

California Institute of Technology

EIN: 95-1643307

**Report on Audit of Financial Statements
and on Federal Awards Programs
in Accordance With OMB Circular A-133
(exclusive of the Jet Propulsion Laboratory)**

For the Year Ended September 30, 2011

California Institute of Technology
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For the Year Ended September 30, 2011

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Report of Independent Auditors

To the Board of Trustees of
California Institute of Technology

In our opinion, the accompanying balance sheets and related statements of activities and cash flows present fairly, in all material respects, the financial position of California Institute of Technology (the "Institute") as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2012 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended September 30, 2011. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. As described in Note 1 to the Schedule of Expenditures of Federal Awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, on the basis of accounting described in Note 1, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

January 23, 2012

California Institute of Technology
Balance Sheets
At September 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
ASSETS		
Cash and cash equivalents (Notes B and D)	\$ 18,026	\$ 42,733
Advances and deposits	9,293	5,088
Accounts and notes receivable, net		
United States government	178,161	192,323
Other	28,722	15,724
Contributions receivable, net	72,321	131,969
Investments	1,798,264	1,833,665
Prepaid expenses and other assets	81,017	75,919
Deferred United States government billings	507,230	480,725
Property, plant, and equipment, net	859,373	847,206
	<u>\$ 3,552,407</u>	<u>\$ 3,625,352</u>
LIABILITIES and NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 403,924	\$ 409,800
Deferred revenue and refundable advances	26,805	20,032
Annuities, trust agreements, and agency funds	71,682	72,980
Bonds and notes payable	439,648	427,137
Accumulated postretirement benefit obligation	567,670	539,632
	<u>1,509,729</u>	<u>1,469,581</u>
Commitments and contingencies (Note L)		
Net assets:		
Unrestricted	593,331	692,704
Temporarily restricted	634,874	700,740
Permanently restricted	814,473	762,327
	<u>2,042,678</u>	<u>2,155,771</u>
	<u>\$ 3,552,407</u>	<u>\$ 3,625,352</u>

The accompanying notes are an integral part of these financial statements.

California Institute of Technology
Statements of Activities
For the Years Ended September 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Changes in unrestricted net assets:		
Revenue and net assets released from restrictions:		
Tuition and fees, net of student financial aid	\$ 30,749	\$ 29,586
Investment (loss)/return	(32,626)	63,345
Gifts	9,037	19,348
Grants and contracts:		
Jet Propulsion Laboratory - direct	1,567,287	1,678,512
Other United States government - direct	240,620	227,014
Non-United States government - direct	18,397	20,726
Indirect cost recovery and management allowance	114,715	109,814
Auxiliary enterprises	31,266	32,589
Other	35,348	47,175
Net assets released from restrictions	<u>112,775</u>	<u>180,786</u>
Total revenue and net assets released from restrictions	2,127,568	2,408,895
Expenses:		
Instruction and academic support	241,464	236,354
Organized research:		
Jet Propulsion Laboratory	1,567,287	1,678,512
Other Institute research	313,843	284,672
Institutional support	72,352	68,037
Auxiliary enterprises	<u>30,202</u>	<u>31,735</u>
Total expenses	<u>2,225,148</u>	<u>2,299,310</u>
(Deficit)/excess of revenues under/over expenses	(97,580)	109,585
Other changes in unrestricted net assets:		
Changes in postemployment benefit obligations	7,497	1,476
Redesignations and reclassifications of net assets	<u>(9,290)</u>	<u>15,457</u>
(Decrease)/increase in unrestricted net assets	<u>\$ (99,373)</u>	<u>\$ 126,518</u>
Changes in temporarily restricted net assets:		
Gifts	\$ 40,262	\$ 33,497
Investment return	7,467	60,010
Net assets released from restrictions	(112,775)	(180,786)
Redesignations and reclassifications of net assets	<u>(820)</u>	<u>(27,171)</u>
Decrease in temporarily restricted net assets	<u>\$ (65,866)</u>	<u>\$ (114,450)</u>
Changes in permanently restricted net assets:		
Gifts	\$ 43,139	\$ 38,090
Investment (loss)/return	(1,123)	1,355
Other income	20	24
Redesignations and reclassifications of net assets	<u>10,110</u>	<u>11,714</u>
Increase in permanently restricted net assets	<u>\$ 52,146</u>	<u>\$ 51,183</u>
(Decrease)/increase in total net assets	\$ (113,093)	\$ 63,251
Net assets at beginning of year	<u>2,155,771</u>	<u>2,092,520</u>
Total net assets at end of year	<u>\$ 2,042,678</u>	<u>\$ 2,155,771</u>

The accompanying notes are an integral part of these financial statements.

California Institute of Technology
Statements of Cash Flows
For the Years Ended September 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
Cash flows from operating activities:		
(Decrease)/increase in net assets	\$ (113,093)	\$ 63,251
Adjustments to reconcile (decrease)/increase in net assets to net cash used in operating activities:		
Depreciation, accretion, and amortization	60,732	60,413
Changes in postemployment benefit obligations	(7,497)	(1,476)
Contributions restricted for long-term investment and capital projects	(44,692)	(35,004)
Investment return restricted for long-term investment and capital projects	(1,112)	(761)
Realized and unrealized losses/(gains) on investments	44,589	(112,611)
In-kind receipt of securities, property, plant, and equipment	(1,144)	(1,303)
Actuarial change in trust liability	1,972	(3,209)
Losses on disposals of property, plant, and equipment	11,367	3,543
Changes in assets and liabilities:		
Advances and deposits	(4,205)	(1,783)
Accounts and notes receivable, net	13,405	(10,342)
Contributions receivable, net	33,899	34,503
Prepaid expenses and other assets	(4,798)	(19,475)
Deferred United States government billings	(26,505)	(31,012)
Accounts payable and accrued expenses	(28,663)	16,470
Deferred revenue and refundable advances	6,773	552
Agency funds	673	724
Accumulated postretirement benefit obligation	35,648	38,997
Net cash (used in)/provided by operating activities	(22,651)	1,477
Cash flows from investing activities:		
Purchases of investments	(595,243)	(385,038)
Proceeds from sales and maturities of investments	616,217	440,547
Purchases of property, plant, and equipment	(75,913)	(71,596)
Proceeds from sale of property, plant, and equipment	379	86
Net cash used in investing activities	(54,560)	(16,001)
Cash flows from financing activities:		
Contributions restricted for long-term investment and capital projects	41,004	38,984
Investment return restricted for long-term investment and capital projects	1,112	761
Cash received under split-interest agreements	4,767	4,180
Cash payments made under split-interest agreements	(6,679)	(6,588)
Net borrowings/(repayments) on short-term debt	12,300	(8,270)
Net cash provided by financing activities	52,504	29,067
Net (decrease)/increase in cash and cash equivalents	(24,707)	14,543
Cash and cash equivalents at beginning of year	42,733	28,190
Cash and cash equivalents at end of year	\$ 18,026	\$ 42,733

The accompanying notes are an integral part of these financial statements.

A. Description of California Institute of Technology

California Institute of Technology (the "Institute") is a private, not-for-profit institution of higher education based in Pasadena, California. Founded in 1891, 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 government of the United States of America.

B. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements include the accounts of the Institute's main campus and satellite facilities ("Campus"), as well as the Jet Propulsion Laboratory ("JPL"), a Federally Funded Research and Development Center managed by the Institute for the National Aeronautics and Space Administration ("NASA").

The Institute manages JPL under a cost-reimbursable contract with NASA. JPL's land, buildings, and equipment are owned by the United States government and are excluded from the Institute's financial statements. Receivables and liabilities arising from JPL's activities are reflected in the Institute's balance sheets. The direct costs of JPL's activities and the related reimbursement of those costs are segregated in the statements of activities. The management allowances earned under the NASA contract are included as an indirect cost recovery and management allowance in the statements of activities.

The Institute is generally exempt from federal income taxes under the provisions of Internal Revenue Code ("IRC") Section 501(c)(3). The Institute is also generally exempt from payment of California state income, gift, estate, and inheritance taxes. The Institute has no uncertain tax positions.

The Institute's financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Net assets are classified into three categories according to donor-imposed restrictions or provisions of law: permanently restricted, temporarily restricted, and unrestricted.

Permanently restricted net assets include endowment gifts, charitable remainder trusts, pooled income funds, gift annuities, other split-interest agreements, and contributions receivable in which donors have stipulated that the original value of their contributions and, if applicable, any subsequent accumulations, be invested in perpetuity.

Temporarily restricted net assets include endowment earnings related to permanent endowments that have not been appropriated for expenditures and gifts for which donor-imposed restrictions have not been met, including funds restricted for future capital projects, charitable remainder trusts, pooled income funds, gift annuities, other split-interest agreements, and related contributions receivable. These restrictions are expected to be removed through the passage of time, the appropriation of endowment earnings by the

California Institute of Technology
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September 30, 2011 and 2010
(Dollars in Thousands)

Institute, and/or the Institute's incurrence of expenditures that meet donors' restrictions. Expirations of temporary restrictions on net assets are reported as releases from temporarily restricted to unrestricted net assets in the statements of activities. Donor-restricted gifts that are received and either spent or deemed spent within the same fiscal year are reported as unrestricted revenues.

Unrestricted net assets are those not subject to donor-imposed restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Redesignations

Net assets related to certain contributions received in prior periods have been transferred among net asset categories due to changes in donor designations.

Reclassifications

Certain balances at September 30, 2010, and for the year then ended have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents

Cash and cash equivalents include bank account balances, investments in money market funds, as well as other short-term investments that have remaining maturities of three months or less when purchased. The Institute classifies all cash and cash equivalents held as part of the investment portfolio as investments. At September 30, 2011 and 2010, short-term investments, as disclosed in Note D, included \$178,854 and \$271,969, respectively, in cash and cash equivalents. Carrying amounts of cash and cash equivalents approximate fair value due to the relatively short maturities of these instruments.

Under the Institute's cash management system, checks issued but not presented to banks may result in overdraft balances for accounting purposes and are included in accounts payable and accrued expenses in the balance sheets if an overdraft situation exists. There were no overdrafts at September 30, 2011 and 2010.

Advances and Deposits

Advances include certain cash balances, totaling \$7,946 and \$3,780 at September 30, 2011 and 2010, respectively, that are restricted for use in connection with United States government-sponsored research. Deposits include \$1,347 and \$1,308 at September 30, 2011 and 2010, respectively, in cash withheld from employees for health and dependent care spending accounts.

Accounts and Notes Receivable

Accounts receivable under contracts and grants are carried at cost, less an allowance for doubtful accounts, which approximates fair value. The allowance for doubtful accounts was \$663 and \$767 at

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September 30, 2011 and 2010, respectively. Activity in the allowance account was not significant during the years ended September 30, 2011 and 2010.

Accounts receivable from students and employees of \$2,185 and \$1,005 at September 30, 2011 and 2010, respectively, are carried at cost. Doubtful accounts are charged to expense when they are deemed to become uncollectible. During the years ended September 30, 2011 and 2010, only minor amounts were written off as uncollectible. The value of receivables, which are carried at cost, approximates fair value.

The Institute provides loans to students from both internal funds and from funds provided by the United States government under the Federal Perkins Loan Program. Loans that bear interest carry fixed rates. Most loans carry ten-year terms. Student loans receivable of \$6,760 and \$6,977 at September 30, 2011 and 2010, respectively, are carried at cost. Determination of the fair value of such notes is impracticable.

The Institute holds all loans to maturity. Loans to students are considered delinquent 10-90 days after a borrower misses a required payment. Delinquent interest-bearing loans continue to accrue interest. At September 30, 2011 and 2010, only immaterial amounts of loans were delinquent. No allowances have been recorded, and only minor amounts of loans are expected to become uncollectible. The principal credit quality indicator for such loans is collection experience. The Institute manages its credit risk by limiting amounts loaned per term, monitoring aggregate loan levels, and maintaining an active collections process with the assistance of third-party collection agencies as necessary. Student loans generally are not dischargeable in bankruptcy. Loans are not considered uncollectible until all reasonable collection efforts have been made.

Investments

Investments are carried at fair values based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as discussed in Note K. Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined based on the average cost of securities sold. Accounts receivable included \$12,468 and \$0 related to outstanding sales at September 30, 2011 and 2010, respectively.

The Institute engages a number of outside parties to manage portions of its investment portfolio. The Institute's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market and credit risk.

Alternative investments include holdings in limited partnerships, limited liability companies, and off-shore investment funds. These investments may not be readily marketable or redeemable, and may specify penalties for early liquidation from the related funds. The Institute reviews and considers the values provided by external investment managers in determining the fair value of alternative investments. Those estimated fair values may differ from the values that could have been determined had a ready market for these securities existed.

At September 30, 2011 and 2010, investments included short-term investments valued at \$0 and \$22,997, respectively, that were purchased with unexpended proceeds from the 2009 Series California Educational Facilities Authority (CEFA) revenue bonds. These assets were limited to use in specific construction projects.

Endowment

Endowment net assets are those held for long-term investment in support of the Institute. All investments of endowment assets are carried in an investment pool unless special considerations or donor stipulations require that they be held separately. Endowment net assets include donor-restricted endowments and board-designated endowments. Gift annuities, beneficial interests, contributions receivable, and unexpended endowment earnings available for use per the Institute's spending policy that are subject to remaining purpose restrictions, are not considered endowment net assets.

Pursuant to its interpretation of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted in California, the Institute classifies the following as permanently restricted net assets: the original value of initial gifts to permanent endowments, the original value of subsequent gifts to permanent endowments, and the value of accumulations to permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portions of donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA and Institute policies. In accordance with UPMIFA, the Institute considers the following factors in determining annual spending:

- The duration and preservation of the fund
- The purpose of the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Institute
- The investment policies of the Institute

The Institute appropriates endowment funds for expenditure based on current spending rates and, if applicable, the incurrence of specific expenditures in accordance with donors' purpose restrictions.

A primary Institute endowment investment objective is to provide a predictable stream of funding to programs by investing endowment assets to earn an average annual total return that exceeds inflation by at least the amount required to support the endowment's contribution to the operating budget. This objective relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) as well as current yield (interest and dividends). The Institute targets a diversified asset allocation, including investments in both public markets and in alternative investments, within prudent risk constraints.

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(Dollars in Thousands)

In accordance with the Institute's endowment spending policy, between 5% and 7% of the average of the twelve calendar quarters' endowment market values immediately preceding a given fiscal year is available each year for distribution to the operating budget. If current-year interest, dividends, and gains are not sufficient to support the current-year distribution, the balance is provided from prior years' accumulated earnings.

As a result of market declines, the fair value of certain donor-restricted endowment funds is less than the historical value of such funds. The aggregate deficiencies for donor-restricted endowment funds were \$66,858 and \$48,485 at September 30, 2011 and 2010, respectively, and are recorded in unrestricted net assets. Such deficiencies reverse with market value appreciation. Reversals of these deficiencies increase unrestricted net assets.

Derivatives

The Institute uses an interest rate swap to manage the interest rate exposure of a portion of its variable rate debt. The swap is recorded at fair value, which is the estimated amount that the Institute would receive or pay to terminate the agreement, taking into account current interest rates and the current credit-worthiness of the swap counterparty. Realized losses of \$5,596 and \$5,556 resulted from regular settlements with the counterparty during the years ended September 30, 2011 and 2010, respectively, and are included in investment return in the statements of activities. Changes in the swap's fair value during the years ended September 30, 2011 and 2010, resulted in unrealized losses of \$14,357 and \$14,101, respectively, and are included in investment return in the statements of activities. The fair value of the swap was a liability of \$55,816 and \$41,458 at September 30, 2011 and 2010, respectively, and is included in accounts payable and accrued expenses in the balance sheets.

The Institute's externally-managed investment funds may include derivatives. The fair value of any such derivatives is included in the calculation of the fair values of the Institute's investments in such funds.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at the cost of construction, acquisition, or at the fair value of contributed assets at the date of the gift. Interest costs related to debt used for construction of assets are capitalized and included in the cost of construction. Depreciation on all assets subject to depreciation is calculated over the estimated useful lives as defined for each class of depreciable asset, which range from three to fifty years, and is computed using the straight-line method. Depreciation on buildings is calculated based on the useful lives of each major building component. The Institute provides for the renewal and replacement of assets from various sources set aside for this purpose. The Institute routinely acquires or constructs equipment under federally and non-federally funded research grants. Costs of federally and non-federally assets acquired or constructed under both federal and nonfederal grants in which title does not ultimately transfer to the Institute are charged to expense.

The Institute records conditional asset retirement obligations primarily related to asbestos removal and disposal in future remediation activity. Asset retirement cost, net of accumulated depreciation, at September 30, 2011 and 2010 was \$976 and \$1,118, respectively, and is included in property, plant, and equipment in the balance sheets. Conditional asset retirement obligations at September 30, 2011

and 2010 were \$11,286 and \$11,043, respectively, and are included in accounts payable and accrued expenses in the balance sheets.

Split-Interest Agreements

The Institute's split-interest agreements with donors consist primarily of charitable gift annuities and charitable remainder trusts for which the Institute serves as trustee. For irrevocable agreements, assets contributed are included in Institute investments at fair value. Contribution revenue is recognized at the date each trust is established after recording liabilities for the actuarially-determined present value of the estimated future payments to be made to beneficiaries. The actuarial liability is discounted at an appropriate risk-adjusted rate at the inception of each agreement. Discount rates on all split-interest agreements range from 2.4% to 10.6%. The liabilities are adjusted during the terms of the trusts for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. Split-interest agreement liabilities totaled \$55,855 and \$60,514 at September 30, 2011 and 2010, respectively, and are included in liabilities for annuities, trust agreements and agency funds in the balance sheets. The Annuity 2000 Mortality Table was used for the years ended September 30, 2011 and 2010.

The Institute is also the trustee for certain revocable agreements. Assets contributed are included in Institute investments at fair value, and amounts equal to the value of assets are included in liabilities for annuities, trust agreements, and agency funds. Total assets and liabilities for revocable agreements were \$5,782 and \$3,166 at September 30, 2011 and 2010, respectively.

Beneficial Interests

The Institute is the beneficiary of charitable remainder and perpetual trusts held and administered by others. The fair value of the Institute's interests in these trusts is determined by the fair value of trust assets, multiplied by the Institute's percentage interest in the various trusts, and is included in prepaid expenses and other assets in the balance sheets. Contribution revenues are recognized at the date the trusts are established. Distributions from perpetual trusts are recorded as contribution revenues, and the carrying value of the beneficial interests is adjusted for changes in the values of the underlying assets. These assets totaled \$25,872 and \$20,063 at September 30, 2011 and 2010, respectively.

Retirement Plans

The Institute's retirement plans cover substantially all of its employees. Except for a small number of former employees who participated in a defined benefit pension plan that was terminated in 1993 and who are covered by a successor defined benefit pension plan, the Institute provides a defined contribution retirement program for eligible academic and administrative employees. Contributions to IRC Section 403(b) defined contribution plans for the years ended September 30, 2011 and 2010 were \$21,931 and \$21,637, respectively, for the Campus and \$66,505 and \$64,275, respectively, for JPL. The Institute has no assets or liabilities related to these plans.

At September 30, 2011 and 2010, respectively, prepaid expenses and other assets included \$44,776 and \$42,992 in assets held pursuant to IRC section 457 defined contribution retirement plans. These assets are invested with external investment managers and are recorded at fair value. The Institute's liabilities related to these funds were \$44,093 and \$41,913 at September 30, 2011 and 2010, respectively, and are included in accounts payable and accrued expenses in the balance sheets.

Funds Held for Others

The Institute held assets totaling \$10,045 and \$9,300 in agency funds at September 30, 2011 and 2010, respectively. The assets held are primarily included in investments in the balance sheets. The corresponding liability, which is equal to assets held, is included in annuities, trust agreements, and agency funds on the balance sheets.

Compensated Absences

Employees at the Institute are entitled to paid vacation based upon length of service and other factors. The Institute accrues a liability for vacation benefits that employees have earned but not yet taken. At September 30, 2011 and 2010, accrued compensated absences of \$73,096 and \$73,917, respectively, are included in accounts payable and accrued expenses in the balance sheets.

Workers' Compensation Insurance

The Institute provides workers' compensation insurance to its employees. Liabilities for the Institute's retained risk related to such coverage are determined by an actuary and are included in accounts payable and accrued expenses in the balance sheets. At September 30, 2011 and 2010, the estimated liabilities for workers' compensation amounted to \$8,697 and \$7,810, respectively, and are included in accounts payable and accrued expenses in the balance sheets.

Revenue Recognition

The Institute's revenue recognition policies are as follows:

- *Tuition and fees* - Student tuition and fees are recorded as revenues during the year the related academic services are rendered and displayed net of financial aid on the statements of activities. Tuition and fees totaled \$76,439 and \$71,506 for the years ended September 30, 2011 and 2010, respectively. Student financial aid totaled \$45,690 and \$41,920 for the years ended September 30, 2011 and 2010, respectively. Student tuition and fees received in advance of services to be rendered, net of applicable financial aid, are recorded as deferred revenue.
- *Investment return (loss)* - Investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses, net of investment management fees, are reported as increases or decreases to the appropriate net asset category.
- *Gifts* - Gifts from donors, including contributions receivable from unconditional promises to give, are recorded as revenues in the year received. Non-cash gifts are recorded at fair value using quoted market prices, market prices for similar assets, independent appraisals, or as estimated by Institute management. Gift revenue from contributions to be collected in the form of securities or other investments is adjusted at each year end to reflect the year-end value of securities and/or investments to be contributed. Donor-restricted gifts, which are received and either spent, or deemed spent, within the same year are reported as unrestricted revenue. Gifts of long-lived assets with no donor-imposed time restrictions are reported as unrestricted revenue in the year received. Gifts restricted to the acquisition or construction of long-lived assets are reported as temporarily restricted revenue and released to unrestricted net assets when long-lived assets are placed in service. Gifts that are subject to other time or purpose restrictions are reported as temporarily restricted revenue and released to unrestricted net assets when donor restrictions are fulfilled. Gifts received for endowment investment are

held in perpetuity and recorded as permanently restricted revenue. Conditional promises to give are not recorded until donor-imposed conditions have been substantially met. Conditional promises to give totaled \$113,163 and \$108,904 at September 30, 2011 and 2010, respectively. At September 30, 2011 and 2010, respectively, conditional promises included \$77,500 and \$77,500 for research programs from a foundation that shares a common board member with the Institute.

- *Grants and contracts* - Revenues from grants and contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. Substantially all federal grants and contracts awarded to the Campus provide for the reimbursement of indirect facilities and administrative costs based on rates negotiated with the Office of Naval Research, the Campus' federal cognizant agency for the negotiation and approval of facilities and administrative and other indirect cost rates. Costs related to the performance of activities under the JPL contract are reimbursable by NASA. Amounts received in excess of expenditures are recorded as deferred revenue.
- *Auxiliary enterprises* - Revenues from supporting services, such as dining facilities, faculty and student housing, and bookstores are recorded at time of delivery of a product or service. Amounts received in advance of deliveries of products or services are recorded as deferred revenue.

Expenses

Expenses are generally reported as decreases in unrestricted net assets. The statements of activities present expenses by functional classification in accordance with the overall educational and research mission of the Institute.

Building and improvements depreciation and plant operation expenses are allocated to functional classifications based on square footage occupancy of Institute facilities. Equipment depreciation is allocated to functional classifications based on average equipment purchases attributed to each classification. Interest expense on external debt, net of amounts capitalized, is allocated to the functional categories that have benefited from the proceeds of such debt. For the years ended September 30, 2011 and 2010, interest expense, net of capitalized interest, was \$8,141 and \$8,436, respectively, and capitalized interest was \$1,365 and \$1,078, respectively.

New Accounting Pronouncements

In September 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2009-12. The FASB updated ASU 2009-12 in January 2010. ASU 2009-12 and its update permit the Institute to measure the fair value of its investments in certain entities, as defined by the standard, at net asset value (NAV). The new standard also expands fair value disclosure requirements. The financial statements for the years ended September 30, 2011 and 2010 reflect the implementation of all provisions of ASU 2009-12 and its update. Adoption of this standard had no material impact on the financial statements.

In July 2010, the FASB adopted ASU 2010-20, which expands disclosure requirements regarding financing receivables and allowances for credit losses. ASU 2010-20 does not change the Institute's accounting for its financing receivables. The Institute applied the applicable provisions of ASU

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2010-20 for the years ended September 30, 2011 and 2010. Adoption of this standard had no material impact on the financial statements.

In May 2011, the FASB issued ASU 2011-04, which clarifies the application of existing fair value measurement requirements, changes certain principles related to measuring fair value, and requires additional disclosures about fair value measurements. Specifically, the guidance specifies that the concepts of highest and best use and valuation premise in a fair value measurement are only relevant when measuring the fair value of nonfinancial assets. The new guidance expands required disclosures, especially for fair value measurements that are categorized within Level 3 of the fair value hierarchy, for which quantitative information about the unobservable inputs used and a narrative description of the valuation processes in place will be required. This guidance is effective for the Institute's fiscal year ending September 30, 2013. The Institute is currently evaluating the impact that this guidance may have on its financial statements.

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C. Contributions Receivable, net

Contributions receivable consist of unconditional promises to give to the Institute in the future. Contributions receivable are initially recorded at fair value, including a discount to the present value of the future cash flows at an appropriate risk-adjusted rate. Discount rates on all outstanding contributions at September 30, 2011 and 2010 range from 1.51% to 5.84%.

Contributions receivable consisted of the following at September 30, 2011 and 2010:

	2011	2010
Contributions receivable at beginning of year, net	\$ 131,969	\$ 197,931
Discount at beginning of year	10,662	15,266
Allowance for doubtful accounts at beginning of year	<u>99</u>	<u>197</u>
Contributions receivable at beginning of year, gross	142,730	213,394
New contributions received	16,560	3,508
Contribution payments received	(83,395)	(74,741)
Adjustments to fair value of securities to be contributed	2,690	505
Write offs and other adjustments	<u>(182)</u>	<u>64</u>
Contributions receivable at end of year, gross	78,403	142,730
Discount at end of year	(5,997)	(10,662)
Allowance for doubtful accounts at end of year	<u>(85)</u>	<u>(99)</u>
Contributions receivable at end of year, net	<u>\$ 72,321</u>	<u>\$ 131,969</u>

Gross contributions receivable carried the following restrictions at September 30, 2011 and 2010:

	2011	2010
Endowment for programs, activities, and scholarships	\$ 22,932	\$ 27,452
Building construction	627	1,414
Education, general and time restrictions	<u>54,844</u>	<u>113,864</u>
Total contributions receivable, gross	<u>\$ 78,403</u>	<u>\$ 142,730</u>

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Gross contributions receivable are expected to be realized as follows at September 30, 2011 and 2010:

	2011	2010
Within one year	\$ 20,381	\$ 54,615
Between one year and five years	57,532	65,897
More than five years	<u>490</u>	<u>22,218</u>
Total contributions receivable, gross	<u>\$ 78,403</u>	<u>\$ 142,730</u>

At September 30, 2011 and 2010, contributions receivable of \$61,703 and \$113,955, respectively, were due from board members and/or charitable entities founded by board members.

D. Investments

Investments consisted of the following at September 30, 2011 and 2010:

	2011	2010
Short-term investments	\$ 178,854	\$ 321,147
Fixed-income securities	89,381	69,815
Equity securities	557,311	522,553
Alternative investments:		
Marketable alternatives	529,537	513,511
Private equity	192,822	176,491
Real assets	227,611	205,073
Real estate mortgages, notes, and other investments	<u>22,748</u>	<u>25,075</u>
Total investments	<u>\$ 1,798,264</u>	<u>\$ 1,833,665</u>

At September 30, 2011 and 2010, short-term investments included \$178,854 and \$271,969, respectively, in cash and cash equivalents.

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Investments were categorized as follows at September 30, 2011 and 2010:

	2011	2010
Investment pool	\$ 1,589,109	\$ 1,600,757
Separately invested endowments	39,778	45,536
Trusts, annuities, and other	<u>169,377</u>	<u>187,372</u>
Total investments	<u>\$ 1,798,264</u>	<u>\$ 1,833,665</u>

At September 30, 2011 and 2010, endowment investments were \$1,613,662 and \$1,631,076, respectively.

Investment (loss)/return consisted of the following for the years ended September 30, 2011 and 2010:

	2011	2010
Interest and dividend income	\$ 18,307	\$ 12,099
Net realized gains	61,130	96,899
Net unrealized (depreciation)/appreciation	<u>(105,719)</u>	<u>15,712</u>
Total investment (loss)/return	<u>\$ (26,282)</u>	<u>\$ 124,710</u>

Investment return includes realized and unrealized losses related to the interest rate swap agreement as discussed in Note B.

E. Deferred United States Government Billings

The Institute's contract with NASA provides for the reimbursement of certain employee benefit costs incurred but not yet billed to the JPL contract. Therefore, the Institute has recorded deferred United States government billings related to the portion of its accumulated postretirement benefit obligation, accrued vacation, workers' compensation, and pension benefit liabilities attributable to JPL, as the Institute is able to recover these amounts through future charges to JPL contracts. Although these deferred billing amounts may not be currently funded, and therefore may need to be funded as part of future NASA budgets, the Institute has the contractual right to require that such funding be made available at the time these employee benefit costs become payable by the Institute.

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Deferred United States government billings related to deferred reimbursements of the following liabilities at September 30, 2011 and 2010:

	2011	2010
Accumulated postretirement benefit obligation	\$ 443,114	\$ 416,280
Accrued vacation benefits	58,107	59,363
Other benefit liabilities	<u>6,009</u>	<u>5,082</u>
Total deferred United States government billings	<u>\$ 507,230</u>	<u>\$ 480,725</u>

F. Property, Plant, and Equipment, net

Property, plant, and equipment consisted of the following at September 30, 2011 and 2010:

	2011	2010
Land and land improvements	\$ 59,523	\$ 55,961
Buildings and building improvements	836,360	822,245
Equipment	498,776	500,475
Construction in progress	112,559	77,925
Less: accumulated depreciation	<u>(647,845)</u>	<u>(609,400)</u>
Total property, plant, and equipment, net	<u>\$ 859,373</u>	<u>\$ 847,206</u>

Depreciation expense for the years ended September 30, 2011 and 2010 was \$59,830 and \$59,454, respectively.

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G. Bonds and Notes Payable

Bonds and notes payable are uncollateralized, general obligations of the Institute and consisted of the following at September 30, 2011 and 2010:

Bonds Payable:	2011	2010
California Educational Facilities Authority (CEFA) revenue bonds:		
2009 Series due November 1, 2039, with interest at 5.00% (gross of issue premium of \$644 and \$668, respectively)	\$ 80,644	\$ 80,668
2006 Series A due October 2036, with variable interest rates reset weekly (0.10% and 0.20%, respectively)	82,500	82,500
2006 Series B due October 2036, with variable interest rates reset weekly (0.08% and 0.18%, respectively)	82,500	82,500
Series 1998 due October 2028, with interest at 4.25% (net of issue discount of \$1,943 and \$2,057, respectively)	48,622	48,508
Series 1998 due October 2027, with interest at 4.5% (net of issue discount of \$2,048 and \$2,169, respectively)	51,252	51,131
Series 1994 due January 2024, with variable interest rates reset weekly (0.10% and 0.20%, respectively)	30,000	30,000
Total bonds payable	<u>375,518</u>	<u>375,307</u>
Notes payable:		
Bank of America revolving bank credit facility expiring January 2014, with variable interest rates (0.42% at September 30, 2010)	-	51,830
Bank of America revolving bank credit facility expiring January 2014, with variable interest rates (0.45% at September 30, 2011)	49,730	-
Bank of America revolving bank credit facility expiring June 2013, with variable interest rates	-	-
Commercial paper note program, weighted-average interest (0.10% at September 30, 2011)	12,400	-
Bank of New York money market loan program with no expiration date, with variable interest rates (0.48% at September 30, 2011)	2,000	-
JPMorgan Chase money market loan program with no expiration date, with variable interest rates	-	-
Wells Fargo revolving bank credit facility expiring June 2013, with variable interest rates	-	-
Wells Fargo revolving bank credit facility expiring January 2014, with variable interest rates	-	-
Total notes payable	<u>64,130</u>	<u>51,830</u>
Total bonds and notes payable	<u>\$ 439,648</u>	<u>\$ 427,137</u>

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As of September 30, 2011, the Institute had seven unsecured revolving lines of credit (the “Lines of Credit”) available. The Institute has internally-mandated aggregate borrowing limits under the Lines of Credit, which include the following amounts: \$100,000 for borrowings to finance working capital, \$25,000 for borrowings to finance acquisitions of real estate and temporary funding for capital projects, and \$200,000 for borrowings secured to preserve liquidity. All Lines of Credit are uncollateralized.

The table below summarizes the material terms of the Lines of Credit, including permitted uses of any funds drawn and permitted maximum draws under each individual Line of Credit at September 30, 2011:

Financial Institution	Maximum Permitted	Outstanding Amounts	Maturity
General Working Capital and Capital Projects:			
Bank of America	\$ 100,000	\$ -	January 2014
JPMorgan Chase	62,000	-	None
Bank of America	50,000	49,730	January 2014
Bank of New York	50,000	2,000	None
Wells Fargo	50,000	-	January 2014
Supplemental Liquidity for Variable Rate Debt:			
Bank of America	50,000	-	June 2013
Wells Fargo	50,000	-	June 2013

The lines of credit from Bank of New York, JPMorgan Chase, and the Bank of America line of credit for \$50,000 maturing in January 2014 all are uncommitted. Maturity dates for individual advances made by these institutions are to be determined at the time advances are made.

Financial covenants under certain of the Lines of Credit require that the Institute maintain a ratio of unrestricted cash and investments to total adjusted debt outstanding equal to at least 0.5 to 1.0.

In July 2009, the Institute activated a facility that permits the issuance of an aggregate total of \$100,000 in taxable or tax-exempt commercial paper to finance capital projects. Effective upon its issuance of taxable bonds subsequent to September 30, 2011, the Institute’s internal authorization for borrowings under the commercial paper facility became \$0.

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Future principal repayments on bonds and notes payable were as follows at September 30, 2011:

<u>Year Ending</u> <u>September 30</u>	<u>Amount</u>
2012	\$ 259,130
2013	-
2014	-
2015	-
2016	-
Thereafter	<u>180,518</u>
Total	<u>\$ 439,648</u>

Under certain circumstances, the CEFA Series 1994, 2006 Series A, and 2006 Series B variable rate revenue bonds, which have contractual maturities commencing in 2024, could fail to be remarketed, requiring the Institute to repurchase the outstanding bonds totaling approximately \$195,000. Therefore, those bonds have been classified as repayable in the following year in the table above.

The fair value of bonds payable and commercial paper is estimated based on quoted market prices for the bonds or paper or similar financial instruments and was \$397,489 and \$385,926 at September 30, 2011 and 2010, respectively. Amounts outstanding under the revolving bank credit facilities and the money market loan programs totaling \$51,730 and \$51,830 at September 30, 2011 and 2010, respectively, are carried at cost, which approximates fair value.

In 2006, the Institute entered into an interest rate swap agreement in conjunction with issuance of the 2006 Series A and B variable rate revenue bonds. Under the terms of the agreement, which expires October 1, 2036, the Institute pays the counterparty a fixed interest rate of 3.549% and receives a variable rate, indexed at 67% of one-month LIBOR (0.16% at September 30, 2011), on a \$165,000 underlying notional principal amount.

On December 6, 2011, the Institute issued \$350,000 in taxable term bonds at 4.7% interest, due on November 1, 2111, which yielded gross proceeds of \$346,798. The bonds are an unsecured general obligation of the Institute. On December 30, 2011, the Institute called and repaid all of its outstanding Series 1998 bonds at par value, which amounted to \$103,865, using a portion of the proceeds from the taxable bond issue.

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H. Net Assets

Temporarily restricted net assets were available for the following purposes at September 30, 2011 and 2010:

	2011	2010
Educational and research funds	\$ 113,305	\$ 91,936
Contributions receivable	51,654	107,944
Capital projects	138	264
Life income and annuity funds	36,190	32,275
Endowments	<u>433,587</u>	<u>468,321</u>
Total temporarily restricted net assets	<u>\$ 634,874</u>	<u>\$ 700,740</u>

Permanently restricted net assets were available for the following purposes at September 30, 2011 and 2010:

	2011	2010
Student loan funds	\$ 15,948	\$ 15,470
Contributions receivable	20,668	24,025
Life income and annuity funds	29,235	30,282
Endowments	<u>748,622</u>	<u>692,550</u>
Total permanently restricted net assets	<u>\$ 814,473</u>	<u>\$ 762,327</u>

Reclassifications and redesignations of net assets in the Statement of Activities for the year ended September 30, 2010 include the effects of out-of-period reclassifications among unrestricted, temporarily restricted, and permanently restricted net asset categories. The reclassifications increased unrestricted net assets by \$25,046, decreased temporarily restricted net assets by \$26,058, and increased permanently restricted net assets by \$1,012. The reclassifications are primarily due to the recognition of the effect of expirations of temporary donor restrictions on gifts for acquisition of buildings and equipment that were not appropriately released to unrestricted net assets in the period that the related fixed assets were placed into service, primarily in the fiscal year ended September 30, 2009. The adjustments did not affect overall net assets and were not considered material to the financial statements.

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Endowment net assets consisted of the following at September 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (83,553)	\$ 433,587	\$ 748,622	\$ 1,098,656
Board-designated endowment funds	<u>525,675</u>	<u>-</u>	<u>-</u>	<u>525,675</u>
Total endowment net assets	<u>\$ 442,122</u>	<u>\$ 433,587</u>	<u>\$ 748,622</u>	<u>\$ 1,624,331</u>

Endowment net assets consisted of the following at September 30, 2010:

Donor-restricted endowment funds	\$ (59,580)	\$ 468,321	\$ 692,550	\$ 1,101,291
Board-designated endowment funds	<u>530,668</u>	<u>-</u>	<u>-</u>	<u>530,668</u>
Total endowment net assets	<u>\$ 471,088</u>	<u>\$ 468,321</u>	<u>\$ 692,550</u>	<u>\$ 1,631,959</u>

Changes in endowment net assets for the years ended September 30, 2011 and 2010 were as follows:

Balance as of October 1, 2009	\$ 429,541	\$ 442,670	\$ 634,808	\$ 1,507,019
Investment return:				
Investment income	436	-	-	436
Net appreciation in market value	<u>73,950</u>	<u>70,417</u>	<u>1,340</u>	<u>145,707</u>
Total investment return	74,386	70,417	1,340	146,143
Contributions and pledge payments	-	675	45,949	46,624
Additions to board-designated endowments	29,148	-	-	29,148
Appropriation for expenditure	(53,686)	(48,021)	(775)	(102,482)
Redesignations, reclassifications and other	<u>(8,301)</u>	<u>2,580</u>	<u>11,228</u>	<u>5,507</u>
Balance as of September 30, 2010	471,088	468,321	692,550	1,631,959
Investment return:				
Investment income	398	-	-	398
Net appreciation/(decline) in market value	<u>(6,955)</u>	<u>(3,874)</u>	<u>(357)</u>	<u>(11,186)</u>
Total investment return	(6,557)	(3,874)	(357)	(10,788)
Contributions and pledge payments	-	4,802	47,487	52,289
Additions to board-designated endowments	42,796	-	-	42,796
Appropriation for expenditure	(56,950)	(45,179)	(775)	(102,904)
Redesignations, reclassifications and other	<u>(8,255)</u>	<u>9,517</u>	<u>9,717</u>	<u>10,979</u>
Balance as of September 30, 2011	<u>\$ 442,122</u>	<u>\$ 433,587</u>	<u>\$ 748,622</u>	<u>\$ 1,624,331</u>

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I. Defined Benefit Plan

A small number of employees who participated in a defined benefit pension plan that was terminated in 1993 participate in a successor defined benefit pension plan. Retirement benefits under that plan are determined based on years of service and career average compensation, and accrued partially on a fixed-dollar basis and partially on a variable-dollar basis. Financial and actuarial information for the plan is based on a September 30 measurement date.

Certain financial information regarding the successor defined benefit plan was as follows for the years ended September 30, 2011 and 2010:

	2011	2010
Change in the benefit obligation:		
Benefit obligation at beginning of year	\$ 5,371	\$ 4,871
Service cost	43	34
Interest cost	239	239
Benefits paid	(119)	(152)
Actuarial loss	376	379
	<u>5,910</u>	<u>5,371</u>
Benefit obligation at end of year	\$ 5,910	\$ 5,371

The accumulated benefit obligation for the defined benefit pension plan was \$5,882 and \$5,347, respectively, at September 30, 2011 and 2010.

	2011	2010
Changes in fair value of plan assets:		
Fair value of plan assets at beginning of year	\$ 3,506	\$ 3,033
Actual return on plan assets	64	224
Employer contributions	496	404
Benefits paid	(119)	(152)
Plan expenses	(2)	(3)
	<u>3,945</u>	<u>3,506</u>
Fair value of plan assets	\$ 3,945	\$ 3,506

	2011	2010
Funded status at valuation date:		
Funded status	\$ (1,965)	\$ (1,865)
	<u>(1,965)</u>	<u>(1,865)</u>
Net amount recognized at end of year	\$ (1,965)	\$ (1,865)

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The unfunded benefit obligation is recognized in accounts payable and accrued expenses in the balance sheets. The statements of activities include the effects of changes in the accumulated benefit obligation that are not otherwise recognized in periodic pension cost. The effect related to JPL for the years ended September 30, 2011 and 2010 was an increase of \$357 and \$146 to both JPL direct expense and revenue and to deferred U.S. government billings, as any cost associated with this adjustment related to JPL will ultimately be recoverable from NASA. The effect of those changes for the Campus was a decrease in unrestricted net assets of \$113 and \$164 for the years ended September 30, 2011 and 2010, respectively, and is recorded in other changes in unrestricted net assets.

At September 30, 2011 and 2010, cumulative differences between periodic pension expense and the unfunded accumulated pension obligation recorded in unrestricted net assets were as follows:

	2011	2010
Amounts recognized in unrestricted net assets:		
Net actuarial loss	\$ 331	\$ 218
	<u>331</u>	<u>218</u>
Total amounts recognized as unrestricted net assets	\$ 331	\$ 218
	<u>331</u>	<u>218</u>

Net periodic cost related to the defined benefit plan for the years ended September 30, 2011 and 2010, included the following components:

	2011	2010
Service cost	\$ 43	\$ 34
Interest cost	239	239
Recognized actuarial loss	35	6
Expected return on plan assets	<u>(191)</u>	<u>(160)</u>
Net periodic cost	\$ 126	\$ 119
	<u>126</u>	<u>119</u>

Estimated contributions to the defined benefit plan in the next year are \$539.

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Estimated future benefit payments are expected to be paid as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Benefit Payments</u>
2012	\$ 297
2013	348
2014	374
2015	389
2016	408
2017-2021	2,098

Participant annuities may be fixed or variable and reflect the value of designated plan equity and fixed-income securities. Defined benefit plan assets are invested in separate accounts by the funding agent and carry a target allocation of 19% equities, 76% fixed-income, and 5% short-term investments. At September 30, 2011 and 2010, total defined benefit plan assets were invested as follows:

	2011	2010
Equity securities	14.00%	16.00%
Fixed-income securities	83.00%	81.00%
Cash	3.00%	3.00%

The following weighted-average assumptions were used to determine the Institute's benefit obligations under the defined benefit plan at September 30, 2011 and 2010:

	2011	2010
Discount rate	4.60%	4.90%
Expected return on plan assets	5.25%	5.25%
Long-term rate of compensation increase	4.00%	4.00%

To develop the expected long-term rate of return on assets, the Institute considers the historical returns and future expectations for each asset class, as well as the asset allocation of the retirement plan's investment portfolio. Estimated future return was based on expected returns for various asset categories.

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The following weighted-average assumptions were used to determine the Institute's net periodic benefit cost under the defined benefit plan for the years ended September 30, 2011 and 2010:

	2011	2010
Discount rate	4.90%	5.70%
Expected return on plan assets	5.25%	5.25%
Long-term rate of compensation increase	4.00%	4.00%

The Institute presents the fair value of the defined benefit plan's assets according to a hierarchy specified in its accounting policies. All of the Plan's investments fall within Level 2 of that hierarchy.

The following table summarizes the investments of the Institute's defined benefit plan assets as of September 30, 2011 and 2010:

	2011	2010
Short-term investments	\$ 114	\$ 95
Fixed income securities	3,261	2,850
International equity securities	326	326
Domestic equity securities	<u>244</u>	<u>235</u>
Total plan assets	<u>\$ 3,945</u>	<u>\$ 3,506</u>

In October 2011, the Institute, as plan administrator, notified participants of its intent to terminate the defined benefit plan.

J. Postretirement and Postemployment Benefits Other Than Pensions

The Institute's employees may be eligible for certain health and life insurance benefits upon retirement. The Institute's obligation related to these benefits is actuarially determined and has been recorded in the accompanying balance sheets. Any actuarial deferrals resulting from changes in the accumulated postretirement benefit obligation are amortized over the average future working lifetime of Institute employees.

The Institute's postretirement benefits are funded on a pay-as-you-go basis; therefore, there are no plan assets. As a result, a formal investment policy has not been developed.

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Certain financial information regarding the plan was as follows for the years ended September 30, 2011 and 2010, and is based on a September 30 measurement date:

	2011	2010
Change in the accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of year	\$ 539,632	\$ 502,278
Service cost	17,260	15,385
Interest cost	27,564	29,074
Participant contributions	4,774	3,987
Benefits paid	(21,090)	(18,897)
Actuarial (gain)/loss	(470)	7,805
	<u>\$ 567,670</u>	<u>\$ 539,632</u>
	2011	2010
Components of net periodic postretirement benefit cost:		
Service cost	\$ 17,260	\$ 15,385
Interest cost	27,564	29,074
Amortization of prior year service credit	(3,337)	(3,337)
Amortization of loss	7,060	7,093
	<u>\$ 48,547</u>	<u>\$ 48,215</u>
	2011	2010
Change in the fair value of plan assets:		
Employer contributions	\$ 16,316	\$ 14,910
Participant contributions	4,774	3,987
Benefits paid	(21,090)	(18,897)
	<u>\$ -</u>	<u>\$ -</u>
	2011	2010
Funded status at valuation date:		
Funded status	\$ (567,670)	\$ (539,632)
	<u>\$ (567,670)</u>	<u>\$ (539,632)</u>

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	2011	2010
Amounts recognized in the balance sheets:		
Accumulated postretirement obligation	<u>\$ (567,670)</u>	<u>\$ (539,632)</u>
Total amounts recognized in balance sheets	<u>\$ (567,670)</u>	<u>\$ (539,632)</u>

The accumulated postretirement benefit obligation is recognized as a liability in the balance sheets. The statements of activities include the effects of changes in the postretirement benefit obligation that are not otherwise recognized in periodic postretirement benefit cost. The effect related to JPL for the years ended September 30, 2011 and 2010, respectively, was an increase of \$3,417 and \$5,692 to both JPL direct expense and revenue and to deferred U.S. government billings, as any cost associated with this adjustment related to JPL will ultimately be recoverable from NASA. The effect of those changes for the Campus was an increase in unrestricted net assets of \$7,610 and \$1,643 for the years ended September 30, 2011 and 2010, respectively, and is recorded in other changes in unrestricted net assets.

At September 30, 2011 and 2010, cumulative differences between periodic postretirement benefit cost and the accumulated postretirement benefit obligation recorded in unrestricted net assets were as follows:

	2011	2010
Amounts recognized in unrestricted net assets:		
Prior service credit	\$ (3,290)	\$ (3,988)
Net loss	<u>17,298</u>	<u>25,606</u>
Total amounts recognized in unrestricted net assets	<u>\$ 14,008</u>	<u>\$ 21,618</u>

An estimated prior service credit of \$3,337 and net loss of \$5,778 will be amortized into net periodic benefit cost during the year ending September 30, 2012.

The following weighted-average assumptions were used to determine the Institute's obligation under the plan at September 30, 2011 and 2010:

	2011	2010
Discount rate	4.80%	5.20%
Health care cost trend rate	9.25%	10.00%

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The following weighted-average assumptions were used to determine the Institute's net periodic benefit cost under the plan for the years ended September 30, 2011 and 2010:

	2011	2010
Discount rate	5.20%	5.90%
Health care cost trend rate	10.00%	11.00%

At September 30, 2011, the assumed health care cost trend rates for subsequent years were as follows:

<u>Year Ending September 30</u>	<u>Health Care Cost Trend Rate</u>
2012	9.00%
2013	8.50%
2014	8.00%
2015	7.50%
2016	7.00%
2017	6.50%
2018	6.25%
2019	6.00%
2020	5.75%
2021	5.50%
2022	5.25%
2023	5.00%
2024	4.75%
2025 and thereafter	4.50%

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on the total of service and interest cost components	\$ 9,586	\$ (7,433)
Effect on accumulated postretirement benefit obligation	\$ 95,972	\$ (76,847)

The Institute and its retirees are expected to contribute approximately \$18,567 and \$2,494, respectively, during the year ending September 30, 2012.

At September 30, 2011, the estimated future benefit payments were as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Benefit Payments</u>
2012	\$ 18,600
2013	20,300
2014	22,000
2015	23,800
2016	25,500
2017-2021	149,900

K. Fair Value

The Institute evaluates assets and liabilities reported at fair value using an established hierarchy that ranks the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest ranking to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as noted below.

Fair value for Level 1 is based upon quoted prices in active markets that the Institute has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange dealer markets. The Institute does not adjust quoted prices for such assets and liabilities.

Fair value for Level 2 is generally based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the instruments. Inputs are obtained from various sources, including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable, as assets and liabilities in Level 3 trade infrequently or not at all. Assets and liabilities included in Level 3 primarily consist of the Institute's ownership in alternative investments.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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The following is a summary of the levels within the fair value hierarchy for the Institute's assets and liabilities as of September 30, 2011 and 2010:

	Level 1	Level 2	Level 3	2011 Total
Assets:				
Cash & cash equivalents	\$ 18,026	\$ -	\$ -	\$ 18,026
Investments:				
Short-term investments	178,854	-	-	178,854
Fixed-income securities	42,629	46,752	-	89,381
Equity securities	426,214	123,359	7,738	557,311
Alternative investments:				
Marketable alternatives	-	-	529,537	529,537
Private equity	-	-	192,822	192,822
Real assets	-	-	227,611	227,611
Real estate & other	-	-	22,748	22,748
Total investments	647,697	170,111	980,456	1,798,264
Beneficial interests	-	-	25,872	25,872
Defined contribution plans	9,509	15,659	19,608	44,776
Total assets	\$ 675,232	\$ 185,770	\$ 1,025,936	\$ 1,886,938
Liabilities:				
Interest rate swap	\$ -	\$ 55,816	\$ -	\$ 55,816
Defined contribution plans	9,437	15,230	19,426	44,093
Total liabilities	\$ 9,437	\$ 71,046	\$ 19,426	\$ 99,909
	Level 1	Level 2	Level 3	2010 Total
Assets:				
Cash & cash equivalents	\$ 42,733	\$ -	\$ -	\$ 42,733
Investments:				
Short-term investments	321,137	10	-	321,147
Fixed-income securities	27,767	41,993	55	69,815
Equity securities	410,025	109,315	3,213	522,553
Alternative investments:				
Marketable alternatives	-	-	513,511	513,511
Private equity	-	-	176,491	176,491
Real assets	-	-	205,073	205,073
Real estate & other	-	-	25,075	25,075
Total investments	758,929	151,318	923,418	1,833,665
Beneficial interests	-	-	20,063	20,063
Defined contribution plans	7,716	15,998	19,278	42,992
Total assets	\$ 809,378	\$ 167,316	\$ 962,759	\$ 1,939,453
Liabilities:				
Interest rate swap	\$ -	\$ 41,458	\$ -	\$ 41,458
Defined contribution plans	7,641	15,502	18,770	41,913
Total liabilities	\$ 7,641	\$ 56,960	\$ 18,770	\$ 83,371

The Institute generally uses net asset value (“NAV”) to determine the fair value of investments in funds that do not have readily determinable fair values and either have certain specific attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. Accordingly, in circumstances in which NAV per share of any such investment is determinative of fair value, the Institute estimates the fair value using NAV per share of the investment (or its equivalent) without further adjustment as a practical expedient. Funds valued using NAV invest in both marketable securities as well as securities that do not have readily determinable fair values. The fair values of the securities that do not have readily determinable fair values are determined by each fund’s general partner or investment manager and are based on appraisals or other estimates that include considerations such as the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. At September 30, 2011, the Institute’s related investments valued using NAV by major investment category were as follows:

- *Fixed-income securities* - This category includes an investment in a bond fund that invests in sovereign debt instruments of global markets. The fund has a fair value of \$40,492 and \$38,991 at September 30, 2011 and 2010, respectively, and allows for monthly redemptions with a ten-day notice.
- *Equity securities* - At September 30, 2011 and 2010, this category includes investments of \$123,195 and \$109,161, respectively, in funds that invest in publicly traded equity securities of companies in domestic and international markets. At September 30, 2011 and 2010, the funds allow either daily or monthly redemptions with up to a ninety-day and fifteen-day notice, respectively.
- *Marketable alternatives* - This category includes investments in hedge funds whose investment objectives are to earn significant risk-adjusted returns by investing and trading in various securities and financial instruments, including publically traded and privately issued common and preferred shares of domestic and foreign companies, corporate debt, bonds, swaps, options, futures contracts and commodities. At September 30, 2011 and 2010 investments with a total fair value of \$420,762 and \$432,865, respectively, allow redemptions from quarterly to triennially, with notice periods ranging from 45 to 180 days. At September 30, 2011 and 2010 investments with a total fair value of \$55,956 and \$19,355, respectively, allowed monthly redemptions with up to a fifteen-day and ten-day notice, respectively. In addition, at September 30, 2011 and 2010 investments with a total fair value of \$52,819 and \$61,291, respectively, and unfunded commitments of \$50,850 and \$8,107, respectively, do not allow redemptions and have remaining lives of up to seven years.
- *Private equity* - This category consists of several investments in private equity funds. The funds’ holdings primarily include privately-owned foreign and domestic companies (or in other funds with investments in privately-owned foreign and domestic companies) in a wide variety of industries. The total unfunded commitment for these investments was \$62,124 and \$76,021 at September 30, 2011 and 2010, respectively. The Institute does not have any redemption rights in these investments and the investments have remaining lives of up to ten years.

- *Real assets* - This category includes investments in limited partnerships that invest in foreign and domestic real estate, domestic energy, or domestic timber industries. The fair value of these investments was \$198,119 and \$176,393 at September 2011 and 2010, respectively. The total unfunded commitments were \$56,971 and \$65,751 at September 30, 2011 and 2010, respectively. The Institute does not have any redemption rights in these investments, and the investments have remaining lives of up to ten years.

This category also includes an investment in a fund with an investment objective to earn the returns of a commodities benchmark as selected by the Institute, plus an additional return, with the use of various strategies in the fixed income markets. The fair value of this investment at September 30, 2011 and 2010 was \$29,492 and \$28,680, respectively. The investment allows redemptions quarterly with a ninety-day notice.

The methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different estimates of fair value.

As discussed in Note B; the Institute uses an interest rate swap to manage the interest rate exposure of a portion of its variable rate debt. The interest rate swap has inputs that can generally be corroborated by market data and is therefore classified as Level 2. The interest rate swap is valued using observable inputs, such as quotations received from counterparties, dealers, or brokers, whenever available and considered reliable. In instances in which models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument, as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, credit curves, assumptions for nonperformance risk, and correlations of such inputs.

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The following table is a summary of changes in the fair value of the Institute's Level 3 instruments for the year ended September 30, 2011:

	Beginning Balance	Purchases	Sales	Change in Market Value	Transfers between Levels	2011 Ending Balance
Assets:						
Investments:						
Fixed-income securities	\$ 55	\$ 1	\$ (56)	\$ -	\$ -	\$ -
Equity securities	3,213	3,413	(18)	1,575	(445)	7,738
Alternative investments:						
Marketable alternatives	513,511	127,200	(111,365)	191	-	529,537
Private equity	176,491	35,911	(39,790)	20,210	-	192,822
Real assets	205,073	27,285	(16,894)	12,147	-	227,611
Real estate and other	<u>25,075</u>	<u>1,780</u>	<u>(4,857)</u>	<u>750</u>	<u>-</u>	<u>22,748</u>
Total investments	923,418	195,590	(172,980)	34,873	(445)	980,456
Beneficial interests	20,063	3,093	(119)	2,835	-	25,872
Defined contribution plans	<u>19,278</u>	<u>1,632</u>	<u>(1,959)</u>	<u>657</u>	<u>-</u>	<u>19,608</u>
Total assets	<u>\$ 962,759</u>	<u>\$ 200,315</u>	<u>\$ (175,058)</u>	<u>\$ 38,365</u>	<u>\$ (445)</u>	<u>\$ 1,025,936</u>
Liabilities:						
Defined contribution plans	<u>\$ 18,770</u>	<u>\$ 1,632</u>	<u>\$ (1,639)</u>	<u>\$ 663</u>	<u>\$ -</u>	<u>\$ 19,426</u>
Total liabilities	<u>\$ 18,770</u>	<u>\$ 1,632</u>	<u>\$ (1,639)</u>	<u>\$ 663</u>	<u>\$ -</u>	<u>\$ 19,426</u>

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The following table is a summary of changes in the fair value of the Institute's Level 3 instruments for the year ended September 30, 2010:

	Beginning Balance	Purchases	Sales	Change in Market Value	Transfers between Levels	2010 Ending Balance
Assets:						
Investments:						
Fixed-income securities	\$ 53	\$ 1	\$ -	\$ 1	\$ -	\$ 55
Equity securities	3,042	345	(145)	(29)	-	3,213
Other	19,039	-	(19,012)	(27)	-	-
Alternative investments:						
Marketable alternatives	408,864	56,000	(18,708)	67,355	-	513,511
Private equity	151,621	22,488	(22,226)	24,608	-	176,491
Real assets	188,271	27,548	(5,123)	(5,623)	-	205,073
Real estate and other	27,836	1,052	(1,341)	(2,472)	-	25,075
Total investments	798,726	107,434	(66,555)	83,813	-	923,418
Beneficial interests	11,972	7,778	-	313	-	20,063
Defined contribution plans	18,661	1,225	(1,258)	650	-	19,278
Total assets	\$ 829,359	\$ 116,437	\$ (67,813)	\$ 84,776	\$ -	\$ 962,759
Liabilities:						
Defined contribution plans	\$ 18,614	\$ 824	\$ (1,244)	\$ 576	\$ -	\$ 18,770
Total liabilities	\$ 18,614	\$ 824	\$ (1,244)	\$ 576	\$ -	\$ 18,770

The Institute records transfers between levels in the current fiscal year when there is a change in circumstance that affects the liquidity of the assets and/or the ability to observe and measure the fair value. The Institute records such transfers based on the market value at the beginning of the reporting period.

There were no transfers between Level 1 and 2 during the years ended September 30, 2011 and 2010.

The change in net unrealized gains and losses related to Level 3 assets held at September 30, 2011 and 2010 was \$1,948 and \$65,417, respectively. During the years ended September 30, 2011 and 2010, unrealized loss of \$1,335 and unrealized gain of \$65,269, respectively, were recorded in investment return in the statement of activities, and gains on trusts held by others of \$3,283 and \$148, respectively were recorded in gifts in the statements of activities.

L. Commitments and Contingencies

Contingencies

The Institute receives funding or reimbursement from agencies of the United States government for various activities that 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, related to these audits or legal actions will have a material impact on the Institute's financial position. However, the settlement of audits or legal actions is subject to inherent uncertainties and it is possible that such liabilities, if any, will differ materially from management's current expectations.

The Institute was 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 \$100,000, of the NASA/JPL Superfund site. Officials of the Institute presently are not able to predict the impact, if any, that final resolution of this matter will have on the Institute's financial position or changes in its net assets. However, 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.

Commitments

The Institute was committed under certain construction and services contracts in the amount of approximately \$64,899 and \$73,505 at September 30, 2011 and 2010, respectively.

At September 30, 2011 and 2010, the Institute had outstanding commitments to invest \$169,945 and \$149,879, respectively, with alternative investment managers and/or limited partnerships over the next ten years.

The Institute's workers' compensation insurance carrier requires that the Institute maintain an unsecured letter of credit for claims that do not exceed certain deductible amounts. At September 30, 2011 and 2010, the amount of the letter of credit facility was \$8,850 and \$7,350, respectively. The letter of credit was not used during the years ended September 30, 2011 and 2010, and therefore no liability has been recorded in the balance sheets.

The Institute is currently providing funding for the operation of certain local water treatment facilities, subject to reimbursement from NASA. Annual costs are not expected to exceed \$5,000.

The Institute leases equipment and buildings, primarily for JPL, under operating leases expiring at various dates through 2014. Rent expense incurred under operating lease obligations was \$7,700 and \$6,875 for the years ended September 30, 2011 and 2010, respectively.

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At September 30, 2011, future minimum payments under operating leases of greater than one year in duration were as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Amount</u>
2012	\$ 6,605
2013	6,369
2014	811
2015	-
2016	-
Total	<u>\$ 13,785</u>

Approximately \$13,166 of the future minimum lease payments listed above may be recoverable from JPL under the Institute's cost-reimbursable contract with NASA.

The Institute rents equipment and buildings to students, faculty, and other organizations under operating leases expiring at various dates through 2016. Rental income received under operating leases was \$8,404 and \$8,562 at September 30, 2011 and 2010, respectively.

At September 30, 2011, minimum future rentals from operating leases of greater than one year in duration were as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Amount</u>
2012	\$ 8,340
2013	7,016
2014	5,431
2015	4,983
2016	4,871
Total	<u>\$ 30,641</u>

M. Supplemental Cash Flow Information

The following are additional supplemental disclosures related to the statements of cash flows:

	2011	2010
Cash paid during the year for interest, net of amounts capitalized	\$ 7,770	\$ 7,104
Non-cash investing and financing activities:		
Securities received to satisfy pledge payments	22,912	22,237
In-kind receipt of securities, property, plant, and equipment	6,031	5,887
Accrued purchases of property, plant, and equipment at year end	10,320	6,448
Amounts receivable for pending investments transactions	12,241	-

N. Subsequent Events

Subsequent events were evaluated from September 30, 2011 through January 23, 2012, which was the date the financial statements were issued.

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MAJOR PROGRAMS			
Research and Development Cluster			
Direct Funds			
Department of Commerce			
National Institute of Standards and Technology	11.609	70NANB11H130	\$ 10,760
National Oceanic & Atmospheric Administration	11.431	NA09OAR4310128	<u>16,834</u>
Total Department of Commerce			<u>27,594</u>
Department of Defense			
Air Force	12	FA9550-07-1-0484	33,688
Air Force	12	FA9550-08-1-0049	2,307
Air Force	12.300		4,879
Air Force	12.630		1,376,840
Air Force	12.800		3,464,082
Air Force	12.910		999,499
Army	12	W81XWH-09-1-0266	161,684
Army	12	W911NF-07-1-0632	28,246
Army	12.400		18,163
Army	12.420		470,473
Army	12.431		2,898,925
Army	12.910		120,721
Defense Advanced Research Projects Agency	12	W30950	279,498
Defense Advanced Research Projects Agency	12.910		1,545,534
National Geospatial-Intelligence Agency	12.630		155,158
Navy	12	N00244-05-C-0066	399,030
Navy	12	N66001-10-C-2009	2,531,643
Navy	12	N66001-10-P-7184	5,000
Navy	12.300		5,627,158
Navy	12.910		938,672
Space and Naval Warfare System	12.910		<u>154,135</u>
Total Department of Defense			<u>21,215,335</u>

The accompanying notes are an integral part of this Schedule.

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MAJOR PROGRAMS (CONTINUED)			
Research and Development Cluster (Continued)			
Direct Funds (Continued)			
Department of Energy			
Department of Energy	81	DE-AC27-09RV15086	\$ 1,104
Department of Energy	81	DE-FC52-08NA28613	3,454,063
Department of Energy	81	DE-FG02-03ER15483	74,246
Department of Energy	81	DE-FG02-04ER46175	(45,560)
Department of Energy	81	DE-FG02-04ER54755	295
Department of Energy	81	DE-FG02-05ER15754	42,423
Department of Energy	81	DE-FG02-05ER41359	13,755
Department of Energy	81	DE-FG02-05ER63983	108,770
Department of Energy	81	DE-FG02-06ER15762	173,097
Department of Energy	81	DE-FG02-06ER15773	3
Department of Energy	81	DE-FG02-06ER64310	45,482
Department of Energy	81	DE-FG02-07ER41481	160,779
Department of Energy	81	DE-FG02-07ER64484	175,678
Department of Energy	81	DE-FG02-08ER15933	136,855
Department of Energy	81	DE-FG02-88ER13873	299,695
Department of Energy	81.049		14,881,209
Department of Energy	81.064		1,280,799
Department of Energy	81.086		232,516
Department of Energy	81.087		392,246
Department of Energy	81.133		<u>125,182</u>
Total Department of Energy			<u>21,552,637</u>
Department of Homeland Security			
Homeland Security Advanced Research Projects Agency	97	HSHQDC-08-C-00038	<u>218,258</u>

The accompanying notes are an integral part of this Schedule.

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MAJOR PROGRAMS (CONTINUED)			
Research and Development Cluster (Continued)			
Direct Funds (Continued)			
Department of Health and Human Services			
National Institutes of Health	93	DP1 OD003878A	\$ 1,171,095
National Institutes of Health	93	IPA WOLD	18,910
National Institutes of Health	93	K99 GM087551A	20,906
National Institutes of Health	93	P50 HG004071A	12,962
National Institutes of Health	93	R01 AG033954A	424,482
National Institutes of Health	93	R01 GM065997C	118,696
National Institutes of Health	93	R01 GM085371A	185,374
National Institutes of Health	93	R21 GM 076417A	1,051
National Institutes of Health	93	U54 CA119347A	(5,960)
National Institutes of Health	93.121		711,014
National Institutes of Health	93.172		4,383,154
National Institutes of Health	93.173		145,503
National Institutes of Health	93.242		1,736,928
National Institutes of Health	93.273		205,160
National Institutes of Health	93.279		2,884,597
National Institutes of Health	93.281		12,677
National Institutes of Health	93.282		50,610
National Institutes of Health	93.286		1,158,255
National Institutes of Health	93.310		2,710,626
National Institutes of Health	93.389		605,501
National Institutes of Health	93.395		3,146,165
National Institutes of Health	93.396		908,259
National Institutes of Health	93.397		2,486,719
National Institutes of Health	93.398		203,681
National Institutes of Health	93.399		71,588
ARRA - National Institutes of Health	93.701		7,794,764
National Institutes of Health	93.837		115,477
National Institutes of Health	93.839		16,591
National Institutes of Health	93.847		1,668,327
National Institutes of Health	93.853		2,553,575
National Institutes of Health	93.855		1,946,066

The accompanying notes are an integral part of this Schedule.

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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 Cluster (Continued)			
Direct Funds (Continued)			
Department of Health and Human Services (Continued)			
National Institutes of Health	93.859		\$ 12,842,364
National Institutes of Health	93.865		2,653,738
National Institutes of Health	93.866		40,226
National Institutes of Health	93.867		<u>3,586,549</u>
Total Department of Health and Human Services			<u>56,585,630</u>
Department of the Interior			
United States Geological Survey	15	G11AP20032	59,645
United States Geological Survey	15.807		1,321,176
ARRA - United States Geological Survey	15.807		724,155
United States Geological Survey	15.808		529,805
United States Geological Survey	15.810		<u>5,694</u>
Total Department of the Interior			<u>2,640,475</u>
Environmental Protection Agency			
United States Environmental Protection Agency (EPA)	66	FP - 91687601-0	2,692
United States Environmental Protection Agency (EPA)	66.509		<u>402,457</u>
Total Environmental Protection Agency			<u>405,149</u>
General Services Administration			
General Services Administration	39	JPL IPA GP0478497	<u>137,972</u>

The accompanying notes are an integral part of this Schedule.

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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 Cluster (Continued)			
Direct Funds (Continued)			
National Aeronautics and Space Administration (NASA)			
NASA	43		\$ 34,271,308
NASA	43.009		<u>12,214</u>
Total NASA			<u>34,283,522</u>
National Endowment for the Humanities			
National Endowment for the Humanities	45.161		<u>65,043</u>
National Science of Foundation			
National Science Foundation	47	CHE-0802907	3,536
National Science Foundation	47	DMS-0555755	24
National Science Foundation	47	DMS-0803024	1,500
National Science Foundation	47	ID: 0846233	2,920
National Science Foundation	47	MUCHOVEJ	9,678
National Science Foundation	47	PHY-0823459	2,314,875
National Science Foundation	47.041		2,123,104
National Science Foundation	47.049		102,204,634
National Science Foundation	47.050		3,400,654
National Science Foundation	47.070		4,363,420
National Science Foundation	47.074		1,631,964
National Science Foundation	47.075		339,657
National Science Foundation	47.076		3,359,480
National Science Foundation	47.078		216,641
National Science Foundation	47.080		53,469
ARRA - National Science Foundation	47.082		<u>6,188,343</u>
Total National Science Foundation			<u>126,213,899</u>
Total Research and Development - Direct Funds			<u>263,345,514</u>

The accompanying notes are an integral part of this Schedule.

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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 Cluster (Continued)			
Pass-Through Funds			
Department of Commerce			
Massachusetts Institute of Technology	11.417	5710002367	\$ 28,857
Massachusetts Institute of Technology	11.417	5710002773	41,862
State University of New York at Albany	11	08-43	<u>72,129</u>
Total Department of Commerce Pass-Through			<u>142,848</u>
Department of Defense			
Air Force			
Brown University	12.800	00000271	215,109
ERC, Inc.	12	RS070716	71,900
ERC, Inc.	12	RS110483	4,920
Georgia Institute of Technology	12.800	RA740-G1	29,048
Georgia Institute of Technology	12.800	R9764-G1	127,721
IBM Corporation	12.910	AH3.IBMH	393,495
Illinois Institute of Technology	12.800	SA374-0609-6071	87,625
Massachusetts Institute of Technology	12.800	5710002025	25,027
Northrop Corporation	12	7600003367 / 76100RGT8S	658,950
Ohio State University	12.800	RF01152700/PO60020925	76,847
Ohio State University	12.800	RF01220513	220,064
Princeton University	12.800	00001720	153,527
Tanner Research, Inc.	12	CALTECH FA9550-10-C-0073	14,743
Tanner Research, Inc.	12.800	TANNER.FOCARDI	20
Texas Engineering Experiment Station	12.800	A5932	225,467
UES, Inc.	12	S-875-060-006	41,796
University of California San Diego	12.800	10312818	<u>40,532</u>
Total Air Force Pass-Through			<u>2,386,791</u>

The accompanying notes are an integral part of this Schedule.

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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 Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Defense (Continued)			
Army			
BAE Systems Inc.	12	316092	\$ 21,362
Gevo, Inc.	12.400	GEVO.JP8	243,531
HRL Laboratories, LLC	12.910	10008-002329	111,514
Imaginative Technologies, LLC	12.400	IT-001	13,674
Imaginative Technologies, LLC	12.400	W911NF-10-C-0045	(43,107)
Pennsylvania State University	12.400	3710-CIT-USA-0124	107,810
Stanford University	12.400	18882730-37362-A	71,837
University of California Berkeley	12.431	00006095	325,184
University of California Santa Barbara	12	KK9150	1,110,064
University of California Santa Barbara	12.420	KK9129	407,705
University of California San Diego	12.431	10296067	<u>667,709</u>
Total Army Pass-Through			<u>3,037,283</u>
Navy			
BAE Systems, Inc.	12	1041388-237976	144,724
Cascade Technologies Inc.	12	06-01-2009	7,824
Cascade Technologies Inc.	12.300	2010-7042	101,467
Columbia University	12.300	5-60865	116,215
Evolutions Robotics, Inc.	12.630	EVOLUT.ONR2	195,084
Johns Hopkins University	12	975379.000	596,001
John Hopkins University	12.300	2000868411	211,906
Liquidmetal Technologies, Inc.	12	ONR06-0566-22	(66)
University of California Los Angeles	12.300	1015 G NA127	223,445
University of California Riverside	12.300	S-0000344	82,091
University of California San Diego	12	10275845	56,025
University of Illinois	12.431	2009-03197-01	219,940
University of Pennsylvania	12	550162	<u>361,914</u>
Total Navy Pass-Through			<u>2,316,570</u>

The accompanying notes are an integral part of this Schedule.

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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 Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Defense (Continued)			
Defense Advanced Research Projects Agency			
Carnegie Mellon University	12	1041388-237976	\$ 2,764
Department of Interior	12.910	N10AP20004	252,975
Georgia Institute of Technology	12.910	RA306-S6	50,913
HRL Laboratories, LLC	12.910	901729-BS	53,444
Johns Hopkins University	12.910	2001253081	28,322
Kitware Inc.	12.910	HR0011-08-C-0135-S6	77,062
L-3 Communications	12.910	008003S	4,912
Research Triangle Institute International	12	3-340-0211720	264,170
Rice University	12.910	R16182	52,690
Rutgers, The State University of New Jersey	12.910	00003709	27,280
Tanner Research, Inc.	12.910	Caltech D10PC20068	20,000
TTC Technologies	12	TTC-SBIR2-JS-PH2-CONT-CIT-01	40,422
University of California Berkeley	12.910	SA00007003	130,038
University of California Davis	12.910	015530-04	17,525
University of California Los Angeles	12.000	0160 S MB962	123,310
University of California Los Angeles	12.910	0160 S ME665	196,837
University of California Los Angeles	12.910	0160 S MB894	113,447
University of California Los Angeles	12.910	0160 S MB961	132,075
University of California Santa Barbara	12.910	KK1123	200,209
University of Southern California	12.910	141833	109,996
University of Washington	12.910	554947	<u>(12,643)</u>
Total Defense Advanced Research Projects Agency - Pass-Through			<u>1,885,748</u>
Defense Threat Reduction Agency			
Kettering University	12	330233-A	<u>76,662</u>
Total Department of Defense Pass-Through			<u>9,703,054</u>

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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 Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Energy			
Advanced Cooling Technologies, Inc.	81	ACT.DOESBIR	\$ 23,837
Argonne National Laboratory	81	7F-01321	18,982
Brookhaven National Laboratory	81	141291	64,500
Carnegie Institute	81	4-3253-02	104,019
Carnegie Institute	81.049	4-10114-02	72,394
Fermilab National Accelerator Laboratory	81	570788	118,694
Fermilab National Accelerator Laboratory	81	547138	342,286
Fermilab National Accelerator Laboratory	81	602368	10,664
Harvard University	81.049	130734-1	85,071
Lawrence Berkeley National Laboratory	81	6843187	380,069
Lawrence Berkeley National Laboratory	81	6855469	3,597
Lawrence Berkeley National Laboratory	81	6808461	24,431
Lawrence Berkeley National Laboratory	81	6927580	108,443
Lawrence Livermore National Laboratory	81	B593628	35,000
Lawrence Livermore National Laboratory	81	B581793	279,965
Los Alamos National Laboratory	81	36992-001-06	44,726
Los Alamos National Laboratory	81	55549-001-07	36,876
Los Alamos National Laboratory	81	52187-001-07	7,588
Los Alamos National Laboratory	81	118779-1	153,378
Northwestern University	81.049	PROJ0003849	255,000
Oak Ridge National Laboratory	81	4000103663	75,808
Phononic Devices	81.135	PD20100101	223,020
Power Environmental & Energy Research	81.087	325601-001	87,118
Research Partnership to Secure Energy for America	81	08122-15	397,017
Sandia National Laboratories	81	1161597	3,850
Sandia National Laboratories	81	757212	38,540
Sandia National Laboratories	81	1034539	(488)
Sandia National Laboratories	81	997166	129,396
Sandia National Laboratories	81	885774	5,530
Sandia National Laboratories	81	1121205	101,349
Spectrolab, Inc.	81	BM51709E	30,555
Telescent, Inc.	81.049	DE-SC0000915	27,424
Telescent, Inc.	81.049	DE-SC0000916	27,377

The accompanying notes are an integral part of this Schedule.

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MAJOR PROGRAMS (CONTINUED)			
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Energy (Continued)			
Texas Tech University	81.049	21E001-01	\$ 106,363
University of California Davis	81.121	Sub0700277	138,066
University of California Los Angeles	81.087	0980 G KK369	193,918
University of Delaware	81.049	21094	133,885
University of Virginia	81.049	GQ10044-134466	210,332
University of Washington	81.049	704095	49,959
Washington University in St. Louis	81	WU-HT-06-06/PO29353K	<u>28,003</u>
Total Department of Energy Pass-Through			<u>4,176,542</u>
Department of Homeland Security			
Smiths Detection	97	4800020714	52,665
University of Rhode Island	97.061	112208/0001865	<u>114,401</u>
Total Department of Homeland Security Pass-Through			<u>167,066</u>
Department of Health and Human Services			
National Institutes of Health			
Benaroya Research Institute	93	FY11.033.01967-02.A55923	21,745
Benaroya Research Institute	93.859	FY10.020.01967-01.A49428	243,814
Boston University	93.847	4500000431	18,830
Childrens Hospital Los Angeles	93.853	000480	34,607
City of Hope	93.847	22614.914994.6692	85,443
City of Hope	93.701	22904.910176.6697	285,434
Duke University	93.396	07-SC-NIH-1008	46,031
Duke University	93.855	3035625	(47)
Duke University	93.855	3035431	212,819
Fisher Bioservices	93	FBS-50035-14	936,992
Georgia Institute of Technology	93.867	R7747-G5	(7,149)
Harvard University	93.859	137384	67,379
Hudsonalpha Institute for Biotechnology	93.172	2009-02	1,236,115
Jackson Laboratory	93	652563	78,950
Jackson Laboratory	93	639194	58,611

The accompanying notes are an integral part of this Schedule.

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MAJOR PROGRAMS (CONTINUED)			
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Health and Human Services (Continued)			
National Institutes of Health (Continued)			
Massachusetts Institute of Technology	93.279	5710002669	\$ 124,341
Massachusetts Institute of Technology	93.853	5710002432	91,397
Northwestern University	93.397	60025344CIT	51,276
Pennsylvania State University	93.701	4071-CIT-DHHS-5573	186,191
Pennsylvania State University	93.859	4156-CIT-DHHS-5365	71,165
University of California Los Angeles	93.286	0845 G KB564	233,603
University of California Los Angeles	93.853	0845 G MA557	101,852
University of California Riverside	93.859	S-000358	64,037
University of California San Diego	93	10291070	106,546
University of California, Davis	93.701	SUB09-002032-1	39,240
University of Colorado Boulder	93.859	154-5178	130,545
University of Colorado Denver	93.242	FY10.083.003	164,949
University of Colorado Denver	93.242	FY10.083.002	353,283
University of Florida	93.859	UF09066	89,942
University of Florida	93.701	UF09098	57,276
University of Georgia	93.855	RR182-364/4688608	160,499
University of Kansas Center for Research, Inc	93.837	QL814611	15,890
University of Miami	93.395	M162725	168,022
University of Miami	93.701	M158942	26,167
University of New Mexico	93.701	3R85Y	288,284
University of North Carolina	93.242	5-34854	128,242
University of Southern California	93	H47388	30,286
University of Southern California	93.853	147757	64,537
University of Utah	93.859	10003198-02	431,833
University of Utah	93.701	10003198-02S1	166,871
University of Wisconsin	93.273	198K505	84,716
Visdex Corporation	93	EY021054-Caltech	37,840
Visdex Corporation	93.867	EY017484-Caltech-2	(369)
Visdex Corporation	93.867	EY019805-Caltech	58,665
Total National Institutes of Health Pass-Through			<u>6,846,700</u>
Total Department of Health and Human Services Pass-Through			<u>6,846,700</u>

The accompanying notes are an integral part of this Schedule.

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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 Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Interior			
United States Geological Survey (USGS)			
University of Southern California	15.807	119938	\$ 521,125
Department of State Bureau of Intelligence and Research			
National Council for Eurasian and East European Research	19.300	826-06	8,883
Department of Transportation			
Virginia Tech	20	451030-19717	178,315
General Services Administration			
High Performance Technologies, Inc.	39	PP-CCM-KY02-589	133,132
National Aeronautics and Space Administration (NASA)			
Case Western Reserve University	43	RES502973	8,851
Harvard University	43	131232-02	9,729
Jacobs Technology	43	N170873FSK	614
Johns Hopkins University	43	975476	107,956
Johns Hopkins University	43	933173	(2,647)
L'Garde, Inc.	43	11797	23,000
Lockheed Martin Corporation	43	8100001550	18,260
Massachusetts Institute of Technology	43	Subaward No. 5710002515	109,661
Massachusetts Institute of Technology	43	5710002999	18,210
Monterey Bay Aquarium Research Institute	43	0910171	287,310
National Space Biomedical Research Institute	43	TD01301	211,206
New Mexico State University	43	P0051129	135,627
Pennsylvania State University	43	3903-CIT-NASA-A76A	27,428
Smithsonian Astro	43	PF8-90060	95,986
Smithsonian Astro	43	PF9-00067	101,270
Smithsonian Astro	43	GO1-12006X	43,074
Smithsonian Astro	43	GO8-9104X	25,771

The accompanying notes are an integral part of this Schedule.

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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 Cluster (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA)			
(Continued)			
Smithsonian Astro	43	PF8-90053	\$ 103,032
Smithsonian Astro	43	GO9-0071B	4,249
Smithsonian Astro	43	GO0-11083B	8,744
Smithsonian Astro	43	AR9-0007X	40,951
Smithsonian Astro	43	PF0-110074	98,088
Southwestern Research Institute	43	699048X	53,948
Southwestern Research Institute	43	699047X	30,625
Southwestern Research Institute	43	D99029L	193,010
Southwestern Research Institute	43	886830E	21,727
Southwestern Research Institute	43	699049X	25,247
Southwestern Research Institute	43	D99029L	24,836
Space Telescope Science Institute	43	HST-GO-11236.01-A	(2,778)
Space Telescope Science Institute	43	HST-GO-11213.01-A	37,525
Space Telescope Science Institute	43	HST-GO-11971.02-A	593
Space Telescope Science Institute	43	HST-HF-51262.01-A	86,255
Space Telescope Science Institute	43	HST-GO-11644.01-A	112,970
Space Telescope Science Institute	43	HST-GO-12060.49-A	9,962
Space Telescope Science Institute	43	HST-GO-12118.03-A	9,648
Space Telescope Science Institute	43	HST-GO-12310.11-A	9,861
Space Telescope Science Institute	43	HST-GO-12223.03-A	22,866
Space Telescope Science Institute	43	HST-GO-12234.02-A	3,840
Space Telescope Science Institute	43	HST-HF-51296.01-A	5,575
Space Telescope Science Institute	43	HST-GO-10429.08-A	61,965
Space Telescope Science Institute	43	HST-GO-11558.06-A	14,219
Space Telescope Science Institute	43	HST-GO-11616.10-A	8,173
Space Telescope Science Institute	43	HST-GO-10574.17-A	61,965
Space Telescope Science Institute	43	HST-GO-11648.06-A	36,388
Space Telescope Science Institute	43	HST-GO-11696.09-A	75,741
Space Telescope Science Institute	43	HST-GO-10793.01-A	1,244
Space Telescope Science Institute	43	HST-GO-11544.01-A	78,648
Space Telescope Science Institute	43	HST-GO-11610.02-A	11,926
Space Telescope Science Institute	43	HST-GO-11616.07-A	141,777
Space Telescope Science Institute	43	HST-GO-11636.13-A	4,523

The accompanying notes are an integral part of this Schedule.

**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 Cluster (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA) (Continued)			
Space Telescope Science Institute	43	HST-GO-11638.01-A	\$ 70,498
Space Telescope Science Institute	43	HST-GO-11694.02-A	82,863
Space Telescope Science Institute	43	HST-GO-11721.01-A	15,559
Space Telescope Science Institute	43	HST-GO-12055.21-A	28,179
Space Telescope Science Institute	43	HST-GO-12117.01-A	2,025
Space Telescope Science Institute	43	HST-GO-12177.04-A	19,708
Space Telescope Science Institute	43	HST-GO-12195.01-A	27,462
Space Telescope Science Institute	43	HST-GO-12197.01-A	18,507
Space Telescope Science Institute	43	HST-GO-12298.01-A	20,824
Space Telescope Science Institute	43	HST-HF-51256.01-A	96,287
Space Telescope Science Institute	43	HST-AR-12154.08-A	31,650
Space Telescope Science Institute	43	HST-HF-01212.01-A	6,085
Space Telescope Science Institute	43	HST-GO-11142.01-A	52,052
Space Telescope Science Institute	43	HST-GO-11235.01-A	34,400
Space Telescope Science Institute	43	HST-GO-11120.04-A	14,664
Space Telescope Science Institute	43	HST-GO-11196.02-A	(193)
Space Telescope Science Institute	43	HST-HF-51235.01-A	12,510
Space Telescope Science Institute	43	HST-GO-11104.01-A	4,356
Space Telescope Science Institute	43	HST-GO-11149.02-A	1,950
Space Telescope Science Institute	43	HST-GO-11188.13-A	42,875
Space Telescope Science Institute	43	HST-GO-11312.01-A	1,123
Space Telescope Science Institute	43	HST-GO-11636.01-A	60,197
Space Telescope Science Institute	43	HST-AR-11761.01-A	3,909
Space Telescope Science Institute	43	HST-GO-12201.01-A	4,371
Space Telescope Science Institute	43	HST-GO-12283.11-A	1,961
Space Telescope Science Institute	43	HST-AR-11766.01-A	2,387
Space Telescope Science Institute	43	HST-GO-11518.01-A	1,671
Space Telescope Science Institute	43	HST-GO-12265.02-A	59,038
United Negro College Fund	43	UNCF.SCHETEMA	42,720
University of California Berkeley	43	SA2715-23609	493,357
University of California Los Angeles	43	0995-S-MA048	68,184
University of California San Diego	43	10300012	53,919

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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 Cluster (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA) (Continued)			
University of California Irvine	43	2010-2483	\$ 41,743
University of New Mexico	43	707490-87H5	4,831
Universities Space Research Association	43	8500-98-011	193,907
Universities Space Research Association	43	08521-017	33,189
University of Washington	43	596856	12,543
Vigyan, Inc.	43	14167	27,515
Washington University in St. Louis	43	WU-HT-10-14/2911192A	<u>44,305</u>
Total National Aeronautics and Space Administration Pass-Through			<u>4,351,780</u>
National Science Foundation			
California Association For Research In Astronomy	47	PO 24565	349,556
Carnegie Mellon University	47.079	1121550-259731	144,939
Columbia University	47	570611	98,463
Computing Research Association	47.070	CIF-B-202	138,834
Computing Research Association	47.070	CIF-C-202	9,961
Cornell University	47.049	46514-8592	574,054
Harvard University	47.078	131268	67,757
Howard University	47	634177-H017357	16,783
Incorporated Research Institute for Seismology	47	05-GSN	19,998
Internet2	47.082	109-01	123,368
Large Synoptic Survey Telescope Corporation	47	C44040L	231,224
Large Synoptic Survey Telescope Corporation	47	C44031L	(3,941)
LC Vision, LLC	47	Caltech-1058604	23,887
LC Vision, LLC	47.082	CALTECH-0924709	145,867
Louisiana State University	47.082	55893	2,152
Louisiana State University	47.080	53231	48,451
Massachusetts Institute of Technology	47.041	5710002280	70,368
National Bureau of Economic Research, Inc.	47.075	34-3519-02-0-79-981	36,524
New Jersey Institute	47.082	910020	61,366

The accompanying notes are an integral part of this Schedule.

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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 Cluster (Continued)			
Pass-Through Funds (Continued)			
National Science Foundation (Continued)			
Photonic Systems, Inc.	47.041	SC-10-103	\$ 37,670
Pomona College	47.082	6064-1	68,412
Stanford University	47.082	24472250-44193-B	350,914
Stanford University	47.082	25315690-46990-A	19,036
The University of Mississippi	47	10-01-050G	1,961
University of Arizona	47.041	Y502628	250,213
University of California Berkeley	47.041	00007090	64,009
University of California Berkeley	47.041	SA4591-10349PG	(189)
University of California Los Angeles	47.049	1000 G HD871	978,286
University of California Los Angeles	47	0143 G DB034	95,213
University of California Los Angeles	47.049	1000 G GB150	185,766
University of California, Davis	47.050	200911281-03	71,841
University of California, Davis	47.049	sub09000769-CIT	72,336
University of Southern California	47.041	H31068	479,142
University of Southern California	47.050	153603	1,053
University of Southern California	47.050	137754	52,686
University of Washington	47	594618	17,058
University of Wisconsin	47.049	647F205	380,093
University of Wisconsin-Milwaukee	47.049	K083644	80,054
Virtual Astronomical Observatory, Inc.	47	2010-08(1)	585,929
W.M. Keck Observatory	47	29946	795,215
W.M. Keck Observatory	47.049	29047	21,956
W.M. Keck Observatory	47.049	10339	<u>238,836</u>
Total National Science Foundation - Pass-Through Funds			<u>7,007,101</u>
Total Research and Development - Pass-Through Funds			<u>33,236,546</u>
Total Research and Development Cluster			<u>296,582,060</u>
Total Major Programs			<u>296,582,060</u>

The accompanying notes are an integral part of this Schedule.

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Contract Number	Federal Expenditures
NON-MAJOR PROGRAMS			
Student Financial Aid Cluster			
Direct Funds			
Department of Education			
Federal Work Study Program	84.033		\$ 425,122
Federal Supplemental Educational Opportunity Grant	84.007		431,988
Federal Pell Grant Program	84.063		395,534
Academic Competitiveness Grants	84.375		18,100
National SMART Grant	84.376		<u>170,003</u>
Total Student Financial Aid Cluster			<u>1,440,747</u>
Pass-Through Funds			
Department of Education			
California Student Aid Commission Cal Grants	84.069A		<u>2,068</u>
Total Department of Education Pass-Through Funds			<u>2,068</u>
Total Non-Major Programs			<u>1,442,815</u>
Total Federal Awards			<u>\$ 298,024,875</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, 2011

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, 2011, except those related to the Jet Propulsion Laboratory ("JPL")(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. However, the Institute's FY2008 indirect cost reimbursements were based on a predetermined rate. In addition, ONR has approved fixed with carry forward rates for FY2009 and FY2010, a predetermined rate for FY2011, and a provisional rate for FY2012. 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, 2006. Actual incurred costs for the year ended September 30, 2007 have been audited by DCAA and, in the opinion of management, the results of such audit will not have a material impact on the Schedule. Actual incurred costs for FY2010 have been submitted for audit by DCAA and, in the opinion of management, the results of such audit will not have a material impact on the Schedule. An incurred cost rate will not be required for FY2011 because the provisional rate was converted to a predetermined rate.

California Institute of Technology

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2011

1. Summary of Significant Accounting Policies (Continued)

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. Revision 11 to the Disclosure Statement has been submitted by the Institute and is currently being reviewed by DCAA. All amendments and updates through Revision 9 have been approved by ONR.

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 JPL which is a National Aeronautics and Space Administration ("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, 2011, the Institute advanced loans totaling \$841,637 for the Federal Perkins Loan Program (CFDA Number 84.038). The outstanding balance at September 30, 2011 was \$4,598,824. 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. The Institute charged \$46,617 of administrative cost allowance to the Federal Perkins Loan Program for the year ended September 30, 2011. The amount of Federal Perkins Loan principal (CFDA Number 84.037) cancelled during the year ended September 30, 2011 was \$6,040.

3. Federal Direct Loan Program

During the year ended September 30, 2011, the Institute processed \$1,217,390 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). The amount disbursed to students (including origination fees and rebates) was \$1,195,981. There are no outstanding balances under these loan programs.

4. Transfers

During the year ended September 30, 2011, 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 Carry-forwards

During the year ended September 30, 2011, there were no FWS carry-forwards from the year ended September 30, 2010. The carry forward amount is reflected as revenues/expenditures recognized in the year in which the funds were expended. The Institute charged \$41,464 of administrative cost allowance to the Federal Work-Study Program for the year ended September 30, 2011.

California Institute of Technology
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

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	\$ 1,016,995
Army Research Office	681,306
Defense Advanced Research Projects Agency	80,437
National Geospatial-Intelligence Agency	29,096
US Navy	2,855,698
	<hr/> 4,663,532
Department of Energy	
Department of Energy	<hr/> 2,044,380
Department of Health and Human Services	
National Institutes of Health	<hr/> 9,155,218
Environmental Protection Agency	
Environmental Protection Agency	<hr/> 149,254
National Aeronautics & Space Administration	
National Aeronautics & Space Administration	20,145,156
National Space Biomedical Research Institute	16,768
	<hr/> 20,161,924
National Science Foundation	
National Science Foundation	<hr/> 7,486,502
Total Amount Provided to Subrecipients	<hr/> <hr/> \$ 43,660,810

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.



Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
California Institute of Technology

We have audited the financial statements of California Institute of Technology (the "Institute") as of and for the year ended September 30, 2011, and have issued our report thereon dated January 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Institute's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of the Institute's audit committee, management, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

January 23, 2012



**Report of Independent Auditors on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

To the Board of Trustees of
California Institute of Technology

Compliance

We have audited the compliance of California Institute of Technology (the "Institute") with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

The Institute's financial statements include the operations of the Jet Propulsion Laboratory (a Federally Funded Research and Development Center managed by the Institute), which incurred \$1,563,927,000 in federal expenditures. These expenditures are not included in the Institute's schedule of federal expenditures for the year ended September 30, 2011. Our audit of the Institute's Federal Awards did not include the operations of the Jet Propulsion Laboratory because it is audited and reported upon as a separate entity pursuant to Section 200(e) of OMB Circular A-133 and is, therefore, out of the scope of this audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Institute's compliance with those requirements. In our opinion, based on our audit, the Institute complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.



Internal Control Over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Institute's audit committee, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

May 7, 2012

California Institute of Technology
Independent Auditors' Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? None Reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings that are required to be reported in accordance with OMB Circular A-133? No

Identification of major programs:

Program Name	CFDA Number
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Research and Development Cluster	Various
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Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as a low-risk auditee? Yes

SECTION II – FINANCIAL REPORTING FINDINGS

No matters are reportable.

California Institute of Technology
Summary Schedule of Prior-Year Audit Findings
and Questioned Costs
For the Year Ended September 30, 2011

Summary Schedule of Prior Audit Findings

Finding 10-1 Timeliness of financial reporting for Federal awards

Condition

The Federal Financial Report ("Form 425") for 3 out of 25 reports on federal awards was not submitted to the awarding agencies in a timely manner.

Current Status

No late Form 425 issues were noted during the current year audit, and no further action is required.