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, 2008

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Report of Independent Auditors

To the Board of Trustees of
California Institute of Technology

In our opinion, the accompanying balance sheets and related statements of activities and cash flows present fairly, in all material respects, the financial position of the California Institute of Technology (the "Institute") as of September 30, 2008 and 2007, 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 accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2009 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, 2008. 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, 2008 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. As described in Note 1 to the Schedule of Expenditures of Federal Awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, on the basis of accounting described in Note 1, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

January 27, 2009

California Institute of Technology
Balance Sheets
At September 30, 2008 and 2007
(Dollars in Thousands)

	2008	2007
ASSETS		
Cash and cash equivalents	$ 9,042	$ 7,979
Advances and deposits	5,623	5,180
Securities lending deposits	19,097	89,100
Accounts and notes receivable, net of allowance for doubtful accounts of $1,084 and $1,064, respectively:		
United States government	197,099	175,500
Other	21,667	36,028
Contributions receivable, net	212,964	248,928
Investments, including securities pledged or on loan of $9,387 and $87,353, respectively	1,894,224	2,327,838
Prepaid expenses and other assets	53,203	57,242
Deferred United States government billings	328,204	332,468
Property, plant, and equipment, net	800,291	748,933
Total assets	$ 3,541,414	$ 4,029,196
LIABILITIES and NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 361,175	$ 346,002
Securities lending deposits	24,000	89,100
Deferred revenue and refundable advances	30,968	31,465
Annuities, trust agreements, and agency funds	90,869	106,697
Bonds and notes payable	344,169	347,935
Accumulated postretirement benefit obligation	340,848	358,847
Total liabilities	1,192,029	1,280,046
Commitments and contingencies (Note K)		
Net assets:		
Unrestricted	1,297,608	1,672,559
Temporarily restricted	389,731	457,120
Permanently restricted	662,046	619,471
Total net assets	2,349,385	2,749,150
Total liabilities and net assets	$ 3,541,414	$ 4,029,196

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

California Institute of Technology
Statements of Activities
For the Years Ended September 30, 2008 and 2007
(Dollars in Thousands)

	2008	2007
Changes in unrestricted net assets:		
Revenue and net assets released from restrictions:		
Tuition and fees, net of student financial aid of $37,299 and $34,613, respectively	$ 26,648	$ 24,701
Investment (loss)/return	(310,257)	343,568
Gifts	47,717	30,540
Grants and contracts:		
Jet Propulsion Laboratory - direct	1,771,574	1,745,765
Other United States government - direct	166,422	172,764
Non-United States government - direct	18,077	16,918
Indirect cost recovery and management allowance	101,771	103,211
Auxiliary enterprises	37,980	35,493
Other	61,794	19,181
Net assets released from restrictions	41,464	91,082
Total revenue and net assets released from restrictions	1,963,190	2,583,223
Expenses:		
Instruction and academic support	235,272	218,341
Organized research:		
Jet Propulsion Laboratory	1,771,574	1,745,765
Other Institute research	230,896	224,579
Institutional support	72,220	60,383
Auxiliary enterprises	39,402	38,223
Total expenses	2,349,364	2,287,291
(Deficit)/excess of revenues (under)/over expenses	(386,174)	295,932
Other changes in unrestricted net assets:		
Changes in postemployment benefit obligations	10,559	-
Cumulative effect of change in accounting principle	-	(1,573)
Redesignations and reclassifications of net assets	664	(13,625)
(Decrease)/increase in unrestricted net assets	$ (374,951)	$ 280,734
Changes in temporarily restricted net assets:		
Gifts	$ 3,895	$ 45,306
Investment return	2,302	5,276
Net assets released from restrictions	(41,464)	(91,082)
Redesignations and reclassifications of net assets	(32,122)	24,067
Decrease in temporarily restricted net assets	$ (67,389)	$ (16,433)
Changes in permanently restricted net assets:		
Gifts	$ 11,231	$ 32,532
Investment (loss)/return	(205)	1,194
Other income	91	41
Redesignations and reclassifications of net assets	31,458	(10,442)
Increase in permanently restricted net assets	$ 42,575	$ 23,325
(Decrease)/increase in total net assets	$ (399,765)	$ 287,626
Net assets at beginning of year	2,749,150	2,461,524
Total net assets at end of year	$ 2,349,385	$ 2,749,150

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, 2008 and 2007
(Dollars in Thousands)

	2008	2007
Cash flows from operating activities:		
(Decrease)/increase in net assets	$ (399,765)	$ 287,626
Adjustments to reconcile decrease/increase in net assets to net cash used in operating activities:		
Depreciation, accretion, and amortization	51,613	47,340
Cumulative effect of change in accounting principle	-	1,573
Change in postretirement benefit obligations	(10,559)	-
Contributions restricted for long-term investment and capital projects	(13,874)	(32,483)
Investment return restricted for long-term investment and capital projects	(3,759)	(3,556)
Realized and unrealized losses/(gains) on investments	335,318	(308,938)
Gifts of property, plant, and equipment	(19,779)	(1,182)
Gifts and other in-kind contributions of securities	(3,297)	(7,431)
Actuarial change in trust liability	11,883	(9,238)
(Gains)/losses on disposals of property, plant, and equipment	(30,329)	6,002
Changes in assets and liabilities:		
Advances and deposits	(443)	(649)
Accounts and notes receivable, net	(16,886)	(22,157)
Contributions receivable, net	7,533	22,128
Prepaid expenses and other assets	3,548	563
Deferred United States government billings	4,264	(35,838)
Accounts payable and accrued expenses	39,933	16,692
Deferred revenue and refundable advances	(724)	2,939
Agency funds	(2,021)	1,723
Accumulated postretirement benefit obligation	(7,615)	34,146
Net cash used in operating activities	(54,959)	(740)
Cash flows from investing activities:		
Purchases of investments	(663,647)	(906,557)
Proceeds from sales and maturities of investments	738,801	936,428
Purchases of property, plant, and equipment	(101,602)	(82,803)
Proceeds from sale of property, plant, and equipment	49,227	1,016
Net cash provided by/(used in) investing activities	22,779	(51,916)
Cash flows from financing activities:		
Contributions restricted for long-term investment and capital projects	36,412	33,732
Investment return restricted for long-term investment and capital projects	3,759	3,556
Cash received under split-interest agreements	6,032	18,818
Cash payments made under split-interest agreements	(8,960)	(8,722)
Net repayment on lines of credit	(4,000)	-
Net cash provided by financing activities	33,243	47,384
Net increase/(decrease) in cash and cash equivalents	1,063	(5,272)
Cash and cash equivalents at beginning of year	7,979	13,251
Cash and cash equivalents at end of year	$ 9,042	$ 7,979

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, 2007, 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, 2008 and 2007.

Advances and Deposits

Advances include certain cash balances, totaling $4,470 and $3,912 at September 30, 2008 and 2007, respectively, restricted for use in connection with United States government research. Deposits include $1,153 and $1,268 at September 30, 2008 and 2007, 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 (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 $925 and $37,569 at September 30, 2008 and 2007, respectively, and are included in accounts payable and accrued expenses in the balance sheets. Outstanding sales totaled $1,054 and $10,321 at September 30, 2008 and 2007, respectively, and are included in accounts and notes receivable – other in the balance sheets.

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. A realized loss of $2,055 and a realized gain of $148 resulted from regular settlements with the counterparty for the years ended September 30, 2008 and 2007, respectively; both are recognized in the statement of activities. Changes in the fair value during the years ended September 30, 2008 and 2007 resulted in an unrealized loss of $13,387 and an unrealized gain of $2,228, respectively; both are recognized in the statements of activities. At September 30, 2008, the obligation to the counterparty was $11,891, and is included in accounts payable and accrued expenses in the balance sheets. 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 sheets.

The Institute engages a number of outside parties to manage portions of its investment portfolio. The Institute's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market and credit risk 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. Such deficiencies reverse with market value appreciation. The aggregate deficiencies for donor-restricted endowment funds were $39,219 and $470 at September 30, 2008 and 2007, respectively, and are recorded in unrestricted net assets. The reversal of this deficiency would increase 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 to be collateralized by cash and debt instruments in amounts equal to 102% of the fair 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, 2008, securities lending deposits liabilities exceeded securities lending deposits assets by $4,903 due to unrealized losses on collateral investments.

At September 30, 2007, investments include investment agreements valued at $46,007, that were purchased with unexpended proceeds from the 2006 Series A and 2006 Series B California Educational Facilities Authority (CEFA) revenue bonds. These assets were limited to use in specific construction projects related to CEFA bonds and were fully expended during the year ended September 30, 2008.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at the cost of construction or acquisition, or at the fair 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.

The Institute records conditional asset retirement obligations consistent with Financial Accounting Standards Board (FASB) Interpretation No. 47. Asset retirement cost, net of accumulated depreciation, at September 30, 2008 and 2007 is $585 and $736, respectively, and is included in property, plant, and equipment in the balance sheets. The asset retirement obligation at September 30, 2008 and 2007 was $9,276 and $10,704, respectively, and is included in accounts payable and accrued expenses in the balance sheets.

Split-Interest Agreements
The Institute's split-interest agreements with donors consist primarily of charitable gift annuities and charitable remainder trusts for which the Institute serves as trustee.

For irrevocable agreements, assets contributed are included in Institute investments 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%. 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 $66,137 and $77,254 at September 30, 2008 and 2007, respectively, and are included in annuities, trust agreements and agency funds in the balance sheets. The Annuity 2000 Mortality Table was used for both the years ended September 30, 2008 and 2007.

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 $15,136 and $17,825 at September 30, 2008 and 2007, 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 $12,727 and $16,181 at September 30, 2008 and 2007, respectively.

Agency Funds
The Institute held assets totaling $9,596 and $11,617 on behalf of others at September 30, 2008 and 2007, respectively. The assets held are primarily included in investments in the balance sheets. The corresponding liability is included in annuities, trust agreements, and agency funds on the balance sheets.

Compensated Absences
Employees at the Institute are entitled to paid vacation based upon length of service and other factors. The Institute accrues a liability for vacation benefits that employees have earned but not yet taken. At September 30, 2008 and 2007, accrued compensated absences of $73,200 and $65,740, respectively, are included in accounts payable and accrued expenses in the balance sheets.

Workers' Compensation Insurance
The Institute provides workers' compensation insurance to its employees. Liabilities for the Institute's retained risk related to such coverage are determined by an actuary and are included in accounts payable and accrued expenses in the balance sheets. At September 30, 2008, the estimated liabilities for workers' compensation amounted to $8,018.

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. Gifts are valued using quoted market prices, market prices for similar assets, independent appraisals, or by Institute management. 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 $145,923 and $16,870 at September 30, 2008 and 2007, respectively. At September 30, 2008, conditional promises included $100,000 for research programs from a foundation which shares a common board member with the Institute.

- *Grants and contracts* - Revenues from grants and contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. 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 for the negotiation and approval of facilities and administrative and other indirect cost rates. 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, 2008 and 2007 was $10,021 and $13,561, respectively, and capitalized interest was $681 and $503, 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 $12,089 and $15,941 at September 30, 2008 and 2007, respectively, 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 $289,597 and $297,777 at September 30, 2008 and 2007, respectively. Amounts outstanding under the revolving bank credit facilities and the money market loan programs totaling $50,000 and $54,000 at September 30, 2008 and 2007, respectively, 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, 2008, the Institute adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109" ("FIN 48"). FIN 48 addresses the accounting for uncertainty in income taxes recognized in an entity's

(Dollars in Thousands)

financial statements and provides guidance on measurement, classification, interest and penalties, and disclosure. FIN 48 had no material impact on the Institute's financial statements.

At September 30, 2007, the Institute adopted the provisions of Statement of Financial Accounting Standards (SFAS) 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, 2009.

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 August 2008, the FASB issued Staff Position ("FSP") No. 117-1-"Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" ("FSP 117-1"). FSP 117-1 provides guidance for not-for-profit organizations concerning the net asset classification of donor-restricted endowment funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). In addition, FSP 117-1 requires enhanced disclosures for all endowment funds. This accounting standard is effective for the Institute's fiscal year ending September 30, 2009. In September 2008, the State of California adopted UPMIFA, effective January 1, 2009. The Institute is assessing the exact impact of the adoption of both UPMIFA and FSP 117-1 on its financial statements; however, unrestricted net assets will decrease and temporarily restricted net assets will increase.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS 157 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 for 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 157.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115." SFAS 159 permits entities to choose to measure eligible items at fair value at specific election dates (the "fair value option"). 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 159.

(Dollars in Thousands)

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, 2008 and 2007, range from 2.75% to 5.84%.

Contributions receivable consisted of the following at September 30, 2008 and 2007:

	2008	2007
Contributions receivable at beginning of year, net	$ 248,928	$ 328,765
Discount at beginning of year	17,641	25,765
Allowance for doubtful accounts at beginning of year	231	1,230
Contributions receivable at beginning of year, gross	266,800	355,760
New contributions received	25,730	14,752
Contribution payments received	(39,665)	(123,147)
Adjustments to fair value of securities to be contributed	(21,390)	19,435
Contributions receivable at end of year, gross	231,475	266,800
Discount at end of year	(18,275)	(17,641)
Allowance for doubtful accounts at end of year	(236)	(231)
Contributions receivable at end of year, net	$ 212,964	$ 248,928

(Dollars in Thousands)

Gross contributions receivable carried the following restrictions at September 30, 2008 and 2007:

	2008	2007
Endowment for programs, activities, and scholarships	$ 29,545	$ 21,285
Building construction	5,364	37,195
Education, general and time restrictions	196,566	208,320
Total contributions receivable, gross	$ 231,475	$ 266,800

Gross contributions receivable are expected to be realized as follows at September 30, 2008 and 2007:

	2008	2007
Within one year	$ 65,663	$ 123,521
Between one year and five years	131,200	105,775
More than five years	34,612	37,504
Total contributions receivable, gross	$ 231,475	$ 266,800

At September 30, 2008 and 2007, $117,496 and $110,181, respectively, in contributions receivable were due from a foundation which shares a common board member with the Institute. At September 30, 2008 and 2007, contributions receivable of $54,107 and $77,580, respectively, were due from this board member in the form of securities.

(Dollars in Thousands)

D. Investments

Investments consisted of the following at September 30, 2008 and 2007:

	2008	2007
Short-term investments	$ 63,877	$ 283,876
Government fixed income securities	28,793	143,307
Global fixed income securities	94,690	-
Corporate fixed income securities	75,860	104,146
Domestic equity securities	264,831	405,282
International equity securities	371,517	537,714
Investment agreements	-	46,007
Other investment funds	187,209	-
Alternative investments:		
Absolute return strategies	309,501	312,703
Private equity	190,854	179,841
Inflation hedges	281,825	287,424
Real estate mortgages, notes, and other investments	25,267	27,538
Total investments	$ 1,894,224	$ 2,327,838

On September 30, 2008, a manager of a short-term investment fund announced both the resignation of the fund's trustee and procedures for an orderly liquidation of the fund's holdings. At September 30, 2008, the Institute's investments in this fund totaled $187,209. These investments have been reclassified to "other investment funds" in the table above in order to reflect the fund's lack of short-term liquidity. The fund is carried at fair value and no impairment loss has been recorded. Subsequent to September 30, 2008 and through November 25, 2008, the Institute has received partial liquidation payments totaling approximately $103,007.

Investments were categorized as follows at September 30, 2008 and 2007:

	2008	2007
Investment pool	$ 1,617,486	$ 1,931,757
Separately invested endowments	46,834	45,453
Subtotal endowment investments	1,664,320	1,977,210
Trusts, annuities, and other	229,904	350,628
Total investments	$ 1,894,224	$ 2,327,838

(Dollars in Thousands)

Investment (loss)/return consisted of the following for the years ended September 30, 2008 and 2007:

	2008	2007
Interest and dividend income	$ 27,158	$ 41,100
Net realized gains	54,424	80,444
Net unrealized (depreciation)/appreciation	(389,742)	228,494
Total investment (loss)/return	$ (308,160)	$ 350,038

Consistent with volatility in financial markets, subsequent to September 30, 2008, the Institute experienced a significant decline in the value of its investments.

E. Deferred United States Government Billings

Deferred United States government billings consisted of the following liabilities at September 30, 2008 and 2007:

	2008	2007
Accumulated postretirement benefit obligation	$ 263,971	$ 276,821
Accrued vacation benefits	59,162	53,484
Other benefit liabilities	5,071	2,163
Total deferred United States government billings	$ 328,204	$ 332,468

The Institute’s contract with NASA provides for the reimbursement of certain employee benefit costs should the Institute’s contract to operate JPL ever be terminated. Therefore, the Institute has recorded deferred United States government billings related to the portion of its accumulated postretirement benefit obligation, accrued vacation, workers’ compensation, and pension benefit liabilities attributable to JPL, as the Institute expects to recover these amounts through future charges to JPL contracts. Although these deferred billing amounts may not be currently funded, and therefore may need to be funded as part of future NASA budgets, the Institute 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, 2008 and 2007:

	2008	2007
Land and land improvements	$ 49,591	$ 59,174
Buildings and building improvements	639,537	607,594
Equipment	479,376	452,172
Construction in progress	156,115	109,970
Less: accumulated depreciation	(524,328)	(479,977)
Property, plant, and equipment, net	$ 800,291	$ 748,933

Depreciation expense for the years ended September 30, 2008 and 2007 was $51,095 and $46,465, respectively.

(Dollars in Thousands)

G. Bonds and Notes Payable

Bonds and notes payable consisted of the following at September 30, 2008 and 2007:

Bonds Payable:	**2008**	**2007**
California Educational Facilities Authority (CEFA) revenue bonds:		
2006 Series A due October 2036, with variable interest rates reset weekly (6.75% and 3.76%, respectively)	$ 82,500	$ 82,500
2006 Series B due October 2036, with variable interest rates reset weekly (6.25% and 3.70%, respectively)	82,500	82,500
Series 1998 due October 2028, with interest at 4.25% (net of issue discount of $2,286 and $2,400, respectively)	48,279	48,165
Series 1998 due October 2027, with interest at 4.5% (net of issue discount of $2,410 and $2,530, respectively)	50,890	50,770
Series 1994 due January 2024, with variable interest rates reset weekly (6.75% and 3.76%, respectively)	30,000	30,000
Total bonds	294,169	293,935
Notes payable:		
Bank of America revolving bank credit facility expiring January 2011, with variable interest rates	-	-
Bank of America revolving bank credit facility expiring January 2010, with variable interest rates (3.85% at September 30, 2008)	50,000	-
Bank of New York Mellon 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% at September 30, 2007)	-	54,000
Total notes payable	50,000	54,000
Total bonds and notes payable	$ 344,169	$ 347,935

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

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

One of the Bank of America lines of credit and the Bank of New York Mellon money market loan program have individual limits of $50,000; the other Bank of America line of credit has an individual limit of $100,000; 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 Mellon 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, 2008:

Year Ending September 30	Amount
2009	$ 245,000
2010	-
2011	-
2012	-
2013	-
Thereafter	99,169
Total	$ 344,169

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.

H. Components of Net Assets

Temporarily restricted net assets were available for the following purposes at September 30, 2008 and 2007:

	2008	2007
Educational and research funds	$ 224,916	$ 253,413
Capital projects	82,917	108,751
Life income and annuity funds	25,428	35,058
Endowment and other funds functioning as endowment	56,470	59,898
Total temporarily restricted net assets	$ 389,731	$ 457,120

(Dollars in Thousands)

Permanently restricted net assets were available for the following purposes at September 30, 2008 and 2007:

	2008	2007
Student loan funds	$ 14,334	$ 16,367
Life income and annuity funds	38,847	44,626
Endowment and other funds functioning as endowment	608,865	558,478
Total permanently restricted net assets	$ 662,046	$ 619,471

I. Retirement Plans

The Institute's retirement plans cover substantially all of its employees. Except for a small number of former employees who participated in a defined benefit pension plan that was terminated in 1993 and who are covered by a successor defined benefit pension plan, the Institute provides a defined contribution retirement program for its qualified academic and administrative employees.

Contributions to defined contribution plans for the years ended September 30, 2008 and 2007 were $19,914 and $18,882, respectively, for the Institute and $61,368 and $58,173, 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 during the year ended September 30, 2007.

(Dollars in Thousands)

Certain financial information regarding the successor defined benefit plan was as follows for the years ended September 30, 2008 and 2007:

	2008	2007
Change in the benefit obligation:		
Benefit obligation at beginning of year	$ 4,729	$ 36,912
Service cost	42	48
Interest cost	292	1,034
Settlement loss	-	1,724
Settlement payments	-	(34,778)
Benefits paid	(75)	(1,655)
Actuarial (gain)/loss	(160)	1,444
Benefit obligation at end of year	$ 4,828	$ 4,729

The accumulated benefit obligation for the defined benefit pension plan was $4,809 and $4,703 at September 30, 2008 and 2007.

	2008	2007
Change in fair value of plan assets:		
Fair value of plan assets beginning of year	$ 1,573	$ 34,965
Actual return on plan assets	37	3,046
Employer contributions	894	-
Benefits paid	(75)	(1,655)
Settlement payments	-	(34,778)
Plan expenses	(3)	(5)
Fair value of plan assets	$ 2,426	$ 1,573

	2008	2007
Funded status at valuation date:		
Funded status	$ (2,402)	$ (3,156)
Employer contribution after measurement date	140	-
Net amount recognized at end of year	$ (2,262)	$ (3,156)

The accumulated benefit obligation is recognized in accounts payable and accrued expenses in the balance sheets. SFAS 158 requires that the Institute recognize changes in the benefit obligation that are not otherwise recognized in expense as an adjustment to other changes in unrestricted net assets. The adjustment for the Campus was an increase of $176 for the year ended September 30, 2008. The adjustment related to JPL was an increase of $26 for the year ended September 30, 2008, and is reflected in 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)

Upon initial 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 the 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 accounts payable and accrued expenses 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.

	2008	**2007**
Amounts recognized in unrestricted net assets:		
Net actuarial loss	$ 661	$ 863
Total amounts recognized as unrestricted net assets	$ 661	$ 863

Net periodic cost related to the plan for the years ended September 30, 2008 and 2007 included the following components:

	2008	**2007**
Service cost	$ 42	$ 48
Interest cost	292	1,034
Recognized actuarial loss	68	131
Settlement cost	-	6,169
Expected return on plan assets	(60)	(1,020)
Net periodic cost	$ 342	$ 6,362

(Dollars in Thousands)

Estimated contributions to the retirement plan in the next year are $1,194.

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

Year Ending September 30	Benefit Payments
2009	$ 291
2010	312
2011	310
2012	314
2013	346
2014-2018	2,402

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 18% equities, 77% fixed income and 5% cash. At September 30, 2008 and 2007, total retirement plan assets were invested as follows:

	2008	**2007**
Equity securities	17%	19%
Fixed income securities	81%	77%
Cash	2%	4%

The following weighted-average assumptions were used to determine the Institute's benefit obligations under the plan at September 30, 2008 and 2007:

	2008	**2007**
Discount rate	7.00%	6.30%
Expected return on plan assets	5.25%	5.75%
Long-term rate of compensation increase	4.00%	4.00%

To develop the expected long-term rate of return on assets, the Institute considers the historical returns and future expectations for each asset class, as well as the asset allocation of the retirement plan's investment portfolio. Estimated future return was based on expected returns for various asset categories. The evaluation of the historical and future returns resulted in the selection of 5.25% for the expected return on plan assets. Prior to the December 4, 2006 settlement the expected return on plan assets was at 7.00%.

(Dollars in Thousands)

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, 2008 and 2007:

	2008	2007
Discount rate	6.30%	6.00%
Expected return on plan assets	5.75%	5.75%
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. The change in the accumulated postretirement benefit obligation for this plan amendment during the year ended September 30, 2007 was $21,465.

Certain financial information regarding the plan was as follows for the years ended September 30, 2008 and 2007, and is based on a June 30 measurement date:

	2008	2007
Change in the accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of year	$ 361,972	$ 376,090
Service cost	11,353	11,754
Interest cost	22,341	22,408
Participant contributions	2,825	2,591
Plan amendments	-	(21,465)
Benefits paid	(16,115)	(14,729)
Actuarial gain	(38,117)	(14,677)
Benefit obligation at end of year	$ 344,259	$ 361,972

(Dollars in Thousands)

	2008	2007
Components of net periodic postretirement benefit cost:		
Service cost	$ 11,353	$ 11,754
Interest cost	22,341	22,408
Amortization of prior year service credit	(3,338)	(2,204)
Amortization of loss	834	1,939
Net periodic benefit cost	$ 31,190	$ 33,897

	2008	2007
Change in the fair value of plan assets:		
Employer contributions	$ 13,290	$ 12,138
Participant contributions	2,825	2,591
Benefits paid	(16,115)	(14,729)
Fair value of plan assets at end of year	$ -	$ -

The accumulated postretirement benefit obligation is recognized in accounts payable and accrued expenses in the balance sheets. SFAS 158 requires that the Institute recognize changes in the postretirement benefit obligation that are not otherwise recognized in expense as an adjustment to other changes in unrestricted net assets. The adjustment for the Campus was an increase of $10,383 for the year ended September 30, 2008. The adjustment related to JPL was $25,231 for the year ended September 30, 2008, and is reflected in 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.

Upon initial 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)

	2008	2007
Funded status at valuation date:		
Funded status	$ (344,259)	$ (361,972)
Net amount recognized at end of year	$ (344,259)	$ (361,972)

	2008	2007
Amounts recognized in the balance sheets:		
Accrued postretirement obligation	$ (344,259)	$ (361,972)
Employer contribution between measurement date and year end	3,411	3,125
Total amounts recognized in balance sheets	$ (340,848)	$ (358,847)

	2008	2007
Amounts recognized as changes in unrestricted net assets:		
Prior service credit	$ (26,077)	$ (29,414)
Net loss	7,322	46,273
Total amounts recognized in unrestricted net assets	$ (18,755)	$ 16,859

In 2009, an estimated prior service credit of $4,172 will be amortized from unrestricted net assets into the net periodic benefit cost.

The following weighted-average assumptions were used to determine the Institute's obligation under the plan at September 30, 2008 and 2007:

	2008	2007
Discount rate	7.10%	6.30%
Health care cost trend rate	9.00%	9.00%

(Dollars in Thousands)

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, 2008 and 2007:

	2008	2007
Discount rate	6.30%	6.25%
Health care cost trend rate	10.00%	12.00%

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

Year Ending September 30	Health Care Cost Trend Rate
2009	8.00%
2010	7.25%
2011	6.50%
2012	6.00%
2013	5.75%
2014	5.50%
2015	5.25%
2016 and thereafter	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	$ 6,365	$ (5,022)
Effect on accumulated postretirement benefit obligation	$ 47,446	$ (34,506)

In 2009, the Institute and its retirees are expected to contribute approximately $17,352, and $3,108, respectively.

Estimated future benefit payments are as follows:

Year Ending September 30	Benefit Payments
2009	$ 17,400
2010	18,800
2011	20,200
2012	21,400
2013	22,600
2014-2018	128,100

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 $39,703 and $60,515 at September 30, 2008 and 2007, respectively.

At September 30, 2008 and 2007, the Institute had outstanding commitments to invest $215,840 and $214,618, respectively, with alternative investment managers and/or limited partnerships over the next ten years.

The Institute's workers' compensation insurance carrier requires that the Institute maintain an unsecured letter of credit for outstanding claims that fall below certain deductible amounts. At September 30, 2008 and 2007, the amount of the letter of credit facility was $7,350. The letter of credit was not used during the years ended September 30, 2008 or 2007, and therefore no liability has been recorded in the balance sheets.

The Institute is currently providing funding for the operation of certain local water treatment facilities, subject to 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:

	2008	2007
Cash paid during the year for interest, net of amounts capitalized	$ 9,745	$ 13,743
Non-cash investing and financing activities:		
Securities lending	19,097	89,100
Securities and land received to satisfy pledge payments	3,918	51,931
Gifts of property, plant, and equipment	19,779	1,182
Accrued purchases of property, plant, and equipment at year end	6,730	6,745

California Institute of Technology
Schedule of Expenditures of Federal Awards
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2008

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		$ 14,759
Department of Commerce			
National Oceanic & Atmospheric Administration	11.431		137,900
National Institute of Standards and Technology	11	NB817030-8-32249	4,389
National Institute of Standards and Technology	11.609		2,909
Total Department of Commerce			145,198
Department of Defense			
Air Force	12	FA9550-07-1-0484	296,234
Air Force	12	FA9550-08-1-0049	100,509
Air Force	12.63		1,402,086
Air Force	12.8		4,041,964
Air Force	12.91		77,432
Army	12	W912HQ-04-C-0045	36,288
Army	12	W911NF-07-1-0632	236,414
Army	12	W911NF-04-1-0201	19,589
Army	12	W911NF-07-1-0063	88,937
Army	12.42		200,660
Army	12.431		2,614,645
Army	12.91		328,882
Defense Advanced Research Projects Agency	12	HR0011-06-C-0146	220,728
Defense Advanced Research Projects Agency	12	HR0011-04-1-0054	468,004
Defense Advanced Research Projects Agency	12.91		2,096,825
Navy	12	N00244-05-C-0066	4,261,313
Navy	12	N00173-05-P-0153	(23)
Navy	12	N00174-06-C-0052	700,783
Navy	12	N00014-00-1-0839	(311,569)
Navy	12.3		5,879,416
National Security Agency	12.901		18,649
National Geospatial-Intelligence Agency	12	HM1582-06-1-2022	101,003
National Geospatial-Intelligence Agency	12	HM1582-07-C-0024	72
National Geospatial-Intelligence Agency	12.63		267,144
Space and Naval Warfare System	12	N66001-07-1-2039	283,241
Space and Naval Warfare System	12.91		979,424
Space and Naval Warfare System	12		(2,899)
Total Department of Defense			24,405,751
Department of Education			
Department of Education	84.116		225

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2008

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 Energy			
Department of Energy	81	DE-FC26-04NT15521	$ (183,328)
Department of Energy	81	DE-FC26-04NT15525	(256,920)
Department of Energy	81	DE-FC26-04NT42212	(99,078)
Department of Energy	81	DE-FC36-04GO14276	181,293
Department of Energy	81	DE-FC52-06NA27319	95,984
Department of Energy	81	DE-FC52-08NA28613	759,024
Department of Energy	81	DE-FG02-03ER15483	21,129
Department of Energy	81	DE-FG02-03ER46055	42,427
Department of Energy	81	DE-FG02-03ER63584	(257)
Department of Energy	81	DE-FG02-04ER25657	35,127
Department of Energy	81	DE-FG02-04ER41316	14,498
Department of Energy	81	DE-FG02-04ER46175	100,516
Department of Energy	81	DE-FG02-04ER54755	2,447
Department of Energy	81	DE-FG02-05ER15716	266,786
Department of Energy	81	DE-FG02-05ER15754	223,689
Department of Energy	81	DE-FG02-05ER41359	1,134,563
Department of Energy	81	DE-FG02-05ER41361	7,834
Department of Energy	81	DE-FG02-05ER63983	187,234
Department of Energy	81	DE-FG02-06ER15762	275,117
Department of Energy	81	DE-FG02-06ER15773	179,176
Department of Energy	81	DE-FG02-06ER41427	80,981
Department of Energy	81	DE-FG02-06ER64310	171,882
Department of Energy	81	DE-FG02-07ER64410	303,096
Department of Energy	81	DE-FG02-07ER64484	80,023
Department of Energy	81	DE-FG02-08ER15933	78,646
Department of Energy	81.049		843,706
Department of Energy	81.064		6,320,535
Department of Energy	81.087		506,468
Department of Energy	81.112		326,632
Total Department of Energy			11,699,230
Department of Homeland Security			
Homeland Security Advanced Research Projects Agency	97	HSHQPA-05-9-0037	85,849
Homeland Security Advanced Research Projects Agency	97	HSHQDC-08-C-0038	163,208
Homeland Security Advanced Research Projects Agency	97.077		528,550
Total Department of Homeland Security			777,607

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Direct Funds (Continued)			
Department of Health and Human Services			
National Institutes of Health	93	R01 GM085371	$ 22,377
National Institutes of Health	93	F32 GM080843	28,095
National Institutes of Health	93	F32 GM076920	53,153
National Institutes of Health	93	F32 GM078734	26,942
National Institutes of Health	93	F32 GM079967	33,667
National Institutes of Health	93	F32 GM077014	42,699
National Institutes of Health	93.121		35,431
National Institutes of Health	93.172		3,827,607
National Institutes of Health	93.173		499,680
National Institutes of Health	93.242		725,384
National Institutes of Health	93.279		2,312,863
National Institutes of Health	93.286		1,947,984
National Institutes of Health	93.31		222,019
National Institutes of Health	93.389		614,899
National Institutes of Health	93.393		6,000
National Institutes of Health	93.396		557,115
National Institutes of Health	93.398		107,122
National Institutes of Health	93.821		171,747
National Institutes of Health	93.837		2,958
National Institutes of Health	93.839		645,492
National Institutes of Health	93.846		46,270
National Institutes of Health	93.847		297,581
National Institutes of Health	93.849		427,375
National Institutes of Health	93.853		5,837,920
National Institutes of Health	93.855		1,324,873
National Institutes of Health	93.856		432,675
National Institutes of Health	93.859		9,857,603
National Institutes of Health	93.862		41,707
National Institutes of Health	93.865		1,585,929
National Institutes of Health	93.866		1,037,063
National Institutes of Health	93.867		15,816,023
Total Health and Human Services			48,588,253
Department of the Interior			
Department of the Interior	15	NBCHC070046	58,397
Department of the Interior	15	TBD	(96,721)
Department of the Interior	15	NBCHC070007	321,306
Department of the Interior	15	NBCH1050001	866,922
United States Bureau of Reclamation	15	06PG400222	8,263
United States Geological Survey	15	08HQGR0030	19,035
United States Geological Survey	15	07WRSA0582	25,974
United States Geological Survey	15.807		1,318,212
United States Geological Survey	15.808		18,580
Total Department of Interior			2,539,968

The accompanying notes are an integral part of this Schedule.

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Contract Number	Federal Expenditures
MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Direct Funds (Continued)			
Environmental Protection Agency			
United States Environmental Protection Agency (EPA)	66	FP - 91634901-0	$ 1,486
United States Environmental Protection Agency (EPA)	66	F4B11590	7,779
United States Environmental Protection Agency (EPA)	66	FP - 91687601-0	14,039
United States Environmental Protection Agency (EPA)	66.509		92,369
Total Environmental Protection Agency			115,673
National Aeronautics and Space Administration (NASA)			
NASA	43		22,702,816
National Endowment for the Humanities			
National Endowment for the Humanities	45.161		9,278
National Science of Foundation			
National Science Foundation	47	DMS-0555755	10,202
National Science Foundation	47	AST-0502381	4,814
National Science Foundation	47	CHE-0639094	167,827
National Science Foundation	47	DMS-0603606	2,497
National Science Foundation	47	636097	92,261
National Science Foundation	47	DGE-0703267	2,566,338
National Science Foundation	47	DMS-0703817	4,499
National Science Foundation	47	EAR-0405437	75,951
National Science Foundation	47	EAR-0610115	48,417
National Science Foundation	47	ATM-0454428	46,611
National Science Foundation	47	DBI-0610425	1,720
National Science Foundation	47	CHE-0415745	4,603
National Science Foundation	47.041		1,459,891
National Science Foundation	47.049		56,482,662
National Science Foundation	47.05		4,775,196
National Science Foundation	47.07		2,845,479
National Science Foundation	47.074		3,037,266
National Science Foundation	47.075		437,606
National Science Foundation	47.076		(16,618)
National Science Foundation	47.078		657,417
National Science Foundation	47.08		65,226
Total National Science Foundation			72,769,865
Total Research and Development - Direct Funds			183,768,623
Pass-Through Funds			
Department of Commerce			
Massachusetts Institute of Technology	11.417	5710002367	14,280

The accompanying notes are an integral part of this Schedule.

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MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Defense			
Air Force			
ERC, Inc.	12	RS070364	$ 64,035
ERC, Inc.	12	RS070716	258,061
Georgia Institute of Technology	12.63	E-25-6MV-G2	118,100
Intelligent Optical Systems, Inc.	12.8	AF-3162-Biomarker	129,662
Kettering University	12	330144-01	41,191
Massachusetts Institute of Technology	12.8	5710002025	131,654
Massachusetts Institute of Technology	12.8	5710002074	170,010
Massachusetts Institute of Technology	12.8	5710001972	82,060
New Mexico Institute of Mining and Technology	12.114	P0005159	130,431
Northrop Corporation	12	2665226	110,146
Tanner Research, Inc.	12.8	TANNER.FOCARDI	5,099
Teledyne Scientific & Imaging, LLC	12	B7U520660	6,188
Total Air Force Pass-Through			1,246,637
Army			
BAE Systems Inc.	12	04509-6045	85,366
BAE Systems Inc.	12	316092	62,571
Lewis Center for Educational Research	12	LEWIS.RADIO	175,459
North Carolina State University	12.431	2007-0299-01	153,658
Stanford University	12.431	18882730-37362-A	109,474
Stanford University	12.431	28000-B	111,921
Superprotonic, Inc	12	200800449	5,399
Tanner Research, Inc.	12	W31P4Q-06-C-0462	100,000
The Scripps Research Institute	12.42	5-75525	6,532
University of California Los Angeles	12	1000 G FC338	(1,367)
University of California Santa Barbara	12	KK4102	1,468,034
University of Chicago	12	28065-2	297,639
University of Massachusetts	12	S1310878AN00006	1,536
Total Army Pass-Through			2,576,222
Central Intelligence Agency			
MITRE Corporation	12	67233	115,528
Navy			
Colorado School of Mines	12	4-42517	213,523
BAE Systems Inc.	12	69144	70,583
Liquidmetal Technologies, Inc.	12	ONR06-0566-22	275,161
nLight Photonics	12	AY.NLIGHT.0NR2	142,517
Princeton University	12.3	916	86,723
Princeton University	12.3	1328	88,570
Stanford University	12.3	PY-1905	84
Thaerocomp Technical Corporation	12.3	THAEROC.NAVAIR	27,582
Tanner Research, Inc.	12	Goodwin N00164-07-C-8553	62,751
University of California San Diego	12	10275845	105,749
University of Pennsylvania	12	550162	57,795
University of Washington	12	756206	102,795
Total Navy Pass-Through			1,233,833

The accompanying notes are an integral part of this Schedule.

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MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Defense Advanced Research Projects Agency			
BAE Systems Inc.	12	04487-6066/060783	$ 108,114
Carnegie Mellon University	12	1040271-202926	62,108
Georgia Institute of Technology	12	B-12-M06-S21	25,616
Hewlett Packard	12	HR0011-04-3-0038	7,912
HRL Laboratories, LLC	12	800294-BS	28,726
Johns Hopkins University	12	908165	329,063
Massachusetts Institute of Technology	12	5710001623	151,272
MicroPropulsion Corp	12	7015-000-00004	85,994
Raytheon	12	4400164414	243,914
Telaris Inc	12	Prime DARPA HR0011-06-C-0029	(1,146)
University of California Los Angeles	12	0160 S HE179	120,233
University of California Santa Barbara	12	KK8101	437,480
University of Notre Dame	12	201292	2,874
University of Southern California	12	USC.NSACENTER	40,500
University of Washington	12.91	130288	90,304
University of Washington	12	302251	(11,141)
Total Defense Advanced Research Projects Agency - Pass-Through			1,721,823
Total Department of Defense Pass-Through			6,894,043
Department of Energy			
Argonne National Laboratory	81	7F-01321	257,445
BSST LLC	81	04-DOE930-126	7,772
Carnegie Institute	81	4-3327-30	32,929
Deep Web Technologies, LLC	81	2	60,865
Fermilab National Accelerator Laboratory	81	547138	(71,726)
Fermilab National Accelerator Laboratory	81.064	570788	3,708
Fermilab National Accelerator Laboratory	81.064	PO-512929/554897	42,639
General Electric Company	81	700157109	97,626
Georgia Institute of Technology	81.049	E-17-6F8-G1	18,467
Lawrence Berkeley National Laboratory	81	6808360	36,187
Lawrence Berkeley National Laboratory	81	6808461	232,908
Lawrence Berkeley National Laboratory	81	6843187	720,215
Lawrence Livermore National Laboratory	81	B523297	2,617,168
Lawrence Livermore National Laboratory	81	B566288	34,726
Los Alamos National Laboratory	81.064	36992-001-06	57,928
Los Alamos National Laboratory	81.064	52187-001-07	128,140
Los Alamos National Laboratory	81.064	55549-001-07	179,300
Los Alamos National Laboratory	81.064	65287-001-08	46,310
National Renewable Energy Laboratory	81.064	AAT-2-31605-01	(4,130)
National Renewable Energy Laboratory	81.064	XAT-4-33624-10	1,006
Oak Ridge National Laboratory	81	4000068639	49,030
Oak Ridge National Laboratory	81	4000072624	15,492
Project Assistance Corporation	81	ORP-CAL001	483,451
Sandia National Laboratories	81	523348	41,098
Sandia National Laboratories	81	64992	(3,603)
Sandia National Laboratories	81	757212	26,080
Texas Tech University	81.049	1310/C122-01	131,731
University of California Davis	81.121	Sub0700277	25,360
University of Nevada	81.065	UNR-04-50	59,866
Washington University in St. Louis	81	WU-HT-06-06	97,603
Total Department of Energy Pass-Through			5,425,591

The accompanying notes are an integral part of this Schedule.

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MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Homeland Security			
Smiths Detection	97	2998	$ 654,910
Department of Health and Human Services			
National Institutes of Health			
Brown University	93.286	1545-27564	38,919
Cornell University	93	CORNELL.TEXTPR	121,011
Duke University	93.396	07-SC-NIH-1008	84,662
Exploratorium	93	3428	58,895
Georgia Institute of Technology	93.867	R7747-G5	133,092
Harvard University	93.903	137374	90,822
Indiana University	93	39510-0048	140,230
Jackson Laboratory	93	596766	48,785
Jackson Laboratory	93	614087	73,679
Lawrence Berkely National Laboratory	93	6822728	195,587
Loma Linda University	93	LLU.SUBNIH	117,508
Massachusetts Institute of Technology	93.242	5710001655	(7,017)
Princeton University	93.859	1207	145,611
Purdue University	93.856	4102-16339	102,088
Stanford University	93.172	2170860-40259-A	1,211,959
Stanford University	93.172	15115640-33752-A	17,749
Stanford University	93.172	17222070-35910-B	255,211
Stanford University	93.172	18536290-29224-A	1,326
The Scripps Research Institute	93.859	5-20765	(1,476)
The Scripps Research Institute	93	5-20895	59,430
The Scripps Research Institute	93	5-20795	4,833
The Scripps Research Institute	93	5-20938	80,240
University of California San Diego	93	10278089	21,202
University of California Irvine	93.309	2003-1306	6,474
University of California Irvine	93.856	2005-1597	92,935
University of California Irvine	93.856	2006-1763	78,667
University of California Los Angeles	93.847	0150 G FB197	13,476
University of California Los Angeles	93.389	1580 G GF778	36,468
University of Cincinnati	93.389	20309	147,392
University of Kansas Center for Research, Inc	93	QL814610	12,618
University of North Carolina	93.242	5-34854	190,347
University of Pittsburg	93.853	2172	21,195
University of Puerto Rico	93.867	2007-001005	51,444
University of Puerto Rico	93	2008-001236	61,353
University of Southern California	93.855	110512	43,130
University of Southern California	93	H37793	354,051
University of Southern California	93.855	119937	107,871
University of Southern California	93.395	H36051	96,948
University of Southern California	93.113	H38625	14,674
University of Texas Southwestern Medical Center	93	Cons. Agmt. dated 12/7/00	344,289
University of Utah	93.859	10003198-02	356,064
Vanderbilt University	93	VUMC 33486-R	96,738
Yeshiva University	93	9-526-2247	25,293
Total National Institutes of Health Pass-Through			5,145,773
Total Department of Health and Human Services Pass-Through			5,145,773

The accompanying notes are an integral part of this Schedule.

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MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
Department of Interior			
United States Geological Survey (USGS)			
University of Southern California	15.807	119938	$ 189,122
Department of State			
Nat'l Council For Eurasion And E European Research	19.3	821-11	8,029
Environmental Protection Agency (EPA)			
Harvard University	66.509	122769-01	41,587
Harvard University	66	123392	2,228
University of Houston	66.606	R-05-0307	55,820
Total EPA Pass-Through			99,635
National Aeronautics and Space Administration (NASA)			
Carnegie Institution of Washington	43	7-3153-01	2,816
Case Western Reserve University	43	RES502973	15,431
Harvard University	43	131066-01	2,696
Harvard University	43	131111	16,082
Harvard University	43	131131-01	817
Johns Hopkins University	43	911356	6,169
Johns Hopkins University	43	933173	31,171
Johns Hopkins University	43	935801	19,589
Lockheed Martin Corporation	43	8100000206	10,826
Monterey Bay Aquarium Research Institute	43	512953	58,443
National Space Biomedical Research Institute	43	NCC-9-58-317	148,594
National Space Biomedical Research Institute	43	TD01301	211,747
New Mexico State University	43	P0051129	96,347
Smithsonian Astro	43	DD8-9043X	8,115
Smithsonian Astro	43	GO5-6060C	12,684
Smithsonian Astro	43	GO5-6072X	(879)
Smithsonian Astro	43	GO6-7067A	17,924
Smithsonian Astro	43	GO6-7099X	12,489
Smithsonian Astro	43	GO6-7135A	35,676
Smithsonian Astro	43	GO-7065A	9,313
Smithsonian Astro	43	GO7-8065X	35,078
Smithsonian Astro	43	GO7-8074X	21,281
Smithsonian Astro	43	GO7-8106X	33,825
Smithsonian Astro	43	GO7-8138B	47,255
Smithsonian Astro	43	GO8-9027X	10,392
Smithsonian Astro	43	GO8-9104X	2,447
Smithsonian Astro	43	GO8-9132B	19,141
Southwestern Research Institute	43	699001X	36,366
Southwestern Research Institute	43	699047X	25,086
Southwestern Research Institute	43	699048X	56,648
Southwestern Research Institute	43	699049X	26,900
Southwestern Research Institute	43	799152BT	11,416
Space Telescope Science Institute	43	HST-AR-10964.01-A	6,126
Space Telescope Science Institute	43	HST-AR-11241.06-A	10,250
Space Telescope Science Institute	43	HST-AR-11261.01-A	10,097
Space Telescope Science Institute	43	HST-GO-09822.01-A	27,251
Space Telescope Science Institute	43	HST-GO-10119.08-A	3,007
Space Telescope Science Institute	43	HST-GO-10403.10-A	18,342
Space Telescope Science Institute	43	HST-GO-10405.04-A	35,702
Space Telescope Science Institute	43	HST-GO-10487.05-A	12,493

The accompanying notes are an integral part of this Schedule.

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MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA) (Continued)			
Space Telescope Science Institute	43	HST-GO-10504.01-A	$ 956
Space Telescope Science Institute	43	HST-GO-10521.01-A	96,197
Space Telescope Science Institute	43	HST-GO-10551.01-A	54,949
Space Telescope Science Institute	43	HST-GO-10624.08-A	1,598
Space Telescope Science Institute	43	HST-GO-10793.01-A	25,483
Space Telescope Science Institute	43	HST-GO-10810.07-A	3,987
Space Telescope Science Institute	43	HST-GO-10811.05-A	2,941
Space Telescope Science Institute	43	HST-GO-10818.01-A	46,300
Space Telescope Science Institute	43	HST-GO-10840.03-A	3,987
Space Telescope Science Institute	43	HST-GO-10858.01-A	2,884
Space Telescope Science Institute	43	HST-GO-10860.01-A	31,484
Space Telescope Science Institute	43	HST-GO-10872.01-A	50,838
Space Telescope Science Institute	43	HST-GO-10881.01-A	24,102
Space Telescope Science Institute	43	HST-GO-10908.07-A	8,718
Space Telescope Science Institute	43	HST-GO-10908.17-A	7,559
Space Telescope Science Institute	43	HST-GO-10917.07-A	14,062
Space Telescope Science Institute	43	HST-GO-10999.01-A	2,518
Space Telescope Science Institute	43	HST-GO-11104.01-A	18,106
Space Telescope Science Institute	43	HST-GO-11120.06-A	19,685
Space Telescope Science Institute	43	HST-GO-11142.01-A	8,685
Space Telescope Science Institute	43	HST-GO-11142.06-A	25,016
Space Telescope Science Institute	43	HST-GO-11149.02-A	1,810
Space Telescope Science Institute	43	HST-GO-11151.01-A	84,205
Space Telescope Science Institute	43	HST-GO-11157-05-A	1,644
Space Telescope Science Institute	43	HST-GO-11160.01-A	23,502
Space Telescope Science Institute	43	HST-GO-11161.06-A	13,272
Space Telescope Science Institute	43	HST-GO-11169.01-A	23,626
Space Telescope Science Institute	43	HST-GO-11174.01-A	3,752
Space Telescope Science Institute	43	HST-HF-01201.01-A	87,201
Space Telescope Science Institute	43	HST-HF-01205.01-A	93,675
Space Telescope Science Institute	43	HST-HF-01212.01-A	81,659
Universities of Space Research Association	43	08521-01	38,232
University of California Berkeley	43	SA2715-23609	439,434
University of California Berkeley	43	SA5155-11047	10,540
University of California Los Angeles	43	0150 G DB006/0150 G GB239	60,447
University of California Los Angeles	43	0995 G FB200	9,281
University of California Santa Cruz	43	S0179865	6,170
University of Maryland	43	5553	8,377
University of Space Research	43	8500-98-011	834,665
University of Washington	43	298306	6,827
Total National Aeronautics and Space Administration Pass-Through			3,443,527
National Science Foundation			
Association of Universities for Research in Astronomy	47.049	C10582A	26,800
California Association For Research In Astronomy	47.049	PO 24565	617,705
California State University Los Angeles	47.049	DMR-0351848-UAS-220995	37,328
Case Western Reserve University	47.041	RES501728	173,982
Columbia University	47.07	556789	13,481
Columbia University	47.07	570611	71,045
Columbia University	47.049	One(1)	114,406
Cornell University	47.049	46514-8592	104,275

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MAJOR PROGRAMS (CONTINUED)			
Research and Development Program (Continued)			
Pass-Through Funds (Continued)			
National Science Foundation (Continued)			
Fermilab National Accelerator Laboratory	47.049	573837	$ 47,872
Florida International University	47	144300503-01	158,225
Florida International University	47.049	571275900-01	(24,612)
Howard University	47	634177-H017357	307,492
Incorporated Research Institute For Seismology	47	05-GSN	19,987
Incorporated Research Institute For Seismology	47	473	30,458
Johns Hopkins University	47.049	8205-53652	302,520
Large Synoptic Survey Telescope Corporation	47	C44031L	66,226
Large Synoptic Survey Telescope Corporation	47	C44040L	19,297
LC Vision, LLC	47.041	CALTECH-0741216	21,183
Massachusetts Institute of Technology	47.049	5710001593	68,640
Massachusetts Institute of Technology	47.04	5710002280	26,240
National Radio Astronomy Observatory	47	308834	1,166
National Radio Astronomy Observatory	47	315060	288
National Radio Astronomy Observatory	47	GSSP07-0021	32,497
New Jersey Institute	47	990715	11,091
New Jersey Institute	47.049	990774	134,926
New York University	47	F6030-01	413,308
UNAVCO Inc.	47.05	EAR-0453975-02	21,661
University of Arizona	47	PO Y410698	9,812
University of California Berkeley	47.074	SA1425-1011PG	44,573
University of California Berkeley	47.041	SA4591-10349PG	147,967
University of California Irvine	47.074	2003-1310	497,629
University of California Los Angeles	47	0143 G DB034	139,565
University of California Los Angeles	47.049	1000 G GB150	494,548
University of California Los Angeles	47.049	1000 G GB581	257,561
University of California Los Angeles	47.049	1000 G HD871	799,841
University of California Riverside	47.041	S-00065	115,100
University of California Santa Cruz	47	S0180970	69,978
University of California Santa Cruz	47.049	S0181009	11,296
University of Chicago	47.049	30085-B	122,052
University of Chicago	47.07	30193-A	290,861
University of Chicago	47.049	32572	151,838
University of Delaware	47.07	8307	49,350
University of Florida	47.049	UF01087	(8,039)
University of Georgia	47.041	RR185-313/7877497	27,585
University of Illinois	47.041	2003-07452-1	71,374
University of Iowa	47.05	4000088270	17,480
University of Southern California	47.05	76824	(1,330)
University of Southern California	47.041	100809	62,916
University of Southern California	47.041	H31068	490,962
University of Washington	47		52,103
University of Wisconsin	47.049	647F205	175,124
University of Wisconsin-Milwaukee	47.049	K083644	63,467
Total National Science Foundation - Pass-Through Funds			6,971,100
Total Research and Development - Pass-Through Funds			28,846,010
Total Research and Development Program			212,614,633
Total Major Programs			212,614,633

The accompanying notes are an integral part of this Schedule.

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NON-MAJOR PROGRAMS			
Student Financial Assistance Cluster			
Direct Funds			
Department of Education			
Federal Work Study Program	84.033		$ 504,911
Federal Supplemental Educational Opportunity Grant	84.007		456,209
Federal Pell Grant Program	84.063		369,881
Academic Competitiveness Grant and National SMART Grant	84.376		121,409
Total Student Financial Assistance Cluster			1,452,410
Pass-Through Funds			
Department of Education			
California Student Aid Commission Cal Grants	84.069A		6,794
Total Department of Education Pass-Through Funds			6,794
Total Non-Major Programs			1,459,204
Total Federal Awards			$ 214,073,837

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Notes to Schedule of Expenditures of Federal Awards
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1. Summary of Significant Accounting Policies

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

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared 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, 2008, except those related to the Jet Propulsion Laboratory ("JPL") (a Federally Funded Research and Development Center managed by the California Institute of Technology), as discussed below. Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Institute in accordance with accounting principles generally accepted in the United States of America.

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

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

The Institute receives funding or reimbursement from Federal Government agencies primarily for research under government grants and contracts. Grants and contracts provide for reimbursement of indirect costs based on rates negotiated with the Department of Defense's Office of Naval Research ("ONR"), the Institute's cognizant federal agency. The Institute's indirect cost reimbursements traditionally have been based on fixed rates with carry forward of under- or over-recoveries. However, the Institute's FY2008 indirect cost reimbursements were based on a predetermined rate. ONR engages the Defense Contract Audit Agency ("DCAA") to audit both direct and indirect charges to the Institute's grants and contracts. ONR has approved final indirect cost rates through September 30, 2006. In addition, ONR has approved a fixed with carryforward rate for FY2009. Actual incurred costs for the year ended September 30, 2007 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. Revision 11 to the Disclosure Statement has been submitted by the Institute and is currently being reviewed by DCAA. All amendments and updates through Revision 9 have been approved by ONR.

1. Summary of Significant Accounting Policies (Continued)

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

2. Loan Advances

During the year ended September 30, 2008, the Institute advanced loans totaling $620,168 for the Federal Perkins Loan Program (CFDA Number 84.038). The outstanding balance at September 30, 2008 was $4,207,304. The Federal Perkins Loan Program is administered directly by the Institute. Balances and transactions related to this program are included in the Institute's financial statements. The Institute charged $73,569 of administrative cost allowance to the Federal Perkins Loan Program for the year ended September 30, 2008.

3. Federal Direct Loan Program

During the year ended September 30, 2008, the Institute processed $961,729 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, 2008, the Institute transferred $114,366 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 Carryforwards

During the year ended September 30, 2008, the Institute spent $55,079 of FWS funds which were carried forward from the year ended September 30, 2007. During the year ended September 30, 2008, the Institute carried forward $14,679 of FWS funds which are to be spent during the year ended September 30, 2009. 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	$	1,375,415
Army Research Office		759,042
Defense Advanced Research Projects Agency		917,051
Office of Naval Research		2,245,995
National Geospatial-Intelligence Agency		99,256
		5,396,758
Department of Energy		
Department of Energy		320,019
Lawrence Livermore National Laboratory		251,063
		571,082
Department of Health and Human Services		
National Institutes of Health		6,724,158
Department of Homeland Security		
Department of Homeland Security		306,770
Department of Interior		
Department of Interior		83,506
National Aeronautics & Space Administration		
National Aeronautics & Space Administration		2,561,439
Universities Space Research Association		10,106
		2,571,545
National Science Foundation		
National Science Foundation		5,623,144
Total Amount Provided to Subrecipients	$	21,276,962

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

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

To the Board of Trustees of
California Institute of Technology

We have audited the financial statements of the California Institute of Technology (the "Institute") as of and for the year ended September 30, 2008, and have issued our report thereon dated January 27, 2009. 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 and other postretirement and postemployment benefit obligations for the year ended September 30, 2007. 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.

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Compliance and Other Matters

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

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

PricewaterhouseCoopers LLP

January 27, 2009

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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 of
California Institute of Technology

Compliance

We have audited the compliance of California Institute of Technology (the "Institute") with the types of compliance requirements described in the 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, 2008, 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 the California Institute of Technology), which incurred $1,766,624,000 in federal expenditures which is not included in the Institute's schedule of federal expenditures for the year ended September 30, 2008. 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 pursuant to Section 200(e) of OMB Circular A-133 and is, therefore, out 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 of the Institute's compliance with those requirements.

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, 2008. The results of our auditing procedures disclosed other instances of noncompliance 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 08-1.

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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 the 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 11, 2009

California Institute of Technology
Independent Auditors' Schedule of Findings and Questioned Costs
For the Year Ended September 30, 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, 2008, 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, sufficient coverage was obtained by testing the Research and Development cluster, and since the Institute is a low risk auditee. The Student Financial Aid cluster will be tested during the year ending September 30, 2009.

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

<u>Finding 08-01: Timeliness of financial reporting for federal awards</u>

Identification of programs affected by the finding
Award Contract Number: N66001-08-1-2043 and NBCH1050001
Sponsoring Agency: Space and Naval Warfare System and Department of Interior
CFDA #: 12.910 and 15.000
Award #: SNWS.TBN and DOI.MGA
Award Year: FY2008

Criteria
Based on OMB Circular A-110, .52 (a)(1)(iv), the SF-269 Financial Status Report shall be required to be submitted no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for annual and final reports. Extension of reporting due dates may be approved by the Federal awarding agency upon request of the recipient.

Based on OMB Circular A-110, .52(a)(2)(iv), the SF-272 Report of Federal Cash Transaction shall be required to submit not more than the original and two copies of the SF-272 15 calendar days following the end of each quarter. The Federal awarding agencies may require a monthly report from those recipients receiving advances totaling $1 million or more per year.

Additionally, based on the review of the award agreements for the Space and Naval Warefare System ("SNWS") and Department of Interior ("DOI"), the financial reports related to the program are due within 10 to 15 working days following the end of each quarter.

Condition
Based on testing of the Institute's compliance with respect to Reporting under Circular OMB A-133, it was noted that for the Financial Status Report ("Form 269") and Federal Cash Transaction Report ("Form 272") selected for testing for SNWS relating to the quarter ended June 30, 2008, and for DOI relating to the year ended December 31, 2007, respectively, were not submitted to the award agencies until December 2008. This represented a 6-months and 12-months delay after the reporting period for the SNWS and DOI awards, respectively. In addition, the reports for the DOI awards were not submitted to the awarding agency between the years 2005 and 2008.

The Institute is not in compliance with the requirements set forth in the OMB Circular A-133 with respect to Reporting, which requires that a report should be submitted on a timely basis in accordance with the award agreements. Additionally, the Institute is not complying with the reporting requirements set forth under the award agreement.

Our initial sample was 10 reports, which yielded two late reports. However, based upon reviewing all remaining reports, no additional errors were found.

Questioned Costs
Not Applicable. Audit finding pertains to noncompliance with the reporting requirements set forth under OMB Circular A-133.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Cause
Noted that the following were the causes for the delay in the submission of the required financial reports:

1. Space and Naval Warfare System

Based on the award agreement, the SNWS award tested had an award begin date of May 21, 2008, where by the award file maintained by the Institute's Office of Sponsored Research indicated a requirement of Form 269 submission on a quarterly basis. Since the Institute's Project Accounting was not aware that a Form 269 is to be submitted for June 30, 2008, as the award had only been in effect for approximately one month at that point in time, the June and September quarterly reports were not submitted until November 18, 2008, when a correspondence was received from SNWS requesting the quarterly progress report.

2. Department of Interior

During the review of the award agreement and award summary by the Institute's Project Accounting, the requirement of Form 272 submission was erroneously overlooked. As such, Form 272 was not submitted for the year 2005 - 2008 until December 2008. During 2008, the new Project Accounting Director performed additional review of the award agreement noting that the financial report submission is indeed required, and as such, subsequently filed all required Form 272 during December 2008 for the years 2005 through 2008.

Effect
As the Institute did not submit the financial reports in a timely manner, in accordance with the award agreement, the Institute is not meeting its contractual obligations, and could potentially affect the funding of the federal awards or any future relationship with the awarding agency.

Recommendation
During the set up of a federal award by the Institute's Office of Sponsored Research, a thorough review of the award agreement and related supplemental agreements (e.g. statement of work) should be performed. A tickler file should also be set up indicating the reporting requirement of various awards. The Institute's Project Accounting, upon receiving the award information, should also verify the required reporting information. The various level of review can ensure that the required reporting is properly addressed to the parties involved in the preparation of the reports. Additionally, the tickler file can assist the Institute by providing a master listing of required reporting; and it can also provide advanced notice to the various departments in preparation of the report submissions.

California Institute of Technology
Summary Schedule of Prior-Year Audit Findings and Questioned Costs
For the Year Ended September 30, 2008

Prior Year Findings

Finding 07-1 Allowable Costs

Condition

Based on testing of direct charges, there was a charge which 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).

Current Status

The incorrect charge was refunded in the prior year.

Project Accounting includes a review of all "food" expenditure type charges for allowability and allocability as part of a monthly review of higher risk expenditure types charged to federal awards.

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

CALIFORNIA INSTITUTE OF TECHNOLOGY

Pasadena, California 91125

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Financial Services Administration Building, Mail Code 105-15
626-395-3937

June 9, 2009

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 2008

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, 2008.

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

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Fiscal Year 2008

Finding Number	Condition	Management's Views and Corrective Action Plan	Responsible Individual	Planned Completion Date
8.1	Based on testing of the Institute's compliance with respect to Reporting under Circular OMB A-133, it was noted that for the Financial Status Report ("Form 269") and Federal Cash Transaction Report ("Form 272") selected for testing for SNWS relating to the quarter ended June 30, 2008, and for DOI relating to the year ended December 31, 2007, respectively, were not submitted to the award agencies until December 2008. This represented a 6-months and 12-months delay after the reporting period for the SNWS and DOI awards, respectively. In addition, the reports for the DOI awards were not submitted to the awarding agency between the years 2005 and 2008. The Institute is not in compliance with the requirements set forth in the OMB Circular A-133 with respect to Reporting, which requires that a report should be submitted on a timely basis in accordance with the award agreements. Additionally, the Institute is not complying with the reporting requirements set forth under the award agreement. Our initial sample was 10 reports, which yielded two late reports. However, based upon reviewing all remaining reports, no additional errors were found.	The requirement for clear identification and subsequent monitoring of financial reporting requirements related to federal awards has been reinforced at Research Administration staff meetings (both the pre and post award offices). In addition, a tickler file is being developed that will track non-standard financial reporting requirements.	AVP Research Administration	March 2010