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, 2012

California Institute of Technology
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For the Year Ended September 30, 2012

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Report of Independent Auditors

To the Board of Trustees of the
California Institute of Technology

In our opinion, the accompanying balance sheets and related statements of activities and cash flows present fairly, in all material respects, the financial position of California Institute of Technology (the "Institute") as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Institute’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2013 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended September 30, 2012. 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 financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, on the basis of accounting described in Note 1, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

January 25, 2013

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California Institute of Technology
Balance Sheets
At September 30, 2012 and 2011
(Dollars in Thousands)

	2012	2011
ASSETS		
Cash and cash equivalents (Notes B and D)	$ 10,982	$ 18,026
Advances and deposits	6,038	9,293
Accounts and notes receivable, net		
United States government	198,136	178,161
Other	22,940	28,722
Contributions receivable, net	83,602	72,321
Investments	2,245,694	1,798,264
Prepaid expenses and other assets	98,315	81,017
Deferred United States government billings	575,724	507,230
Property, plant, and equipment, net	873,768	859,373
Total assets	$ 4,115,199	$ 3,552,407
LIABILITIES and NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 291,426	$ 235,829
Accrued compensation and benefits	161,026	168,095
Deferred revenue and refundable advances	30,328	26,805
Annuities, trust agreements, and agency funds	79,505	71,682
Bonds and notes payable	709,571	439,648
Accumulated postretirement benefit obligation	662,904	567,670
Total liabilities	1,934,760	1,509,729
Commitments and contingencies (Note L)		
Net assets:		
Unrestricted	589,949	593,331
Temporarily restricted	686,637	634,874
Permanently restricted	903,853	814,473
Total net assets	2,180,439	2,042,678
Total liabilities and net assets	$ 4,115,199	$ 3,552,407

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

California Institute of Technology
Statement of Activities
For the Year Ended September 30, 2012
(with summarized financial information for the year ended September 30, 2011)
(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Operating revenues:					
Tuition and fees, net of student financial aid	$ 34,130	$ -	$ -	$ 34,130	$ 30,749
Endowment spending distributed	49,198	48,188	-	97,386	93,293
Gifts and pledges	27,803	26,590	-	54,393	42,979
Grants and contracts:					
Jet Propulsion Laboratory - direct	1,541,968	-	-	1,541,968	1,567,287
United States government, Campus - direct	222,901	-	-	222,901	240,620
Other Campus - direct	17,168	-	-	17,168	18,397
Recovery of indirect costs and allowances	117,299	-	-	117,299	114,715
Auxiliary enterprises	31,143	-	-	31,143	31,266
Other	29,285	-	-	29,285	35,348
Net assets released from restrictions	89,581	(89,581)	-	-	-
Total operating revenues	2,160,476	(14,803)	-	2,145,673	2,174,654
Operating expenses:					
Compensation and benefits	338,697	-	-	338,697	326,963
Supplies and services	155,320	-	-	155,320	171,177
Subcontracts	39,056	-	-	39,056	45,540
Graduate fellowships	17,807	-	-	17,807	16,731
Depreciation, accretion, and amortization	64,106	-	-	64,106	60,733
Utilities	17,711	-	-	17,711	17,162
Interest	21,399	-	-	21,399	13,405
Jet Propulsion Laboratory	1,541,968	-	-	1,541,968	1,567,287
Total operating expenses	2,196,064	-	-	2,196,064	2,218,998
Results of operations	(35,588)	(14,803)	-	(50,391)	(44,344)
Non-operating changes:					
Investment return/(loss) in excess/(deficit) of endowment spending	77,415	63,642	3,037	144,094	(108,460)
Endowment spending not distributed	6,117	3,422	820	10,359	8,836
Net assets released from restrictions	2,409	(2,409)	-	-	-
Gifts and pledges	-	7,368	56,588	63,956	49,740
Changes in fair value of interest rate swap	(3,121)	-	-	(3,121)	(14,357)
Non periodic changes in benefit obligations	(19,429)	-	-	(19,429)	7,497
Loss on retirement of indebtedness and other	(7,725)	-	18	(7,707)	(12,005)
Redesignations and reclassifications of net assets	(23,460)	(5,457)	28,917	-	-
Total non-operating activities	32,206	66,566	89,380	188,152	(68,749)
Increase/(decrease) in net assets	(3,382)	51,763	89,380	137,761	(113,093)
Net assets at beginning of year	593,331	634,874	814,473	2,042,678	2,155,771
Net assets at end of year	$ 589,949	$ 686,637	$ 903,853	$ 2,180,439	$ 2,042,678

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

California Institute of Technology
Statement of Activities
For the Year Ended September 30, 2011
(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
Operating revenues:				
Tuition and fees, net of student financial aid	$ 30,749	$ -	$ -	$ 30,749
Endowment spending distributed	53,824	39,469	-	93,293
Gifts and pledges	9,318	33,661	-	42,979
Grants and contracts:				
Jet Propulsion Laboratory - direct	1,567,287	-	-	1,567,287
United States government, Campus - direct	240,620	-	-	240,620
Other Campus - direct	18,397	-	-	18,397
Recovery of indirect costs and allowances	114,715	-	-	114,715
Auxiliary enterprises	31,266	-	-	31,266
Other	35,348	-	-	35,348
Net assets released from restrictions	112,020	(112,020)	-	-
Total operating revenues	2,213,544	(38,890)	-	2,174,654
Operating expenses:				
Compensation and benefits	326,963	-	-	326,963
Supplies and services	171,177	-	-	171,177
Subcontracts	45,540	-	-	45,540
Graduate fellowships	16,731	-	-	16,731
Depreciation, accretion, and amortization	60,733	-	-	60,733
Utilities	17,162	-	-	17,162
Interest	13,405	-	-	13,405
Jet Propulsion Laboratory	1,567,287	-	-	1,567,287
Total operating expenses	2,218,998	-	-	2,218,998
Results of operations	(5,454)	(38,890)	-	(44,344)
Non-operating changes:				
Investment loss in deficit of endowment spending	(69,624)	(37,713)	(1,123)	(108,460)
Endowment spending not distributed	3,126	5,710	-	8,836
Net assets released from restrictions	754	(754)	-	-
Gifts and pledges	-	6,601	43,139	49,740
Changes in fair value of interest rate swap	(14,357)	-	-	(14,357)
Non periodic changes in benefit obligations	7,497	-	-	7,497
Other	(12,025)	-	20	(12,005)
Redesignations and reclassifications of net assets	(9,290)	(820)	10,110	-
Total non-operating activities	(93,919)	(26,976)	52,146	(68,749)
(Decrease)/increase in net assets	(99,373)	(65,866)	52,146	(113,093)
Net assets at beginning of year	692,704	700,740	762,327	2,155,771
Net assets at end of year	$ 593,331	$ 634,874	$ 814,473	$ 2,042,678

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, 2012 and 2011
(Dollars in Thousands)

	2012	2011
Cash flows from operating activities:		
Increase/(decrease) in net assets	$ 137,761	$ (113,093)
Adjustments to reconcile increase/(decrease) in net assets to net cash used in operating activities:		
Depreciation, accretion, and amortization	64,106	60,732
Changes in postemployment benefit obligations	19,429	(7,497)
Loss on retirement of indebtedness	4,635	-
Contributions restricted for long-term investment and capital projects	(52,998)	(44,692)
Investment return restricted for long-term investment and capital projects	(1,005)	(1,112)
Realized and unrealized (gains)/losses on investments and swap	(223,412)	44,589
In-kind receipt of securities, property, plant, and equipment	(1,443)	(1,144)
Changes in annuity and trust liabilities	(8,704)	1,972
Losses on disposals of property, plant, and equipment	4,352	11,367
Changes in assets and liabilities:		
Advances and deposits	3,255	(4,205)
Accounts and notes receivable, net	(10,272)	13,405
Contributions receivable, net	5,617	33,899
Prepaid expenses and other assets	(10,937)	(4,798)
Deferred United States government billings	(68,494)	(26,505)
Accounts payable and accrued expenses	43,844	(27,314)
Accrued compensation and benefits	(7,069)	(1,349)
Deferred revenue and refundable advances	3,523	6,773
Agency funds	(154)	673
Accumulated postretirement benefit obligation	75,963	35,648
Net cash used in operating activities	(22,003)	(22,651)
Cash flows from investing activities:		
Purchases of investments	(840,273)	(595,243)
Proceeds from sales and maturities of investments	660,431	616,217
Purchases of property, plant, and equipment	(95,551)	(75,913)
Proceeds from sale of property, plant, and equipment	55	379
Net cash used in investing activities	(275,338)	(54,560)
Cash flows from financing activities:		
Contributions restricted for long-term investment and capital projects	28,799	41,004
Investment return restricted for long-term investment and capital projects	1,005	1,112
Cash received under annuity and trust agreements	4,873	4,767
Cash payments made under annuity and trust agreements	(6,441)	(6,679)
Net borrowings on short-term debt	22,990	12,300
Cash paid for retirement of indebtedness	(103,865)	-
Cash paid for bond issuance costs	(3,861)	-
Proceeds from issuance of bonds	346,797	-
Net cash provided by financing activities	290,297	52,504
Net decrease in cash and cash equivalents	(7,044)	(24,707)
Cash and cash equivalents at beginning of year	18,026	42,733
Cash and cash equivalents at end of year	$ 10,982	$ 18,026

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

A. Description of California Institute of Technology

California Institute of Technology (the "Institute") is a private, not-for-profit institution of higher education based in Pasadena, California. Founded in 1891, the Institute provides education and training services, primarily for students at the undergraduate, graduate, and postdoctoral levels, and performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the government of the United States of America.

B. Summary of Significant Accounting Policies

Basis of Presentation

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

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

The Institute is generally exempt from federal income taxes under the provisions of Internal Revenue Code ("IRC") Section 501(c)(3). The Institute is also generally exempt from payment of California state income, gift, estate, and inheritance taxes. The Institute has no reporting requirements for uncertain tax positions for the years ended September 30, 2012 and 2011.

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

Net Assets

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

> Permanently restricted net assets include endowment gifts, charitable remainder trusts, pooled income funds, gift annuities, other split-interest agreements, and contributions receivable in which donors have stipulated that the original value of their contributions and, if applicable, any subsequent accumulations, be invested in perpetuity.
>
> Temporarily restricted net assets include endowment earnings related to permanent endowments that have not been appropriated for expenditures and gifts for which donor-imposed restrictions have not been met, including funds restricted for future capital projects, charitable remainder trusts, pooled income funds, gift annuities, other split-interest

agreements, and related contributions receivable. These restrictions are expected to be removed through the passage of time, the appropriation of endowment earnings by the Institute, and/or the Institute's incurrence of expenditures that meet donors' restrictions. Expirations of temporary restrictions on net assets are reported as releases from temporarily restricted to unrestricted net assets in the statements of activities. Donor-restricted gifts that are received and either spent or deemed spent within the same fiscal year are reported as unrestricted revenues.

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

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Redesignations and Reclassifications of Net Assets
Net assets related to certain contributions received in prior periods have been transferred among net asset categories due to changes in donor designations and other reclassifications as disclosed in Note H.

Comparability
Certain balances at September 30, 2011, and for the year then ended have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents
Cash and cash equivalents include bank account balances, investments in money market funds, and direct short-term investments that have remaining maturities of three months or less when purchased. The Institute classifies all cash and cash equivalents held as part of the investment portfolios as short-term investments. At September 30, 2012 and 2011, short-term investments, as disclosed in Note D, consisted of $134,440 and $178,854, respectively, in cash and cash equivalents. Carrying amounts of cash and cash equivalents approximate fair value due to the relatively short maturities of these instruments.

Under the Institute's cash management system, checks issued by the Institute but not yet cashed by recipients may result in overdraft balances for accounting purposes and are included in accounts payable and accrued expenses in the balance sheets if an overdraft situation exists. There were no overdrafts at September 30, 2012 and 2011.

Advances and Deposits
Advances include certain cash balances, totaling $4,880 and $7,946 at September 30, 2012 and 2011, respectively, that are restricted for use in connection with United States government-sponsored research. Deposits include $1,158 and $1,347 at September 30, 2012 and 2011, respectively, in cash withheld from employees for health and dependent care spending accounts.

Accounts and Notes Receivable

Accounts receivable under contracts and grants are carried at cost, less an allowance for doubtful accounts, which approximates fair value. The allowance for doubtful accounts was $646 and $663 at September 30, 2012 and 2011, respectively. Activity in the allowance account was not significant during the years ended September 30, 2012 and 2011.

Accounts receivable from students and employees of $1,304 and $2,185 at September 30, 2012 and 2011, respectively, are carried at cost. Doubtful accounts are charged to expense when they are deemed to become uncollectible. During the years ended September 30, 2012 and 2011, only minor amounts were written off as uncollectible. The value of receivables, which are carried at cost, approximates fair value.

The Institute provides loans to students from both internal funds and from funds provided by the United States government under the Federal Perkins Loan Program. Loans that bear interest carry fixed rates. Most loans carry ten-year terms. Student loans receivable of $6,549 and $6,760 at September 30, 2012 and 2011, respectively, are carried at cost. Determination of the fair value of such notes is impracticable.

The Institute currently holds all loans to maturity. Loans to students are considered delinquent 10-90 days after a borrower misses a required payment. Delinquent interest-bearing loans continue to accrue interest. At September 30, 2012 and 2011, only immaterial amounts of loans were delinquent. No allowances have been recorded, and only minor amounts of loans are expected to become uncollectible. The principal credit quality indicator for such loans is collection experience. The Institute manages its credit risk by limiting amounts loaned per term, monitoring aggregate loan levels, and maintaining an active collections process with the assistance of third-party collection agencies as necessary. Student loans generally are not dischargeable in bankruptcy. Loans are not considered uncollectible until all reasonable collection efforts have been made.

Investments

Investments are carried at fair values based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as discussed in Note K. Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined based on the average cost of securities sold. Accounts receivable included $8,547 and $12,468 related to outstanding sales and accounts payable included $21,707 and $3 related to outstanding purchases at September 30, 2012 and 2011, respectively.

The Institute engages a number of outside parties to manage portions of its investment portfolios, which include an investment pool and other separately managed portfolios. The Institute's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market and credit risk.

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

Endowment

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

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

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

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

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

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

The portion of endowment available for spending that is transferred to operating accounts each year is shown as endowment spending distributed in the statements of activities. Any endowment spending available for expenditure but not distributed remains invested in the Institute's endowment and is included in non-operating changes to net assets in the statements of activities.

As a result of market declines, the fair values of certain donor-restricted endowment funds are less than the historical values of such funds. The aggregate deficiencies for donor-restricted endowment funds were $39,073 and $66,858 at September 30, 2012 and 2011, respectively, and are recorded in unrestricted net assets. Such deficiencies reverse with market value appreciation. Reversals of these deficiencies increase unrestricted net assets.

Derivatives
The Institute uses an interest rate swap to manage the interest rate exposure of a portion of its variable rate debt. The swap is recorded at fair value, which is the estimated amount that the Institute would receive or pay to terminate the agreement, taking into account current interest rates and the current credit-worthiness of the swap counterparty. Costs of regular settlements with the counterparty of $5,576 and $5,596 during the years ended September 30, 2012 and 2011, respectively, are included in interest expense in the statements of activities. Changes in the swap's fair value during the years ended September 30, 2012 and 2011, resulted in unrealized losses of $3,122 and $14,357, respectively, which are included in non-operating changes in net assets in the statements of activities. The fair value of the swap was a liability of $58,938 and $55,816 at September 30, 2012 and 2011, respectively, and is included in accounts payable and accrued expenses in the balance sheets.

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

Property, Plant, and Equipment
Property, plant, and equipment is recorded at the cost of construction, acquisition, or at the fair value of contributed assets at the date of the gift. Interest costs related to debt used for construction of assets are capitalized and included in the cost of construction. For the years ended September 30, 2012 and 2011, capitalized interest was $3,446 and $1,365, respectively. Depreciation on all assets subject to depreciation is calculated over the estimated useful lives as defined for each class of depreciable asset, which range from three to fifty years, and is computed using the straight-line method. Depreciation on buildings is calculated based on the useful lives of each major building component. The Institute provides for the renewal and replacement of assets from various sources set aside for this purpose.

The Institute routinely acquires or constructs equipment under federally and non-federally funded research grants. Costs of federally and non-federally funded assets acquired or constructed under both federal and nonfederal grants in which title does not ultimately transfer to the Institute are charged to expense.

The Institute records conditional asset retirement obligations primarily related to asbestos removal and disposal in future remediation activity. Asset retirement cost, net of accumulated depreciation, at September 30, 2012 and 2011 was $840 and $976, respectively, and is included in property, plant, and equipment in the balance sheets. Conditional asset retirement obligations at September 30, 2012 and 2011 were $11,750 and $11,286, respectively, and are included in accounts payable and accrued expenses in the balance sheets.

Annuity and Trust Agreements
The Institute's split-interest agreements with donors consist primarily of charitable gift annuities and charitable remainder trusts for which the Institute serves as trustee. For irrevocable agreements, assets contributed are included in Institute investments at fair value. Contribution revenue is recognized at the date each trust is established after recording liabilities for the actuarially-determined present value of the estimated future payments to be made to beneficiaries. The actuarial liability is discounted at an appropriate risk-adjusted rate at the inception of each agreement. Discount rates on split-interest agreements range from 1.6% to 11.2%. The liabilities are adjusted during the terms of the agreements for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. Split-interest agreement liabilities totaled $62,167 and $55,855 at September 30, 2012 and 2011, respectively, and are included in liabilities for annuities, trust agreements and agency funds in the balance sheets. The Annuity 2000 Mortality Table was used for the years ended September 30, 2012 and 2011.

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 $6,640 and $5,782 at September 30, 2012 and 2011, respectively.

Beneficial Interests
The Institute is the beneficiary of both charitable remainder and perpetual trusts held and administered by others as well as interests in certain estates bequeathed by donors. The fair value of the Institute's interests in charitable and perpetual trusts is the Institute's percentage interest in the fair value of trust assets. The carrying value of the Institute's interest in such trusts is adjusted for changes in the fair values of the underlying assets. Interests in estates are recognized based on estimates of cash flows from estate settlements at the time such cash flows are probable and reasonably estimable. Remainder interests are recognized in contribution revenues at the date the trusts are established. Distributions from perpetual trusts are recorded as contributed by the trustee. These assets totaled $37,116 and $25,872 at September 30, 2012 and 2011, respectively, and are included in prepaid expenses and other assets in the balance sheets.

Retirement Plans
The Institute's retirement plans cover substantially all of its employees. Except for a small number of former employees who participated in a defined benefit pension plan that was terminated in 1993 and who are covered by a successor defined benefit pension plan, the Institute provides a defined contribution retirement program for eligible academic and administrative employees. Contributions to IRC Section 403(b) defined contribution plans for the years ended September 30, 2012 and 2011

were $22,592 and $21,931, respectively, for the Campus and $64,574 and $66,505, respectively, for JPL. The Institute has no assets or liabilities related to these plans.

At September 30, 2012 and 2011, respectively, prepaid expenses and other assets included $52,564 and $44,776 in assets held pursuant to IRC section 457 defined contribution retirement plans. These assets are invested with external investment managers and are recorded at fair value. The Institute's liabilities related to these funds were $51,466 and $44,093 at September 30, 2012 and 2011, respectively, and are included in accrued compensation and benefits in the balance sheets.

Funds Held for Others
The Institute held assets totaling $10,698 and $10,045 in agency funds at September 30, 2012 and 2011, respectively. The assets held are primarily included in investments in the balance sheets. The corresponding liability, which is equal to assets held, is included in annuities, trust agreements, and agency funds in the balance sheets.

Compensated Absences
Institute employees are entitled to paid vacation based upon length of service and other factors. Certain employees also accrue benefits related to sick leave. The Institute records a liability for these benefits that employees have earned but not yet taken. At September 30, 2012 and 2011, accrued compensated absences of $73,486 and $73,096, respectively, are included in accrued compensation and benefits in the balance sheets. Other compensated absences do not accumulate and are treated as current-period costs.

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, 2012 and 2011, the estimated liabilities for workers' compensation amounted to $9,249 and $8,697, respectively, and are included in accrued compensation and benefits in the balance sheets.

Revenue Recognition
The Institute's revenue recognition policies are as follows:

- *Tuition and fees* - Student tuition and fees are recorded as revenues during the year the related academic services are rendered and displayed net of financial aid on the statements of activities. Tuition and fees totaled $81,826 and $76,439 for the years ended September 30, 2012 and 2011, respectively. Student financial aid totaled $47,696 and $45,690 for the years ended September 30, 2012 and 2011, respectively. Student tuition and fees received in advance of services to be rendered, net of applicable financial aid, are recorded as deferred revenue.

- *Investment return (loss)* - Investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses, net of investment management fees, are reported as increases or decreases to the appropriate net asset category.

- *Gifts* - Unconditional promises to give are recorded as revenues in the year received. Non-cash gifts are recorded at fair value using quoted market prices, market prices for similar assets, independent appraisals, or as estimated by Institute management. Gift revenue from contributions to be collected in the form of securities or other investments is adjusted at each year end to reflect the year-end value of securities and/or investments to be contributed.

Donor-restricted gifts, which are received and either spent, or deemed spent, within the same year are reported as unrestricted revenue. Gifts of long-lived assets with no donor-imposed time restrictions are reported as unrestricted revenue in the year received. Gifts restricted to the acquisition or construction of long-lived assets are reported as temporarily restricted revenue and released to unrestricted net assets when long-lived assets are placed in service. Gifts that are subject to time or other purpose restrictions are reported as temporarily restricted revenue and released to unrestricted net assets when donor restrictions are fulfilled. Gifts received for endowment investment are held in perpetuity and recorded as permanently restricted revenue. Conditional promises to give are not recorded until donor-imposed conditions have been substantially met. Conditional promises to give totaled $126,022 and $113,163 at September 30, 2012 and 2011, respectively. Payments received related to conditional promises for which conditions have not been met totaled $4,600 and $0 at September 30, 2012 and 2011, respectively, and are included in deferred revenue and refundable advances in the balance sheets.

- *Grants and contracts* - Revenues from grants and contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. Substantially all United States government grants and contracts awarded to the Campus provide for the reimbursement of indirect facilities and administrative costs based on rates negotiated with the Office of Naval Research, the Campus' federal cognizant agency for the negotiation and approval of facilities and administrative and other indirect cost rates. Costs related to the performance of activities under the JPL contract are reimbursable by NASA. Amounts received in excess of expenditures are recorded as deferred revenue.

- *Auxiliary enterprises* - Revenues from supporting services, such as dining facilities, faculty and student housing, and bookstores are recorded at time of delivery of products or services. Amounts received in advance of deliveries of products or services are recorded as deferred revenue.

(Dollars in Thousands)

Expenses
Expenses are generally reported as decreases in unrestricted net assets. Campus expenses are reported in the statements of activities by natural classification. Campus expenses by functional classification were as follows for the years ended September 30, 2012 and 2011:

	2012	2011
Instruction and Academic Support	$ 260,785	$ 243,530
Organized Research	281,033	304,251
Institutional	80,260	72,429
Auxiliary Enterprises	32,018	31,501
Total Campus functional expenses	$ 654,096	$ 651,711

Building and improvements depreciation and plant operation expenses are allocated to functional classifications based on square footage occupancy of Institute facilities. Equipment depreciation is allocated to functional classifications based on average equipment purchases attributed to each classification. Interest expense on external debt, net of amounts capitalized, is allocated to the functional categories that have benefited from the proceeds of such debt.

Operating and Non-operating Activities
The statements of activities report the changes in net assets from the Institute's operating and nonoperating activities. Operating activities exclude investment returns/(losses) in excess/deficit of endowment spending, endowment spending available but not distributed to operations, revenues and releases from restrictions related to gifts for construction, endowments, and annuity and trust agreements, changes in postemployment benefit obligations that are not otherwise recognized in net periodic benefit cost, changes in fair value of interest rate swaps, gains or losses on disposal of plant, property and equipment, net gains or losses on nonrecurring transactions, actuarial adjustments related to annuity and trust agreements, and donor redesignations or other reclassifications of net assets.

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

In October 2012, the FASB issued ASU 2012-05 concerning the classification of cash receipts arising from the sale of donated financial assets in the statement of cash flows of not-for-profit entities. ASU 2012-05 is effective after June 15, 2013 but permits early adoption. The guidance is effective for the

(Dollars in Thousands)

Institute's fiscal year ending September 30, 2013. The Institute is currently evaluating the impact that this guidance may have on its financial statements.

C. Contributions Receivable, net

Contributions receivable consist of unconditional promises to give to the Institute in the future. Contributions receivable are initially recorded at fair value, including a discount to the present value of the future cash flows at an appropriate risk-adjusted rate that remains fixed. Discount rates on outstanding contributions at September 30, 2012 and 2011 range from 1.04% to 5.84%.

Contributions receivable consisted of the following at September 30, 2012 and 2011:

	2012	2011
Contributions receivable at beginning of year, net	$ 72,321	$ 131,969
Discount at beginning of year	5,997	10,662
Allowance for doubtful accounts at beginning of year	85	99
Contributions receivable at beginning of year, gross	78,403	142,730
New contributions received	38,211	16,560
Contribution payments received	(28,903)	(83,395)
Adjustments to fair value of securities to be contributed	-	2,690
Write-offs and other adjustments	(486)	(182)
Contributions receivable at end of year, gross	87,225	78,403
Discount at end of year	(3,446)	(5,997)
Allowance for doubtful accounts at end of year	(177)	(85)
Contributions receivable at end of year, net	$ 83,602	$ 72,321

(Dollars in Thousands)

Gross contributions receivable carried the following restrictions at September 30, 2012 and 2011:

	2012	2011
Endowment for programs, activities and scholarships	$ 43,883	$ 22,932
Building construction	96	627
Education, general and time restrictions	43,246	54,844
Total contributions receivable, gross	$ 87,225	$ 78,403

Gross contributions receivable are expected to be realized as follows at September 30, 2012 and 2011:

	2012	2011
Within one year	$ 26,827	$ 20,381
Between one year and five years	56,194	57,532
More than five years	4,204	490
Total contributions receivable, gross	$ 87,225	$ 78,403

At September 30, 2012 and 2011, contributions receivable of $68,147 and $61,703, respectively, were due from board members and/or charitable entities founded by board members.

D. Investments

Investments consisted of the following at September 30, 2012 and 2011:

	2012	2011
Short-term investments	$ 134,440	$ 178,854
Fixed-income securities	134,333	89,381
Equity securities	750,265	557,311
Alternative investments:		
Marketable alternatives	712,110	529,537
Private equity	194,384	192,822
Real assets	294,414	227,611
Real estate mortgages, notes, and other investments	25,748	22,748
Total investments	$ 2,245,694	$ 1,798,264

(Dollars in Thousands)

At September 30, 2012 and 2011, short-term investments consisted of $134,440 and $178,854, respectively, in cash and cash equivalents.

Investments were categorized as follows at September 30, 2012 and 2011:

	2012	2011
Investment pool	$ 1,869,830	$ 1,589,109
Separately invested endowments	28,726	39,778
Trusts, annuities, and other	347,138	169,377
Total investments	$ 2,245,694	$ 1,798,264

At September 30, 2012 and 2011, endowment investments were $1,813,842 and $1,613,662, respectively.

Investment return/(loss) consisted of the following for the years ended September 30, 2012 and 2011:

	2012	2011
Interest and dividend income	$ 19,730	$ 18,307
Net realized gains	68,482	66,725
Net unrealized appreciation/(depreciation)	163,627	(91,362)
Total investment return/(loss)	$ 251,839	$ (6,330)

E. Deferred United States Government Billings

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

(Dollars in Thousands)

Deferred United States government billings related to deferred reimbursements of the following liabilities at September 30, 2012 and 2011:

	2012	2011
Accumulated postretirement benefit obligation	$ 511,217	$ 443,114
Accrued vacation benefits	58,133	58,107
Other benefit liabilities	6,374	6,009
Total deferred United States government billings	$ 575,724	$ 507,230

F. Property, Plant, and Equipment, net

Property, plant, and equipment consisted of the following at September 30, 2012 and 2011:

	2012	2011
Land and land improvements	$ 60,356	$ 59,523
Buildings and building improvements	928,732	836,360
Equipment	513,595	498,776
Construction in progress	67,573	112,559
Less: accumulated depreciation	(696,488)	(647,845)
Total property, plant, and equipment, net	$ 873,768	$ 859,373

Depreciation expense for the years ended September 30, 2012 and 2011 was $63,327 and $59,830, respectively.

(Dollars in Thousands)

G. Bonds and Notes Payable

Bonds and notes payable are uncollaterized, general obligations of the Institute and consisted of the following at September 30, 2012 and 2011:

Bonds Payable:	**2012**	**2011**
Taxable Bonds, Series 2011 due November 1, 2111, with interest at 4.70% (net of original issue discount of $3,170)	$ 346,830	-
California Educational Facilities Authority (CEFA) tax-exempt revenue bonds:		
2009 Series due November 1, 2039, with interest at 5.00% (gross of issue premium of $621 and $644, respectively)	80,621	80,644
2006 Series A due October 2036, with variable interest rates reset weekly (0.15% and 0.10%, respectively)	82,500	82,500
2006 Series B due October 2036, with variable interest rates reset weekly (0.14% and 0.08%, respectively)	82,500	82,500
Series 1998 due October 2028, with interest at 4.25% (net of issue discount of $0 and $1,943, respectively)	-	48,622
Series 1998 due October 2027, with interest at 4.5% (net of issue discount of $0 and $2,048, respectively)	-	51,252
Series 1994 due January 2024, with variable interest rates reset weekly (0.15% and 0.10%, respectively)	30,000	30,000
Total bonds payable	622,451	375,518
Notes payable:		
Bank of America revolving bank credit facility expiring March 2015, with variable interest rates (0.36% at September 30, 2012)	20,000	-
Bank of America revolving bank credit facility expiring March 2015, with variable interest rates (0.31% and 0.45%, respectively)	50,000	49,730
Bank of New York money market loan program with no expiration date, with variable interest rates (0.48% at September 30, 2011)	-	2,000
Commercial paper note program, weighted-average interest (0.10% at September 30, 2011)	-	12,400
JPMorgan Chase money market loan program with no expiration date, with variable interest rates (0.49% at September 30, 2012)	17,120	-
Northern Trust revolving bank credit facility expiring June 2015, with variable interest rates	-	-
Wells Fargo revolving bank credit facility expiring March 2015, with variable interest rates	-	-
Wells Fargo revolving bank credit facility expiring June 2015, with variable interest rates	-	-
Total notes payable	87,120	64,130
Total bonds and notes payable	$ 709,571	$ 439,648

(Dollars in Thousands)

As of September 30, 2012, the Institute had seven unsecured revolving lines of credit (the "Lines of Credit") available. The Institute has internally-mandated aggregate borrowing limits under the Lines of Credit, which include the following amounts: $100,000 for borrowings to finance working capital, $25,000 for borrowings to finance acquisitions of real estate and temporary funding for capital projects, and $200,000 for borrowings secured to preserve liquidity. All Lines of Credit are uncollateralized.

The table below summarizes the material terms of the Lines of Credit, including permitted uses of any funds drawn and permitted maximum draws under each individual Line of Credit at September 30, 2012:

Financial Institution	Maximum Permitted	Outstanding Amounts	Maturity
General Working Capital and Capital Projects:			
Bank of America	$ 100,000	$ 20,000	2015
Bank of America	50,000	50,000	2015
Bank of New York	50,000	-	None
JPMorgan Chase	62,000	17,120	None
Wells Fargo	50,000	-	2015
Supplemental Liquidity for Variable Rate Debt:			
Northern Trust	50,000	-	2015
Wells Fargo	100,000	-	2015

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

The Institute is required to comply with financial covenants in certain Lines of Credit agreements, including maintaining minimum ratios of unrestricted cash and investments to total adjusted debt outstanding.

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

Under certain circumstances, the CEFA Series 1994, 2006 Series A, and 2006 Series B variable rate revenue bonds, which have contractual maturities commencing in 2024, could fail to be remarketed, requiring the Institute to repurchase the outstanding bonds totaling approximately $195,000. Therefore, those bonds have been classified as repayable in the year ending September 30, 2013 in the following table.

(Dollars in Thousands)

Future principal repayments on bonds and notes payable were as follows at September 30, 2012:

Year Ending September 30	Amount
2013	$ 282,120
2014	-
2015	-
2016	-
2017	-
Thereafter	427,451
Total	$ 709,571

The aggregate fair value of bonds payable and commercial paper is estimated based on quoted market prices for the bonds or paper or similar financial instruments and was $673,439 and $397,489 at September 30, 2012 and 2011, respectively. Amounts outstanding under the revolving bank credit facilities and the money market loan programs totaling $87,120 and $51,730 at September 30, 2012 and 2011, respectively, are carried at cost, which approximates fair value.

In 2006, the Institute entered into an interest rate swap agreement in conjunction with issuance of the 2006 Series A and B variable rate revenue bonds. Under the terms of the agreement, which expires October 1, 2036, the Institute pays the counterparty a fixed interest rate of 3.549% and receives a variable rate, indexed at 67% of one-month LIBOR (0.14% at September 30, 2012), on a $165,000 underlying notional principal amount.

On December 6, 2011, the Institute issued $350,000 in Series 2011 taxable bonds. The Institute called and repaid all of its outstanding CEFA Series 1998 bonds at par value, which amounted to $103,865, using a portion of the proceeds from the taxable bond issue. The retirement resulted in a loss of $4,635, which is reflected in the statement of activities as a non-operating change in unrestricted net assets.

(Dollars in Thousands)

H. Net Assets

Temporarily restricted net assets were available for the following purposes at September 30, 2012 and 2011:

	2012	2011
Educational and research funds	$ 111,138	$ 113,305
Contributions receivable	45,408	51,654
Capital projects	2,611	138
Life income and annuity funds	43,867	36,190
Endowments	483,613	433,587
Total temporarily restricted net assets	$ 686,637	$ 634,874

Permanently restricted net assets were available for the following purposes at September 30, 2012 and 2011:

	2012	2011
Student loan funds	$ 16,425	$ 15,948
Contributions receivable	38,194	20,668
Life income and annuity funds	39,765	29,235
Endowments	809,469	748,622
Total permanently restricted net assets	$ 903,853	$ 814,473

Reclassifications and redesignations of net assets in the statement of activities for the year ended September 30, 2012 include the effects of out-of-period reclassifications among unrestricted, temporarily restricted, and permanently restricted net asset categories. The reclassifications decreased unrestricted net assets by $14,619, decreased temporarily restricted net assets by $2,838, and increased permanently restricted net assets by $17,457. The reclassifications are primarily due to adjustments made to several individual endowment accounts to reflect donor-imposed restrictions on net appreciation from investments. Reclassifications and redesignations also include an out-of-period increase in permanently restricted net assets of $4,262. These adjustments are not considered material to the financial statements.

(Dollars in Thousands)

Endowment net assets consisted of the following at September 30, 2012 and 2011:

September 30, 2012	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ (46,737)	$ 483,613	$ 809,469	$ 1,246,345
Board-designated endowment funds	565,152	-	-	565,152
Total endowment net assets	$ 518,415	$ 483,613	$ 809,469	$ 1,811,497
September 30, 2011				
Donor-restricted endowment funds	$ (83,553)	$ 433,587	$ 748,622	$ 1,098,656
Board-designated endowment funds	525,675	-	-	525,675
Total endowment net assets	$ 442,122	$ 433,587	$ 748,622	$ 1,624,331

Under Accounting Standards Codification 958, for accounting purposes the Institute must record the historical values of donor-restricted endowment funds as permanently restricted net assets even in cases where the fair values of those funds are less than historical values. Such deficits are recorded as reductions of unrestricted net assets.

Changes in endowment net assets for the years ended September 30, 2012 and 2011 were as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Balance as of October 1, 2010	$ 471,088	$ 468,321	$ 692,550	$ 1,631,959
Investment return:				
Investment income	398	-	-	398
Net decline in market value	(6,955)	(3,874)	(357)	(11,186)
Total investment return	(6,557)	(3,874)	(357)	(10,788)
Contributions and pledge payments	-	4,802	47,487	52,289
Additions to board-designated endowments	42,796	-	-	42,796
Available for expenditure	(56,950)	(45,179)	(775)	(102,904)
Redesignations, reclassifications and other	(8,255)	9,517	9,717	10,979
Balance as of September 30, 2011	442,122	433,587	748,622	1,624,331
Investment return:				
Investment income	6,124	-	-	6,124
Net appreciation in market value	128,885	108,567	3,645	241,097
Total investment return	135,009	108,567	3,645	247,221
Contributions and pledge payments	-	-	31,792	31,792
Additions to board-designated endowments	10,753	-	-	10,753
Available for expenditure	(55,316)	(51,609)	(1,551)	(108,476)
Redesignations, reclassifications and other	(14,153)	(6,932)	26,961	5,876
Balance as of September 30, 2012	$ 518,415	$ 483,613	$ 809,469	$ 1,811,497

(Dollars in Thousands)

I. Defined Benefit Plan

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

In October 2011, the Institute notified participants of its intent to terminate the defined benefit plan. At September 30, 2012, the criteria for recognizing a settlement of pension liabilities had not been met and therefore no settlement costs were recorded during the year ended September 30, 2012.

Certain financial information regarding the successor defined benefit plan was as follows for the years ended September 30, 2012 and 2011:

	2012	2011
Change in the benefit obligation:		
Benefit obligation at beginning of year	$ 5,910	$ 5,371
Service cost	11	43
Interest cost	251	239
Benefits paid	(138)	(119)
Actuarial loss	312	376
Benefit obligation at end of year	$ 6,346	$ 5,910

The accumulated benefit obligation for the defined benefit pension plan was $6,346 and $5,882, at September 30, 2012 and 2011, respectively.

	2012	2011
Changes in fair value of plan assets:		
Fair value of plan assets at beginning of year	$ 3,945	$ 3,506
Actual return on plan assets	239	64
Employer contributions	295	496
Benefits paid	(138)	(119)
Plan expenses	(2)	(2)
Fair value of plan assets	$ 4,339	$ 3,945

(Dollars in Thousands)

	2012	2011
Funded status at valuation date:		
Funded status	$ (2,007)	$ (1,965)
Net amount recognized at end of year	$ (2,007)	$ (1,965)

The unfunded benefit obligation is recognized in accrued compensation and benefits in the balance sheets. The statements of activities include the effects of changes in the accumulated benefit obligation that are not otherwise recognized in periodic pension cost. The effect related to JPL for the years ended September 30, 2012 and 2011 was an increase of $33 and $357, respectively, in both JPL direct expense and revenue and in deferred U.S. government billings, as any cost associated with this adjustment related to JPL is contractually recoverable from NASA. The effect of those changes for the Campus was a decrease in unrestricted net assets of $158 and $113 for the years ended September 30, 2012 and 2011, respectively, and is recorded in non-operating changes in unrestricted net assets.

At September 30, 2012 and 2011, cumulative differences between periodic pension expense and the unfunded accumulated pension obligation recorded in unrestricted net assets were as follows:

	2012	2011
Amounts recognized in unrestricted net assets:		
Net actuarial loss	$ 489	$ 331
Total amounts recognized as unrestricted net assets	$ 489	$ 331

Net periodic cost related to the defined benefit plan for the years ended September 30, 2012 and 2011, included the following components:

	2012	2011
Service cost	$ 11	$ 43
Interest cost	251	239
Recognized actuarial loss	100	35
Expected return on plan assets	(216)	(191)
Net periodic cost	$ 146	$ 126

(Dollars in Thousands)

Estimated contributions to the defined benefit plan in the next year are $3,198, and estimated future benefit payments expected to be paid in the next year are approximately $6,350, as the Institute intends to terminate the defined benefit plan.

Participant annuities may be fixed or variable and reflect the value of designated plan equity and fixed-income securities. Defined benefit plan assets are invested in separate accounts by the funding agent and carry a target allocation of 19% equities, 76% fixed-income, and 5% short-term investments. At September 30, 2012 and 2011, total defined benefit plan assets were invested as follows:

	2012	2011
Equity securities	16.00%	14.00%
Fixed-income securities	84.00%	83.00%
Cash	0.00%	3.00%

The following weighted-average assumptions were used to determine the Institute's benefit obligations under the defined benefit plan at September 30, 2012 and 2011:

	2012	2011
Discount rate	3.50%	4.60%
Expected return on plan assets	5.25%	5.25%
Long-term rate of compensation increase	4.00%	4.00%

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

(Dollars in Thousands)

The following weighted-average assumptions were used to determine the Institute's net periodic benefit cost under the defined benefit plan for the years ended September 30, 2012 and 2011:

	2012	2011
Discount rate	4.60%	4.90%
Expected return on plan assets	5.25%	5.25%
Long-term rate of compensation increase	4.00%	4.00%

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

The following table summarizes the investments of the Institute's defined benefit plan assets as of September 30, 2012 and 2011:

	2012	2011
Short-term investments	$ 12	$ 114
Fixed income securities	3,648	3,261
International equity securities	381	326
Domestic equity securities	298	244
Total plan assets	$ 4,339	$ 3,945

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.

(Dollars in Thousands)

Certain financial information regarding the plan was as follows for the years ended September 30, 2012 and 2011, and is based on a September 30 measurement date:

	2012	2011
Change in the accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of year	$ 567,670	$ 539,632
Service cost	18,399	17,260
Interest cost	26,808	27,564
Participant contributions	7,070	4,774
Benefits paid	(22,018)	(21,090)
Actuarial loss/(gain)	64,975	(470)
Benefit obligation at end of year	$ 662,904	$ 567,670

	2012	2011
Components of net periodic postretirement benefit cost:		
Service cost	$ 18,399	$ 17,260
Interest cost	26,808	27,564
Amortization of prior year service credit	(3,337)	(3,337)
Amortization of loss	5,778	7,060
Net periodic benefit cost	$ 47,648	$ 48,547

	2012	2011
Change in the fair value of plan assets:		
Employer contributions	$ 14,948	$ 16,316
Participant contributions	7,070	4,774
Benefits paid	(22,018)	(21,090)
Fair value of plan assets at end of year	$ -	$ -

	2012	2011
Funded status at valuation date:		
Funded status	$ (662,904)	$ (567,670)
Net amount recognized at end of year	$ (662,904)	$ (567,670)

(Dollars in Thousands)

	2012	2011
Amounts recognized in the balance sheets:		
Accumulated postretirement obligation	$ (662,904)	$ (567,670)
Total amounts recognized in balance sheets	$ (662,904)	$ (567,670)

The accumulated postretirement benefit obligation is recognized as a liability in the balance sheets. The statements of activities include the effects of changes in the postretirement benefit obligation that are not otherwise recognized in periodic postretirement benefit cost. The effect related to JPL for the years ended September 30, 2012 and 2011 was an increase of $43,263 and $3,417, respectively, in both JPL direct expense and revenue and in deferred U.S. government billings, as any cost associated with this adjustment related to JPL is contractually recoverable from NASA. The effect of those changes for the Campus was a decrease in unrestricted net assets of $19,271 and an increase of $7,610 for the years ended September 30, 2012 and 2011, respectively, and is recorded in non-operating changes in unrestricted net assets.

At September 30, 2012 and 2011, cumulative differences between net periodic postretirement benefit cost and the accumulated postretirement benefit obligation recorded in unrestricted net assets were as follows:

	2012	2011
Amounts recognized in unrestricted net assets:		
Prior service credit	$ (2,592)	$ (3,290)
Net loss	35,871	17,298
Total amounts recognized in unrestricted net assets	$ 33,279	$ 14,008

An estimated prior service credit of $3,337 and net loss of $9,076 will be amortized into net periodic benefit cost during the year ending September 30, 2013.

The following weighted-average assumptions were used to determine the Institute's obligation under the plan at September 30, 2012 and 2011:

	2012	2011
Discount rate	3.80%	4.80%
Health care cost trend rate	8.75%	9.25%

(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, 2012 and 2011:

	2012	**2011**
Discount rate	4.80%	5.20%
Health care cost trend rate	9.25%	10.00%

At September 30, 2012, the assumed health care cost trend rates for subsequent years were as follows:

Year Ending September 30	Health Care Cost Trend Rate
2013	8.25%
2014	7.75%
2015	7.25%
2016	7.00%
2017	6.75%
2018	6.50%
2019	6.25%
2020	6.00%
2021	5.75%
2022	5.50%
2023	5.25%
2024	5.00%
2025	4.75%
2026 and thereafter	4.50%

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

	1% Increase	**1% Decrease**
Effect on the total of service and interest cost components	$ 11,486	$ (8,713)
Effect on accumulated postretirement benefit obligation	$ 124,256	$ (97,815)

A substantial majority of the above effects would be related to JPL and therefore would result in corresponding changes in amounts expected to be recovered from NASA.

The Institute and its retirees are expected to contribute approximately $18,700 and $2,400, respectively, during the year ending September 30, 2013. Approximately $14,900 of the Institute's expected contribution is related to JPL and therefore is expected to be recovered from NASA.

(Dollars in Thousands)

At September 30, 2012, the estimated future benefit payments were as follows:

Year Ending September 30	Campus	JPL	Total
2013	$ 3,800	$ 14,900	$ 18,700
2014	4,200	16,100	20,300
2015	4,600	17,400	22,000
2016	5,000	18,600	23,600
2017	5,400	19,900	25,300
2018-2022	34,400	119,500	153,900

Payments related to JPL are expected to be recovered from NASA as they are made.

K. Fair Value

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

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

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

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

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

(Dollars in Thousands)

The following is a summary of the levels within the fair value hierarchy for the Institute's assets and liabilities as of September 30, 2012 and 2011:

	Level 1	Level 2	Level 3	2012 Total
Assets:				
Cash & cash equivalents	$ 11,020	$ -	$ -	$ 11,020
Investments:				
Short-term investments	134,440	-	-	134,440
Fixed-income securities	76,213	58,120	-	134,333
Equity securities	558,221	182,055	9,989	750,265
Alternative investments:				
Marketable alternatives	-	-	712,110	712,110
Private equity	-	-	194,384	194,384
Real assets	-	-	294,414	294,414
Real estate & other	-	-	25,748	25,748
Total investments	768,874	240,175	1,236,645	2,245,694
Beneficial interests	-	-	37,116	37,116
Defined contribution plans	13,132	19,222	20,210	52,564
Total assets	$ 793,026	$ 259,397	$ 1,293,971	$ 2,346,394
Liabilities:				
Interest rate swap	$ -	$ 58,938	$ -	$ 58,938
Defined contribution plans	12,586	18,793	20,087	51,466
Total liabilities	$ 12,586	$ 77,731	$ 20,087	$ 110,404

	Level 1	Level 2	Level 3	2011 Total
Assets:				
Cash & cash equivalents	$ 18,026	$ -	$ -	$ 18,026
Investments:				
Short-term investments	178,854	-	-	178,854
Fixed-income securities	42,629	46,752	-	89,381
Equity securities	426,214	123,359	7,738	557,311
Alternative investments:				
Marketable alternatives	-	-	529,537	529,537
Private equity	-	-	192,822	192,822
Real assets	-	-	227,611	227,611
Real estate & other	-	-	22,748	22,748
Total investments	647,697	170,111	980,456	1,798,264
Beneficial interests	-	-	25,872	25,872
Defined contribution plans	9,509	15,659	19,608	44,776
Total assets	$ 675,232	$ 185,770	$ 1,025,936	$ 1,886,938
Liabilities:				
Interest rate swap	$ -	$ 55,816	$ -	$ 55,816
Defined contribution plans	9,437	15,230	19,426	44,093
Total liabilities	$ 9,437	$ 71,046	$ 19,426	$ 99,909

The Institute generally uses net asset value ("NAV") to determine the fair value of investments in funds that do not have readily determinable fair values and either have certain specific attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. Accordingly, in circumstances in which NAV per share of any such investment is determinative of fair value, the Institute estimates the fair value using NAV per share of the investment (or its equivalent) without further adjustment as a practical expedient. Funds valued using NAV invest in both marketable securities as well as securities that do not have readily determinable fair values. The fair values of the securities that do not have readily determinable fair values are determined by each fund's general partner or investment manager and are based on appraisals or other estimates that include considerations such as the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. At September 30, 2012, the Institute's related investments valued using NAV by major investment category were as follows:

- *Fixed-income securities* - This category includes an investment in a bond fund that invests in sovereign debt instruments of global markets. The fund has a fair value of $10,866 and $40,492 at September 30, 2012 and 2011, respectively, and allowed for monthly redemptions with notice of ten business days.

- *Equity securities* - At September 30, 2012 and 2011, this category includes investments of $181,879 and $123,195, respectively, in funds that invest in publicly traded equity securities of companies in domestic and international markets. At September 30, 2012 and 2011, the funds allowed either daily or monthly redemptions with notice ranging from zero to 90 days.

- *Marketable alternatives* - This category includes investments in hedge funds whose investment objectives include earning significant risk-adjusted returns by investing and trading in various securities and financial instruments, including publically traded and privately issued common and preferred shares of domestic and foreign companies, corporate debt, bonds, swaps, options, futures contracts and commodities. The term marketable alternatives does not imply any expectation as to liquidity or salability. At September 30, 2012 and 2011 investments with a total fair value of $519,546 and $420,762, respectively, allow redemptions from quarterly to triennially, with notice periods ranging from 45 to 180 days. At September 30, 2012 and 2011 investments with a total fair value of $75,150 and $55,956, respectively, allowed monthly redemptions with up to a fifteen-day notice. In addition, at September 30, 2012 and 2011 investments with a total fair value of $117,414 and $52,819, respectively, and unfunded commitments of $84,105 and $50,850, respectively, did not allow redemptions and have estimated remaining lives of up to ten years.

- *Private equity* - This category consists of several investments in private equity funds. The funds' holdings primarily include privately-owned foreign and domestic companies (or in other funds with investments in privately-owned foreign and domestic companies) in a wide variety of industries. The total unfunded commitment for these investments was $82,141 and $62,124 at September 30, 2012 and 2011, respectively. The Institute does not have any redemption rights in these investments and the investments have estimated remaining lives of up to ten years.

- *Real assets* - This category includes investments in limited partnerships that invest in foreign and domestic real estate, domestic energy, or domestic timber industries. The fair value of these investments was $294,414 and $198,119 at September 2012 and 2011, respectively. The total unfunded commitments were $71,682 and $56,971 at September 30, 2012 and 2011, respectively. The Institute does not have any redemption rights in these investments, and the investments have estimated remaining lives of up to ten years.

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

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

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

(Dollars in Thousands)

The following table is a summary of changes in the fair value of the Institute's Level 3 instruments for the year ended September 30, 2012:

	Beginning Balance	Purchases	Sales	Change in Market Value	Transfers between Levels	2012 Ending Balance
Assets:						
Investments:						
Fixed-income securities						
Equity securities	$ 7,738	$ 1,605	$ (99)	$ 745	$ -	$ 9,989
Alternative investments:						
Marketable alternatives	529,537	208,276	(87,548)	61,845	-	712,110
Private equity	192,822	25,494	(37,769)	13,837		194,384
Real assets	227,611	54,726	(46,949)	59,026	-	294,414
Real estate and other	22,748	3,599	(1,199)	600	-	25,748
Total investments	980,456	293,700	(173,564)	136,053	-	1,236,645
Beneficial interests	25,872	12,881	(2,509)	872		37,116
Defined contribution plans	19,608	688	(778)	692	-	20,210
Total assets	$ 1,025,936	$ 307,269	$ (176,851)	$ 137,617	$ -	$ 1,293,971
Liabilities:						
Defined contribution plans	$ 19,426	$ 688	$ (719)	$ 692	$ -	$ 20,087
Total liabilities	$ 19,426	$ 688	$ (719)	$ 692	$ -	$ 20,087

(Dollars in Thousands)

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

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

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

There were no transfers between Level 1 and 2 during the years ended September 30, 2012 and 2011.

The change in net unrealized gains and losses related to Level 3 assets held at September 30, 2012 and 2011 was $92,047 and $1,948, respectively. During the years ended September 30, 2012 and 2011, unrealized gain of $91,588 and unrealized loss of $1,335, respectively, were recorded in investment return in the statement of activities, and gains on trusts held by others of $459 and $3,283, respectively were recorded in gifts in the statements of activities.

L. Commitments and Contingencies

Contingencies

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

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.

Officials of the Institute presently are not able to predict the impact, if any, that final resolution of this matter will have on the Institute's financial position or changes in its net assets. However, the Institute believes that it will have recourse to the United States government for any liabilities it may incur in connection with being named a PRP for that site.

Commitments

The Institute was committed under certain construction and services contracts in the amount of approximately $48,740 and $64,899 at September 30, 2012 and 2011, respectively.

At September 30, 2012 and 2011, the Institute had outstanding commitments to invest $237,928 and $169,945, respectively, with alternative investment managers and/or limited partnerships over the next ten years.

The Institute's workers' compensation insurance carrier requires that the Institute maintain an unsecured letter of credit for claims that do not exceed certain deductible amounts. At September 30, 2012 and 2011, the amount of the letter of credit facility was $11,350 and $8,850, respectively. The letter of credit was not used during the years ended September 30, 2012 and 2011, and therefore no liability has been recorded in the balance sheets.

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

The Institute leases equipment and buildings, primarily for JPL, under operating leases expiring at various dates through 2016. Rent expense incurred under operating lease obligations was $9,100 and $7,700 for the years ended September 30, 2012 and 2011, respectively.

(Dollars in Thousands)

At September 30, 2012, future minimum payments under operating leases of greater than one year in duration were as follows:

Year Ending September 30	Amount
2013	$ 6,886
2014	1,017
2015	152
2016	54
2017	18
Total	$ 8,127

Approximately $7,075 of the future minimum lease payments listed above is expected to be recoverable from JPL under the Institute's cost-reimbursable contract with NASA.

The Institute rents equipment and buildings to students, faculty, and other organizations under operating leases expiring at various dates through 2017. Rental income under operating leases was $8,911 and $8,404 at September 30, 2012 and 2011, respectively.

At September 30, 2012, minimum future rentals from operating leases of greater than one year in duration were as follows:

Year Ending September 30	Amount
2013	$ 7,563
2014	5,825
2015	5,084
2016	4,993
2017	5,024
Total	$ 28,489

(Dollars in Thousands)

M. Supplemental Cash Flow Information

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

	2012	2011
Cash paid during the year for interest, net of amounts capitalized	$ 14,556	$ 13,365
Non-cash investing and financing activities:		
Securities received to satisfy pledge payments	412	22,912
In-kind receipt of securities, property, plant, and equipment	5,423	6,031
Accrued purchases of property, plant, and equipment at year end	3,413	10,320
Amounts (payable)/receivable for pending investments transactions	(13,160)	12,241

N. Subsequent Events

Subsequent events were evaluated through January 25, 2013, which is the date the financial statements were issued.

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Research and Development Cluster			
Direct Funds			
Agency for International Development			
Agency for International Development	98.000	00012MO000602	$ 90,409
Department of Commerce			
National Institute of Standards and Technology	11.609	70NANB11H130	405,669
National Oceanic & Atmospheric Administration	11.431	NA09OAR4310128	110,311
Total Department of Commerce			515,980
Department of Defense			
Air Force	12	F2TSY-A1272M001	181,373
Air Force	12	F2TSTA1332M001	167,918
Air Force	12.300		209,881
Air Force	12.630		1,389,086
Air Force	12.800		3,484,872
Air Force	12.910		750,407
Army	12	W81XWH-09-1-0266	57,061
Army	12.420		252,964
Army	12.431		3,445,120
Army	12.910		202,800
Defense Advanced Research Projects Agency	12	W30950	274,930
Defense Advanced Research Projects Agency	12.300		278,987
Defense Advanced Research Projects Agency	12.910		2,456,275
National Geospatial-Intelligence Agency	12.630		178,717
Navy	12	N66001-10-C-2009	1,780,274
Navy	12	N00244-05-C-0066	(17,983)
Navy	12	1100719152	833

The accompanying notes are an integral part of this Schedule.

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Research and Development Cluster (Continued)			
Direct Funds (Continued)			
Department of Defense (Continued)			
Navy	12.300		$ 4,336,659
Navy	12.910		1,703,248
Office of the Secretary of Defense	12.351		55,725
Space and Naval Warfare System	12.910		110,821
Total Department of Defense			21,299,968
Department of Energy			
Department of Energy	81	DE-AR0000226	57,072
Department of Energy	81	DE-FC52-08NA28613	3,905,688
Department of Energy	81	DE-FG02-03ER15483	72,209
Department of Energy	81	DE-FG02-04ER46175	132,279
Department of Energy	81	DE-FG02-05ER15754	546,000
Department of Energy	81	DE-FG02-05ER63983	14,940
Department of Energy	81	DE-FG02-06ER15762	100,159
Department of Energy	81	DE-FG02-07ER41481	4,946
Department of Energy	81	DE-FG02-08ER15933	30,251
Department of Energy	81	DE-FG02-88ER13873	(23,774)
Department of Energy	81	IPA CHANNING AHN	21,793
Department of Energy	81.049		27,583,535
Department of Energy	81.064		471,765
Department of Energy	81.087		586,917
Department of Energy	81.117		120,000
Department of Energy	81.133		94,922
Total Department of Energy			33,718,702

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Research and Development Cluster (Continued)			
Direct Funds (Continued)			
Department of Homeland Security			
Homeland Security Advanced Research Projects Agency	97	HSHQDC-08-C-00038	$ 725,208
Department of Health and Human Services			
National Institutes of Health	93	1R01GM099535	221,486
National Institutes of Health	93	2338999	251,818
National Institutes of Health	93	DP1GM105377A	723,321
National Institutes of Health	93	F32 GM101792A	22,433
National Institutes of Health	93	P50 MH094258A	328,479
National Institutes of Health	93	R01 AG033954A	443,951
National Institutes of Health	93	R01 GM065997C	261,297
National Institutes of Health	93	R01 GM085371A	241,058
National Institutes of Health	93.121		1,536,693
National Institutes of Health	93.172		4,435,275
National Institutes of Health	93.173		34,405
National Institutes of Health	93.242		2,026,575
National Institutes of Health	93.273		1,550
National Institutes of Health	93.279		3,390,246
National Institutes of Health	93.281		83,333
National Institutes of Health	93.282		91,539
National Institutes of Health	93.286		1,727,852
National Institutes of Health	93.310		6,129,472
National Institutes of Health	93.389		1,323,774
National Institutes of Health	93.395		2,716,134
National Institutes of Health	93.396		251,715
National Institutes of Health	93.397		2,433,718
National Institutes of Health	93.398		287,412

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Research and Development Cluster (Continued)			
Direct Funds (Continued)			
Department of Health and Human Services (Continued)			
ARRA - National Institutes of Health	93.701		$ 1,278,701
National Institutes of Health	93.837		107,551
National Institutes of Health	93.847		1,711,884
National Institutes of Health	93.853		2,364,712
National Institutes of Health	93.855		3,657,439
National Institutes of Health	93.859		16,712,253
National Institutes of Health	93.865		2,590,796
National Institutes of Health	93.866		171,275
National Institutes of Health	93.867		3,543,157
Total Department of Health and Human Services			61,101,304
Department of the Interior			
United States Geological Survey	15	G11AP20032	9,349
United States Geological Survey	15.807		1,948,088
United States Geological Survey	15.808		470,346
Total Department of the Interior			2,427,783
Environmental Protection Agency			
United States Environmental Protection Agency (EPA)	66	FP-91732501	15,746
United States Environmental Protection Agency (EPA)	66.509		239,243
Total Environmental Protection Agency			254,989

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Research and Development Cluster (Continued)			
Direct Funds (Continued)			
General Services Administration			
General Services Administration	39	GP0478497	$ 262,228
National Aeronautics and Space Administration (NASA)			
NASA	43		21,535,194
NASA	43.009		116,798
Total NASA			21,651,992
National Endowment for the Humanities			
National Endowment for the Humanities	45.161		1,929
National Science of Foundation			
National Science Foundation	47	0802907	51,717
National Science Foundation	47	0802918	(1,406)
National Science Foundation	47	0823459	(81,860)
National Science Foundation	47	1144910	20
National Science Foundation	47	1158655	153,899
National Science Foundation	47	MUCHOVEJ	2,591
National Science Foundation	47	Nathan Albin	875
National Science Foundation	47.041		2,699,560
National Science Foundation	47.049		91,832,002
National Science Foundation	47.050		3,518,669
National Science Foundation	47.070		3,993,367
National Science Foundation	47.074		829,402
National Science Foundation	47.075		622,578
National Science Foundation	47.076		3,830,796

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Direct Funds (Continued)			
National Science of Foundation (Continued)			
National Science Foundation	47.078		$ 211,212
National Science Foundation	47.080		325
ARRA - National Science Foundation	47.082		3,756,595
Total National Science Foundation			111,420,342
Total Research and Development - Direct Funds			253,470,834
Pass-Through Funds			
Department of Commerce			
Massachusetts Institute of Technology	11.417	5710002773	25,416
Department of Defense			
Air Force			
Brown University	12.800	00000271	166,438
Georgia Institute of Technology	12.800	RA740-G1	17,742
Georgia Institute of Technology	12	R9764-G1	1,037
IBM Corporation	12.910	AH3.IBMH	58,886
Illinois Institute of Technology	12.800	SA374-0609-6071	122,294
Northwestern University	12.800	PROJ0003600	151,858
Northrop Corporation	12	7600003367 / 76100RGT8S	225,349
Ohio State University	12.800	RF01152700/PO60020925	4,611
Ohio State University	12.800	RF01220513	180,492

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Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Defense (Continued)			
Air Force (Continued)			
Princeton University	12.800	00002050	$ 3,492
Princeton University	12.800	00001720	158,569
Stanford University	12.800	29018150-51649-C	197,370
Texas Engineering Experiment Station	12.800	A5932	236,496
UES, Inc.	12	S-875-060-006	230,557
University of California Berkeley	12.800	00007817	140,496
University of California Los Angeles	12.910	0145 G PA422	255,300
University of California San Diego	12.800	RF01220513	39,138
University of California Santa Barbara	12.800	KK1224	154,758
University of Notre Dame	12	201943	60,717
University of Southern California	12	Y85620	19,226
Total Air Force Pass-Through			2,424,826
Army			
Cornell University	12	63222-9803	48,086
Gevo, Inc.	12.400	GEVO.JP8	50,646
HRL Laboratories, LLC	12.910	10008-002329	13,662
University of Illinois	12.420	2010-04699-03	3,374
University of Illinois	12.431	2009-03197-01	118,713
Imaginative Technologies, LLC	12.400	IT-001	216,278
Johns Hopkins University	12.630	2001515018	178,098
Pennsylvania State University	12.431	3710-CIT-USA-0124	158,514
Stanford University	12	18882730-37362-A	(5,256)

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/Contract/Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Defense (Continued)			
Army (Continued)			
Tanner Research, Inc.	12.400	CALTECH-W911SR-12-C-0003	$ 188,993
University of California Berkeley	12.431	00006095	233,039
University of California Santa Barbara	12	KK9150	1,556,968
University of California Santa Barbara	12.420	KK9129	(23,640)
Total Army Pass-Through			2,737,475
Navy			
Cascade Technologies Inc.	12.300	2010-7042	68,181
Columbia University	12.300	5-60865	118,832
Evolutions Robotics, Inc.	12.630	EVOLUT.ONR2	50,530
John Hopkins University	12.300	2000868411	104,700
OCEANIT	12.300	002	1,018
University of California Los Angeles	12.300	1015 G NA127	140,938
University of California Los Angeles	12.300	0980 G PK234	1,647
University of California Riverside	12.300	S-0000344	2,858
University of California San Diego	12	10275845	53,155
University of Pennsylvania	12	550162	314,790
Total Navy Pass-Through			856,649

The accompanying notes are an integral part of this Schedule.

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Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Defense (Continued)			
Defense Advanced Research Projects Agency			
AURRIN, Inc.	12.910	AURRION.RPHI	$ 62,225
BAE Systems, Inc.	12	739533	155,452
Carnegie Mellon University	12	1041388-237976	1,178
Duke University	12.910	12-DARPA-1071	87,517
HRL Laboratories, LLC	12.910	901729-BS	217
HRL Laboratories, LLC	12.910	10008-002329	190,088
Johns Hopkins University	12.910	2001253081	31,452
Johns Hopkins University	12	975379	846,930
Kitware Inc.	12.910	HR0011-08-C-0135-S6	(2,641)
Research Triangle Institute International	12	3-340-0211720	72,093
Rice University	12.910	R16182	24,904
Rutgers, The State University of New Jersey	12.910	00003709	24,050
University of California Berkeley	12.910	SA00007003	191,827
University of California Los Angeles	12.910	0160 S MB962	105,418
University of California Los Angeles	12.910	0160 S MB894	93,720
University of California Los Angeles	12.910	0160 S MB961	121,641
University of California Los Angeles	12.910	N66001-12-1-4034	267,242
University of California San Diego	12.431	10296067	409,416
University of California Santa Barbara	12.910	KK1123	297,370
University of Southern California	12.910	141833	(17,770)
Total Defense Advanced Research Projects Agency Pass-Through			2,962,329

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Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Defense (Continued)			
Defense Threat Reduction Agency			
Kettering University	12	330233-A	$ 98,484
Kettering University	12.351	P0030022	554
Total Defense Threat Reduction Agency Pass-Through			99,038
Total Department of Defense Pass-Through			9,080,317
Department of Energy			
Advanced Cooling Technologies, Inc.	81	14074	69,420
AMERIGON	81	AMERGN.DOE	48,426
Argonne National Laboratory	81	2F-32261	4,457
Carnegie Institute	81	4-3253-02	140,205
Carnegie Institute	81.049	4-10114-02	88,625
Fermilab National Accelerator Laboratory	81	570788	169,641
Fermilab National Accelerator Laboratory	81	547138	(73,286)
Fermilab National Accelerator Laboratory	81	602368	39,336
Fermilab National Accelerator Laboratory	81	554897	263,258
Harvard University	81.049	130734-1	93,085
Lawrence Berkeley National Laboratory	81	6843187	26,469
Lawrence Berkeley National Laboratory	81	6855469	177,145
Lawrence Berkeley National Laboratory	81	6808461	(48,686)
Lawrence Berkeley National Laboratory	81	6927580	63,344
Lawrence Berkeley National Laboratory	81	B597705	238,449
Lawrence Livermore National Laboratory	81	B581793	587
Lawrence Livermore National Laboratory	81	197339-1	19,436
Los Alamos National Laboratory	81	36992-001-06	642
Los Alamos National Laboratory	81	55549-001-07	760

The accompanying notes are an integral part of this Schedule.

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Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Energy (Continued)			
Los Alamos National Laboratory	81	52187-001-07	$ (6,535)
Los Alamos National Laboratory	81	118779-1	144,382
Northwestern University	81.049	PROJ0003849	(297)
Oak Ridge National Laboratory	81	4000103663	139,452
Oak Ridge National Laboratory	81	4000115818	12,305
Power Environmental & Energy Research	81.087	325601-001	22,336
Research Partnership to Secure Energy for America	81	08122-15	308,467
Sandia National Laboratories	81	1161597	49,745
Sandia National Laboratories	81	757212	11,400
Sandia National Laboratories	81	1155749	284,206
Sandia National Laboratories	81	1121205	48,650
Stanford University	81	DOE DE-AC02-76SF00515	83,418
Telescent, Inc.	81.049	DE-SC0000915	97,397
Telescent, Inc.	81.049	DE-SC0000916	97,590
University of California Davis	81.121	Sub0700277	10
University of California Los Angeles	81.087	0980 G KK369	(13,220)
University of Delaware	81.049	21094	222,440
University of Minnesota	81.135	A002601001	267,947
University of Virginia	81.049	GQ10044-134466	259,962
University of Washington	81.049	704095	85,364
Total Department of Energy Pass-Through			3,436,332
Department of Homeland Security			
University of Rhode Island	97.061	112208/0001865	435,854

The accompanying notes are an integral part of this Schedule.

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Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Health and Human Services			
National Institutes of Health			
Benaroya Research Institute	93	FY11.033.01967-02.A55923	$ 185,137
Benaroya Research Institute	93.859	FY10.020.01967-01.A49428	(34,761)
Childrens Hospital Los Angeles	93.855	512	89,574
Childrens Hospital Los Angeles	93.853	000480	90,708
City of Hope	93.847	22614.914994.6692	420,166
City of Hope	93.701	22904.910176.6697	37,427
Duke University	93.396	07-SC-NIH-1008	46,745
Fisher Bioservices	93	FBS-50035-14	423,452
Georgia Institute of Technology	93.867	R7747-G5	7,149
Harvard University	93.859	137384	67,538
Hudsonalpha Institute for Biotechnology	93.172	2009-02	843,914
Jackson Laboratory	93	652563	37,153
Massachusetts Institute of Technology	93.279	5710002669	170,563
Northwestern University	93.397	60025344CIT	122,523
Pennsylvania State University	93.701	4071-CIT-DHHS-5573	(1,705)
Pennsylvania State University	93.859	4156-CIT-DHHS-5365	15,439
Pennsylvania State University	93.172	4564-CIT-DHHS-5573	172,515
Science Applications International Corporation	93.000	11XS287	1,165,408
The Scripps Research Institute	93.279	5-23851	1,553
University of California Los Angeles	93.286	0845 G KB564	314,318
University of California Los Angeles	93.853	0845 G MA557	124,541
University of California Riverside	93.859	S-000358	196,864
University of California San Diego	93	10291070	20,159
University of California, Davis	93.701	SUB09-002032-1	(11,251)
University of Colorado Boulder	93.859	154-5178	273,775
University of Colorado Denver	93.242	FY10.083.003	121,941

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Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Health and Human Services (Continued)			
National Institutes of Health (Continued)			
University of Colorado Denver	93.242	FY10.083.002	$ 323,392
University of Florida	93.859	UF09066	73,949
University of Georgia	93.855	RR182-364/4688608	39,679
University of Illinois	93.847	2012-01135-02	121,692
University of Miami	93.395	M162725	230,744
University of Miami	93.701	M158942	(319)
University of New Mexico	93.701	3R85Y	19,555
University of Southern California	93.859	159431	41,949
University of Southern California	93	H47388	33,742
University of Southern California	93.837	162272	53,920
University of Southern California	93.853	159442	65,451
University of Utah	93.859	10003198-02	376,075
University of Wisconsin	93.273	198K505	187,271
University of Wisconsin	93.859	348K434	61,336
Vanderbilt University	93	VUMC 33486-R	53,064
Visdex Corporation	93	EY021054-Caltech	8,267
Total National Institutes of Health Pass-Through			6,590,612
Total Department of Health and Human Services Pass-Through			6,590,612

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/Contract/Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Interior			
United States Geological Survey (USGS)			
University of Southern California	15.000	157944	$ 142,855
University of Southern California	15.807	119938	223,070
University of Southern California	15.808	Y86581	25,739
University of Southern California	15.808	Y80804	30,068
Total Department of the Interior Pass-Through			421,732
Department of State Bureau of Intelligence and Research			
National Council for Eurasion and East European Research	19.300	826-06	7,397
Department of Transportation			
Virginia Tech	20	451030-19717	43,292
General Services Administration			
High Performance Technologies, Inc.	39	PP-CCM-KY02-589	(10,215)
National Aeronautics and Space Administration (NASA)			
Analytical Mechanics Associates, Inc.	43	1601-TEAMS2-CAL	203,353
Carnegie Institution of Washington	43.001	7-10349-01	4,692
Case Western Reserve University	43.001	RES502973	332
Harvard University	43.001	131299-5039010	12,209
Harvard University	43.001	131232-02	42,820

The accompanying notes are an integral part of this Schedule.

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Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA) (Continued)			
Johns Hopkins University	43	975476	$ 14,477
Johns Hopkins University	43.001	108898	1,050
Lockheed Martin Corporation	43	8100001550	1,786
Massachusetts Institute of Technology	43	Subaward No. 5710002515	173,134
Massachusetts Institute of Technology	43.001	5710002999	59,397
Monterey Bay Aquarium Research Institute	43	0910171	176,748
National Space Biomedical Research Institute	43	TD01301	(4,026)
Near Space Corporation	43	NASA NNX12CA51C	18,414
New Mexico State University	43	P0051129	88,407
Pennsylvania State University	43	3903-CIT-NASA-A76A	65,268
Princeton University	43.001	00002046	127,193
Smithsonian Astro	43.001	DD2-13059X	9,984
Smithsonian Astro	43.001	DD2-13060X	7,168
Smithsonian Astro	43	GO1-12122X	12,438
Smithsonian Astro	43.001	PF2-130099	12,458
Smithsonian Astro	43	PF9-00067	9,833
Smithsonian Astro	43	GO1-12006X	2,714
Smithsonian Astro	43.001	PF1-120089	125,776
Smithsonian Astro	43	AR9-0007X	(10)
Smithsonian Astro	43.001	PF0-110074	18,609
Southwestern Research Institute	43	699048X	40,702
Southwestern Research Institute	43	699047X	67,404
Southwestern Research Institute	43	699049X	41,997
Southwestern Research Institute	43	D99029L	156,031

The accompanying notes are an integral part of this Schedule.

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/Contract/Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA) (Continued)			
Southwestern Research Institute	43	886830E	$ 4,788
Southwestern Research Institute	43	D99029L	356,173
Space Telescope Science Institute	43	HST-GO-11971.02-A	10,499
Space Telescope Science Institute	43	HST-GO-11644.01-A	2,865
Space Telescope Science Institute	43.001	HST-GO-12283.08.-A	66,936
Space Telescope Science Institute	43	HST-GO-12223.03-A	30,693
Space Telescope Science Institute	43	HST-GO-12234.02-A	2,068
Space Telescope Science Institute	43	HST-HF-51296.01-A	100,517
Space Telescope Science Institute	43	HST-GO-12181.13-A	17,495
Space Telescope Science Institute	43	HST-AR-12636.04-A	22,630
Space Telescope Science Institute	43	HST-GO-12524.04-A	20,945
Space Telescope Science Institute	43	HST-GO-12473.11-A	1,082
Space Telescope Science Institute	43	HST-GO-11622.01-A	1,445
Space Telescope Science Institute	43	HST-GO-12583.01-A	16,333
Space Telescope Science Institute	43.001	HST G0-12286.04-A	6,954
Space Telescope Science Institute	43	HST-GO-11616.10-A	9,629
Space Telescope Science Institute	43	HST-GO-11696.09-A	54,888
Space Telescope Science Institute	43.001	HST-G0-11702.04-A	39,131
Space Telescope Science Institute	43	HST-G0-11708.07-A	94,083
Space Telescope Science Institute	43.001	HST-GO-12330.01-A	27,738
Space Telescope Science Institute	43	HST-G0-12534.01-A	30,598
Space Telescope Science Institute	43	HST-G0-12568.08-A	5,069
Space Telescope Science Institute	43	HST-GO-11610.02-A	56,581
Space Telescope Science Institute	43	HST-GO-11616.07-A	109,768
Space Telescope Science Institute	43	HST-GO-11636.13-A	11,934
Space Telescope Science Institute	43	HST-GO-11638.01-A	46,567

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Research and Development Cluster (Continued)				
Pass-Through Funds (Continued)				
National Aeronautics and Space Administration (NASA) (Continued)				
Space Telescope Science Institute	43	HST-GO-11694.02-A	$	28,422
Space Telescope Science Institute	43	HST-GO-11721.01-A		6,748
Space Telescope Science Institute	43.001	HST-GO-12055.21-A		30,665
Space Telescope Science Institute	43	HST-GO-12117.01-A		8,966
Space Telescope Science Institute	43	HST-GO-12177.04-A		2,627
Space Telescope Science Institute	43	HST-GO-12195.01-A		5,671
Space Telescope Science Institute	43	HST-GO-12197.01-A		5,347
Space Telescope Science Institute	43	HST-GO-12233.01-A		3,594
Space Telescope Science Institute	43	HST-GO-12265.02-A		2,181
Space Telescope Science Institute	43	HST-GO-12298.01-A		64,859
Space Telescope Science Institute	43	HST-GO-12498.01-A		107,126
Space Telescope Science Institute	43	HST-GO-12659.01-A		1,255
Space Telescope Science Institute	43	HST-AR-12655.01-A		33,519
Space Telescope Science Institute	43	HST-HF-51256.01-A		96,606
Space Telescope Science Institute	43.001	HST-AR-12154.08-A		139
Space Telescope Science Institute	43	HST-HF-51313.01-A		5,992
Space Telescope Science Institute	43	HST-GO-11236.01-A		2,805
Space Telescope Science Institute	43.001	HST-GO-11213.01-A		3,402
Space Telescope Science Institute	43.001	HST-HF-51262.01-A		1,837
Space Telescope Science Institute	43	HST-GO-11640.07-A		11,596
Space Telescope Science Institute	43.001	HST-GO-12310.11-A		21,736
Space Telescope Science Institute	43.001	HST-GO-10429.08-A		6,347
Space Telescope Science Institute	43	HST-GO-11558.06-A		169
Space Telescope Science Institute	43.001	HST-GO-10574.17-A		38,658
Space Telescope Science Institute	43	HST-GO-11648.06-A		20,832
Space Telescope Science Institute	43	HST-GO-11544.01-A		136

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Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA) (Continued)			
Space Telescope Science Institute	43.001	HST-GO-12060.49-A	$ 54,201
Space Telescope Science Institute	43.001	HST-GO-12269.12-A	21,169
TAO of Systems Engineering, Inc.	43	101D021312	30,799
United Negro College Fund	43	UNCF.KATHLEEN	40,000
United Negro College Fund	43	UNCF.SCHETEMA	27,467
University of California Berkeley	43.001	SA2715-23609	362,626
University of California Los Angeles	43	0995-S-MA048	91,826
University of California San Diego	43	10300012	44,532
University of California Irvine	43	2010-2483	50,215
Universities Space Research Association	43.001	02212-01	493
Universities Space Research Association	43	08521-017	161,048
University of Washington	43	596856	19,086
Vigyan, Inc.	43	14167	204,492
Washington University in St. Louis	43.001	WU-HT-10-14/2911192A	62,501
Total National Aeronautics and Space Administration Pass-Through			4,319,457
National Science Foundation			
Arizona State University	47.041	12-729	286,278
California Association For Research In Astronomy	47	PO 24565	142,756
Carnegie Mellon University	47.079	1121550-259731	236,307
Computing Research Association	47.070	CIF-B-202	1,166
Computing Research Association	47.070	CIF-C-202	120,090
Consortium for Ocean Leadership	47.050	T339A89	23,568
Cornell University	47.049	46514-8592	151,916

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Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
National Science Foundation (Continued)			
Harvard University	47.078	131268	$ 62,069
Incorporated Research Institute for Seismology	47.050	38-GSN	23,029
Incorporated Research Institute for Seismology	47.050	46-DMS	1,774
Internet2	47.082	109-01	109,195
Large Synoptic Survey Telescope Corporation	47	C44040L	253,043
LC Vision, LLC	47	IIP-1058604	119,369
Louisiana State University	47.080	62973	106,593
Louisiana State University	47.082	55893	50,647
National Bureau of Economic Research, Inc.	47.075	34-3519-02-0-79-981	2,569
National Radio Astronomy Observatory	47	337416	16,333
National Radio Astronomy Observatory	47	339014	1,065
National Radio Astronomy Observatory	47	337419	14,266
National Radio Astronomy Observatory	47.082	995614	63,000
New Jersey Institute	47.049	NJIT.000008	1,693
New Jersey Institute	47.082	910020	80,449
Princeton University	47.049	00002009	247,633
Stanford University	47.082	24472250-44193-B	71,549
Stanford University	47.082	25315690-46990-A	249,931
University of Arizona	47.041	Y502628	193,724
University of California Berkeley	47.041	00007090	64,214
University of California Los Angeles	47.082	0995 G PB241	122,748
University of California Los Angeles	47.049	1000 G HD871	450,520
University of California Los Angeles	47	0143 G DB034	80,394
University of California, Davis	47.050	200911281-03	293,732
University of California, Davis	47.049	sub09000769-CIT	53,867
University of Connecticut	47.041	7150	16,011

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/Contract/Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
National Science Foundation (Continued)			
University of Southern California	47.041	H31068	$ 357,639
University of Southern California	47.050	Y86197	5,066
University of Southern California	47.050	153603	48,921
University of Southern California	47.050	137754	21,008
University of Wisconsin	47.049	647F205	76,369
University of Wisconsin-Milwaukee	47.049	K083644	75,032
Virtual Astronomical Observatory, Inc.	47	2010-08(1)	277,244
W.M. Keck Observatory	47.049	10742	965,991
W.M. Keck Observatory	47	29946	(342,038)
W.M. Keck Observatory	47.049	10339	477,593
Total National Science Foundation - Pass-Through Funds			5,674,323
Total Research and Development - Pass-Through Funds			30,024,517
Total Research and Development Cluster			283,495,351

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/Contract/Pass-Through Number	Federal Expenditures
Student Financial Aid Cluster			
Direct Funds			
Department of Education			
Federal Work Study Program	84.033		$ 383,768
Federal Supplemental Educational Opportunity Grant	84.007		431,988
Federal Pell Grant Program	84.063		441,812
Total Student Financial Aid Cluster			1,257,568
Total Expenditures of Federal Awards			$ 284,752,919

The accompanying notes are an integral part of this Schedule.

1. Summary of Significant Accounting Policies

General

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared on the cash basis of accounting and in accordance with the Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Not-for-Profit Organizations*. The Schedule summarizes the expenditures of the Institute under programs of the federal government for the year ended September 30, 2012, except those related to the Jet Propulsion Laboratory ("JPL")(a Federally Funded Research and Development Center managed by the California Institute of Technology), as discussed below. Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Institute in accordance with accounting principles generally accepted in the United States of America.

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

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

The Institute receives funding or reimbursement from Federal Government agencies primarily for research under government grants and contracts. Grants and contracts provide for reimbursement of indirect costs based on rates negotiated with the Department of Defense's Office of Naval Research ("ONR"), the Institute's cognizant federal agency. The Institute's indirect cost reimbursements traditionally have been based on fixed rates with carry forward of under- or over-recoveries. However, the Institute's FY2008 indirect cost reimbursements were based on a predetermined rate. In addition, ONR has approved fixed with carry forward rates for FY2009 and FY2010, and predetermined rates for FY2011, FY2012, and FY2013. ONR engages the Defense Contract Audit Agency ("DCAA") to audit both direct and indirect charges to the Institute's grants and contracts. ONR has approved final indirect cost rates through September 30, 2006. Actual incurred costs for the year ended September 30, 2007 have been audited by DCAA and, in the opinion of management, the results of such audit will not have a material impact on the Schedule. Actual incurred costs for FY2009 and FY2010 have been submitted for audit by DCAA and, in the opinion of management, the results of such audit will not have a material impact on the Schedule. An incurred cost rate audit will not be required for FY2011, FY2012, or FY2013 because those rates are predetermined.

1. Summary of Significant Accounting Policies (Continued)

The Institute discloses its accounting policies for the purposes of direct costs and facilities and administrative costs in a Disclosure Statement in accordance with Cost Accounting Standards. Revision 11 to the Disclosure Statement has been submitted by the Institute and is currently being reviewed by DCAA. All amendments and updates through Revision 9 have been approved by ONR.

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

2. Loan Advances

During the year ended September 30, 2012, the Institute advanced loans totaling $817,383 for the Federal Perkins Loan Program (CFDA Number 84.038). The outstanding balance at September 30, 2012 was $4,743,192. 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 $92,240 of administrative cost allowance to the Federal Perkins Loan Program for the year ended September 30, 2012. The amount of Federal Perkins Loan principal (CFDA Number 84.037) cancelled during the year ended September 30, 2012 was $8,740.

3. Federal Direct Loan Program

During the year ended September 30, 2012, the Institute awarded $1,122,227 (including origination fees and rebates) of 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) to students.

4. Transfers

During the year ended September 30, 2012, the Institute transferred $137,697 from the Federal Work Study Program ("FWS") to the Federal Supplemental Educational Opportunity Grant Program ("FSEOG"). The transferred amounts are reflected as revenues/expenditures recognized in the program in which the funds were expended.

5. Federal Work Study Carry-forwards

During the year ended September 30, 2012, there were no FWS carry-forwards from the year ended September 30, 2011. The Institute carried back $33,481 from the year ending September 30, 2013. The carry forward/back amounts are reflected as revenues/expenditures recognized in the year in which the funds were expended. The Institute did not charge any administrative cost allowance to the Federal Work-Study Program for the year ended September 30, 2012.

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	$ 909,012
Army Research Office	1,415,310
Defense Advanced Research Projects Agency	504,207
National Geospatial-Intelligence Agency	30,568
US Navy	1,641,100
	4,500,197
Department of Energy	
Department of Energy	1,935,088
Department of Health and Human Services	
National Institutes of Health	10,491,760
Environmental Protection Agency	
Environmental Protection Agency	131,999
Department of Homeland Security	
Department of Homeland Security	146,000
National Aeronautics & Space Administration	
National Aeronautics & Space Administration	10,785,995
National Space Biomedical Research Institute	1,575
Space Telescope Science Institute	64,664
	10,852,233
National Science Foundation	
National Science Foundation	9,406,217
United States Geological Survey	
United States Geological Survey	10,675
Total Amount Provided to Subrecipients	$ 37,474,169

7. Contingencies

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

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

To the Board of Trustees of the
California Institute of Technology

We have audited the financial statements of California Institute of Technology (the "Institute") as of and for the year ended September 30, 2012, and have issued our report thereon dated January 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated January 9, 2013.

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

PricewaterhouseCoopers LLP

January 25, 2013

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

To the Board of Trustees of the
California Institute of Technology

Compliance

We have audited the compliance of California Institute of Technology (the "Institute") with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

The Institute's financial statements include the operations of the Jet Propulsion Laboratory (a Federally Funded Research and Development Center managed by the Institute), which incurred $1,554,809,000 in federal expenditures. These expenditures are not included in the Institute's schedule of federal expenditures of federal awards for the year ended September 30, 2012. Our audit of the Institute's federal awards did not include the operations of the Jet Propulsion Laboratory because it is audited and reported upon as a separate entity pursuant to Section 200(e) of OMB Circular A-133 and is, therefore, out of the scope of this audit.

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

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed 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 2012-01.

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Internal Control Over Compliance

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

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

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

The Institute's response to the finding identified in our audit is 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 the response.

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

PricewaterhouseCoopers LLP

June 26, 2013

California Institute of Technology
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

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
Student Financial Aid Cluster	Various

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

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 12-01: Federal Funding Accountability and Transparency Act (FFATA) Reporting Not Performed Timely

Sponsor Award Number: HR0011-11-2-0006, R03DE022521A, 1120890

Sponsoring Agency: Defense Advance Research Project Agency, National Institutes of Health, National Science Foundation

CFDA Number: 12.910, 93.121, 47.041

Caltech Award Number: DARPA.LRS2011, NIH.R03DE022521, NSF.SNM

Condition
In testing the Institute's reporting of subrecipients subject to the Federal Funding Accountability and Transparency Act, we sampled seven files involving subawards of $2,900,000 out of a total population of subawards of $10,300,000. We noted that FFATA reporting was performed for all awards tested. However, for three of the seven subrecipients tested, we noted that FFATA reporting was performed 29 days after the deadline.

Citation
Transparency Act, implementing requirements in 2 CFR part 170 and the FAR.

Criteria
When utilizing subrecipients to perform certain tasks under receipt of federal awards, the Institute is responsible for reporting those subawards that are subject to Transparency Act requirements on a timely basis on USASpending.gov to ensure that information is made available to the public.

Questioned Costs
None identified.

Cause
Management did not have a mechanism to track all required subawards to ensure FFATA reporting was performed on a timely basis.

Effect
Failure to follow FFATA reporting for subawards does not allow for full transparency of how the Institute is using Federal funding.

Recommendation
We recommend that the Institute enhance the controls and processes for timely FFATA reporting.

Management's Views and Corrective Action Plan
Management's views and corrective action plan are included at the end of this report.

California Institute of Technology
Summary Schedule of Prior Year Audit Findings and Questioned Costs
For the Year Ended September 30, 2012

There are no prior year audit findings that require an update in this audit report.

CALIFORNIA INSTITUTE OF TECHNOLOGY

Pasadena, California 91125

Office of the Associate Vice President for Research Administration
Financial Services Administration Building, Mail Code 201-15
626-395-6073

June 26, 2013

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 2012

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, 2012.

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

Sincerely,

Richard Seligman

Richard P. Seligman
Associate Vice President for Research Administration

Enclosure

CALIFORNIA INSTITUTE OF TECHNOLOGY

Pasadena, California 91125

Office of the Associate Vice President for Research Administration
Financial Services Administration Building, Mail Code 201-15
626-395-6073

Fiscal Year 2012

Finding Number	Condition	Management's Views and Corrective Action Plan	Responsible Individual	Planned Completion Date
12.1	In testing the Institute's reporting of subrecipients subject to the transparency act, we sampled seven files involving subawards of $2.9 million out of a total population of subawards of $10.3 million. We noted that FFATA reporting was performed for all awards tested. However, for three of the seven subrecipients tested, we noted that proper transparency act reporting was not performed timely.	During FY2011-12, we were working on understanding the FFATA fields relative to Caltech's (Oracle) PO system. The Office of Sponsored Research leads the effort to determine an appropriate methodology for FFATA reporting, implement procedures and work with Information Services and Purchasing to design special queries to capture key data elements. Compliance is impacted also by the federal agencies that are not always consistent or timely in submitting to the FFATA system those awards that are subject to FFATA reporting. Caltech has made good faith effort to comply with the requirements and has submitted accurate data to the FFATA Subaward Reporting System. Caltech will work to improve compliance in this area, including more frequent communication with supporting offices and validation of subject awards.	Director, Office of Sponsored Research	9/30/2013