a result of this audit recommended enhancements be made to the Institute's system in relation to reporting of voluntary committed labor. The Institute has responded fully to the report findings.