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, 2014

California Institute of Technology
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For the Year Ended September 30, 2014

Independent Auditor's Report

To The Board of Trustees of the
California Institute of Technology

Report on the Financial Statements

We have audited the accompanying financial statements of California Institute of Technology (the "Institute"), which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended September 30, 2014, is presented for purposes of additional analysis as required by 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. Such 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 information 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 to 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, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2015 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, 2014. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

January 28, 2015

California Institute of Technology
Balance Sheets
At September 30, 2014 and 2013
(Dollars in Thousands)

	2014	2013
ASSETS		
Cash and cash equivalents (Notes B and D)	$ 10,092	$ 10,209
Accounts and notes receivable, net		
United States government	209,368	196,614
Other	29,762	19,676
Contributions receivable, net	92,385	77,898
Investments	2,501,865	2,392,563
Prepaid expenses and other assets	110,066	103,469
Deferred United States government billings	346,160	456,917
Property, plant, and equipment, net	866,706	874,288
Total assets	$ 4,166,404	$ 4,131,634
LIABILITIES and NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 277,776	$ 240,148
Accrued compensation and benefits	184,764	168,765
Deferred revenue and refundable advances	44,549	34,605
Annuities, trust agreements, and agency funds	90,327	83,550
Bonds and notes payable	682,362	726,970
Accumulated postretirement benefit obligation	369,244	515,032
Total liabilities	1,649,022	1,769,070
Commitments and contingencies (Note L)		
Net assets:		
Unrestricted	708,350	665,085
Temporarily restricted	750,967	725,844
Permanently restricted	1,058,065	971,635
Total net assets	2,517,382	2,362,564
Total liabilities and net assets	$ 4,166,404	$ 4,131,634

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

California Institute of Technology
Statement of Activities
For the Year Ended September 30, 2014
(with summarized financial information for the year ended September 30, 2013)
(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Operating revenues:					
Tuition and fees, net of student financial aid	$ 36,307	$ -	$ -	$ 36,307	$ 35,216
Endowment spending distributed	45,723	62,363	-	108,086	102,162
Gifts and pledges	25,074	24,449	-	49,523	46,174
Grants and contracts:					
Jet Propulsion Laboratory - direct	1,560,024	-	-	1,560,024	1,399,531
United States government, Campus - direct	184,718	-	-	184,718	199,298
Other Campus - direct	22,521	-	-	22,521	23,741
Recovery of indirect costs and allowances	120,505	-	-	120,505	119,240
Auxiliary enterprises	27,562	-	-	27,562	31,631
Other	44,460	-	-	44,460	48,845
Net assets released from restrictions	100,252	(100,252)		-	-
Total operating revenues	2,167,146	(13,440)	-	2,153,706	2,005,838
Operating expenses:					
Compensation and benefits	351,490	-	-	351,490	349,643
Supplies and services	122,759	-	-	122,759	144,882
Subcontracts	38,355	-	-	38,355	32,798
Graduate fellowships	17,202	-	-	17,202	17,720
Depreciation, accretion, and amortization	67,170	-	-	67,170	67,406
Utilities	18,040	-	-	18,040	16,170
Interest	16,788	-	-	16,788	16,400
Jet Propulsion Laboratory	1,560,024	-	-	1,560,024	1,399,531
Total operating expenses	2,191,828	-	-	2,191,828	2,044,550
Results of operations	(24,682)	(13,440)	-	(38,122)	(38,712)
Non-operating changes:					
Investment return in excess of endowment spending	48,164	44,264	578	93,006	107,302
Endowment spending	1,975	2,712	758	5,445	6,066
Net assets released from restrictions	2,482	(2,482)	-	-	-
Gifts and pledges	-	2,871	68,752	71,623	49,754
Changes in fair value of interest rate swap	(7,792)	-	-	(7,792)	26,064
Non periodic changes in benefit obligations	40,627	-	-	40,627	41,284
Other	(1,057)	-	18	(1,039)	(178)
Interest	(8,930)	-	-	(8,930)	(9,455)
Redesignations and reclassifications of net assets	(7,522)	(8,802)	16,324	-	-
Total non-operating activities	67,947	38,563	86,430	192,940	220,837
Increase in net assets	43,265	25,123	86,430	154,818	182,125
Net assets at beginning of year	665,085	725,844	971,635	2,362,564	2,180,439
Net assets at end of year	$ 708,350	$ 750,967	$ 1,058,065	$ 2,517,382	$ 2,362,564

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

California Institute of Technology
Statement of Activities
For the Year Ended September 30, 2013
(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Operating revenues:				
Tuition and fees, net of student financial aid	$ 35,216	$ -	$ -	$ 35,216
Endowment spending distributed	44,671	57,491	-	102,162
Gifts and pledges	27,167	19,007	-	46,174
Grants and contracts:				
Jet Propulsion Laboratory - direct	1,399,531	-	-	1,399,531
United States government, Campus - direct	199,298	-	-	199,298
Other Campus - direct	23,741	-	-	23,741
Recovery of indirect costs and allowances	119,240	-	-	119,240
Auxiliary enterprises	31,631	-	-	31,631
Other	48,845	-	-	48,845
Net assets released from restrictions	85,160	(85,160)	-	-
Total operating revenues	2,014,500	(8,662)	-	2,005,838
Operating expenses:				
Compensation and benefits	349,643	-	-	349,643
Supplies and services	144,882	-	-	144,882
Subcontracts	32,798	-	-	32,798
Graduate fellowships	17,720	-	-	17,720
Depreciation, accretion, and amortization	67,406	-	-	67,406
Utilities	16,170	-	-	16,170
Interest	16,400	-	-	16,400
Jet Propulsion Laboratory	1,399,531	-	-	1,399,531
Total operating expenses	2,044,550	-	-	2,044,550
Results of operations	(30,050)	(8,662)	-	(38,712)
Non-operating changes:				
Investment return in excess of endowment spending	55,805	50,776	721	107,302
Endowment spending	2,322	3,119	625	6,066
Net assets released from restrictions	41	(41)	-	-
Gifts and pledges	-	406	49,348	49,754
Changes in fair value of interest rate swap	26,064	-	-	26,064
Non periodic changes in benefit obligations	41,284	-	-	41,284
Other	(193)	-	15	(178)
Interest	(9,455)	-	-	(9,455)
Redesignations and reclassifications of net assets	(10,682)	(6,391)	17,073	-
Total non-operating activities	105,186	47,869	67,782	220,837
Increase in net assets	75,136	39,207	67,782	182,125
Net assets at beginning of year	589,949	686,637	903,853	2,180,439
Net assets at end of year	$ 665,085	$ 725,844	$ 971,635	$ 2,362,564

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, 2014 and 2013
(Dollars in Thousands)

	2014	2013
Cash flows from operating activities:		
Increase in net assets	$ 154,818	$ 182,125
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation, accretion, and amortization	67,170	67,406
Changes in postemployment benefit obligations	(40,627)	(41,284)
Contributions restricted for long-term investment and capital projects	(68,053)	(45,632)
Investment return restricted for long-term investment and capital projects	(1,298)	(1,671)
Realized and unrealized gains on investments and swap	(152,178)	(197,318)
In-kind receipt of property, plant, and equipment	(1,337)	(693)
Changes in annuity and trust liabilities	932	(6,678)
Losses on disposals of property, plant, and equipment	1,201	1,721
Changes in assets and liabilities:		
Accounts and notes receivable, net	(10,985)	(2,233)
Contributions receivable, net	7,276	15,417
Prepaid expenses and other assets	(4,996)	(1,113)
Deferred United States government billings	110,757	118,807
Accounts payable and accrued expenses	13,618	(9,418)
Accrued compensation and benefits	15,999	8,228
Deferred revenue and refundable advances	9,944	4,277
Agency funds	1,172	935
Accumulated postretirement benefit obligation	(105,161)	(107,077)
Net cash used in operating activities	(1,748)	(14,201)
Cash flows from investing activities:		
Purchases of investments	(736,819)	(789,555)
Proceeds from sales and maturities of investments	797,199	813,680
Purchases of property, plant, and equipment	(59,632)	(65,394)
Proceeds from sale of property, plant, and equipment	2,270	37
Net cash provided by/(used in) investing activities	3,018	(41,232)
Cash flows from financing activities:		
Contributions restricted for long-term investment and capital projects	44,315	36,237
Investment return restricted for long-term investment and capital projects	1,298	1,671
Cash received under annuity and trust agreements	4,608	6,148
Cash payments made under annuity and trust agreements	(6,990)	(6,786)
Net (repayment)/borrowings of short-term debt	(44,618)	17,390
Net cash (used in)/provided by financing activities	(1,387)	54,660
Net decrease in cash and cash equivalents	(117)	(773)
Cash and cash equivalents at beginning of year	10,209	10,982
Cash and cash equivalents at end of year	$ 10,092	$ 10,209

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 were $21,000 for each of the years ended September 30, 2014 and 2013 and are included in recovery of indirect costs and allowances in the statements of activities.

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 certain provisions of law or accounting standards: permanently restricted, temporarily restricted, and unrestricted.

> Permanently restricted net assets include endowment gifts as well as certain 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 held 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, as well as certain 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 or requirements for classification imposed by law or accounting standards.

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

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

Reclassifications
Certain balances at September 30, 2013 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, 2014 and 2013, short-term investments, as disclosed in Note D, consisted of $163,602 and $195,902, 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, 2014 and 2013.

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 $885 and $918 at September 30, 2014 and 2013, respectively. Activity in the allowance account was not significant during the years ended September 30, 2014 and 2013.

Accounts receivable from students and employees of $717 and $2,237 at September 30, 2014 and 2013, respectively, are carried at cost. Doubtful accounts are charged to expense when they are deemed to become uncollectible. During the years ended September 30, 2014 and 2013, 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 $6,608 and $6,590 at September 30, 2014 and 2013, 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, 2014 and 2013, 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 $13,383 and $1,528 related to outstanding sales and accounts payable included $16,333 and $2,080 related to outstanding purchases of investments at September 30, 2014 and 2013, respectively.

The Institute engages a number of outside investment managers 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.

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 $5,679 and $5,632 during the years ended September 30, 2014 and 2013, respectively, are included in interest expense in the statements of activities. Changes in the swap’s fair value during the years ended September 30, 2014 and 2013, resulted in an unrealized loss of $7,792 and an unrealized gain of $26,064, respectively, and are included in non-operating changes in net assets in the statements of activities. The fair value of the swap was a liability of $40,666 and $32,874 at September 30, 2014 and 2013, respectively, and is included in accounts payable and accrued expenses in the balance sheets.

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, 2014 and 2013, capitalized interest was $896 and $825, 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. The costs of the 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's conditional asset retirement obligations are primarily related to future asbestos removal and disposal. Asset retirement cost, net of accumulated depreciation, at September 30, 2014 and 2013 was $1,209 and $708, respectively, and is included in property, plant, and equipment in the balance sheets. Conditional asset retirement obligations at September 30, 2014 and 2013 were $13,285 and $12,214, 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 credit risk-adjusted rate at the inception of each agreement. Discount rates on split-interest agreements range from 1.2% to 11.2% per annum. 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. The Annuity 2000 Mortality Table was used for the years ended September 30, 2014 and 2013. Split-interest agreement liabilities totaled $69,676 and $64,467 at September 30, 2014 and 2013, respectively, and are included in liabilities for annuities, trust agreements and agency funds in the balance sheets.

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 $7,375 and $7,077 at September 30, 2014 and 2013, respectively.

Beneficial Interests
The Institute is the beneficiary of both charitable remainder and perpetual trusts held and administered by others and interests in certain estates bequeathed by donors. The fair value of the Institute's interests in charitable and perpetual trusts is calculated by multiplying the Institute's percentage interest by 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. 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. 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. Beneficial interests totaled $26,517 and $32,221 at September 30, 2014 and 2013, respectively, and are included in prepaid expenses and other assets in the balance sheets.

Retirement Plans
The Institute provides a defined contribution retirement program for eligible academic and administrative employees. Contributions to Internal Revenue Code "IRC" Section 403(b) defined contribution plans for the years ended September 30, 2014 and 2013 were $23,258 and $23,210, respectively, for the Campus and $67,365 and $64,588, respectively, for JPL. The Institute has no assets or liabilities related to these plans.

At September 30, 2014 and 2013, respectively, prepaid expenses and other assets included $67,697 and $59,883 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 $66,872 and $59,149 at September 30, 2014 and 2013, respectively, and are included in accrued compensation and benefits in the balance sheets.

A small number of employees, former employees, and beneficiaries participated in a defined benefit pension plan until its complete settlement in June, 2013. The statement of activities for the year ended September 30, 2013 includes settlement losses of $2,595. The Campus portion totaled $590 and is included in operating expenses. The JPL portion totaled $2,005 and is included in JPL expenses.

Funds Held for Others
The Institute held assets totaling $13,276 and $12,006 in agency funds at September 30, 2014 and 2013, 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, 2014 and 2013, accrued compensated absences of $75,532 and $73,947, 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 accrued compensation and benefits in the balance sheets. At September 30, 2014 and 2013, the estimated liabilities for workers' compensation amounted to $9,560 and $9,333, respectively.

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 are displayed net of financial aid on the statements of activities. Tuition and fees totaled $88,279 and $86,045 for the years ended September 30, 2014 and 2013, respectively. Student financial aid totaled $51,972 and $50,829 for the years ended September 30, 2014 and 2013, 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 $114,635 and $125,456 at September 30, 2014 and 2013, respectively. Payments received related to conditional promises for which conditions have not been met totaled $13,800 and $9,200 at September 30, 2014 and 2013, respectively, and are included in deferred revenue and refundable advances in the balance sheets.

- *Grants and contracts* - Revenues from grants and contracts generally are recognized 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.

(Dollars in Thousands)

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

Expenses
Expenses are generally reported as decreases in unrestricted net assets. 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, 2014 and 2013:

	2014	2013
Instruction and academic support	$ 266,766	$ 268,719
Organized research	251,374	258,327
Institutional	83,198	84,637
Auxiliary enterprises	30,466	33,336
Total Campus functional expenses	$ 631,804	$ 645,019

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 non-operating 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, interest expense related to any bonds issued for which the proceeds have not yet been used for capital projects or to refund other bonds, 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.

Tax Status

The Institute is generally exempt from federal income taxes related to its charitable purpose under the provisions of IRC Section 501(c)(3) and from California and other state income taxes under corresponding state laws. The Institute is subject to both federal and state income taxes on income from certain activities not substantially related to its exempt purpose. At September 30, 2014 and 2013, the Institute maintained a full valuation allowance on its immaterial deferred tax assets, which are primarily due to tax losses from certain investment activities. Due to uncertainties surrounding both the timing and amounts of potential future net taxable income, the Institute has concluded that it is more likely than not that the Institute will not realize the deferred tax assets.

The Institute has no reporting requirements for uncertain tax positions for the years ended September 30, 2014 and 2013.

Related Party Transactions

Members of the Institute's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with entities doing business with the Institute. These transactions are conducted in the normal course of business at an arm's length, and in accordance with the Institute's policies and procedures governing potential conflicts of interest.

New Accounting Pronouncements

In April 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-06 regarding the recognition of the value of services contributed by an affiliated entity. ASU 2013-06 is effective for the Institute's fiscal year ending September 30, 2015. The Institute currently is evaluating the impact that the ASU 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 anticipated future cash flows at an appropriate credit risk-adjusted rate that remains fixed. Discount rates on contributions receivable at September 30, 2014 and 2013 range from 0.74% to 5.84%.

(Dollars in Thousands)

Contributions receivable consisted of the following at September 30, 2014 and 2013:

	2014	2013
Contributions receivable at beginning of year, net	$ 77,898	$ 83,602
Discount at beginning of year	2,822	3,446
Allowance for doubtful accounts at beginning of year	239	177
Contributions receivable at beginning of year, gross	80,959	87,225
New contributions received	35,100	31,601
Contribution payments received	(19,435)	(37,788)
Write-offs and other adjustments	(45)	(79)
Contributions receivable at end of year, gross	96,579	80,959
Discount at end of year	(4,017)	(2,822)
Allowance for doubtful accounts at end of year	(177)	(239)
Contributions receivable at end of year, net	$ 92,385	$ 77,898

Gross contributions receivable carried the following restrictions at September 30, 2014 and 2013:

	2014	2013
Endowment for programs, activities and scholarships	$ 65,998	$ 43,240
Building construction	400	96
Education, general and time restrictions	30,181	37,623
Total contributions receivable, gross	$ 96,579	$ 80,959

(Dollars in Thousands)

Gross contributions receivable are expected to be collected as follows at September 30, 2014 and 2013:

	2014	2013
Within one year	$ 32,961	$ 20,188
Between one year and five years	44,421	53,336
More than five years	19,197	7,435
Total contributions receivable, gross	$ 96,579	$ 80,959

At September 30, 2014 and 2013, contributions receivable of $65,437 and $60,101, respectively, were due from board members and/or charitable entities founded by board members.

D. Investments

Investments consisted of the following at September 30, 2014 and 2013:

	2014	2013
Short-term investments	$ 163,602	$ 195,902
Fixed-income securities	139,945	185,164
Equity securities	934,130	794,270
Alternative investments:		
Alternative securities	675,277	651,642
Private equity	174,412	196,644
Real assets	414,499	368,941
Total investments	$ 2,501,865	$ 2,392,563

Below is a description of the holdings included within each investment classification:

- *Short-term investments* consist primarily of cash and cash equivalents invested in U.S. government and government agency money-market funds, as well as deposits with financial institutions.

- *Fixed-income securities* consist primarily of debt instruments issued by corporate or sovereign entities in both U.S. and foreign markets and investments in funds that hold such instruments.

- *Equity securities* consist primarily of investments in publicly traded corporate equities in globally diversified public markets including domestic, developed international, and emerging markets. Investment managers invest according to each manager's particular investment strategy.

- *Alternative securities* consist primarily of investments in funds in which redemption options and/or distributions are determined by the respective investment managers. Alternative securities managers pursue returns through a variety of strategies such as high yield and distressed credit, long/short equity, event-driven, and relative value. Managers invest and trade in various securities and financial instruments, including publicly traded and privately issued common and preferred shares of domestic and foreign companies, corporate debt, bonds, swaps, options, futures contracts and commodities.

- *Private equity* consists of investments in limited partnership interests that invest primarily in the securities of privately held companies. Investment managers utilize leveraged buyout and venture capital strategies in a wide variety of industries and company sizes. Distributions from these investments are made either in-kind as distributions of publicly tradeable equity securities after initial public offerings, or in cash after liquidation of the underlying securities by the investment manager.

- *Real assets* consist primarily of investments in limited partnerships that invest in foreign and/or domestic real estate and/or energy sectors and/or domestic timber industries. Real estate consists primarily of illiquid investments in residential and commercial real estate assets, projects or land, and notes receivable secured by real estate. Such holdings are either held directly or in partnership funds. Energy holdings consist primarily of illiquid investments in oil and gas exploration and production or materials mining businesses, as well as related oil and gas services businesses, held in limited partnerships. Timber holdings consist primarily of illiquid investments in timber land and harvesting businesses held in limited partnerships.

The Institute reclassified all investments displayed in the category “Real estate mortgages, notes, and other investments” at September 30, 2013 to the category “Alternative investments - Real assets” in order to conform to the current-year presentation. Such investments totaled $30,119 at September 30, 2013.

The Institute may include publicly traded funds in the alternative investments category when such investments are made pursuant to the Institute’s alternative investment strategy. Alternative investments may not be readily marketable or redeemable, and may specify penalties for early withdrawal from the related funds.

(Dollars in Thousands)

Investments were categorized as follows at September 30, 2014 and 2013:

	2014	2013
Investment pool	$ 2,272,817	$ 2,028,945
Separately invested endowments	26,564	29,920
Trusts, annuities, and other	202,484	333,698
Total investments	$ 2,501,865	$ 2,392,563

At September 30, 2014 and 2013, endowment investments were $2,118,100 and $1,960,435, respectively. At September 30, 2014, and 2013, other investments included $42,055 and $43,706, respectively, held in separately invested accounts as required by donors and/or sponsors.

Investment return consisted of the following for the years ended September 30, 2014 and 2013:

	2014	2013
Interest and dividend income	$ 40,888	$ 38,644
Net realized gains	76,825	70,302
Net unrealized appreciation	88,824	106,584
Total investment return	$ 206,537	$ 215,530

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, and workers' compensation 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, 2014 and 2013:

	2014	2013
Accumulated postretirement benefit obligation	$ 281,713	$ 393,965
Accrued vacation benefits	59,769	58,216
Accrued worker's compensation benefits	4,678	4,736
Total deferred United States government billings	$ 346,160	$ 456,917

F. Property, Plant, and Equipment, net

Property, plant, and equipment consisted of the following at September 30, 2014 and 2013:

	2014	2013
Land and land improvements	$ 66,218	$ 64,691
Buildings and building improvements	998,115	963,382
Equipment	553,520	539,015
Construction in progress	62,014	60,406
Less: accumulated depreciation	(813,161)	(753,206)
Total property, plant, and equipment, net	$ 866,706	$ 874,288

Depreciation expense for the years ended September 30, 2014 and 2013 was $66,410 and $66,672, respectively.

(Dollars in Thousands)

G. Bonds and Notes Payable

Bonds and notes payable are uncollateralized, general obligations of the Institute and consisted of the following at September 30, 2014 and 2013:

Bonds payable:	2014	2013
Taxable bonds, Series 2011 due November 1, 2111, with interest at 4.70% (net of discount of $3,106 and $3,138, respectively)	$ 346,894	$ 346,862
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 $576 and $598, respectively)	80,576	80,598
2006 Series A due October 2036, with variable interest rates reset weekly (0.03% and 0.04%, respectively)	82,500	82,500
2006 Series B due October 2036, with variable interest rates reset weekly (0.04% and 0.05%, respectively)	82,500	82,500
Series 1994 due January 2024, with variable interest rates reset weekly (0.03% and 0.04%, respectively)	30,000	30,000
Total bonds payable	622,470	622,460
Notes payable:		
Bank of America revolving bank credit facility expiring August 2016, with variable interest rates	-	-
Bank of America revolving bank credit facility expiring August 2016, with variable interest rates (0.40% and 0.29%, respectively)	50,000	50,000
Bank of New York money market loan program with no expiration date, with variable interest rates (0.44% at September 30, 2013)	-	16,000
JPMorgan Chase money market loan program with no expiration date, with variable interest rates	-	-
JPMorgan Chase revolving bank credit facility expiring May 2015, with variable interest rates (0.46% and 0.39%, respectively)	9,892	38,510
Northern Trust revolving bank credit facility expiring October 2016, with variable interest rates	-	-
Wells Fargo revolving bank credit facility expiring October 2016, with variable interest rates	-	-
Wells Fargo revolving bank credit facility expiring October 2016, with variable interest rates	-	-
Total notes payable	59,892	104,510
Total bonds and notes payable	$ 682,362	$ 726,970

(Dollars in Thousands)

As of September 30, 2014, the Institute had eight unsecured revolving lines of credit available (collectively, the "Lines of Credit") consisting of six unsecured revolving bank credit facilities and two unsecured revolving money market loan programs. The Institute has internally-mandated aggregate borrowing limits under the Lines of Credit as follows: $100,000 for borrowings to finance working capital, $50,000 for borrowings to finance acquisitions of real estate and temporary funding for capital projects, and $200,000 for borrowings secured to preserve liquidity.

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, 2014:

Financial Institution	Maximum Permitted	Outstanding Amounts	Facility Maturity
General Working Capital and Capital Projects:			
Bank of America	$ 100,000	$ -	2016
Bank of America	50,000	50,000	2016
Bank of New York	50,000	-	None
JPMorgan Chase	62,000	-	None
JPMorgan Chase	50,000	9,892	2015
Wells Fargo	50,000	-	2016
Supplemental Liquidity for Variable Rate Debt:			
Northern Trust	50,000	-	2016
Wells Fargo	100,000	-	2016

Subsequent to September 30, 2014, the Institute obtained a new committed line of credit with U.S. Bank in the amount of $50,000 with a maturity of October 2017. The purpose of the line of credit is to finance general working capital and capital projects. In addition, the maturity of the Bank of America line with a permitted maximum of $100,000 was extended to 2017.

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 under these lines of credit are 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.

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, 2015 in the following table.

(Dollars in Thousands)

Future principal repayments on bonds and notes payable were as follows at September 30, 2014:

Year Ending September 30	Amount
2015	$ 254,892
2016	-
2017	-
2018	-
2019	-
Thereafter	427,470
Total	$ 682,362

The aggregate fair value of bonds payable is estimated based on quoted market prices for the bonds or similar financial instruments and was $643,999 and $596,350 at September 30, 2014 and 2013, respectively. The fair value of bonds payable is classified as a Level 2 measurement within the hierarchy for such measurements used by the Institute. Amounts outstanding under the revolving bank credit facilities and the money market loan programs totaling $59,892 and $104,510 at September 30, 2014 and 2013, 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 (0.10% at September 30, 2014), on a $165,000 underlying notional principal amount.

H. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at September 30, 2014 and 2013:

	2014	2013
Educational and research funds	$ 122,049	$ 115,316
Contributions receivable	30,195	36,859
Capital projects	1,276	2,686
Life income and annuity funds	32,844	42,222
Endowments	564,603	528,761
Total temporarily restricted net assets	$ 750,967	$ 725,844

(Dollars in Thousands)

Permanently restricted net assets were available for the following purposes at September 30, 2014 and 2013:

	2014	2013
Student loan funds	$ 17,345	$ 16,880
Contributions receivable	62,190	41,039
Life income and annuity funds	39,718	38,473
Endowments	938,812	875,243
Total permanently restricted net assets	$ 1,058,065	$ 971,635

I. 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 distributions that are subject to remaining purpose restrictions are not considered endowment net assets.

Pursuant to its interpretation of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted in California, the Institute classifies the following as permanently restricted net assets: the original value of initial gifts to permanent endowments, the original value of subsequent gifts to permanent endowments, and the value of accumulations to permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portions of donor-restricted endowment funds that are not classified as 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.

Under the Institute's endowment spending policy, a Board of Trustees-approved endowment spending formula determines the annual amount available for distribution to the operating budget each year. 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

Any excess of endowment spending over current-year investment income and gains is funded by prior years' accumulated investment return. 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.

(Dollars in Thousands)

The Institute invests endowment assets targeted to earn an average annual total return that exceeds inflation by at least the amount required to support the endowment spending. Total return includes both capital appreciation (realized and unrealized gains) and 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.

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.

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.

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 such funds were $19,001 and $27,467 at September 30, 2014 and 2013, respectively, and are recorded in unrestricted net assets. Such deficiencies reverse with market value appreciation. Reversals of these deficiencies increase unrestricted net assets.

Endowment net assets consisted of the following at September 30, 2014 and 2013:

September 30, 2014	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ (21,435)	$ 564,603	$ 938,812	$ 1,481,980
Board-designated endowment funds	633,750	-	-	633,750
Total endowment net assets	$ 612,315	$ 564,603	$ 938,812	$ 2,115,730
September 30, 2013				
Donor-restricted endowment funds	$ (31,472)	$ 528,761	$ 875,243	$ 1,372,532
Board-designated endowment funds	588,779	-	-	588,779
Total endowment net assets	$ 557,307	$ 528,761	$ 875,243	$ 1,961,311

(Dollars in Thousands)

Changes in endowment net assets for the years ended September 30, 2014 and 2013 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of October 1, 2012	$ 518,415	$ 483,613	$ 809,469	$ 1,811,497
Investment return:				
Investment income	16,849	20,706	214	37,769
Net appreciation in market value	70,001	86,029	891	156,921
Total investment return	86,850	106,735	1,105	194,690
Contributions and pledge payments	-	16	48,019	48,035
Additions to board-designated endowments	12,112	-	-	12,112
Available for expenditure	(46,993)	(60,610)	(625)	(108,228)
Redesignations, reclassifications and other	(13,077)	(993)	17,275	3,205
Balance as of September 30, 2013	557,307	528,761	875,243	1,961,311
Investment return:				
Investment income	15,885	21,569	209	37,663
Net appreciation in market value	63,539	86,276	834	150,649
Total investment return	79,424	107,845	1,043	188,312
Contributions and pledge payments	-	-	45,594	45,594
Additions to board-designated endowments	28,458	-	-	28,458
Available for expenditure	(47,698)	(65,074)	(758)	(113,530)
Redesignations, reclassifications and other	(5,176)	(6,929)	17,690	5,585
Balance as of September 30, 2014	$ 612,315	$ 564,603	$ 938,812	$ 2,115,730

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 for the years ended September 30, 2014 and 2013. Therefore, there are no plan assets and a formal investment policy has not been developed.

During the year ended September 30, 2014, the Institute amended its postretirement medical benefit plan, effective January 1, 2015. For a substantial portion of the Institute's retirees and their eligible dependents, the amendments replace the Institute's provision of medical benefit subsidies based upon the costs of various health plans with awards of defined-dollar credits that will be available to be used by retirees for medical premiums and other eligible medical expenses. The defined-dollar credits may be changed in future years at the Institute's discretion. The amendments significantly reduce the expected future benefit payments to retirees and eligible dependents, and, therefore, reduced the accumulated postretirement benefit obligation by $250,636 during the year ended September 30, 2014.

(Dollars in Thousands)

Certain financial information regarding the plan was as follows for the years ended September 30, 2014 and 2013, and is based on a September 30 measurement date:

	2014	2013
Change in the accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of year	$ 515,032	$ 662,904
Service cost	15,999	23,020
Interest cost	25,811	24,839
Participant contributions	6,626	5,951
Plan amendments	(250,636)	-
Benefits paid	(22,203)	(21,843)
Actuarial loss/(gain)	78,615	(179,839)
Benefit obligation at end of year	$ 369,244	$ 515,032

	2014	2013
Components of net periodic postretirement benefit cost:		
Service cost	$ 15,999	$ 23,020
Interest cost	25,811	24,839
Amortization of prior year service credit	(3,337)	(3,337)
Amortization of loss	-	9,076
Net periodic benefit cost	$ 38,473	$ 53,598

	2014	2013
Change in the fair value of plan assets:		
Employer contributions	$ 15,577	$ 15,892
Participant contributions	6,626	5,951
Benefits paid	(22,203)	(21,843)
Fair value of plan assets at end of year	$ -	$ -

	2014	2013
Funded status at valuation date:		
Funded status	$ (369,244)	$ (515,032)
Net amount recognized at end of year	$ (369,244)	$ (515,032)

(Dollars in Thousands)

	2014	2013
Liabilities recognized in the balance sheets:		
Accumulated postretirement benefit obligation	$ (369,244)	$ (515,032)
Total amounts recognized in balance sheets	$ (369,244)	$ (515,032)

The statements of activities include the effects of changes in the postretirement benefit obligation that are not otherwise recognized in net periodic postretirement benefit cost. The effect related to JPL for the years ended September 30, 2014 and 2013 was a decrease of $128,057 and $144,783, 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 an increase in unrestricted net assets of $40,627 and $40,795 for the years ended September 30, 2014 and 2013, respectively, and is recorded in non-operating changes in unrestricted net assets in the statements of activities.

At September 30, 2014 and 2013, the differences between cumulative net periodic postretirement benefit cost, less cumulative contributions, and the accumulated postretirement benefit obligation were as follows:

	2014	2013
Amounts recognized in unrestricted net assets:		
Prior service cost/(credit)	$ (58,334)	$ (1,894)
Net loss/(gain)	10,191	(5,622)
Cumulative amounts recognized in unrestricted net assets	$ (48,143)	$ (7,516)

An estimated prior service credit of $29,642 and actuarial loss of $3,348 will be amortized into net periodic benefit cost during the year ending September 30, 2015.

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, 2014 and 2013:

	2014	2013
Discount rate	5.10%	3.80%
Health care cost trend rate	8.25%	8.75%

(Dollars in Thousands)

The following weighted-average assumptions were used to determine the Institute's obligation under the plan at September 30, 2014 and 2013:

	2014	**2013**
Discount rate	4.40%	5.10%
Health care cost trend rate	7.50%	8.25%

Certain grandfathered retirees and eligible dependents remain eligible for future medical benefits at no cost through an Institute-sponsored plan. The cost of these benefits are expected to increase in the future according to health care cost trend rates. The assumed health care cost trend rate is 7.25% in 2015, and annual rates are assumed to decrease 0.25% per year until 2027, after which healthcare cost is assumed to increase 4.25% in all future years.

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	$ 8,472	$ (6,666)
Effect on accumulated postretirement benefit obligation	$ 1,129	$ (1,002)

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

Subsequent to September 30, 2014, NASA and the Institute agreed to a modification of the JPL contract regarding the funding of postretirement health and life insurance benefits for JPL retirees and their dependents. Effective October 1, 2014, funding of these JPL-related benefits will be determined using an accrual-accounting approach. Accordingly, total Institute contributions to postretirement health plans are expected to increase to approximately $37,050 during the year ending September 30, 2015. Approximately $33,114 of that expected contribution is related to JPL and therefore is expected to be funded by NASA. JPL-related contributions in excess of benefits incurred will remain in a trust for JPL retirees.

(Dollars in Thousands)

At September 30, 2014, the estimated future benefit payments are as follows:

Year Ending September 30	Campus	JPL	Total
2015	$ 3,936	$ 14,430	$ 18,366
2016	4,000	14,389	18,389
2017	4,058	14,378	18,436
2018	4,118	14,298	18,416
2019	4,177	14,178	18,355
2020-2024	23,691	77,214	100,905

Payments related to JPL will be made from trust assets.

K. Fair Value

Fair value is defined as the price that the Institute would receive upon selling an asset or would pay to settle a liability in an orderly transaction between market participants. The Institute evaluates the fair value of financial instruments using an established hierarchy that ranks the inputs to valuation techniques used to measure fair value. Inputs refer broadly to the assumptions that market participants would use in such fair value determinations, including assumptions regarding various risks. A financial instrument's level within the fair value hierarchy is based on the least-transparent level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as described below. The classification of financial instruments within the hierarchy is based upon the transparency of the inputs to valuation techniques used to measure fair value and does not necessarily correspond to the Institute's perceived risk of those instruments.

Level 1 fair value measurements are based upon unadjusted quoted prices for identical assets or liabilities in active, accessible markets. Market price data is generally obtained from exchange dealer markets.

Level 2 fair value measurements are 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 to Level 2 measurements include, but are not limited to, interest rates, credit risk adjustments, and prices for similar instruments, and are obtained from various sources, including market participants, dealers, and brokers.

Level 3 fair value measurements are those that use significant inputs that are unobservable. Assets and liabilities included in Level 3 primarily consist of the Institute's ownership in alternative investments. The Institute records the fair value of substantially all of the Institute's alternative investments at the unadjusted net asset values provided by investment fund managers as a practical expedient. Those estimated fair values may differ from the values that could have been determined had a ready market for these securities existed. The Institute regularly monitors the valuation methodologies and practices of these investment managers.

(Dollars in Thousands)

Other financial instruments classified in Level 3 are valued according to investment managers' estimates using industry-standard methodologies, independent appraisals, and Institute models. Those estimated fair values may differ from the values that could have been determined had a ready market for those securities existed. The Institute regularly monitors the adequacy of these fair value measurements. Fair value measurements derived using specific unobservable quantitative inputs developed by the Institute were immaterial for the years ended September 30, 2014 and 2013.

The following is a summary of the levels within the fair value hierarchy for the Institute's assets and liabilities as of September 30, 2014:

	Level 1	Level 2	Level 3	2014 Total
Assets:				
Cash and cash equivalents	$ 11,306	$ -	$ -	$ 11,306
Investments:				
Short-term investments	163,602	-	-	163,602
Fixed-income securities	40,862	99,083	-	139,945
Equity securities	521,723	195,459	216,948	934,130
Alternative investments:				
Alternative securities	-	-	675,277	675,277
Private equity	-	-	174,412	174,412
Real assets	25,071	-	389,428	414,499
Total investments	751,258	294,542	1,456,065	2,501,865
Beneficial interests	-	-	26,517	26,517
Defined contribution plans	21,544	23,389	22,764	67,697
Total assets	$ 784,108	$ 317,931	$ 1,505,346	$ 2,607,385
Liabilities:				
Interest rate swap	$ -	$ 40,666	$ -	$ 40,666
Defined contribution plans	21,266	22,944	22,662	66,872
Total liabilities	$ 21,266	$ 63,610	$ 22,662	$ 107,538

(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, 2013:

	Level 1	Level 2	Level 3	2013 Total
Assets:				
Cash and cash equivalents	$ 10,209	$ -	$ -	$ 10,209
Investments:				
Short-term investments	195,902	-	-	195,902
Fixed-income securities	84,021	101,143	-	185,164
Equity securities	492,612	188,201	113,457	794,270
Alternative investments:				
Alternative securities	-	-	651,642	651,642
Private equity	-	-	196,644	196,644
Real assets	27,101	-	341,840	368,941
Total investments	799,636	289,344	1,303,583	2,392,563
Beneficial interests	-	-	32,221	32,221
Defined contribution plans	17,891	21,201	20,791	59,883
Total assets	$ 827,736	$ 310,545	$ 1,356,595	$ 2,494,876
Liabilities:				
Interest rate swap	$ -	$ 32,874	$ -	$ 32,874
Defined contribution plans	17,645	20,831	20,673	59,149
Total liabilities	$ 17,645	$ 53,705	$ 20,673	$ 92,023

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. Funds valued using NAV invest in both marketable securities and 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, 2014 and 2013, the Institute's related investments valued using NAV by major investment category were as follows:

- *Fixed-income securities:* Investments with total fair values of $43,849 and $52,444, respectively, were held in funds that generally allowed for monthly redemptions with notice of up to thirty days.

- *Equity securities:* Investments with total fair values of $256,567 and $207,070, respectively, were held in funds that generally allowed either daily or monthly redemptions with notice periods ranging from zero to 90 days. Investments with total fair values of $123,681 and $89,484, respectively, were held in funds that generally allowed redemptions from annually to triennially, with notice periods ranging from 60 to 90 days. At September 30, 2014, this category also included investments of $25,772 in funds that generally allowed redemption quarterly, with a 180-day notice period.

- *Alternative securities:* Investments with total fair values of $366,331 and $308,694, respectively, were held in funds that generally allowed redemptions from annually to triennially, with notice periods ranging from 30 to 180 days. Investments with total fair values of $171,571 and $142,201, respectively, generally allowed quarterly redemptions with notice periods ranging from 60 to 90 days. As of September 30, 2013 one investment with a fair value of $21,286 generally allowed monthly redemptions with up to a fifteen-day notice. In addition, at September 30, 2014 and 2013, investments with total fair values of $137,375 and $179,460, respectively, and unfunded commitments of $79,890 and $83,027, respectively, did not allow redemptions and have estimated remaining lives of up to ten years.

- *Private equity:* All investments in this category are held at net asset value. The total unfunded commitment for these investments was $116,019 and $108,205 at September 30, 2014 and 2013, 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:* Investments with total fair values of $355,664 and $311,721, respectively, were held in funds that did not permit the Institute any redemption rights and that had estimated remaining lives of up to ten years. Total unfunded commitments were $109,949 and $122,283 at September 30, 2014 and 2013, respectively.

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 values of certain financial instruments could result in different estimates of fair values.

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 values of the Institute's Level 3 assets for the years ended September 30, 2014 and 2013:

September 30, 2014	**Beginning Balance**	**Gifts and Purchases**	**Sales and Maturities**	**Realized Gain/Loss**	**Unrealized Gain/Loss**	**Ending Balance**
Investments:						
Equity securities	$ 113,457	$ 91,548	$ (100)	$ -	$ 12,043	$ 216,948
Alternative investments:						
Alternative securities	651,642	143,676	(185,033)	39,616	25,376	675,277
Private equity	196,644	47,154	(98,998)	(10,371)	39,983	174,412
Real assets	341,840	52,672	(42,774)	14,252	23,438	389,428
Total investments	1,303,583	335,050	(326,905)	43,497	100,840	1,456,065
Beneficial interests	32,221	9,904	(16,955)	-	1,347	26,517
Defined contribution plans	20,791	1,983	(851)	-	842	22,765
Total assets	$ 1,356,595	$ 346,937	$ (344,711)	$ 43,497	$ 103,029	$ 1,505,347
September 30, 2013						
Investments:						
Equity securities	$ 9,989	$ 100,164	$ (1,415)	$ 935	$ 3,784	$ 113,457
Alternative investments:						
Alternative securities	712,110	157,552	(293,189)	12,146	63,023	651,642
Private equity	194,384	28,730	(45,642)	21,765	(2,593)	196,644
Real assets	320,162	49,284	(46,637)	10,679	8,352	341,840
Total investments	1,236,645	335,730	(386,883)	45,525	72,566	1,303,583
Beneficial interests	37,116	3,291	(8,780)	-	594	32,221
Defined contribution plans	20,210	1,897	(1,501)	-	185	20,791
Total assets	$ 1,293,971	$ 340,918	$ (397,164)	$ 45,525	$ 73,345	$ 1,356,595

The Institute classifies defined contribution plan liabilities in the fair value hierarchy based upon the investments of the related plan assets. Accordingly, liabilities classified within Level 3 approximate the value of plan investments that also are classified within Level 3, and increase or decrease in value according to contributions, withdrawals, vesting, and investment performance. At September 30, 2014 and 2013, defined contribution plan liabilities classified within Level 3 were $22,662 and $20,673, respectively.

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 among levels during the years ended September 30, 2014 and 2013.

During the years ended September 30, 2014 and 2013, unrealized gains related to Level 3 assets of $1,199 and $502 respectively, were recorded in non-operating gifts and pledges in the statements of activities. All other realized and unrealized gains related to Level 3 investments were recorded in non-operating investment return in excess of payout in the statement of activities.

Unrealized gains included in the statements of activities related to those Level 3 assets held at September 30, 2014 and 2013 were $73,193 and $65,614, respectively.

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 amounts of approximately $46,214 and $39,258 at September 30, 2014 and 2013, respectively.

At September 30, 2014 and 2013, the Institute had outstanding commitments to invest $305,858 and $313,515, respectively, with alternative investment managers and/or limited partnerships over the next ten years.

The Institute is a member of an international consortium that was organized to construct and operate an advanced telescope in the state of Hawaii. At September 30, 2014, the Institute was committed to provide a combination of cash and in-kind assets totaling approximately $110,000 to the consortium over approximately the next ten years. Payments and other transfers related to this commitment are subject to certain contingencies.

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, 2014 and 2013, the amounts of the letter of credit facility were $8,425 and $10,600, respectively. The letter of credit was not used during the years ended September 30, 2014 and 2013, and therefore no liability has been recorded in the balance sheets.

(Dollars in Thousands)

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 2018. Rent expense incurred under operating lease obligations was $8,063 and $8,549 for the years ended September 30, 2014 and 2013, respectively.

At September 30, 2014, future minimum payments under operating leases of greater than one year in duration were as follows:

Year Ending September 30		Amount
2015	$	3,266
2016		2,103
2017		1,172
2018		1,002
2019		-
Total	$	7,543

Approximately $6,605 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 housing, equipment, and building space to students, faculty, and other organizations under operating leases expiring at various dates through 2019. Rental income under operating leases was $10,777 and $9,825 at September 30, 2014 and 2013, respectively.

At September 30, 2014, minimum future rentals from operating leases of greater than one year in duration were as follows:

Year Ending September 30		Amount
2015	$	9,559
2016		9,054
2017		8,341
2018		8,091
2019		5,244
Total	$	40,289

(Dollars in Thousands)

M. Supplemental Cash Flow Information

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

	2014	2013
Cash paid during the year for interest, net of amounts capitalized	$ 25,714	$ 25,850
Income taxes paid	1,219	-
Non-cash investing and financing activities:		
Securities received to satisfy pledge payments	815	7,227
In-kind receipt of securities, property, plant, and equipment	15,396	4,806
Accrued purchases of property, plant, and equipment at year end	5,665	5,023

N. Subsequent Events

Subsequent events were evaluated through January 28, 2015, which is the date the financial statements were issued.

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/Contract or Pass-Through Number	Federal Expenditures
Research and Development Cluster			
Direct Funds			
Agency for International Development			
Agency for International Development	98.UNKNOWN	00012MO000602	$ (6)
Department of Commerce			
National Institute of Standards and Technology	11.609		133,687
National Oceanic & Atmospheric Administration	11.431		117,415
Total Department of Commerce			251,102
Department of Defense			
Air Force	12.300		241,511
Air Force	12.630		1,099,501
Air Force	12.800		4,476,140
Air Force	12.910		59,496
Army	12.420		22,385
Army	12.431		3,580,005
Army	12.910		357,486
Defense Threat Reduction Agency	12.351		372,321
Defense Advanced Research Project Agency	12.UNKNOWN	W30950	224,287
Defense Advanced Research Project Agency	12.431		48,269
Defense Advanced Research Projects Agency	12.910		5,920,205
National Geospatial-Intelligence Agency	12.630		43,962
Navy	12.300		3,471,450
Navy	12.910		659,915
Total Department of Defense			20,576,933

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 or Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Direct Funds (Continued)			
Department of Energy			
Department of Energy	81.UNKNOWN	IPA CHANNING AHN	$ 128,496
Department of Energy	81.049		20,680,699
Department of Energy	81.064		203,547
Department of Energy	81.087		3,861
Department of Energy	81.112		226,996
Department of Energy	81.117		120,000
Department of Energy	81.124		150,754
Department of Energy	81.135		1,153,866
Total Department of Energy			22,668,219
Department of Homeland Security			
Homeland Security Advanced Research Projects Agency	97.UNKNOWN	HSHQDC-08-C-00038	103,308
Department of Health and Human Services			
National Institutes of Health	93.077		683
National Institutes of Health	93.121		467,288
National Institutes of Health	93.172		3,205,750
National Institutes of Health	93.173		634,970
National Institutes of Health	93.242		3,194,779
National Institutes of Health	93.279		3,370,016
National Institutes of Health	93.286		1,525,560
National Institutes of Health	93.310		8,392,570
National Institutes of Health	93.351		691
National Institutes of Health	93.389		708,886
National Institutes of Health	93.395		4,210,474

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Research and Development Cluster (Continued)			
Direct Funds (Continued)			
Department of Health and Human Services (Continued)			
National Institutes of Health	93.396		$ 607,003
National Institutes of Health	93.397		2,420,654
National Institutes of Health	93.398		173,688
National Institutes of Health	93.837		116,815
National Institutes of Health	93.838		583,838
National Institutes of Health	93.846		4,366
National Institutes of Health	93.847		927,555
National Institutes of Health	93.853		3,367,166
National Institutes of Health	93.855		5,351,315
National Institutes of Health	93.859		16,316,583
National Institutes of Health	93.865		4,434,044
National Institutes of Health	93.866		263,380
National Institutes of Health	93.867		1,569,981
Total Department of Health and Human Services			61,848,055
Department of the Interior			
United States Geological Survey	15.UNKNOWN	4500047679	112,686
United States Geological Survey	15.UNKNOWN	4500072148	1,425
United States Geological Survey	15.807		1,707,033
United States Geological Survey	15.808		658,569
Total Department of the Interior			2,479,713

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Research and Development Cluster (Continued)			
Direct Funds (Continued)			
Environmental Protection Agency			
United States Environmental Protection Agency (EPA)	66.509		$ 16,545
United States Environmental Protection Agency (EPA)	66.514		20,450
Total Environmental Protection Agency			36,995
General Services Administration			
General Services Administration	39.UNKNOWN	GP0478497	231,636
National Aeronautics and Space Administration (NASA)			
NASA	43.UNKNOWN	NAG5-11851	(176)
NASA	43.UNKNOWN	JSCNNJ13ZA01P	158,384
NASA	43.UNKNOWN	JSCNNJ13ZA02P	56,931
NASA	43.UNKNOWN	NNG08FD60C	3,850,785
NASA	43.UNKNOWN	NNH11IA02P	159,299
NASA	43.UNKNOWN	NNH08IA03P	99,537
NASA	43.UNKNOWN	NNH11IA01P	(16)
NASA	43.001		6,994,892
NASA	43.002		35,412
NASA	43.008		289,842
NASA	43.009		364,043
Total NASA			12,008,933
National Endowment for the Humanities			
National Endowment for the Humanities	45.161		77,637

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Research and Development Cluster (Continued)			
Direct Funds (Continued)			
National Science of Foundation			
National Science Foundation	47.UNKNOWN	1400366	$ 195,379
National Science Foundation	47.UNKNOWN	1158655	125,018
National Science Foundation	47.041		3,464,852
National Science Foundation	47.049		66,432,692
National Science Foundation	47.050		4,158,066
National Science Foundation	47.070		3,111,031
National Science Foundation	47.074		386,847
National Science Foundation	47.075		495,391
National Science Foundation	47.076		4,639,166
National Science Foundation	47.078		63,177
National Science Foundation	47.080		304,730
ARRA - National Science Foundation	47.082		232,586
Total National Science Foundation			83,608,935
Total Research and Development - Direct Funds			203,891,460
Pass-Through Funds			
Agency for International Development			
Development Alternatives, Inc.	98.UNKNOWN	1001624-13S-19790	232,921
Department of Agriculture			
Citrus Research and Development Foundation, Inc.	10.309	13-009NU-788	313,991

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/Contract or Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Defense			
Air Force			
Brown University	12.800	00000271	$ 220,379
Brown University	12.800	00000553	169,191
Carnegie Mellon University	12.800	1150119-294707	213,336
IBM Corporation	12.910	AH3.IBMH	377,080
Illinois Institute of Technology	12.800	SA374-0609-6071	1,489
Massachusetts Institute of Technology	12.800	5710003606	131,979
Northwestern University	12.800	PROJ0003600	19,234
Ohio State University	12.800	RF01220513	136,762
Ohio State University	12.800	60035093/GRT00027335	73,088
Princeton University	12.800	00001720	110,673
Princeton University	12.800	00002050	121,138
Stanford University	12.800	29018150-51649-C	261,739
Texas Engineering Experiment Station	12.800	A5932	2,383
University of California Berkeley	12.800	00007817	176,837
University of California Los Angeles	12.800	0160 G QA874	84,569
University of California San Diego	12.800	10312818	267,447
University of California Santa Barbara	12.800	KK1224	373,694
University of Missouri	12.800	C00039417-2	3,432
University of Missouri	12.800	C00043936-2	36,131
University of Notre Dame	12.800	201943	112,747
University of Southern California	12.800	34278403	144,842
University of Southern California	12.UNKNOWN	Y85620	90,139
Total Air Force Pass-Through			3,128,309

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 or Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Defense (Continued)			
Army			
Cornell University	12.910	63222-9803	$ 140,360
Johns Hopkins University	12.630	2001515018	944,038
Tanner Research, Inc.	12.400	CALTECH-W911SR-12-C-0003	4,995
University of California Davis	12.431	201301077-01	210,901
University of California Santa Barbara	12.UNKNOWN	KK1502	10,696
University of California Santa Barbara	12.UNKNOWN	KK9150	1,859,306
University of Illinois	12.420	2009-03197-01	124,168
University of Illinois	12.420	2010-04699-03	241,741
University of Pennsylvania	12.910	561587	659,708
Total Army Pass-Through			4,195,913
Navy			
BAE Systems, Inc.	12.UNKNOWN	739533	158,213
Columbia University	12.300	GG001604	30,251
Johns Hopkins University	12.300	2000868411	14,883
Johns Hopkins University	12.300	975379	871,340
Massachusetts Institute of Technology	12.300	5710003358	132,507
University of California Los Angeles	12.300	0980 G RE457	134,067
University of California Los Angeles	12.300	0980 G SB033	7,061
University of California Los Angeles	12.300	0980 G PK234	229,621
University of California Los Angeles	12.300	1015 G NA127	179,165
University of Pennsylvania	12.300	550162	20,401
Total Navy Pass-Through			1,777,509

The accompanying notes are an integral part of this Schedule.

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/Contract or Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Defense (Continued)			
Defense Advanced Research Projects Agency			
Duke University	12.910	12-DARPA-1071	$ 182,915
HRL Laboratories, LLC	12.910	10008-002329	88,438
Hughes Research Laboratory	12.910	9085-303500-DS	74,233
University of California Berkeley	12.910	00008161/BB00143380	355,522
University of California Los Angeles	12.UNKNOWN	0142SQA028	255,290
University of California Los Angeles	12.910	Sub 0157 G PA105	88,748
University of California San Diego	12.431	10296067	(9,970)
University of California Santa Barbara	12.910	KK1123	(173)
Total Defense Advanced Research Projects Agency Pass-Through			1,035,003
Defense Threat Reduction Agency			
Kettering University	12.UNKNOWN	330233-A	51,848
Total Defense Threat Reduction Agency Pass-Through			51,848
Total Department of Defense Pass-Through			10,188,582

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			
Advanced Cooling Technologies, Inc.	81.049	14074	$ (375)
Amerigon, Inc.	81.086	AMERGN.DOE	79,499
Argonne National Laboratory	81.UNKNOWN	3F-30421	29,581
Argonne National Laboratory	81.UNKNOWN	3F-32381	37,350
Arizona State University	81.087	14-377	127,376
Carnegie Institute	81.049	4-10114-02	94,365
Carnegie Institute	81.112	4-10469-02	106,351
Fermilab National Accelerator Laboratory	81.UNKNOWN	547138	82,883
Fermilab National Accelerator Laboratory	81.UNKNOWN	554897	83,556
Fermilab National Accelerator Laboratory	81.UNKNOWN	570788	238,185
Fermilab National Accelerator Laboratory	81.UNKNOWN	608659	13,848
Fermilab National Accelerator Laboratory	81.UNKNOWN	608666	1,137,454
Fermilab National Accelerator Laboratory	81.UNKNOWN	610159	14,619
Fermilab National Accelerator Laboratory	81.UNKNOWN	612044	37,340
Fermilab National Accelerator Laboratory	81.UNKNOWN	613639	36,876
Fermilab National Accelerator Laboratory	81.UNKNOWN	615210	84,618
Harvard University	81.049	130734-1	123
Krell Institute	81.UNKNOWN	KRELL.GRADPT	7,017
Krell Institute	81.UNKNOWN	KRELL.KLEISER	1,000
Lawrence Berkeley National Laboratory	81.UNKNOWN	6927580	1,647
Lawrence Berkeley National Laboratory	81.UNKNOWN	7038034	33,595
Lawrence Berkeley National Laboratory	81.UNKNOWN	7080503	100,000
Lawrence Berkeley National Laboratory	81.UNKNOWN	B597705	152,973
Lawrence Berkeley National Laboratory	81.UNKNOWN	B602077	13,929
Los Alamos National Laboratory	81.UNKNOWN	259078	128,612
Los Alamos National Laboratory	81.UNKNOWN	273448	106,627
Los Alamos National Laboratory	81.UNKNOWN	118779-1	(372)

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.UNKNOWN	217155-1/74372-001-09	$	65,330
National Security Technologies. LLC	81.UNKNOWN	146428		38,766
Northwestern University	81.087	SP0024973-PROJ0007275		122,679
Oak Ridge National Laboratory	81.UNKNOWN	4000103663		138,023
Oak Ridge National Laboratory	81.UNKNOWN	4000115818		166,123
Protabit LLC	81.049	P-0011396		62,439
Sandia National Laboratories	81.UNKNOWN	1263763		13,418
Sandia National Laboratories	81.UNKNOWN	1375108		4,073
Sandia National Laboratories	81.UNKNOWN	1416776		11,385
Stanford University	81.UNKNOWN	DOE DE-AC02-76SF00515		21,019
Stanford University	81.087	60212342-51077-I		236,365
Telescent, Inc.	81.049	11404		5,838
University of Delaware	81.049	21094		136,673
University of Delaware	81.049	37733		6,942
University of Minnesota	81.135	A002601001		410,358
University of Washington	81.049	704095		68,460
University of Virginia	81.049	GQ10044-134466		281,314
Total Department of Energy Pass-Through				4,537,882
Department of Health and Human Services				
Center for Disease Control				
Aerosol Dynamics, Inc	93.262	3169		48,554

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards
(exclusive of the Jet Propulsion Laboratory)
For the Year Ended September 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/Contract or Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Health and Human Services (Continued)			
National Institutes of Health			
Benaroya Research Institute	93.859	FY12196701	$ (413)
Benaroya Research Institute	93.859	FY13196701	104,356
Children's Hospital Los Angeles	93.855	000480	74,092
Children's Hospital Los Angeles	93.855	512	87,801
City of Hope	93.847	22614.914994.6692	(6,349)
City of Hope	93.701	51013.914960.6692	44,961
Doheny Eye Institute	93.867	12059-CT	97,476
Harvard University	93.310	138062-5061610	291,718
Hudsonalpha Institute for Biotechnology	93.172	2013-01	2,078,326
Jackson Laboratory	93.172	201132	200,872
Jackson Laboratory	93.172	202909	187,929
Massachusetts Institute of Technology	93.279	5710002669	95,995
Mount Sinai School of Medicine	93.UNKNOWN	0258-3615 / HHSN272201000054C	42,889
Northwestern University	93.397	60025344CIT	72,979
Princeton University	93.397	00002053	25,000
Science Applications International Corporation	93.UNKNOWN	11XS287	697,695
Symbiotix Biotherapies, Inc.	93.847	SBI-003	3,416
The Scripps Research Institute	93.279	5-50129	43,539
The Scripps Research Institute	93.279	5-50657	48,276
University of California Los Angeles	93.286	0845 G KB564	156,004
University of California Los Angeles	93.853	0845 G MA557	(137)
University of California Los Angeles	93.837	1564GRA556	62,953
University of California Los Angeles	93.853	0845 G MA557	90,190
University of California San Diego	93.859	35698179/S9000124	(11)
University of Colorado Denver	93.242	FY10.083.002	234,655

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 or Pass-Through Number	Federal Expenditures
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	FY10.083.003	$ 78,994
University of Illinois	93.847	2012-01135-02	82,808
University of Kansas Center for Research, Inc	93.310	FY2014-061	30,630
University of Miami	93.395	660215/MR82521	147,983
University of New Mexico	93.701	3R85Y	(604)
University of New Mexico	93.242	3RJ60	186,759
University of Southern California	93.859	159431	110,487
University of Southern California	93.837	56294097	259,410
University of Utah	93.859	10027535-05	372,848
University of Utah	93.859	10027535-06	434,661
University of Wisconsin	93.859	348K434	64,650
Total National Institutes of Health Pass-Through			6,502,838
Total Department of Health and Human Services Pass-Through			6,551,392
Department of Interior			
United States Geological Survey (USGS)			
Boston Fusion Corp.	15.UNKNOWN	BF-5008-SK001	3,648
Oceanit	15.UNKNOWN	001	1,919
University of Southern California	15.808	Y80804	99,925
University of Southern California	15.808	Y86581	233,323
Total Department of the Interior			338,815

The accompanying notes are an integral part of this Schedule.

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/Contract or Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
Department of Transportation			
Virginia Tech	20.UNKNOWN	451030-19717	$ 36,434
National Aeronautics and Space Administration (NASA)			
Analytical Mechanics Associates, Inc.	43.001	1601-TEAMS2-CAL	24,184
Carnegie Institution of Washington	43.001	7-10349-01	43,851
Center for the Advancement of Science in Space	43.001	GA-2013-101	229,999
Harvard University	43.001	131299-5039010	15,078
Harvard University	43.001	131396-5071107	2,153
Johns Hopkins University	43.001	108898	42,018
Johns Hopkins University	43.001	2002128886	13,460
Massachusetts Institute of Technology	43.001	5710002999	7,563
Massachusetts Institute of Technology	43.001	5710003277	22,978
Massachusetts Institute of Technology	43.001	5710003373	100,713
Monterey Bay Aquarium Research Institute	43.001	0910171	18,100
Near Space Corporation	43.001	4202	5,482
New Mexico State University	43.001	P0051129	7,109
New Mexico State University	43.001	P0132182	145,147
Pennsylvania State University	43.001	3903-CIT-NASA-A76A	43,170
Princeton University	43.001	00002046	270,983
Smithsonian Astrophysical Observatory	43.001	DD2-13062X	569
Smithsonian Astrophysical Observatory	43.001	DD3-14069X	14,261
Smithsonian Astrophysical Observatory	43.001	GO1-12122X	7,885
Smithsonian Astrophysical Observatory	43.001	GO2-13008X	23,891
Smithsonian Astrophysical Observatory	43.001	GO3-14052X	11,400
Smithsonian Astrophysical Observatory	43.001	GO3-14087X	11,007

California Institute of Technology
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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/Contract or Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA) (Continued)			
Smithsonian Astrophysical Observatory	43.001	GO3-14091A	$ 3,350
Smithsonian Astrophysical Observatory	43.001	PF1-120089	125,429
Smithsonian Astrophysical Observatory	43.001	PF2-130099	94,020
Smithsonian Astrophysical Observatory	43.001	PF3-140114	84,527
Smithsonian Astrophysical Observatory	43.001	PF4-150124	26,525
Southwestern Research Institute	43.001	1415GC0042	12,064
Southwestern Research Institute	43.001	699047X	90,223
Southwestern Research Institute	43.001	699048X	84,838
Southwestern Research Institute	43.001	699049X	39,277
Southwestern Research Institute	43.001	D99029L	1,651,653
Space Telescope Science Institute	43.001	HST-AR-13345.01-A	12,661
Space Telescope Science Institute	43.001	HST-AR-11769.02-A	28,915
Space Telescope Science Institute	43.001	HST-GO-12495.02-A	3,327
Space Telescope Science Institute	43.001	HST-GO-12888.01-A	3,424
Space Telescope Science Institute	43.001	HST-AR-12636.04-A	(58)
Space Telescope Science Institute	43.001	HST-G0-11702.04-A	3,155
Space Telescope Science Institute	43.001	HST-G0-12568.08-A	19,191
Space Telescope Science Institute	43.001	HST-GO-11622.01-A	27,278
Space Telescope Science Institute	43.001	HST-GO-12060.49-A	52,313
Space Telescope Science Institute	43.001	HST-GO-12177.04-A	20,665
Space Telescope Science Institute	43.001	HST-GO-12181.13-A	912
Space Telescope Science Institute	43.001	HST-GO-12197.01-A	5,605
Space Telescope Science Institute	43.001	HST-GO-12223.03-A	7,963
Space Telescope Science Institute	43.001	HST-GO-12234.02-A	2,746
Space Telescope Science Institute	43.001	HST-GO-12283.08-A	60,691
Space Telescope Science Institute	43.001	HST G0-12286.04-A	60,427

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 or Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA) (Continued)			
Space Telescope Science Institute	43.001	HST-GO-12330.01-A	$ 30,701
Space Telescope Science Institute	43.001	HST-GO-12481.001-A	102,027
Space Telescope Science Institute	43.001	HST-GO-12490.03-A	3,366
Space Telescope Science Institute	43.001	HST-GO-12498.01-A	61,255
Space Telescope Science Institute	43.001	HST-GO-12524.04-A	8,489
Space Telescope Science Institute	43.001	HST-GO-12534.001-A	47,085
Space Telescope Science Institute	43.001	HST-GO-12659.01-A	402
Space Telescope Science Institute	43.001	HST-GO-12927.02-A	(5,045)
Space Telescope Science Institute	43.001	HST-GO-12949.01-A	33,420
Space Telescope Science Institute	43.001	HST-GO-13006.01-A	24,852
Space Telescope Science Institute	43.001	HST-GO-13007.01-A	58,984
Space Telescope Science Institute	43.001	HST-GO-13025.01-A	4,914
Space Telescope Science Institute	43.001	HST-HF-51296.01-A	96,903
Space Telescope Science Institute	43.001	HST-HF-51313.01-A	95,777
Space Telescope Science Institute	43.001	HST-GO-13294.001-A	715
Space Telescope Science Institute	43.001	HST-GO-13389.08-A	14,368
Space Telescope Science Institute	43.001	HST-GO-13431-001-A	303
Space Telescope Science Institute	43.001	HST-GO-13501.01-A	7,116
Space Telescope Science Institute	43.001	HST-GO-13621.002-A	1,089
Space Telescope Science Institute	43.001	HST-HF2-51334.001-A	115,946
Space Telescope Science Institute	43.001	STI-506645 / T047844	349,629
TAO of Systems Engineering, Inc.	43.001	TAO2014	40,000
United Negro College Fund	43.001	UNCF.KATHLEEN	25,500
Universities Space Research Association	43.001	02212-01	34,635
Universities Space Research Association	43.001	08521-017	180,415

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 or Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
National Aeronautics and Space Administration (NASA) (Continued)			
Universities Space Research Association	43.001	SOF-0084	$ 20,479
Universities Space Research Association	43.001	USRA.000123	2,077
Universities Space Research Association	43.001	USRA.3CR1303	2,000
University of Arizona	43.001	30981	(12)
University of California Berkeley	43.001	SA2715-26309	126,852
University of California San Diego	43.001	32377315	56,475
University of California Irvine	43.001	2010-2483	57,857
University of Colorado Boulder	43.001	1551484	1,732
University of Houston	43.001	R-13-0027	54,263
University of Southern California	43.001	38485892	122,926
University of Wisconsin-Milwaukee	43.001	474K961	23,758
Total National Aeronautics and Space Administration Pass-Through			5,383,375
National Science Foundation			
Arizona State University	47.041	12-729	355,764
Carnegie Mellon University	47.079	1121550-259731	303,883
Consortium for Ocean Leadership	47.050	SAF-13-05	29,887
Consortium for Ocean Leadership	47.050	T337A89	13,388
Consortium for Ocean Leadership	47.050	T351A89	89,742
Cornell University	47.049	63433-10071	3,525
Emory University	47.049	T259306	122,543

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 or Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
National Science Foundation (Continued)			
Harvard University	47.078	5064956-131340	$ 252,924
Incorporated Research Institute for Seismology	47.050	38-GSN	82
Incorporated Research Institute for Seismology	47.050	90-CalTech-ECBB	65,353
Large Synoptic Survey Telescope Corporation	47.049	C44040L	234,120
Louisiana State University	47.080	62973	146,840
National Bureau of Economic Research, Inc.	47.075	343586010799817700	42,489
National Radio Astronomy Observatory	47.UNKNOWN	339998	5,874
National Radio Astronomy Observatory	47.UNKNOWN	340516	31,660
National Radio Astronomy Observatory	47.UNKNOWN	341271	6,595
National Radio Astronomy Observatory	47.UNKNOWN	341472	19,746
New Jersey Institute	47.049	NJIT.EXPANOPS	6,926
Princeton University	47.049	00002009	670,178
Protabit LLC	47.041	1332185	130,421
Protabit LLC	47.041	1346523	61,019
Protabit LLC	47.041	Do not use	(49,164)
Stanford University	47.082	24472250-44193-B	148
Stanford University	47.082	25315690-46990-A	(202)
Stanford University	47.049	60078899-105579-C	180,480
University of Arizona	47.041	Y502628	54,437
University of California Berkeley	47.041	00007090	75,741
University of California San Francisco	47.041	7726sc	42,200
University of Connecticut	47.041	7150	20,369
University of Maryland	47.049	Z416701	34,466
University of Michigan	47.049	3002828221	31,526
University of Minnesota	47.050	A003176705	29,648
University of Minnesota	47.049	A003778901	9,281

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 or Pass-Through Number	Federal Expenditures
Research and Development Cluster (Continued)			
Pass-Through Funds (Continued)			
National Science Foundation (Continued)			
University of Southern California	47.050	51822192	$ 7,956
University of Southern California	47.041	H31068	65,134
University of Southern California	47.050	Y86197	5,187
University of Wisconsin-Milwaukee	47.049	123405532	119,081
Virtual Astronomical Observatory, Inc.	47.049	2010-08-1	238,801
W.M. Keck Observatory	47.049	10339	32,724
W.M. Keck Observatory	47.049	11523	2,134,903
Washington University	47.041	120239 G003227	100,038
West Virginia	47.079	09-547-CIT	34,997
Total National Science Foundation - Pass-Through Funds			5,760,710
Total Research and Development - Pass-Through Funds			33,344,102
Total Research and Development Cluster			237,235,562
Department of Homeland Security			
City of Los Angeles	97.067	C-123187	1,840,711

The accompanying notes are an integral part of this Schedule.

California Institute of Technology
Schedule of Expenditures of Federal Awards
(exclusive of the Jet Propulsion Laboratory)
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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/Contract or Pass-Through Number	Federal Expenditures
Student Financial Aid Cluster			
Direct Funds			
Department of Education			
Federal Work Study Program	84.033		$ 317,262
Federal Supplemental Educational Opportunity Grant	84.007		431,853
Federal Pell Grant Program	84.063		430,475
Total Student Financial Aid Cluster			1,179,590
Total Expenditures of Federal Awards			$ 240,255,863

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. The awards set forth in this Schedule do not include amounts related to the Jet Propulsion Laboratory ("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.

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, 2014, except those related to JPL. Because the Schedule presents only a selected portion of the operations of the Institute, and is prepared on the cash basis of accounting, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Institute in accordance with accounting principles generally accepted in the United States of America.

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

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

The Institute receives funding or reimbursement from Federal Government agencies primarily for research under government grants and contracts. Grants and contracts provide for reimbursement of indirect costs based on rates negotiated with the Department of Defense's Office of Naval Research ("ONR"), the Institute's cognizant federal agency. The Institute's indirect cost reimbursements traditionally have been based on fixed rates with carry forward of under- or over-recoveries. ONR has approved predetermined rates for FY2008, FY2011, FY2012, and FY2013 and fixed with carry forward rates for FY2009, FY2010, FY2014 and FY2015.ONR engages the Defense Contract Audit Agency ("DCAA") to audit both direct and indirect charges to the Institute's grants and contracts. Actual incurred costs for the year ended September 30, 2007 have been audited by DCAA but not yet finalized 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 audits will not have a material impact on the Schedule. An incurred cost rate audit will not be required for FY 2008, 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. All amendments and updates through Revision 9 have been approved by ONR. Revision 10 was rescinded by the Institute. Revision 11 to the Disclosure Statement has been submitted by the Institute, reviewed by DCAA, and unofficially approved by ONR in April 2014; however, ONR has not yet provided the Institute with an official approval letter for this revision.

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.

2. Loan Advances

During the year ended September 30, 2014, the Institute advanced loans totaling $929,245 for the Federal Perkins Loan Program (CFDA Number 84.038). The outstanding balance at September 30, 2014 was $5,049,104. 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 $56,731 of administrative cost allowance to the Federal Perkins Loan Program for the year ended September 30, 2014. The amount of Federal Perkins Loan principal cancelled (CFDA Number 84.037) during the year ended September 30, 2014 was $3,118.

3. Federal Direct Loan Program

During the year ended September 30, 2014, the Institute processed $576,335 of new loans under the Federal Direct Loan Program (CFDA Number 84.268), (which includes Subsidized Stafford Loans, Parent Loans for Undergraduate Students and Unsubsidized Stafford Loans). The amount disbursed to students (excluding origination fees) was $559,664. There are no outstanding balances under these loan programs.

4. Transfers

During the year ended September 30, 2014, the Institute transferred $137,596 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, 2014, there were no FWS carry-forwards from the year ended September 30, 2013. The Institute carried back $404 from the year ended September 30, 2014 that was spent in the year ended 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 charged $36,362 of administrative cost allowance to the Federal Work Study Program for the year ended September 30, 2014.

6. Subrecipient Pass-Throughs

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

Program Title		Amount Provided to Subrecipients
Department of Defense		
Air Force Office of Scientific Research	$	1,233,759
Army Research Office		1,151,193
Defense Advanced Research Projects Agency		3,283,667
US Navy		434,155
		6,102,774
Department of Energy		
Department of Energy		1,789,193
Department of Health and Human Services		
National Institutes of Health		12,717,861
Environmental Protection Agency		
Environmental Protection Agency		16,546
National Aeronautics & Space Administration		
National Aeronautics & Space Administration		2,751,557
National Science Foundation		
National Science Foundation		9,196,073
United States Geological Survey		
United States Geological Survey		2,550
Total Amount Provided to Subrecipients	$	32,576,554

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.

Independent Auditor's Report 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, 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, the financial statements of California Institute of Technology (the "Institute"), which comprise the balance sheet as of September 30, 2014, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

January 28, 2015

Independent Auditor's Report 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

Report on Compliance for Each Major Federal Program

We have audited the California Institute of Technology's (the "Institute") compliance 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 the Institute's major federal programs for the year ended September 30, 2014. 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.

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 $1,557,439,000 in federal expenditures. These expenditures are not included in the Institute's schedule of expenditures of federal awards for the year ended September 30, 2014. 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.

Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

Opinion on Each Major Federal Program

In our opinion, the Institute complied, in all material respects, with the types of compliance 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

The Institute's response to the noncompliance finding identified in our audit is described in the accompanying Management's Views and Corrective Action Plan. The Institute 's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

May 14, 2015

California Institute of Technology
Independent Auditor's Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
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:	Unmodified
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
Homeland Security Grant Program	97.067

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 2014-001: National Institutes of Health Salary Limitation not Applied Correctly

Program: R&D Cluster

Sponsor Award Number: DP1GM105376A, P01 CA132681A

Sponsoring Agency: National Institutes of Health

CFDA Number: 93.310, 93.395

Institute Award Number: NIH.DP1OD006924, NIH.P01YR1

Condition
In testing the Institute's compliance with the National Institutes of Health ("NIH") salary limitation, we sampled $2.9 million of salaries and related costs stemming from seven NIH awards. Total expenditures for our sample of NIH awards were $17.4 million. We noted one award for which the salary rate of an individual working on the award was greater than the allowable rate. This resulted in an award overcharge of $420. During our testing of other labor transactions, we identified one additional NIH award that was overcharged by $36. Both awards were active as of September 30, 2014.

Citation
National Institutes of Health Policy Grants Statement Effective 10.1.2013. *4.2.10 Salary Cap/Salary Limitation* and Circular A-110 Subpart C Paragraph 20

Criteria
When paying individual salaries through funds from NIH, the Institute is required to ensure that an individual is not paid at a rate in excess of the applicable salary limitation. Recipients of these funds are required to prorate the amount to reflect the percentage of time that the individual was working on the applicable grant. In addition, Circular A-110 requires that an organization's financial management system be designed in order to determine the allowability of costs.

Questioned Costs
$456

Cause
Caltech utilizes an internal report to monitor the distribution of salaries to all NIH awards for researchers whose salaries are over the NIH salary cap. The report identifies salary distributions over the cap and the adjustments needed in order to be compliant with the salary limitation. Grant managers are then responsible for making any adjustments necessary. For the two exceptions noted above, this monitoring was not performed and therefore the grant manager did not make the necessary adjustments to prevent overcharging the award. Management's award close-out procedures require that a final review of the salary limitation be performed prior to closing the award, but this does not allow for timely correction of the charge. Additionally, management did not have a centralized mechanism in place to determine that all awards were being reviewed annually.

Effect
Failure to follow NIH salary limitation guidelines and implement a system where 100% of unallowable salary charges are removed, results in the Institute receiving more than the allowable amount of funding.

Recommendation
We recommend the Institute enhance its review of the salary limitation adjustments needed. We further recommend that the Institute enhance its controls and processes to ensure a timely review of the salary limitation on all NIH awards is being performed. In addition, the Institute should establish a process to monitor that these reviews are being performed.

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

Condition

In testing the Institute's reporting of subrecipients subject to the Federal Funding Accountability and Transparency Act, PwC sampled ten files involving subawards of $2,100,000 out of a total population of subawards of $38,800,000. PwC noted that FFATA reporting was performed for all awards tested. However, for three of the ten subrecipients tested, PwC noted that one report was submitted 31 days past the deadline, and one report was submitted 22 days past the deadline and the final report was submitted one day past the deadline.

Current Status

The Caltech Office of Sponsored Research now validates each month those federal awards subject to FFATA. This ensures that all subawards issued from covered awards are captured in the monthly reports submitted to the FFATA Subaward Reporting System. In addition, given that all of the information reported under FFATA is managed by Caltech's Procurement Services, Caltech's Office of Sponsored Research transitioned this reporting requirement to Procurement Services on October 1, 2014. No late FFATA reporting issues were noted during the current year audit, and no further action is required.

Caltech

Office of Financial Services
1200 E. California Blvd.
MC 105-15
Pasadena, CA 91125
(626) 395-3937

May 14, 2015

PricewaterhouseCoopers LLP
601 South Figueroa Street
Los Angeles, CA 90017

Subject: California Institute of Technology Management's Views and Corrective Action Plan
Reference: OMB Circular A-133 Audit for Fiscal Year 2014

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, 2014.

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

Sincerely,

Sharon E. Patterson

Sharon E. Patterson
Associate Vice President for Finance and Treasurer

Enclosure

Caltech

Office of Financial Services
1200 E. California Blvd.
MC 105-15
Pasadena, CA 91125
(626) 395-3937

Fiscal Year 2014

Finding Number	Condition	Management's Views and Corrective Action Plan	Responsible Individual	Planned Completion Date
2014-001	In testing the Institute's compliance with the National Institutes of Health ("NIH") salary limitation, we sampled $2.9 million of salaries and related costs stemming from seven NIH awards. Total expenditures for our sample of NIH awards were $17.4 million. We noted one award for which the salary rate of an individual working on the award was greater than the allowable rate. This resulted in an award overcharge of $420. During our testing of other labor transactions, we identified one additional NIH award that was overcharged by $36. Both awards were active as of September 30, 2014.	Caltech has several tools in place to monitor the NIH salary limitation. There is a standardized process for establishing salary cap companion accounts for Caltech researchers whose salaries are over the cap. The on-line NIH Salary Cap Calculator assists grant managers in determining the distribution of salaries between the NIH award and the salary cap companion account. The NIH Salary Cap report is available to help grant managers monitor their accounts to ensure that salaries have been distributed correctly and are compliant with the appropriate salary cap. Also, Post Award Administration (PAA) reviews the NIH Salary Cap report as part of their standard closeout procedures prior to closing an award. It should be noted that the two awards included in the finding were active awards and not due to close during FY2014. For the one award overcharged by $36 dollars, Caltech management does not consider this to be a material amount. In addition to the above, Caltech PAA will perform a review of all NIH awards on a semi-annual basis in order to ensure timely identification and correction of any overages. Caltech PAA will also provide refresher training to grant managers in order to ensure that they fully understand how to utilize the tools that are available to them. Furthermore, Caltech PAA will update internal controls documentation to ensure that roles and responsibilities of each department are clearly stated and that thresholds defining immaterial amounts will be provided.	Felicia Beanum, Senior Director, Post Award Administration fbeanum@caltech.edu	9/30/2015