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, 2007

California Institute of Technology
Index
For the Year Ended September 30, 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles CA 90071
Telephone (213) 356 6000
Facsimile (813) 637 4444

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 the California Institute of Technology (the "Institute") as of September 30, 2007 and 2006, 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 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.

As discussed in Note B to the financial statements, the Institute applied the provisions of Statement of Accounting Standards No. 158 and changed its method of recording the pension benefit obligation for the year ended September 30, 2007. In addition, the Institute applied the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 47 and changed its method of accounting for conditional asset retirement obligations for the year ended September 30, 2006.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2008 on our consideration of 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, 2007. 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 for the year ended September 30, 2007 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, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

January 29, 2008

California Institute of Technology
Balance Sheets
At September 30, 2007 and 2006
(Dollars in Thousands)

	2007	2006
ASSETS		
Cash and cash equivalents	$ 7,979	$ 13,251
Advances and deposits	5,180	4,531
Securities lending deposits	89,100	138,820
Accounts and notes receivable, net of allowance for doubtful accounts of $1,064 and $1,362, respectively:		
United States government	175,500	158,332
Other	36,028	26,643
Contributions receivable, net	248,928	328,765
Investments, including securities pledged or on loan of $87,353 and $136,097, respectively	2,327,838	1,971,561
Prepaid expenses and other assets	57,242	57,515
Deferred United States government billings	332,468	296,630
Property, plant, and equipment, net	748,933	716,159
Total assets	$ 4,029,196	$ 3,712,207
LIABILITIES and NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 346,002	$ 314,548
Securities lending deposits	89,100	138,820
Deferred revenue and refundable advances	31,465	28,526
Annuities, trust agreements and agency funds	106,697	97,735
Bonds and notes payable	347,935	347,700
Accumulated postretirement benefit obligation	358,847	323,354
Total liabilities	1,280,046	1,250,683
Commitments and contingencies (Note K)		
Net assets:		
Unrestricted	1,672,559	1,391,825
Temporarily restricted	457,120	473,553
Permanently restricted	619,471	596,146
Total net assets	2,749,150	2,461,524
Total liabilities and net assets	$ 4,029,196	$ 3,712,207

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

California Institute of Technology
Statements of Activities
For the Years Ended September 30, 2007 and 2006
(Dollars in Thousands)

	2007	2006
Changes in unrestricted net assets:		
Revenues:		
Tuition and fees, net of student financial aid of $34,613 and $36,361, respectively	$ 24,701	$ 20,865
Investment return	343,568	158,652
Gifts	30,540	28,677
Grants and contracts:		
Jet Propulsion Laboratory - direct	1,745,765	1,579,703
Other United States government - direct	172,764	155,425
Non-United States government - direct	16,918	13,783
Indirect cost recovery and management allowance	103,211	97,852
Auxiliary enterprises	35,493	34,124
Other	19,181	22,212
Net assets released from restrictions	91,082	30,821
Total revenues and net assets released from restrictions	2,583,223	2,142,114
Expenses:		
Instruction and academic support	218,341	211,688
Organized research:		
Jet Propulsion Laboratory	1,745,765	1,579,703
Other Institute research	224,579	200,908
Institutional support	60,383	66,121
Auxiliary enterprises	38,223	36,160
Total expenses	2,287,291	2,094,580
Excess of revenues over expenses	295,932	47,534
Other changes in unrestricted net assets:		
Decrease in minimum pension liability	-	71
Redesignations and reclassifications of net assets	(13,625)	8,667
Loss on retirement of indebtedness	-	(5,201)
Total other changes in unrestricted net assets	282,307	51,071
Cumulative effect of change in accounting principle	(1,573)	(9,604)
Increase in unrestricted net assets	$ 280,734	$ 41,467
Changes in temporarily restricted net assets:		
Gifts	$ 45,306	$ 207,758
Investment return	5,276	3,132
Net assets released from restrictions	(91,082)	(30,821)
Redesignations and reclassifications of net assets	24,067	(8,146)
(Decrease) increase in temporarily restricted net assets	$ (16,433)	$ 171,923
Changes in permanently restricted net assets:		
Gifts	$ 32,532	$ 17,065
Investment return	1,194	786
Other income	41	43
Redesignations and reclassifications of net assets	(10,442)	(521)
Increase in permanently restricted net assets	$ 23,325	$ 17,373
Increase in total net assets	$ 287,626	$ 230,763
Net assets at beginning of year	2,461,524	2,230,761
Total net assets at end of year	$ 2,749,150	$ 2,461,524

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, 2007 and 2006
(Dollars in Thousands)

	2007	2006
Cash flows from operating activities:		
Increase in net assets	$ 287,626	$ 230,763
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation, accretion and amortization	47,340	44,166
Cumulative effect of change in accounting principle	1,573	9,604
Loss on retirement of indebtedness	-	5,201
Contributions restricted for long-term investment and capital projects	(32,483)	(23,319)
Investment return restricted for long-term investment and capital projects	(3,556)	(2,059)
Realized and unrealized gains on investments	(308,938)	(130,926)
Gifts of property, plant, and equipment	(1,182)	(4,234)
Gifts and other in-kind distributions of securities	(7,431)	(4,682)
Actuarial change in trust liability	(9,238)	(1,506)
Loss on disposals of property, plant, and equipment	6,002	360
Changes in assets and liabilities:		
Accounts and notes receivable, net	(22,157)	(5,049)
Contributions receivable, net	22,128	(155,604)
Deferred United States government billings	(35,838)	(20,540)
Prepaid expenses and other assets	563	6,430
Accounts payable and accrued expenses	16,692	21,689
Deferred revenue and refundable advances	2,939	1,796
Agency funds	1,723	940
Change in advances and deposits	(649)	(1,677)
Accumulated postretirement benefit obligation	34,146	23,876
Net cash used in operating activities	(740)	(4,771)
Cash flows from investing activities:		
Purchases of investments	(906,557)	(970,331)
Proceeds from sales and maturities of investments	936,428	913,660
Purchases of property, plant, and equipment	(82,803)	(72,945)
Proceeds from sale of property, plant, and equipment	1,016	-
Net cash used in investing activities	(51,916)	(129,616)
Cash flows from financing activities:		
Contributions restricted for long-term investment and capital projects	33,732	37,641
Investment return restricted for long-term investment and capital projects	3,556	2,059
Proceeds from issuance of bonds	-	165,000
Cash paid for retirement of indebtedness	-	(75,688)
Cash received under split-interest agreements	18,818	6,410
Cash payments made under split-interest agreements	(8,722)	(8,044)
Net borrowings on lines of credit	-	10,000
Net cash provided by financing activities	47,384	137,378
Net (decrease) increase in cash and cash equivalents	(5,272)	2,991
Cash and cash equivalents at beginning of year	13,251	10,260
Cash and cash equivalents at end of year	$ 7,979	$ 13,251

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

A. Description of the California Institute of Technology

The 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 also are included as an indirect cost recovery and management allowance in the statements of activities.

The Institute (including JPL) is generally exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). The Institute is also generally exempt from payment of California state income, gift, estate, and inheritance taxes.

The financial statements of the Institute have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America and with the provisions of the American Institute of Certified Public Accountants' Audit and Accounting Guide, "Not-for-Profit Organizations," which requires the Institute to classify its net assets into three categories according to donor-imposed restrictions or provisions of law: permanently restricted, temporarily restricted, and unrestricted.

> Permanently restricted net assets include gifts, charitable remainder trusts, pooled income funds, gift annuities, other split-interest agreements, and contributions receivable in which donors have stipulated that the principal be invested in perpetuity. Generally, donors permit the unrestricted use of all or part of the investment return on these assets. Investment gains or losses, both realized and unrealized, related to permanently restricted investments are reported as unrestricted revenue unless their use is restricted by donor-imposed stipulations.

Temporarily restricted net assets include 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 contributions receivable upon which the donor has placed certain restrictions. These restrictions are removed either through the passage of time or when certain actions are taken by the Institute to fulfill such 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
Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor designations.

Reclassifications
Certain balances at September 30, 2006, 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 resources invested in money market funds and short-term investments with original maturities of three months or less when purchased. Any such investments held by external investment managers are classified as investments in the balance sheets and are not included in cash and cash equivalents.

Under the Institute's cash management system, checks issued but not presented to banks frequently 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, 2007 and 2006.

Advances and Deposits
Advances include certain cash balances, totaling $3,912 and $3,349 at September 30, 2007 and 2006, respectively, restricted for use in connection with United States government research. Deposits include $1,268 and $1,182 at September 30, 2007 and 2006, respectively, in employee cash withheld for health and dependent care spending accounts.

Investments

Investments are recorded at fair value. The fair value of marketable securities and short-term investments (other than those classified as alternative investments) is based on quoted market prices for those securities or for similar financial instruments. Alternative investments are carried at estimated fair value as provided by external investment managers at, or as of the most recent valuation date prior to, year end. The fair value of real estate and other investments is estimated by professional appraisers or Institute management. Mortgages, notes receivable, and investment agreements are carried at cost, which approximates fair value.

Alternative investments include holdings in limited partnerships, limited liability corporations, and off-shore investment funds. These investments may not be readily marketable, and the related investment agreements may specify penalties for early liquidations from the related funds. The Institute reviews and evaluates the values provided by external investment managers and, in each case, has agreed with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ from the values that could have been determined had a ready market for these securities existed.

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. Outstanding purchases totaled $37,569 and $25,125 at September 30, 2007 and 2006, respectively, and are included in accounts payable and accrued expenses in the balance sheet. Outstanding sales totaled $10,321 and $5,924 at September 30, 2007 and 2006, respectively, and are included in accounts and notes receivable – other in the balance sheet.

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 gains from regular settlements with the counterparty were $148 and $41 for the year ended September 30, 2007 and 2006, respectively, and are recognized in the statement of activities. Changes in the fair value at September 30, 2007 and 2006 resulted in an unrealized gain of $2,228 and unrealized loss of $732, respectively, and are recognized in the statement of activities. At September 30, 2007, the fair value of the asset due the Institute from the counterparty was $1,496, which is included in investments in the balance sheet. At September 30, 2006, the obligation to the counterparty was $732, which was included in accounts payable and accrued expenses in the balance sheet.

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

All investments of endowment and similar funds are carried in an investment pool unless special considerations or donor stipulations require that they be held separately. Pooled endowment and similar funds are invested on a total return basis to provide both income and investment appreciation. The Institute utilizes a pooled endowment spending policy that establishes allocations for current spending, consistent with an annual budget plan approved by the Board of

Trustees. The spending policy allows the expenditure of a prudent amount of the total investment return that attempts to preserve the future purchasing power of endowment principal.

As a result of market declines, the fair value of certain donor-restricted endowment funds is less than the historical cost of such funds. As the market value of the endowment increases, this deficiency will reverse. The aggregate deficiencies for donor-restricted endowment funds were $470 and $6,798 at September 30, 2007 and 2006, respectively, and are recorded in unrestricted net assets.

The Institute participates in a securities lending program, in which it lends a portion of its investments to third party borrowers through an agreement with its custodian bank. All securities loaned are collateralized by cash and debt instruments in amounts equal to 102% of the market value of the securities loaned. The bank monitors the value and quality of collateral and credit worthiness of borrowers. Collateral received must maintain a weighted-average maturity of 90 days or less and must meet credit quality standards defined in the lending agreement. The Institute does not have the ability to pledge or sell the securities held as collateral without a borrower default. Collateral held and the Institute's obligation to repay such collateral are recorded in the balance sheets as securities lending deposits.

At September 30, 2007 and 2006, investments include investment agreements valued at $46,007 and $82,790, respectively, that were purchased with unexpended proceeds from the 2006 Series A and 2006 Series B California Educational Facilities Authority (CEFA) revenue bonds. These assets are limited to use in specific construction projects related to CEFA bonds.

Property, Plant, and Equipment
Property, plant, and equipment is recorded at the cost of construction or acquisition, or at the appraised value at the date of the gift. Interest costs related to debt used for construction of assets are included in the cost of construction. Depreciation on all assets is calculated over the estimated useful life of each class of depreciable asset, which ranges from three to fifty years, and is computed using the straight-line method. Depreciation on buildings used in sponsored research 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. Assets acquired under both federal and nonfederal grants in which title does not ultimately transfer to the Institute are not recorded as property, plant and equipment.

The Institute reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment charge is recognized when the fair value of the asset or group of assets is less than the carrying value.

As of September 30, 2006, the Institute adopted Financial Accounting Standards Board (FASB) Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations — an interpretation of FASB Statement No. 143" (FIN 47) which requires that asset retirement obligations that are conditional on a future event, such as the obligation to safely depose of asbestos when a building is remodeled or demolished, be recognized when the fair value of the obligation can be reasonably estimated. Upon the adoption of FIN 47, the Institute recorded $9,604 as the cumulative effect of a change in accounting principle in the statement of activities.

Had the provisions of FIN 47 been adopted at the acquisition of the related assets, the impact on unrestricted net assets for the year ended September 30, 2006 would have been approximately $580.

The asset retirement cost, net of accumulated depreciation, for the years ended September 30, 2007 and 2006 was $736 and $827, respectively, which is included in property, plant, and equipment in the balance sheet. The asset retirement obligation was $10,704 and $10,431, respectively, and is included in accounts payable and accrued expenses in the balance sheet.

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 and stated 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 the beneficiaries. The actuarial liability is based on the present value of future payments discounted at the appropriate risk-free rate at the inception of each agreement and the applicable actuarial mortality tables. Discount rates on all split-interest agreements range from 3.6% to 11.2%, and the Annuity 2000 Mortality Table was used in 2007 and 2006. 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. Actuarial liabilities totaled $77,254 and $71,677 at September 30, 2007 and 2006, respectively.

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 $17,825 and $16,164 at September 30, 2007 and 2006, respectively.

Beneficial Interests
The Institute is the beneficiary of charitable remainder and perpetual trusts held and administered by others. The present value of the estimated future cash flows from the trusts approximates the value of the underlying assets 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 $16,181 and $20,445 at September 30, 2007 and 2006, respectively.

Agency Funds
The Institute held assets totaling $11,617 and $9,894 on behalf of others at September 30, 2007 and 2006, respectively. The assets held are primarily included in investments in the balance sheet. The corresponding liability is included in annuities, trust agreements and agency funds on the balance sheet.

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 tuition support on the statement of activities. Student tuition and fees received in advance of services to be rendered 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 (unconditional promises to give), are recorded as revenues in the year received. Contributions receivable are reported at their discounted present values, and an allowance for amounts estimated to be uncollectible is provided. Gift revenue from contributions to be collected in the form of securities or other investments is adjusted to reflect the year end value of securities/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 or subject to other time or purpose restrictions are reported as temporarily restricted revenue. The temporarily restricted net assets resulting from these gifts are released to unrestricted net assets when the donor-imposed restrictions are fulfilled or the assets are placed in service. Gifts received for endowment investment are held in perpetuity and recorded as permanently restricted revenue. Conditional promises to give are not recorded until the conditions have been substantially met. Conditional promises to give totaled $16,870 and $13,014 at September 30, 2007 and 2006, respectively.

- *Grants and contracts* - Revenues from grants and contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. Certain grants and contracts provide for the reimbursement of indirect facilities and administrative costs based on rates negotiated with the Office of Naval Research, the Institute's federal cognizant agency. 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 delivery 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 each classification's average equipment purchases. Interest expense on external debt, net of amounts capitalized, is allocated to the functional categories that have benefited from the proceeds of such debt. Interest expense, net of capitalized interest, for the years ended September 30, 2007 and 2006 was $13,561 and $9,742, respectively, and capitalized interest was $503 and $2,201, respectively.

Fair Value of Financial Instruments
For those financial instruments for which it is practical, the following methods and assumptions are used to estimate fair value:

- *Cash and cash equivalents* - Cost approximates fair value.

- *Accounts and notes receivable* - Amounts receivable under contracts and grants are carried at cost, less an allowance for doubtful accounts, which approximates fair value. Student accounts and notes receivable of $15,941 and $12,140 at September 30, 2007 and 2006 are carried at cost; doubtful accounts are charged to expense when they become uncollectible. Determination of the fair value of student accounts and notes receivable could not be made without incurring excessive costs.

- *Bonds and notes payable* - The fair value of bonds payable is estimated based on quoted market prices for the bonds or similar financial instruments and was $297,777 and $299,961 at September 30, 2007 and 2006, respectively. Amounts outstanding under the revolving bank credit facilities and the money market loan programs totaling $54,000 at both September 30, 2007 and 2006, are carried at cost, which approximates fair value.

- *Contributions receivable and beneficial interests* - Determination of the fair value of contributions receivable could not be made without incurring excessive costs. The fair value of beneficial interests approximates the market value of the underlying assets.

New Accounting Pronouncements
At September 30, 2007, the Institute adopted the provisions of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS 158). The provisions of this new standard require the Institute to recognize the difference between the fair value of plan assets and the plan's benefit obligation for both the pension and postretirement medical and life insurance plans (see notes I and J). The standard also requires that the measurement date be the same as the Institute's year end. The change in measurement date will be effective for the year ending September 30, 2008.

(Dollars in Thousands)

The following table summarizes the incremental effects of the initial adoption of SFAS 158 on the Institute's balance sheet at September 30, 2007:

	Before application of SFAS 158	SFAS 158 Adjustment	After application of SFAS 158
Deferred United States government billings	$ 316,319	$ 16,149	$ 332,468
Total assets	4,013,047	16,149	4,029,196
Accounts payable and accrued expenses	345,139	863	346,002
Accumulated postretirement benefit obligation	341,988	16,859	358,847
Total liabilities	1,262,324	17,722	1,280,046
Unrestricted net assets	1,674,132	(1,573)	1,672,559
Total net assets	2,750,723	(1,573)	2,749,150
Total liabilities and net assets	4,013,047	16,149	4,029,196

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157, which establishes a common definition for fair value to be applied to generally accepted accounting principles requiring use of fair value; establishes a framework for measuring fair value, and expands the related disclosure requirements about fair value measurements. This accounting standard is effective for the Institute for its fiscal year ending September 30, 2009. The Institute is assessing the impact of adopting SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure eligible items at fair value at specific election dates (the "fair value option"). Unrealized gains and losses on items for which the fair value option has been elected shall be reported in earnings at each subsequent reporting period. This accounting standard is effective for the Institute for its fiscal year ending September 30, 2009. The Institute is assessing the impact of adopting SFAS No. 159.

C. Contributions Receivable, net

Contributions receivable consist of unconditional promises to give to the Institute in the future and are recorded after discounting to the present value of the future cash flows at the appropriate risk-free rate at the date of each gift. Discount rates on all outstanding contributions at September 30, 2007 and 2006, range from 2.75% to 5.84%.

(Dollars in Thousands)

Contributions receivable consisted of the following at September 30, 2007 and 2006:

	2007	2006
Contributions receivable at beginning of year, net	$ 328,765	$ 195,106
Discount at beginning of year	25,765	9,785
Allowance for doubtful accounts at beginning of year	1,230	1,830
Contributions receivable at beginning of year, gross	355,760	206,721
New contributions received	14,752	231,844
Contribution payments received	(123,147)	(63,655)
Adjustments to fair value of securities to be contributed	19,435	(19,100)
Less: Write-offs and other adjustments	-	(50)
Contributions receivable at end of year, gross	266,800	355,760
Discount at end of year	(17,641)	(25,765)
Allowance for doubtful accounts at end of year	(231)	(1,230)
Contributions receivable at end of year, net	$ 248,928	$ 328,765

Gross contributions receivable carried the following restrictions at September 30, 2007 and 2006:

	2007	2006
Endowment for programs, activities, and scholarships	$ 21,285	$ 24,854
Building construction	37,195	40,395
Education, general and time restrictions	208,320	290,511
Total contributions receivable, gross	$ 266,800	$ 355,760

(Dollars in Thousands)

Gross contributions receivable are expected to be realized as follows at September 30, 2007 and 2006:

	2007	2006
Within one year	$ 123,521	$ 136,707
Between one year and five years	105,775	165,429
More than five years	37,504	53,624
Total contributions receivable, gross	$ 266,800	$ 355,760

At September 30, 2007 and 2006, $110,181 and $158,769, respectively, in contributions receivable were due from a foundation which shares a common board member with the Institute. At September 30, 2007 and 2006, contributions receivable of $77,580 and $102,897, respectively, were due from this board member in the form of securities.

D. Investments

Investments consisted of the following at September 30, 2007 and 2006:

	2007	2006
Short-term investments	$ 283,876	$ 180,959
Government fixed income securities	143,307	147,466
Corporate fixed income securities	104,146	73,020
Domestic equity securities	405,282	399,700
International equity securities	537,714	381,857
Investment agreements	46,007	82,790
Alternative investments:		
Absolute return strategies	312,703	276,573
Private equity	179,841	158,399
Inflation hedges	287,424	251,612
Real estate mortgages, notes, and other investments	27,538	19,185
Total investments	$ 2,327,838	$ 1,971,561

(Dollars in Thousands)

Investments were categorized as follows at September 30, 2007 and 2006:

	2007	2006
Consolidated endowment pool	$ 1,931,757	$ 1,583,794
Separately invested endowments	45,453	40,583
Subtotal endowment investments	1,977,210	1,624,377
Trusts, annuities, and other	350,628	347,184
Total investments	$ 2,327,838	$ 1,971,561

Investment return consisted of the following for the years ended September 30, 2007 and 2006:

	2007	2006
Interest and dividend income	$ 41,100	$ 31,644
Net realized gains	80,444	78,065
Net unrealized appreciation	228,494	52,861
Total investment return	$ 350,038	$ 162,570

E. Deferred United States Government Billings

Deferred United States government billings consisted of the JPL-related portion of the following liabilities at September 30, 2007 and 2006:

	2007	2006
Accumulated postretirement benefit obligation	$ 276,821	$ 248,088
Accrued vacation benefits	53,484	47,264
Pension benefit liability	2,163	1,278
Total deferred United States government billings	$ 332,468	$ 296,630

The Institute's contract with NASA provides for the reimbursement of certain employee benefit costs should the Institute's contract ever be terminated. Therefore, the Institute has recorded a deferred United States government billing related to the portion of both the JPL accumulated postretirement benefit obligation and the pension benefit liability attributable to JPL, as the Institute expects to recover the net of these amounts through future charges to United States government grants and contracts. The Institute has also recorded a deferred United States government billing related to accrued vacation benefits for JPL staff, which are also covered by similar contract provisions. 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 believes it has the contractual right to require that such funding be made available when necessary.

(Dollars in Thousands)

F. Property, Plant, and Equipment, net

Property, plant, and equipment consisted of the following at September 30, 2007 and 2006:

	2007	2006
Land and land improvements	$ 59,174	$ 56,427
Buildings and building improvements	607,594	557,571
Equipment	452,172	449,546
Construction in progress	109,970	98,663
Less: accumulated depreciation	(479,977)	(446,048)
Property, plant, and equipment, net	$ 748,933	$ 716,159

Depreciation expense for the years ended September 30, 2007 and 2006 was $46,465 and $43,865, respectively.

(Dollars in Thousands)

G. Bonds and Notes Payable

Bonds and notes payable consisted of the following at September 30, 2007 and 2006:

Bonds Payable:	2007	2006
California Educational Facilities Authority (CEFA) revenue bonds:		
2006 Series A due October 2036, with a variable interest rate reset weekly (3.76% and 3.57%, respectively)	$ 82,500	$ 82,500
2006 Series B due October 2036, with a variable interest rate reset weekly (3.70% and 3.50%, respectively)	82,500	82,500
Series 1998 due October 2028, with interest at 4.25% (net of issue discount of $2,400 and $2,515, respectively)	48,165	48,051
Series 1998 due October 2027, with interest at 4.5% (net of issue discount of $2,530 and $2,651, respectively)	50,770	50,649
Series 1994 due January 2024, with a variable interest rate reset weekly (3.76% and 3.57%, respectively)	30,000	30,000
Total revenue bonds	293,935	293,700
Notes payable:		
Bank of America revolving bank credit facility expiring September 2008, with variable interest rates	-	-
Bank of America revolving bank credit facility expiring September 2008, with variable interest rates	-	-
Bank of New York money market loan program with no expiration date, with variable interest rates	-	-
JPMorgan Chase money market loan program with no expiration date, with variable interest rates (5.17% and 5.42%, respectively)	54,000	54,000
Total notes payable	54,000	54,000
Total bonds and notes payable	$ 347,935	$ 347,700

The CEFA Series 1998 revenue bonds are subject to an early redemption premium if redeemed prior to October 1, 2010.

During the year ended September 30, 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, on a $165,000 underlying notional principal amount.

The Bank of America lines of credit and Bank of New York money market loan program have individual limits of $50,000; the JPMorgan Chase money market loan program has an individual limit of $62,000. The Institute has an internal aggregate limit on borrowings under the two Bank of America lines of credit and the JPMorgan Chase and Bank of New York money market loan programs of $50,000 for borrowings to finance working capital and a separate $50,000 limit for borrowings to finance acquisitions of real estate and temporary funding for capital projects. All lines of credit and money market loan program agreements are uncollateralized.

(Dollars in Thousands)

Principal repayments on bonds and notes payable were as follows at September 30, 2007:

Year Ending September 30	Amount
2008	$ 249,000
2009	-
2010	-
2011	-
2012	-
Thereafter	98,935
Total	$ 347,935

Under certain circumstances, the CEFA Series 1994 and 2006 Series A and 2006 Series B variable rate revenue bonds could fail to be remarketed, requiring the Institute to repurchase the outstanding bonds totaling approximately $195,000. Therefore, the bonds have been classified as repayable in the following year in the table above. However, the Institute believes a repurchase is unlikely.

H. Components of Net Assets

Temporarily restricted net assets were available for the following purposes at September 30, 2007 and 2006:

	2007	2006
Educational and research funds	$ 253,413	$ 303,921
Capital projects	108,751	93,879
Life income and annuity funds	35,058	38,092
Endowment and other funds functioning as endowment	59,898	37,661
Total temporarily restricted net assets	$ 457,120	$ 473,553

(Dollars in Thousands)

Permanently restricted net assets were available for the following purposes at September 30, 2007 and 2006:

	2007	2006
Student loan funds	$ 16,367	$ 16,894
Life income and annuity funds	44,626	41,008
Endowment and other funds functioning as endowment	558,478	538,244
Total permanently restricted net assets	$ 619,471	$ 596,146

I. Retirement Plans

The Institute's retirement plans cover substantially all of its employees. Except for a small number of qualified non-academic staff 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 its qualified academic and administrative employees.

Contributions to the defined contribution plans for the years ended September 30, 2007 and 2006 were $18,882 and $18,131, respectively, for the Institute and $58,173 and $56,793, respectively, for JPL.

Retirement benefits under the successor defined benefit 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 June 30 measurement date.

On December 4, 2006, the Institute entered into an agreement with an insurance company that resulted in the settlement of its liabilities to retiree participants. As a result of the settlement, the Institute reduced plan assets and benefit obligation by $34,778, incurred a settlement cost of $6,169, and recognized a loss of $1,724.

(Dollars in Thousands)

Certain financial information regarding the successor defined benefit plan was as follows for the years ended September 30, 2007 and 2006:

	2007	2006
Change in the benefit obligation:		
Benefit obligation at beginning of year	$ 36,912	$ 34,822
Service cost	48	59
Interest cost	1,034	1,749
Settlement loss	1,724	-
Settlement payments	(34,778)	-
Benefits paid	(1,655)	(3,065)
Actuarial loss	1,444	3,347
Benefit obligation at end of year	$ 4,729	$ 36,912

The accumulated benefit obligation for the defined benefit pension plan was $4,703 and $ 36,881 at September 30, 2007 and 2006.

	2007	2006
Change in fair value of plan assets:		
Fair value of plan assets beginning of year	$ 34,965	$ 33,677
Actual return on plan assets	3,046	4,426
Benefits paid	(1,655)	(3,065)
Settlement payments	(34,778)	-
Plan expenses	(5)	(73)
Fair value of plan assets	$ 1,573	$ 34,965

Upon implementation of SFAS 158, as discussed in Note B, the Institute was required to recognize the funded status of its defined benefit plan in the balance sheet and to adjust unrestricted net assets for the cumulative effect of this change in accounting principle. Accordingly, the adjustment for the Campus was $226 for the year ended September 30, 2007 and is reflected in accounts payable and accrued expenses in the balance sheet and as cumulative effect of an accounting change in the statement of activities. The change related to JPL was $637 for the year ended September 30, 2007, and is reflected in the balance sheet, as well as in both JPL direct expense and revenue, and in deferred U.S. Government billings, as any cost associated with this adjustment related to JPL will ultimately be recoverable from NASA.

(Dollars in Thousands)

		2007		2006
Funded status at valuation date:				
Funded status	$	(3,156)	$	(1,947)
Unrecognized net actuarial loss		-		6,017
Net amount recognized at end of year	$	(3,156)	$	4,070

		2007		2006
Amounts recognized in the financial statements:				
Accrued benefit liability	$	(3,156)	$	(1,916)
Additional minimum liability		-		5,986
Net amount recognized at end of year	$	(3,156)	$	4,070

		2007		2006
Amounts recognized in unrestricted net assets:				
Net loss	$	863	$	-
Total amounts recognized as unrestricted net assets	$	863	$	-

At September 30, 2006, the benefit obligation exceeded the fair value of plan assets. The accounting rules in effect at that time required the recognition of a liability equal to the unfunded accumulated benefit obligation, which was defined as the difference between the accumulated benefit obligation and the fair value of plan assets. Accordingly, the net liability recognized at September 30, 2006 disclosed above reflects an additional minimum pension liability adjustment. The decrease in the additional minimum pension liability for the Campus was $71 for the year ended September 30, 2006, and is reflected in other changes in unrestricted net assets in the statement of activities. The change related to JPL was $1,222 for the year ended September 30, 2006, and is reflected in both JPL direct expense and revenue, as well as in deferred U.S. Government billings, as any cost associated with this adjustment related to JPL will ultimately be recoverable from NASA.

(Dollars in Thousands)

Net periodic benefit related to the plan for the years ended September 30, 2007 and 2006 included the following components:

	2007	2006
Service cost	$ 48	$ 59
Interest cost	1,034	1,749
Recognized actuarial loss	131	181
Settlement cost	6,169	-
Expected return on plan assets	(1,020)	(2,333)
Net periodic cost (benefit)	$ 6,362	$ (344)

Estimated contributions to the retirement plan in the next year are $1,190.

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

Year Ending September 30	Benefit Payments
2008	$ 181
2009	296
2010	304
2011	317
2012	320
2013-2017	2,349

Participant annuities may be fixed or variable and reflect the value of designated plan equity and fixed income securities. Plan assets are invested in separate accounts by the funding agent and carry a target allocation of 19% equities, 76% fixed income and 5% cash. At September 30, 2007 and 2006, total retirement plan assets were invested as follows:

	2007	2006
Equity securities	19%	60%
Fixed income securities	77%	40%
Cash	4%	-

The following weighted-average assumptions were used to determine the Institute's benefit obligations under the plan at September 30, 2007 and 2006:

	2007	2006
Discount rate	6.30%	6.00%
Expected return on plan assets	5.75%	7.00%
Long-term rate of compensation increase	4.00%	4.00%

(Dollars in Thousands)

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. The evaluation of the historical and future returns resulted in the selection of 5.75% for the expected return on plan assets. Prior to the settlement the expected return on plan assets was at 7.00%.

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, 2007 and 2006:

	2007	**2006**
Discount rate	6.00%	5.25%
Expected return on plan assets	5.75%	7.25%
Long-term rate of compensation increase	4.00%	4.00%

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.

During the year ended September 30, 2007, the Institute implemented a cost-sharing provision for retirees and their dependents. During the year ended September 30, 2006, the Institute elected to have its insurer provide qualifying prescription drug plans to eligible retirees and their dependents at reduced premium rates in lieu of applying for the government subsidy available for providing such benefits under the Medicare Prescription Drug Improvement and Modernization Act of 2003. The change in the accumulated postretirement benefit obligation for these plan amendments for years ended September 30, 2007 and 2006 was $21,465 and $10,153, respectively.

(Dollars in Thousands)

Certain financial information regarding the plan was as follows for the years ended September 30, 2007 and 2006, and is based on a June 30 measurement date:

	2007	2006
Change in the accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of year	$ 376,090	$ 382,774
Service cost	11,754	13,569
Interest cost	22,408	19,737
Participant contributions	2,591	1,469
Plan amendments	(21,465)	(10,153)
Benefits paid	(14,729)	(14,137)
Actuarial (gain) loss	(14,677)	(17,169)
Benefit obligation at end of year	$ 361,972	$ 376,090

	2007	2006
Components of net periodic postretirement benefit cost:		
Service cost	$ 11,754	$ 13,569
Interest cost	22,408	19,737
Amortization of prior year service credit	(2,204)	-
Amortization of loss	1,939	3,237
Net periodic benefit cost	$ 33,897	$ 36,543

	2007	2006
Change in the fair value of plan assets:		
Employer contributions	$ 12,138	$ 12,668
Participant contributions	2,591	1,469
Benefits paid	(14,729)	(14,137)
Fair value of plan assets at end of year	$ -	$ -

Upon implementation of SFAS 158, as discussed in Note B, the Institute was required to recognize the funded status of its postretirement benefit plan in the balance sheet and to adjust unrestricted net assets for the cumulative effect of this change in accounting principle. Accordingly, the adjustment for the Campus was $1,347 for the year ended September 30, 2007, and is reflected in the accumulated postretirement benefit obligation in the balance sheet and as cumulative effect of an accounting change in the statement of activities. The change related to JPL was $15,512 for year ended September 30, 2007, and is reflected in the balance sheet, as well as in both JPL direct expense and revenue, and in Deferred U.S. Government billings, as any cost associated with this adjustment related to JPL will ultimately be recoverable from NASA.

(Dollars in Thousands)

	2007	2006
Funded status at valuation date:		
Funded status	$ (361,972)	$ (376,090)
Unrecognized prior service cost	-	(10,153)
Unrecognized actuarial loss	-	62,889
Net amount recognized at end of year	$ (361,972)	$ (323,354)

	2007	2006
Amounts recognized in the balance sheet:		
Accrued postretirement obligation	$ (361,972)	$ (376,090)
Employer contribution between measurement date and year end	3,125	-
Total amounts recognized in balance sheet	$ (358,847)	$ (376,090)

	2007	2006
Amounts recognized as changes in unrestricted net assets:		
Prior service credit	$ (29,414)	$ -
Net loss	46,273	-
Total amounts recognized as unrestricted net assets	$ 16,859	$ -

In 2008, an estimated prior service credit of $3,337 and a net loss of $834 will be amortized from unrestricted net assets into the net periodic benefit cost.

(Dollars in Thousands)

The following weighted-average assumptions were used to determine the Institute's obligation under the plan at September 30, 2007 and 2006:

	2007	2006
Discount rate	6.30%	6.25%
Health care cost trend rate	9.00%	9.00%

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, 2007 and 2006:

	2007	2006
Discount rate	6.25%	5.25%
Health care cost trend rate	12.00%	10.00%

The health care cost trend rates for subsequent years are as follows:

Year Ending September 30	Health Care Cost Trend Rate
2008	8.00%
2009	7.00%
2010	6.00%
2011	5.50%
2012	5.00%
2013-2017	5.00%

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	$ 6,568	$ (5,167)
Effect on accumulated postretirement benefit obligation	$ 55,015	$ (44,609)

(Dollars in Thousands)

In 2008, the Institute and its retirees are expected to contribute approximately $14,946, and $2,804, respectively.

Estimated future benefit payments are as follows:

Year Ending September 30	Benefit Payments
2008	$ 14,900
2009	16,800
2010	17,700
2011	19,000
2012	20,100
2013-2017	113,100

K. Commitments and Contingencies

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

In 1997, 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. The Institute believes that it will have recourse to the United States government for any material liabilities it may incur in connection with being named a PRP for that site.

Officials of the Institute presently are not able to predict the impact, if any, that final resolution of the matter discussed in the preceding paragraph will have on the Institute's financial position or changes in its net assets.

Commitments
The Institute was committed under certain construction and services contracts in the amount of approximately $60,515 and $54,969 at September 30, 2007 and 2006, respectively.

At September 30, 2007 and 2006, the Institute had committed to invest $214,618 and $198,832, respectively, with alternative investment managers and/or limited partnerships over the next ten years.

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

(Dollars in Thousands)

L. Supplemental Cash Flow Information

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

	2007	2006
Cash paid during the year for interest, net of amounts capitalized	$ 13,743	$ 9,503
Securities lending	89,100	138,820
Securities received to satisfy pledge payments	51,931	629
Accrued purchases of property, plant, and equipment	1,136	297

M. Subsequent Event

Subsequent to September 30, 2007, the Institute received a commitment of $100,000 to fund a telescope project from a foundation which shares a common board member with the Institute.

California Institute of Technology
Schedule of Expenditures of Federal Awards
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS			
Research and Development Program			
Direct Funds			
Department of Agriculture			
United States Department of Agriculture	10.206		$ 168,272
Department of Commerce			
National Oceanic & Atmospheric Administration	11.431		118,401
Department of Defense			
Air Force	12.000	FA9451-06-M-0357	6,324
Air Force	12.630		1,833,261
Air Force	12.800		4,203,640
Air Force	12.910		18,954
Army	12.000	DAAD19-01-1-0517	2,209
Army	12.000	W911NF-04-1-0201	298,050
Army	12.000	W911NF-05-1-0434	237
Army	12.000	W911NF-07-1-0063	240,400
Army	12.000	W911NF-07-1-0632	17,875
Army	12.000	W912HQ-04-C-0045	196,481
Army	12.420		110,763
Army	12.431		1,833,665
Army	12.910		24,395
Defense Advanced Research Projects Agency	12.910		2,177,415
Navy	12.000	HR0011-04-1-0032	56,373
Navy	12.000	HR0011-04-1-0054	637,204
Navy	12.000	HR0011-05-C-0097	51,942
Navy	12.000	HR0011-06-C-0146	778,411
Navy	12.000	MDA972-03-1-0007	7,972
Navy	12.000	N00014-00-1-0839	(60,100)
Navy	12.000	N00014-04-1-0306	42,100
Navy	12.000	N00014-06-1-0938	565,032
Navy	12.000	N00173-05-P-0153	4,623
Navy	12.000	N00174-06-C-0052	1,203,447
Navy	12.000	N00244-05-C-0066	4,881,805
Navy	12.000	N66001-07-1-2039	155,487
Navy	12.000	N66001-05-1-8920	61,794
Navy	12.000	N66001-05-D-6023	580,461
Navy	12.300		6,652,185
National Security Agency	12.901		58,827
National Geospatial-Intelligence Agency	12.630		200,481
Total Department of Defense			26,841,713

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Direct Funds (Continued)			
Department of Education			
Department of Education	84.000	ACG GRANT 2006-2007	$ 30,000
Department of Education	84.000	SMART GRANT 2006-2007	80,001
Department of Education	84.116		18,872
			128,873
Department of Energy			
Department of Energy	81.000	DE-FC26-02NT41581	13,543
Department of Energy	81.000	DE-FC26-04NT15521	42,562
Department of Energy	81.000	DE-FC26-04NT15525	27,124
Department of Energy	81.000	DE-FC26-04NT42212	140,033
Department of Energy	81.000	DE-FC36-04GO14276	850,824
Department of Energy	81.000	DE-FC52-06NA27319	214,957
Department of Energy	81.000	DE-FG02-03ER15483	123,393
Department of Energy	81.000	DE-FG02-04ER25613	86,962
Department of Energy	81.000	DE-FG02-04ER25657	87,539
Department of Energy	81.000	DE-FG02-04ER41316	99,033
Department of Energy	81.000	DE-FG02-04ER46175	106,257
Department of Energy	81.000	DE-FG02-05ER15716	296,821
Department of Energy	81.000	DE-FG02-05ER15754	36,144
Department of Energy	81.000	DE-FG02-05ER41359	3,386,315
Department of Energy	81.000	DE-FG02-05ER41361	328,212
Department of Energy	81.000	DE-FG02-05ER63983	260,788
Department of Energy	81.000	DE-FG02-06ER15762	108,009
Department of Energy	81.000	DE-FG02-06ER15773	102,511
Department of Energy	81.000	DE-FG02-06ER41427	12,079
Department of Energy	81.000	DE-FG02-06ER64310	108,805
Department of Energy	81.000	DE-FG02-07ER64410	24,737
Department of Energy	81.000	DE-FG02-92ER40701	3,541,895
Department of Energy	81.000	Fermilab PO#570788	36,602
Department of Energy	81.049		700,973
Department of Energy	81.064		5,124,689
Department of Energy	81.087		317,281
Department of Energy	81.112		128,439
Total Department of Energy			16,306,527

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Direct Funds (Continued)			
Department of Homeland Security			
Homeland Security Advanced Research Projects Agency	97.000	HSHQPA-05-9-0037	$ 783,637
Homeland Security Advanced Research Projects Agency	97.000	2007-DN-077-ER0004	48,010
Total Department of Homeland Security			831,647
Department of State			
Department of State	19.000	S-LMAQM-04-GR-170	2,432
Department of Health and Human Services			
National Institutes of Health	93.000	F32 GM076920	47,544
National Institutes of Health	93.000	F32 GM077014	55,590
National Institutes of Health	93.000	F32 GM078734	31,571
National Institutes of Health	93.000	F32 GM079967	29,763
National Institutes of Health	93.000	F32 GM080843	22,911
National Institutes of Health	93.121		290,078
National Institutes of Health	93.172		6,428,370
National Institutes of Health	93.173		634,852
National Institutes of Health	93.242		1,605,256
National Institutes of Health	93.279		2,268,777
National Institutes of Health	93.286		1,836,413
National Institutes of Health	93.389		83,978
National Institutes of Health	93.396		509,087
National Institutes of Health	93.398		72,618
National Institutes of Health	93.399		782,359
National Institutes of Health	93.821		353,778
National Institutes of Health	93.837		236,202
National Institutes of Health	93.839		35,954
National Institutes of Health	93.846		43,936
National Institutes of Health	93.847		914,205
National Institutes of Health	93.849		627,919
National Institutes of Health	93.853		7,736,814
National Institutes of Health	93.855		1,319,071
National Institutes of Health	93.856		393,384
National Institutes of Health	93.859		7,313,452
National Institutes of Health	93.862		592,482
National Institutes of Health	93.865		1,049,596
National Institutes of Health	93.866		954,963
National Institutes of Health	93.867		12,710,140
Total Health and Human Services			48,981,063

The accompanying notes are an integral part of this Schedule.

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Direct Funds (Continued)			
Department of the Interior			
Department of the Interior	15.000	06PG400222	$ 11,325
Department of the Interior	15.000	NBCH1050001	760,927
Department of the Interior	15.000	NBCHC030105	(17,912)
Department of the Interior	15.000	NBCHC070007	111,122
Department of the Interior	15.000	NBCHC070046	233,746
Department of the Interior	15.000	TBD	96,721
United States Geological Survey	15.000	07WRSA0582	12,676
United States Geological Survey	15.000	PAGER 8931-2683	84,466
United States Geological Survey	15.807		1,368,341
United States Geological Survey	15.808		314,809
Total Department of Interior			2,976,221
Environmental Protection Agency			
United States Environmental Protection Agency (EPA)	66.000	91620301	(20)
United States Environmental Protection Agency (EPA)	66.000	91623501	(4,000)
United States Environmental Protection Agency (EPA)	66.000	FP - 91634901-0	12,649
United States Environmental Protection Agency (EPA)	66.000	F4B11590	15,751
United States Environmental Protection Agency (EPA)	66.509		213,998
United States Environmental Protection Agency (EPA)	66.511		54,713
Total Environmental Protection Agency			293,091
National Aeronautics and Space Administration (NASA)			
NASA	43.000		17,356,550
National Science of Foundation			
National Science Foundation	47.000	636097	136,240
National Science Foundation	47.000	AST-0401559	30
National Science Foundation	47.000	AST-0634562	75,850
National Science Foundation	47.000	ATM-0454428	33,972
National Science Foundation	47.000	CHE-0639094	172,698
National Science Foundation	47.000	DBI-0610425	6,506
National Science Foundation	47.000	DGE-0703267	1,690,000
National Science Foundation	47.000	DMS-0301954	(344)
National Science Foundation	47.000	DMS-0555755	25,666
National Science Foundation	47.000	DUE-0340559	8,684
National Science Foundation	47.000	EAR-0405437	37,053
National Science Foundation	47.000	EAR-0610115	144,382

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Direct Funds (Continued)			
National Science of Foundation (Continued)			
National Science Foundation	47.000	N IPA W30910	$ 178,190
National Science Foundation	47.041		965,847
National Science Foundation	47.049		54,852,529
National Science Foundation	47.050		5,202,080
National Science Foundation	47.070		3,887,234
National Science Foundation	47.074		2,383,804
National Science Foundation	47.075		758,561
National Science Foundation	47.076		352,889
National Science Foundation	47.078		515,961
Total National Science Foundation			71,427,832
Total Research and Development - Direct Funds			185,432,622
Pass-Through Funds			
Department of Commerce			
Avery Dennison Corporation	11.612	WAG061801	(44,220)
University of Alaska Fairbanks	11.430	UAF 05-0132	11,668
University of Connecticut	11.430	5039	1,720
Woods Hole Institution of Oceanography	11.460	A100448	9,177
Total Department of Commerce - Pass-Through			(21,655)
Department of Defense			
Air Force			
ERC, Inc.	12.000	RS070364	10,979
Georgia Institute of Technology	12.630	E-25-6MV-G2	132,223
Harvard University	12.000	01-130068	194,305
HRL Laboratories, LLC	12.000	201135-BS	73,322
Intelligent Optical Systems, Inc.	12.000	AF-3162-Biomarker	22,442
Kettering University	12.000	330144-01	87,097
Luxtera	12.000	LUXTERA.STTR	30,000
Massachusetts Institute of Technology	12.800	5710001972	56,826
Massachusetts Institute of Technology	12.800	5710002074	101,415
Massachusetts Institute of Technology	12.800	5710002025	223,464

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Defense (Continued)			
Air Force (Continued)			
New Mexico Institute of Mining and Technology	12.114	P0004339	$ 13,488
New Mexico Institute of Mining and Technology	12.114	P0005159	152,669
OptiComp Corporation	12.800	062305-07	15,261
Teledyne Scientific & Imaging, LLC	12.000	B7U520660	62,669
University of Southern California	12.800	104686	(41,306)
Wyle Laboratories	12.000	19041.0C.21-130S	15,000
Wyle Laboratories	12.000	19041.0C.25-114S	10,000
Total Air Force Pass-Through			1,159,854
Army			
BAE Systems Inc.	12.000	04509-6045	113,009
California State University Northridge	12.431	F-06-2075-1.0/43013626	29,160
Cornell University	12.431	39508-6588	(35,452)
Lewis Center for Educational Research	12.000	LEWIS.RADIO	137,161
North Carolina State University	12.431	2007-0299-01	102,659
Stanford University	12.431	18882730-37362-A	48,145
Stanford University	12.431	28000-B	129,719
The Scripps Research Institute	12.420	5-75525	31,087
University of California Los Angeles	12.000	1000 G FC338	21,410
University of California Santa Barbara	12.000	KK4102	1,294,796
University of Chicago	12.000	28065-2	160,867
University of Southern California	12.100	108007	(554)
Yale University	12.431	YKP1098647	2,294
Total Army Pass-Through			2,034,301
Central Intelligence Agency			
MITRE Corporation	12.000	67233	397,335
Navy			
Colorado School of Mines	12.300	3225/22949	173,991
Colorado School of Mines	12.000	4-42517	188,867
Cornell University	12.300	42829-7100	10,546

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Defense (Continued)			
Navy (Continued)			
Liquidmetal Technologies, Inc.	12.000	ONR06-0566-22	$ 153,943
Louisiana State University	12.910	R152254	(192)
Princeton University	12.300	916	14,727
Princeton University	12.300	1328	109,426
Thaerocomp Technical Corporation	12.300	THAEROC.NAVAIR	24,392
University of California Berkeley	12.300	SA3318	(3,350)
University of California San Diego	12.000	10275845	1,258
University of California Santa Barbara	12.300	KK0119	9,523
University of Washington	12.000	756206	60,307
Total Navy Pass-Through			743,438
Defense Advanced Research Projects Agency			
BAE Systems Inc.	12.000	04487-6066/060783	258,689
Hewlett Packard	12.000	HR0011-04-3-0038	141,856
IBM Corporation	12.000	W0551063	30,837
Irvine Sensors Corporation	12.000	23603	189,179
Johns Hopkins University	12.000	908165	1,389,577
Lockheed Martin Corporation	12.000	TT0689897	61,256
Massachusetts Institute of Technology	12.000	5710001623	232,100
MicroPropulsion Corp	12.000	7015-000-00004	127,728
Northrop Corporation	12.000	02287RD96S	123,826
Northrop Corporation	12.000	39159942	16,379
Raytheon	12.000	4400164414	1,146,896
Telaris Inc	12.000	HR0011-06-C-0029	221,314
University of California Berkeley	12.000	SA4334-79952	27,067
University of California Davis	12.910	007441-03	66,023
University of California Los Angeles	12.000	0205 G CE123	2,217
University of California Los Angeles	12.000	0160 S HE179	105,235
University of California San Diego	12.000	10255643	(9,797)
University of California Santa Barbara	12.000	KK8101	338,674
University of Colorado at Boulder	12.300	153-5530/31610	(373)
University of Delaware	12.000	10025	26,150
University of Washington	12.910	130288	368,741
University of Washington	12.000	302251	236,141
Total Defense Advanced Research Projects Agency - Pass-Through			5,099,715
Total Department of Defense Pass-Through			9,434,643

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Energy			
Argonne National Laboratory	81.000	7F-01321	$ 120,230
BSST LLC	81.000	04-DOE930-126	90,480
Carnegie Institute	81.000	4-3327-30	103,931
Deep Web Technologies, LLC	81.000	1	15,000
Doheny Eye Institute	81.000	63735-A001	47,164
Fermilab National Accelerator Laboratory	81.064	547138	115,924
Fermilab National Accelerator Laboratory	81.064	570788	85,062
Fermilab National Accelerator Laboratory	81.064	512929/554897	140,994
General Electric Company	81.000	700157109	2,374
Georgia Institute of Technology	81.049	E-17-6F8-G1	130,484
Lawrence Berkeley National Laboratory	81.000	6808360	150,633
Lawrence Berkeley National Laboratory	81.000	6808461	310,873
Lawrence Livermore National Laboratory	81.000	B523297	4,240,896
Lawrence Livermore National Laboratory	81.000	B537364	(1,854)
Lawrence Livermore National Laboratory	81.000	B559149	7,030
Lawrence Livermore National Laboratory	81.000	B566288	95,090
Los Alamos National Laboratory	81.064	36992-001-06	22,234
Los Alamos National Laboratory	81.064	38874-001-06	19,409
Los Alamos National Laboratory	81.064	41639-001-06	117,203
Los Alamos National Laboratory	81.064	44100-001-06 -prop.# 200600904	25,000
Los Alamos National Laboratory	81.064	46222-001-07	98,657
Los Alamos National Laboratory	81.064	52187-001-07	4,762
Los Alamos National Laboratory	81.064	55549-001-07	1,447
National Renewable Energy Laboratory	81.064	XAT-4-33624-10	182,132
NexTech Materials, Ltd.	81.000	NEXTECH.DOE	12,179
Open Solutions GP	81.000	OPENS.000001	46,223
Sandia National Laboratories	81.000	523348	769
Sandia National Laboratories	81.000	64992	81,069
Sandia National Laboratories	81.000	716498	9,843
Sandia National Laboratories	81.000	SANDIA.KNUTSEN	42,395
Texas Tech University	81.049	1310/C122-01	104,620
University of Nevada	81.065	UNR-04-50	585,010
Washington University in St. Louis	81.000	WU-HT-06-06	57,158
Total Department of Energy Pass-Through			7,064,421

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Homeland Security			
Smiths Detection	97.000	2998	$ 567,992
State of California - Office of Emergency Services	97.039	1585-14-09	49,901
Total Department of Homeland Security			617,893
Department of Health and Human Services			
National Institutes of Health			
Brown University	93.286	1545-27564	45,586
Childrens Hospital Los Angeles	93.856	5575582	(71,214)
Cornell University	93.000	CORNELL.TEXTPR	53,852
Duke University	93.396	07-SC-NIH-1008	110,206
Exploratorium	93.000	3428	39,727
Georgia Institute of Technology	93.867	R7747-G5	73,777
Glaukos Corporation	93.867	Glauk.Micropump	60,000
Harvard University	93.903	137374	108,858
Indiana University	93.000	39510-0048	108,705
Jackson Laboratory	93.172	553143/565835	58,758
Jackson Laboratory	93.172	596766	70,453
Lawrence Berkely National Laboratory	93.000	6822728	64,264
Loma Linda University	93.000	LLU.SUBNIH	97,117
Massachusetts Institute of Technology	93.242	5710001655	71,814
Molecular Sciences Institute	93.000	MSI.000001	148,654
Princeton University	93.859	1207	283,219
Purdue University	93.856	511-1851-01	190,545
Purdue University	93.855	4102-16339	292,526
Stanford University	93.172	15115640-33752-A	525,317
Stanford University	93.172	17222070-35910-B	386,852
Stanford University	93.172	18536290-29224-A	483,674
The Scripps Research Institute	93.859	5-20765	76,810
The Scripps Research Institute	93.000	5-20795	95,914
The Scripps Research Institute	93.859	5-74238	1,065
The Scripps Research Institute	93.000	5-74248	67,271
University of California Irvine	93.856	2005-1597	113,933
University of California Irvine	93.309	2003-1306	186,997
University of California Los Angeles	93.847	0150 G FB197	205,012
University of California Los Angeles	93.929	0845 G ED291	37,098
University of California Los Angeles	93.389	1580 G GF778	479,008
University of Cincinnati	93.389	20309	124,754

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Health and Human Services (Continued)			
National Institutes of Health (Continued)			
University of North Carolina	93.242	5-34381	$ 33,497
University of North Carolina	93.242	5-34854	15,866
University of Pittsburg	93.853	2172	71,631
University of Puerto Rico	93.000	2006-001341	6,637
University of Puerto Rico	93.000	2007-001005	50,626
University of Southern California	93.395	H36051	67,172
University of Southern California	93.855	110512	185,638
University of Texas Southwestern Medical Center	93.859	UTSMC.000017	755,812
University of Utah	93.821	2112017	275,010
Vanderbilt University	93.000	VUMC 33486-R	22,901
Visdex Corporation	93.867	EY017484-Caltech	70,009
Total National Institutes of Health Pass-Through			6,145,351
Total Department of Health and Human Services Pass-Through			6,145,351
Department of Interior			
United States Geological Survey (USGS)			
University of Southern California	15.807	119938	60,130
University of Southern California	15.807	PO 071673	121,683
Total Department of Interior Pass-Through			181,813
Department of State			
Nat'l Council For Eurasion And E European Research	19.300	821-11	4,950
Environmental Protection Agency (EPA)			
Harvard University	66.500	123392	186
Harvard University	66.509	122769-01	52,542
University of Houston	66.606	R-05-0307	79,958
Total EPA Pass-Through			132,686

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA)			
Carnegie Institution of Washington	43.000	7-3153-01	$ 16,396
Harvard University	43.000	131111	97,823
Harvard University	43.000	131066-01	29,969
Harvard University	43.000	131131-01	1,410
Johns Hopkins University	43.000	911356	30,443
Lockheed Martin Corporation	43.000	8100000206	3,912
Monterey Bay Aquarium Research Institute	43.000	512953	101,560
National Space Biomedical Research Institute	43.000	NCC 9-58	247,777
Pennsylvania State University	43.000	2608-CIT-NASA-3620	28,659
Smithsonian Astro	43.000	GO4-5165X	17,422
Smithsonian Astro	43.000	G05-6	52,721
Smithsonian Astro	43.000	G06-7	164,300
Smithsonian Astro	43.000	G07-8	32,903
Smithsonian Astro	43.000	TM3-4007X	(196)
Southwestern Research Institute	43.000	699001X	25,295
Southwestern Research Institute	43.000	699047X	24,929
Southwestern Research Institute	43.000	699048X	13,501
Southwestern Research Institute	43.000	699049X	44,505
Southwestern Research Institute	43.000	799152BT	8,083
Space Telescope Science Institute	43.000	HST-AR	70,963
Space Telescope Science Institute	43.000	HST-GO	783,257
Space Telescope Science Institute	43.000	HST-HF	102,796
Universities of Space Research Association	43.000	8500-98-011	563,018
University of California Berkeley	43.000	SA2715-23609	460,008
University of California Berkeley	43.000	SA5155-11047	26,015
University of California Los Angeles	43.000	0995 G FB200	1,933
University of California Los Angeles	43.000	0150 G GB239	92,595
University of California Santa Cruz	43.000	S0179865	46,470
University of Oklahoma	43.000	2005-09	(149)
University of Southern California	43.000	97019	(3,743)
University of Washington	43.000	298306	4,779
Total National Aeronautics and Space Administration Pass-Through			3,089,354

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
National Science Foundation			
Association of Universities for Research in Astronomy	47.049	P49686L	$ 49,155
Association of Universities for Research in Astronomy	47.000	0525280-GEM00443	492,440
California Association For Research In Astronomy	47.049	24565	601,986
California State University Los Angeles	47.049	DMR-0351848-UAS-220995	52,523
Case Western Reserve University	47.041	RES501728	182,008
Columbia University	47.070	556789	112,503
Cornell University	47.049	46559-7840	591
Fermilab National Accelerator Laboratory	47.049	573837	41,294
Fermilab National Accelerator Laboratory	47.000	566654	2,296
Florida International University	47.049	571275900-01	99,203
Howard University	47.000	634177-H017357	232,148
Incorporated Research Institute For Seismology	47.050	473	96,304
Incorporated Research Institute For Seismology	47.000	05-GSN	19,984
Johns Hopkins University	47.049	8205-53652	284,653
Large Synoptic Survey Telescope Corporation	47.000	C44031L	9,121
Massechusets Institute of Technology	47.049	5710001593	245,563
National Radio Astronomy Observatory	47.000	GSSP06-0001	14,330
New Jersey Institute	47.000	990715	43,867
New Jersey Institute	47.049	990774	36,239
New York University	47.000	F6030-01	198,231
UNAVCO Inc.	47.050	EAR-0453975-02	35,728
University of Arizona	47.000	ARIZONA.NSF	70,419
University of California Berkeley	47.074	SA1425-1011PG	71,790
University of California Berkeley	47.041	SA4591-10349PG	211,533
University of California Berkeley	47.000	SA4801	50,733
University of California Berkeley	47.049	SA4853-10101PG	2,520
University of California Berkeley	47.078	SA5327-11081	72,174
University of California Irvine	47.074	2003-1310	429,304
University of California Los Angeles	47.000	0143 G DB034	131,624
University of California Los Angeles	47.049	0155 G HB014	50,000
University of California Los Angeles	47.049	1000 G GB150	552,525
University of California Los Angeles	47.049	1000 G GB581	288,419
University of California Los Angeles	47.049	1000 G HD871	140,580
University of California Riverside	47.041	S-00065	88,575
University of California Santa Cruz	47.000	S0179958	31,027
University of California Santa Cruz	47.049	S0180970	81,971
University of California Santa Cruz	47.000	S0181009	32,687
University of Chicago	47.049	32572	83,667
University of Chicago	47.070	30085-B	181,922

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
National Science Foundation (Continued)			
University of Chicago	47.049	30193-A	$ 348,117
University of Chicago	47.049	5-27668	2,060
University of Delaware	47.070	8307	59,971
University of Florida	47.049	UF01087	58,235
University of Georgia	47.041	RR185-313/7877497	211,275
University of Illinois	47.041	2003-07452-1	78,468
University of Iowa	47.050	4000088270	(8,569)
University of Southern California	47.050	76824	108,420
University of Southern California	47.041	100809	72,827
University of Southern California	47.041	H31068	363,206
University of Virginia	47.075	GA10210-114184	74,509
University of Washington	47.000	594618	9,022
University of Wisconsin	47.049	647F205	105,529
Total National Science Foundation - Pass-Through Funds			6,904,707
Total Research and Development - Pass-Through Funds			33,554,163
Total Research and Development Program			218,986,785
Total Major Programs			218,986,785
NON-MAJOR PROGRAMS			
Student Financial Assistance Cluster			
Direct Funds			
Department of Education			
Federal Work Study Program	84.033		237,022
Federal Supplemental Educational Opportunity Grant	84.007		477,747
Federal Pell Grant Program	84.063		278,816
Total Student Financial Assistance Cluster			993,585

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards (Continued)
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
NON-MAJOR PROGRAMS (CONTINUED)			
Student Financial Assistance Cluster (Continued)			
Pass-Through Funds			
Department of Education			
California Student Aid Commission Cal Grants	84.069A		$ 9,166
Total Department of Education Pass-Through Funds			9,166
Total Non-Major Programs			1,002,751
Total Federal Awards			$219,989,536

The accompanying notes are an integral part of this Schedule.

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, 2007, except those related to the Jet Propulsion Laboratory (A Federally Funded Research and Development Center managed by the California Institute of Technology), as discussed below. Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Institute in accordance with accounting principles generally accepted in the United States of America.

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

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

The Institute receives funding or reimbursement from Federal Government agencies primarily for research under government grants and contracts. Grants and contracts provide for reimbursement of indirect costs based on rates negotiated with the Department of Defense's Office of Naval Research (ONR), the Institute's cognizant federal agency. The Institute's indirect cost reimbursements traditionally have been based on fixed rates with carry forward of under- or over-recoveries. Beginning 2008 the Institute's indirect cost reimbursements will be based on a predetermined rate. 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, 2005. In addition, ONR has approved a predetermined rate for FY2008. Actual incurred costs for the year ended September 30, 2006 are being audited by DCAA and, in the opinion of management, the results of such audit will not have a material impact on the Schedule.

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

1. Summary of Significant Accounting Policies (Continued)

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

2. Loan Advances

During the year ended September 30, 2007, the Institute advanced loans totaling $520,918 for the Federal Perkins Loan Program (CFDA Number 84.038). The outstanding balance at September 30, 2007 was $4,045,389. The Federal Perkins Loan Program is administered directly by the Institute. Balances and transactions related to this program are included in the Institute's financial statements.

3. Federal Direct Loan Program

During the year ended September 30, 2007, the Institute processed $776,258 of new loans under the Federal Direct Loan Program (CFDA Number 84.268), (which includes Subsidized Stafford Loans, Parent Loans for Undergraduate Students and Unsubsidized Stafford Loans).

4. Transfers

During the year ended September 30, 2007, the Institute transferred $137,697 from the Federal Work Study Program (FWS) to the Federal Supplemental Educational Opportunity Grant Program (FSEOG). The transferred amounts are reflected as revenues/expenditures recognized in the program in which the funds were expended.

5. Federal Work Study (FWS) Carryforwards

During the year ended September 30, 2007, the Institute spent $55,079 of FWS funds which were carried forward from the year ended September 30, 2006. During year ended September 30, 2007, the Institute carried forward $55,079 of FWS funds which are to be spent during the year ended September 30, 2008. The carryforward amount is reflected as revenues/expenditures recognized in the year in which the funds were expended.

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:

Program Title	Amount Provided to Subrecipients
Department of Defense	
Air Force Office of Scientific Research	$ 881,603
Army Research Office	227,709
Defense Advanced Research Projects Agency	81,550
Office of Naval Research	1,076,240
National Geospatial-Intelligence Agency	31,712
	2,298,814
Department of Energy	
Department of Energy	259,454
Lawrence Livermore National Laboratory	236,666
Univesrity of Nevada Reno	143,708
	639,828
Department of Health and Human Services	
National Institutes of Health	2,974,453
Department of Homeland Security	
Department of Homeland Security	43,375
National Aeronautics & Space Administration	
National Aeronautics & Space Administration	1,880,996
National Science Foundation	
National Science Foundation	3,250,413
Total Amount Provided to Subrecipients	$ 11,087,879

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.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles CA 90071
Telephone (213) 356 6000
Facsimile (813) 637 4444

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 Trustee
California Institute of Technology

We have audited the financial statements of the California Institute of Technology (the "Institute") as of and for the year ended September 30, 2007, and have issued our report thereon dated January 29, 2008. As discussed in Note B to the financial statements, the Institute applied the provisions of Statement of Accounting Standards No. 158 and changed its method of recording the pension benefit obligation for the year ended September 30, 2007. In addition, the Institute applied the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 47 and changed its method of accounting for conditional asset retirement obligations for the year ended September 30, 2006.
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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

PRICEWATERHOUSECOOPERS

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*.

We noted certain matters that we reported to management of the Institute in a separate letter dated December 14, 2007.

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

PricewaterhouseCoopers LLP

January 29, 2008

PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles CA 90071
Telephone (213) 356 6000
Facsimile (813) 637 4444

Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
California Institute of Technology

Compliance

We have audited the compliance of the California Institute of Technology (the "Institute") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007, except as described below. 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 California Institute of Technology), which incurred $1,760,765,000 in federal expenditures which is not included in the Institute's schedule of federal expenditures for the year ended September 30, 2007. Our audit, described below, did not include the operations of the Jet Propulsion Laboratory because it is audited and reported upon as a separate entity by other auditors and us pursuant to Section 200(e) of OMB Circular A-133 and is, therefore, outside 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.

PRICEWATERHOUSECOOPERS

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 07-1.

Internal Control Over Compliance

The 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 our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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. The Institute's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Institute's response and, accordingly, we express no opinion on it.

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

PricewaterhouseCoopers LLP

June 13, 2008

SECTION I – SUMMARY OF AUDITOR'S 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?	Yes

Identification of major programs:

Program Name	**CFDA Number**
Research and Development Cluster	Various

During the year ended September 30, 2007, the Student Financial Aid cluster was excluded from testing pursuant to section .520 of OMB Circular A-133 since it is a low risk Type A program, was tested during the year ended September 30, 2006 and sufficient coverage was obtained by testing the Research and Development cluster and the Institute is a low risk auditee.

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.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 07-1 Allowable Costs

Condition
Based on our testing of direct charges, we noted one charge consisted of two meals taking place on different days. The charge on April 9, 2007 for $58.52 was in adherence with Institute's policy for business meals, as the business purpose for the meal directly benefited the award. However, the second meal charge, dated April 2, 2007, for $92.13 was incorrectly charged to the award.

The award impacted by the exception was FA9550-04-1-0434 and the sponsoring agency was the Air Force (CFDA No. 12.630).

Questioned Costs
The questioned cost is $92.13.
Total direct costs tested: 35 non-payroll charges (travel, consulting, other: $430,839)
Total population of non-payroll charges: $160,538,673

Cause
The meal was inadvertently charged to the incorrect award.

Criteria
In accordance with A-21 and the Institute's internal policies and procedures, meal charges to an award must be directly related to work performed on an award and is necessary to the furtherance of the work being performed.

Effect
The Institute was not in compliance with correctly charging meals to an award.

Recommendation
The Institute needs to ensure that charges to an award are appropriately related to the award in question. Award Managers and Principal Investigators need to ensure the documentation is accurate in order to ensure that appropriate awards are charged for incurred expenses.

Management Response
Management's response is reported in Management's Views and Corrective Action Plan and is considered part of this report.

California Institute of Technology
Summary Schedule of Prior-Year Audit Findings and Questioned Costs
For the Year Ended September 30, 2007

Prior Year Findings

Finding 06-1 Allowable Costs

Condition
Based on our testing of direct charges, we noted two charges which did not have adequate contemporaneous supporting documentation:

(i) A foreign travel expenditure was charged to a sponsored project without documentation of pre-approval, as required by the project agreement (Award Contract Number: DAAD19-00-1-0374; CFDA # 12.431)
(ii) A meal expenditure of $46.25 was charged to a sponsored project without adequate documentation of the attendees and business purpose of the meal (Award #NSF.516390; CFDA # 47.041)

Current Status
These findings were exceptions to Caltech's established policies and procedures. Caltech stressed these policies to research administrators at the March 2007 Sponsored Research Forum. In addition a new control has been introduced whereby a monthly report listing all foreign travel expenditures is generated and reviewed by Project Accounting. Project Accounting uses this report to liaise with the appropriate division contact to confirm if prior approval is required and, if so, to confirm that it has been obtained. See current year finding 07-1.

Finding 06-2 – Equipment Screening

Condition
Based upon our testing of direct equipment charges, we noted that the Institute did not perform the proper equipment screening, as required by their internal policies, for ten of the thirty equipment purchases selected for review.

The awards impacted by the exceptions noted above were:
NSF.LIGO.FY02ON – CFDA# 47.047
NSF.2005MRSEC – CFDA# 47.049
NSF.000305 – CFDA# 47.049
NIH.MPET04 – CFDA# 93.286

Current Status
Subsequent to implementing Caltech's electronic procurement solution, TechMart, the Purchasing Services staff has been advised and trained with regards to our Equipment Screening Certification requirements. The attached documents outline the procedures for verifying that screening has been or needs to be performed:

- Purchasing Services Equipment Screening Certification Guidelines, dated November 15, 2005
- Equipment Screening (Note: This document has been identified as Attachment H in the Purchasing Services Policies and Procedures Manual, dated October 2007)

No equivalent issues were noted in the current year audit.

Finding 06-3 – FISAP

Condition
During our tie-out of the FISAP report to supporting documents, we noted the following amounts did not agree with the supporting documentation:

1. Section D. Information on Enrollment field #7 (a) and (b)
2. Section E. Assessments and Expenditures field #24

Current Status
Resolved: a corrected FISAP was submitted prior to the submission deadline. This issue was clarified with staff and the corrected data will be provided in future.

No equivalent issues were noted in the current year audit.

CALIFORNIA INSTITUTE OF TECHNOLOGY

Pasadena, California 91125

Office of the Associate Vice President for Finance and Treasurer
Financial Services Administration Building, Mail Code 229-15
626-395-3937

June 13, 2008

PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles, California 90071-2889

Subject: California Institute of Technology Management's Views and Corrective Action Plan

Reference: OMB Circular A-133 Audit for Fiscal Year 2007

Dear Sirs:

Enclosed is the California Institute of Technology's OMB Circular A-133 Management's Views and Corrective Action Plan for fiscal year ended September 30, 2007.

Please feel free to call me if any further information or clarification is required.

Sincerely,

Sharon E. Patterson

Sharon Patterson
Associate Vice President for Finance and Treasurer

Enclosure

CALIFORNIA INSTITUTE OF TECHNOLOGY

Pasadena, California 91125

Office of the Associate Vice President for Finance and Treasurer
Financial Services Administration Building, Mail Code 229-15
626-395-3937

Fiscal Year 2007

Finding Number	Condition	Management's Views and Corrective Action Plan	Responsible Individual	Planned Completion Date
7.1	Based on our testing of direct charges, we noted one charge consisted of two meals taking place on different days. The charge on April 9, 2007 for $58.52 was in adherence with Institute's policy for business meals, as the business purpose for the meal directly benefited the award. However, the second meal charge, dated April 2, 2007, for $92.13 was incorrectly charged to the award. The award impacted by the exception was FA9550-04-1-0434 and the sponsoring agency was the Air Force (CFDA No. 12.63).	In response to this audit issue, Caltech provided additional training to research administrators. The allowability and documentation standards for food charges on federal awards was included as a training topic at the March 22, 2007 Sponsored Research Forum. In addition, a new monthly review of 'food' expenditure type charges to federal awards is being undertaken by Project Accounting. We anticipate that the tighten controls in this area will reduce the likelihood of inappropriate charging in the future.	Associate Vice President, Research Administration	February 2008