California Institute of Technology

Financial Statements

For the Years Ended September 30, 2024 and 2023

California Institute of Technology
Index to the Financial Statements
For the Years Ended September 30, 2024 and 2023

Report of Independent Auditors

To the Board of Trustees of the California Institute of Technology

Opinion

We have audited the accompanying financial statements of the California Institute of Technology (the "Institute"), which comprise the balance sheets as of September 30, 2024 and 2023, and the related statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of September 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material pwc

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Los Angeles, California
January 29, 2025

California Institute of Technology
Balance Sheets
At September 30, 2024 and 2023
(Dollars in Thousands)

	2024	2023
ASSETS		
Cash and cash equivalents	$ 44,496	$ 55,368
Accounts and notes receivable, net		
United States government	200,980	191,420
Other	192,421	168,272
Contributions receivable, net	455,785	327,461
Investments	5,130,098	4,449,609
Prepaid expenses and other assets	342,897	310,375
Deferred United States government billings	197,372	211,422
Property, plant, and equipment, net	1,263,460	1,224,140
Total assets	$ 7,827,509	$ 6,938,067
LIABILITIES and NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 341,553	$ 322,262
Accrued compensation and benefits	343,909	294,003
Deferred revenue, refundable advances, and other	143,482	132,124
Annuities, trust agreements, and agency funds	87,362	84,713
Bonds and notes payable, net	1,595,069	1,616,716
Accumulated postretirement benefit obligation	173,817	190,751
Total liabilities	2,685,192	2,640,569
Net assets:		
Without donor restrictions	814,575	706,033
With donor restrictions:		
Time or purpose	1,806,052	1,459,372
Perpetual	2,521,690	2,132,093
Total net assets with donor restrictions	4,327,742	3,591,465
Total net assets	5,142,317	4,297,498
Total liabilities and net assets	$ 7,827,509	$ 6,938,067

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

California Institute of Technology
Statement of Activities
For the Year Ended September 30, 2024
(with summarized financial information for the year ended September 30, 2023)
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Operating revenues:				
Tuition and fees, net of student financial aid	$ 53,296	$ -	$ 53,296	$ 51,411
Endowment spending, distributed	40,323	170,711	211,034	187,796
Gifts and pledges	36,109	53,091	89,200	78,429
Grants and contracts:				
Jet Propulsion Laboratory operations	2,611,617	-	2,611,617	2,673,772
United States government, Campus - direct	221,714	-	221,714	236,122
Other Campus - direct	107,836	4,009	111,845	101,407
Recovery of indirect costs and allowances	163,176	-	163,176	156,781
Sales and services	58,627	-	58,627	53,887
Other	12,336	-	12,336	89,662
Net assets released from restrictions	230,347	(230,347)	-	-
Total operating revenues and other support	3,535,381	(2,536)	3,532,845	3,629,267
Operating expenses:				
Compensation and benefits	504,500	-	504,500	468,550
Supplies and services	191,939	-	191,939	190,552
Subcontracts	48,548	-	48,548	52,829
Depreciation, accretion, and amortization	92,182	-	92,182	95,745
Utilities	30,219	-	30,219	32,737
Interest	46,815	-	46,815	43,686
Jet Propulsion Laboratory operations	2,611,617	-	2,611,617	2,673,772
Total operating expenses	3,525,820	-	3,525,820	3,557,871
Results of operations	9,561	(2,536)	7,025	71,396
Non-operating changes:				
Investment return in excess of endowment spending	158,015	210,695	368,710	206,095
Endowment spending, undistributed	3,515	7,662	11,177	8,519
Gifts and pledges	2,420	534,312	536,732	280,556
Changes in benefit obligations and related recoveries, net	(11,659)	-	(11,659)	4,375
Interest expense	(16,287)	-	(16,287)	(18,703)
Redesignations, reclassifications, and other	(37,023)	(13,856)	(50,879)	(16,907)
Total non-operating activities	98,981	738,813	837,794	463,935
Increase in net assets	108,542	736,277	844,819	535,331
Net assets at beginning of year	706,033	3,591,465	4,297,498	3,762,167
Net assets at end of year	$ 814,575	$ 4,327,742	$ 5,142,317	$ 4,297,498

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

California Institute of Technology
Statement of Activities
For the Year Ended September 30, 2023
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	2023 Total
Operating revenues:			
Tuition and fees, net of student financial aid	$ 51,411	$ -	$ 51,411
Endowment spending, distributed	35,445	152,351	187,796
Gifts and pledges	42,883	35,546	78,429
Grants and contracts:			
Jet Propulsion Laboratory operations	2,673,772	-	2,673,772
United States government, Campus - direct	236,122	-	236,122
Other Campus - direct	97,192	4,215	101,407
Recovery of indirect costs and allowances	156,781	-	156,781
Sales and services	53,887	-	53,887
Other	89,662	-	89,662
Net assets released from restrictions	204,397	(204,397)	-
Total operating revenues and other support	3,641,552	(12,285)	3,629,267
Operating expenses:			
Compensation and benefits	468,550	-	468,550
Supplies and services	190,552	-	190,552
Subcontracts	52,829	-	52,829
Depreciation, accretion, and amortization	95,745	-	95,745
Utilities	32,737	-	32,737
Interest	43,686	-	43,686
Jet Propulsion Laboratory operations	2,673,772	-	2,673,772
Total operating expenses	3,557,871	-	3,557,871
Results of operations	83,681	(12,285)	71,396
Non-operating changes:			
Investment return in excess of endowment spending	102,464	103,631	206,095
Endowment spending, undistributed	4,021	4,498	8,519
Gifts and pledges	2,921	277,635	280,556
Changes in benefit obligations and related recoveries, net	4,375	-	4,375
Interest expense	(18,703)	-	(18,703)
Redesignations, reclassifications, and other	(1,567)	(15,340)	(16,907)
Total non-operating activities	93,511	370,424	463,935
Increase in net assets	177,192	358,139	535,331
Net assets, beginning of year	528,841	3,233,326	3,762,167
Net assets, end of year	$ 706,033	$ 3,591,465	$ 4,297,498

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, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Cash flows from operating activities:		
Increase in net assets	$ 844,819	$ 535,331
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation, accretion, and amortization	92,182	95,745
Changes in postemployment benefit obligations	3,130	(23,246)
Contributions restricted for long-term investment and capital projects	(515,288)	(250,765)
Realized and unrealized (gains)/losses on investments and swap	(498,517)	(354,830)
Other non-cash items	(9,045)	(4,576)
Effects of changes in assets and liabilities (increase/(decrease) to cash):		
Accounts and notes receivable, net	(5,969)	(93,020)
Contributions receivable, net	5,529	12,214
Prepaid expenses and other assets	(29,276)	(38,585)
Deferred United States government billings	14,050	30,905
Accounts payable and accrued expenses	5,902	(17,526)
Accrued compensation and benefits	49,906	20,412
Deferred revenue, refundable advances, and other	13,399	60,128
Accumulated postretirement benefit obligation	(20,064)	(32,770)
Net cash used in operating activities	(49,242)	(60,583)
Cash flows from investing activities:		
Purchases of investments	(1,229,062)	(837,636)
Proceeds from sales and maturities of investments	1,073,199	932,723
Purchases of property, plant, and equipment	(155,393)	(137,949)
Proceeds from sale of property, plant, and equipment	2	229
Net cash used in investing activities	(311,254)	(42,633)
Cash flows from financing activities:		
Contributions restricted for long-term investment and capital projects	369,930	76,496
Investment return restricted for long-term investment and capital projects	1,007	1,433
Cash received under annuity and trust agreements	6,189	5,560
Cash payments made under annuity and trust agreements	(5,601)	(6,672)
Net borrowings/(repayments) of short-term debt	8,099	36,901
Cash paid for retirement of indebtedness	(30,000)	-
Net cash provided by financing activities	349,624	113,718
Net change in cash and cash equivalents	(10,872)	10,502
Cash and cash equivalents at beginning of year	55,368	44,866
Cash and cash equivalents at end of year	$ 44,496	$ 55,368

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 scholars 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 operations are reflected in the Institute's balance sheets. The direct costs of JPL's operations and the related reimbursement of those costs are reflected separately 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 ("GAAP").

Net Assets
Under GAAP, the Institute classifies its resources for reporting purposes in two categories based on the existence or absence of donor-imposed restrictions. Those categories, and descriptions of the types of transactions affecting each category, are as follows:

- The category "Net assets without donor restrictions" consists of those net assets not subject to donor-imposed restrictions. Activities that affect this category generally consist of fees for services, research revenues, and related expenses associated with the Institute's operating activities, as well as activities related to funds functioning as endowment and certain philanthropic support. Contributions not subject to donor-imposed restrictions and donor-restricted contributions that are received and either spent, or deemed spent, for the restricted purpose within the same year are reported as increases to net assets without donor restrictions.

  "Net assets without donor restrictions" include certain funds that are board-designated as functioning as endowment. There are no other board-designated funds.

- The category "Net assets with donor restrictions" includes both net assets that are subject to donor-imposed time or purpose restrictions that are expected to be met and those subject to donor-imposed perpetual restrictions. Net assets with donor-imposed restrictions that are expected to be met include endowment investment returns that have not yet been appropriated for expenditures, certain funds restricted for capital projects, and certain life income and annuity funds. The Institute meets such donor restrictions through the passage of time, the appropriation of endowment earnings, the placement of gift-funded capital projects into service, and/or the Institute's incurrence of expenditures or other payments. When such restrictions are met, the related net assets are released to net assets without donor restrictions.

Net assets with donor restrictions that are subject to perpetual restrictions include endowment gifts, related contributions receivable, and certain charitable life income and annuity funds for which donors have stipulated that the original value of their contributions and, if applicable, certain subsequent accumulations, be held in perpetuity.

For additional disclosures of the Institute's net assets, refer to Note H.

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.

Cash and Cash Equivalents

Cash (and cash equivalents) consists of bank account balances. The Institute classifies amounts held in money market funds or invested in short-term securities with remaining maturities of three months or less and those held as collateral by the counterparty to the Institute’s interest rate swap as short-term investments. Such investments are not included in the line item “Cash and cash equivalents” in the statements of cash flows. Carrying amounts of short-term investments approximate fair value due to the relatively short maturities.

Accounts and Notes Receivable

Accounts receivable under contracts and grants are carried at cost, less an immaterial allowance for credit losses. Net accounts receivable under contracts and grants totaled $355,787 and $351,307 at September 30, 2024 and 2023, respectively. Activity in the allowance accounts was not significant during the years ended September 30, 2024 and 2023. The carrying value of net accounts receivable approximates fair value. Accounts receivable included $28,447 and $708 related to investment transactions not yet settled at September 30, 2024 and 2023, respectively.

At September 30, 2024 and 2023, the Institute held aggregate accounts receivable from students and employees of $4,282 and $2,639, respectively, and loans receivable from students of $4,885 and $5,038, respectively. Both accounts and loans receivable are carried at cost, and only minor amounts of these receivables are expected to become uncollectible.

Investments

Investments are carried at 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.

There was no collateral held by the counterparty to the Institute’s interest rate swap at September 30, 2024 and 2023.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at the cost of construction, acquisition, or fair value of contributed assets at the date of gift. Interest costs related to debt used for construction of assets are capitalized and included in the cost of construction. Depreciation on all applicable assets is calculated over the estimated useful lives as defined for each class of depreciable asset, which range from three to fifty years, using the straight-line method. Depreciation on buildings and building improvements 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 awards. The costs of such assets for which title does not ultimately transfer to the Institute are charged to expense.

The Institute's conditional asset retirement obligations are primarily related to removal and disposal of asbestos and removal of buildings and improvements from leased property. Asset retirement cost, net of accumulated depreciation, was $14,194 and $17,087 at September 30, 2024 and 2023, respectively, and is included in the line item "Property, plant, and equipment, net" in the balance sheets. Conditional asset retirement obligations were $36,225 and $39,726 at September 30, 2024 and 2023, respectively, and are included in the line item "Accounts payable and accrued expenses" in the balance sheets.

The Institute contracts for the use of certain facilities and equipment for use in its operations, primarily at JPL. The Institute determines if such an arrangement is a lease at inception of a contract. A contract is determined to be a lease if the contract conveys the right to control the use of identified property, plant, or equipment ("identified asset") in exchange for consideration. The Institute elected to apply the practical expedient under ASC 842 that allows short-term leases (those with a lease term of twelve months or less) to be excluded from new lease recognition requirements. As noted in Note L, the Institute has recorded obligations related to agreements of greater than one year in duration.

Annuities, Trust Agreements, and Agency Funds

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 investments at fair value and totaled $109,552 and $112,137 at September 30, 2024 and 2023, respectively. 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. Actuarial liabilities are discounted at an appropriate credit risk-adjusted rate determined at the inception of each agreement. Discount rates on split-interest agreements range from 0.4% to 10.0% 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 2012 Individual Annuity Reserving (IAR) table was used to determine the liabilities recorded at September 30, 2024 and 2023. Split-interest agreement liabilities totaled $62,543 and $63,111 at September 30, 2024 and 2023, respectively, and are included in liabilities for "Annuities, trust agreements, and agency funds" in the balance sheets and classified in Level 3 of the valuation hierarchy described in Note K. The fair value of split-interest agreement liabilities is determined using the income approach and calculated using a discounted cash flow analysis based on the expected payments to be made over the remaining life of each respective split-interest agreement. The primary unobservable inputs for split-interest agreement liabilities are the applicable discount rates, which range from 0.4% to 10.0%, and applicable estimated remaining life expectancies of benefactors, which range from 3 to 49 years. For the years ended September 30, 2024 and 2023, the weighted-average discount rate was 5.3% and 5.7% and the weighted-average life expectancy was 10.0 and 9.6 years, respectively. Significant increases or decreases in discount rates and life expectancies in isolation may result in significantly different values.

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” in the balance sheets. Total assets and liabilities for revocable agreements were $7,670 and $6,494 at September 30, 2024 and 2023, respectively.

The Institute held assets totaling $17,149 and $15,108 in agency funds on behalf of other entities at September 30, 2024 and 2023, respectively. The assets held are primarily included in the line item “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.

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 estimated by multiplying the Institute’s percentage interest by the fair value of trust assets at the time that receipt of such interests is both probable and reasonably estimable. Subsequently, the value of the Institute’s interests in such trusts is adjusted for changes in the fair values of the underlying assets. Interests in perpetual trusts are recorded as revenue when 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 $40,835 and $45,460 at September 30, 2024 and 2023, respectively, and are included in the line item “Prepaid expenses and other assets” 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, 2024 and 2023, accrued compensated absences of $125,877 and $131,595, respectively, are included in the line item “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 the line item “Accrued compensation and benefits” in the balance sheets. At September 30, 2024 and 2023, liabilities for workers’ compensation were $11,482 and $11,065, respectively.

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

- *Investment return* – Investment income and realized and unrealized gains and losses, net of investment fees, are reported as increases or decreases to the appropriate net asset category.

  The Institute presents total investment return in three components in the statements of activities. "Endowment spending, distributed" represents the amount distributed to operations from the endowment according to the Institute's endowment spending policy. The non-operating line item "Endowment spending, undistributed," represents endowment spending available under the spending policy but reinvested in the endowment. "Investment return in excess/(deficit) of endowment spending" comprises the difference between return/loss on endowment investments and the amounts available under the spending policy plus the net return or loss on all other Institute investments.

- *Gifts* **–** Unconditional contributions, including promises to give, are recorded as revenues in the year received. Noncash 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.

  Conditional contributions, which are characterized by both the presence of one or more donor-imposed barriers to the Institute's entitlement to promised resources and the donor's right of return of funds or the right to be released from obligations to transfer assets in the future, are recorded when the Institute overcomes such barriers. Barriers may include performance-related stipulations, limitations on the Institute's discretion over the use of awarded funds, and/or other stipulations related to the purpose of the contribution. Conditional contributions, undiscounted, totaled $27,674 and $30,158, and advance payments on such contributions totaled $3,210 and $2,672, at September 30, 2024 and 2023, respectively. Substantially all conditional contributions include donor-imposed purpose or time restrictions related to education and research. Advance payments are recorded in deferred revenues.

- *Grants and contracts, Campus* **–** Revenues from grants and cooperative agreements designated for research generally are accounted for as contributions due to the lack of a commercial objective on the part of the sponsor. Such contributions generally are considered conditional due to the inclusion of barriers requiring adherence to specific costing principles and return-of-funds provisions. Generally, barriers to entitlement are removed, and revenue recognized, as allowable expenditures are incurred under such agreements. Cash and other assets received in excess of such expenditures, or otherwise subject to conditions, are recorded as deferred revenue and are included in the line item "Deferred revenue, refundable advances, and other" in the balance sheets.

  Conditional contributions related to sponsored research, undiscounted, totaled $187,657 and $195,923 at September 30, 2024 and 2023, respectively, and are not recorded in the financial statements. The Institute includes in conditional contributions only the unexpended portions of sponsored awards that the Institute has the right to expend without further action from the sponsor and/or a funding agency. Advance payments related to sponsored research totaled $21,142 and $23,725 at September 30, 2024 and 2023, respectively, and are included in the line item “Deferred revenue, refundable advances, and other” in the balance sheets.

- *Recovery of indirect costs and allowances* **–** Substantially all Campus United States government grants and contracts provide for the reimbursement of indirect facilities and administrative costs and the recovery of graduate student tuition remission based on rates negotiated with the Office of Naval Research, the Campus’ federal cognizant agency for negotiation and approval of such rates. Such reimbursements generally are recognized as related direct costs are incurred on applicable awards. Recoveries of such facilities and administrative costs were $102,431 and $97,168 for the years ended September 30, 2024 and 2023, respectively.

- *Other* **–** Rental revenues from leased properties and miscellaneous gains and losses are recognized as earned or realized. See Note L for additional information on leases.

Recognition of revenue from contracts with customers occurs as the Institute satisfies one or more performance obligations, which are promises in a contract to transfer a distinct good or service to a customer. The timing of billings, cash collections, and revenue recognition may result in contract assets and contract liabilities (deferred revenues) in the balance sheets. A description of the Institute’s revenues from contracts with customers and contract assets and liabilities follows:

- *Tuition and fees* **–** All student tuition and fees and undergraduate room and board charges are recorded, net of applicable financial aid, as revenues during the year the related academic or other services are rendered and the Institute satisfies its performance obligations by providing instruction, room, and board, as applicable, to its students. Such charges totaled $170,061 and $160,806, and financial aid totaled $116,765 and $109,395, for the years ended September 30, 2024 and 2023, respectively. Amounts owed by students for academic and other services rendered are recorded as accounts receivable. Accounts receivable related to tuition, fees, room and board was $3,418 and $1,650 at September 30, 2024 and 2023, respectively.

  Payments received in advance of academic terms are recorded as deferred revenue. Total deferred revenue related to tuition, fees, room and board was $13,367 and $13,435 at September 30, 2024 and 2023, respectively. Substantially all deferred revenue balances at September 30, 2023 were recognized as revenue during the fiscal year ended September 30, 2024, as performance obligations to provide instruction, room, and board were satisfied.

- *Jet Propulsion Laboratory operations* **–** The Institute’s performance obligations under its cost-reimbursable contract with NASA for JPL (the “JPL Contract”) are contained within separately identifiable, individually NASA-approved task orders created under the JPL Contract. The task order is NASA’s stipulated method of planning, funding, and monitoring costs under the JPL Contract. The various task orders specify distinct scientific, engineering, and research scopes, from which NASA benefits directly or in combination with other work performed under the JPL Contract.

  The Institute satisfies its performance obligations under the JPL Contract on an over-time basis as it incurs allowable direct costs under authorized, funded task orders, and therefore recognizes revenue as such costs are incurred. All goods and services furnished under the JPL Contract, which are measured by allowable costs incurred, immediately accrue to the benefit of NASA. NASA simultaneously receives and consumes the benefits of any services provided, obtains title to any assets purchased, and, by contract, prohibits the Institute from directing any alternative use of assets created under the JPL Contract.

The Institute has a right to immediate reimbursement from NASA when allowable incurred costs are payable. The Institute collects its reimbursements under the JPL Contract through a letter of credit arrangement. JPL accounts receivable totaled $179,789 and $168,135 at September 30, 2024 and 2023, respectively, and are included in the line item “Accounts and notes receivable, net - United States government” on the balance sheets.

The Institute records contract assets equal to costs incurred under, but not yet billed to, the JPL Contract. Such costs, which are not billable to NASA until paid, are equal to the total of the unfunded portion of the accumulated postretirement benefit obligation, accrued vacation, accrued workers’ compensation liabilities, and lease obligations and are described further in Note E. At September 30, 2024 and 2023, there were no deferred revenue or other contract liability balances related to JPL.

Under the JPL Contract, the Institute also receives an annual negotiated reimbursement in lieu of indirect costs (“lump sum”) and an annual fixed performance fee, which totaled $60,745 and $59,613 for the years ended September 30, 2024 and 2023, respectively. These recoveries are recorded on an over-time basis ratably over each fiscal year and are included in the line item “Recovery of indirect costs and allowances” in the statements of activities. The JPL Contract has no material variable consideration and no significant financing component.

The current JPL Contract began October 1, 2018. The JPL Contract has a five-year term and permits awards of up to five additional years based upon annual NASA evaluations of its performance. During the year ended September 30, 2022, NASA formally extended the contract by four years. At September 30, 2024, reimbursements of all costs and payments of all fixed fees under the contract over the extended term were subject to an aggregate total of $27,279,000.

The value of the Institute’s future performance obligations under the JPL Contract is subject to change according to NASA’s priorities and the results of JPL’s scientific and engineering initiatives. Such performance obligations are subject to the availability of future NASA funding and, in certain cases, the future renewal or extension of the JPL Contract. Based upon the JPL Contract’s maximum limit, the maximum remaining obligation potentially to be authorized under the JPL Contract was $11,448,766 and $14,154,094 at September 30, 2024 and 2023, respectively.

- *Sales and services* **–** Ancillary inflows from graduate housing, royalties, non-degree-granting educational activities, retail operations, and other agreements with customers are recorded as the Institute satisfies the related performance obligations. Generally, payment is due at the time goods or services are provided. There were no material deferred revenue or accounts receivable balances related to sales and services revenues at September 30, 2024 and 2023.

Campus recorded $101,244 and $98,084 in direct revenues from sponsored research activities accounted for as contracts with customers for the years ended September 30, 2024 and 2023, respectively. Those direct revenues are combined with conditional contribution revenues from either United States government or other Campus grants in the statements of activities. Related recoveries according to applicable indirect cost rates of $19,752 and $14,412 are included in the line item “Recovery of indirect costs and allowances” in the statements of activities for the years ended September 30, 2024 and 2023, respectively. There were no material deferred revenue or accounts receivable balances related to these contracts at September 30, 2024 and 2023.

Notes to Financial Statements (Dollars in Thousands)

Expenses

Campus expenses are reported in the statements of activities by natural classification. Institute expenses by functional classification were as follows for the years ended September 30, 2024 and 2023:

September 30, 2024	Campus Program Activities					
	Instruction & Academic Support	Organized Research	Auxiliary Enterprises	Institutional Support	JPL Operations	Total
Operating expenses:						
Compensation and benefits	$ 251,745	$ 171,096	$ 14,489	$ 67,170	$ 1,473,101	$ 1,977,601
Supplies and services	92,845	68,696	17,773	12,625	260,737	452,676
Subcontracts	7,109	41,439	-	-	860,224	908,772
Depreciation, accretion, and amortization	34,880	46,426	8,622	2,254	-	92,182
Utilities	14,170	14,212	666	1,171	17,555	47,774
Interest	20,403	21,438	4,222	752	-	46,815
Total functional expenses	$ 421,152	$ 363,307	$ 45,772	$ 83,972	$ 2,611,617	$ 3,525,820
Non-operating expenses:						
Interest				$ 16,287		$ 16,287
Net periodic benefit costs				5,894	$ (11,647)	(5,753)

September 30, 2023	Campus Program Activities					
	Instruction & Academic Support	Organized Research	Auxiliary Enterprises	Institutional Support	JPL Operations	Total
Operating expenses:						
Compensation and benefits	$ 228,480	$ 162,489	$ 13,594	$ 63,987	$ 1,463,385	$ 1,931,935
Supplies and services	87,456	75,922	18,945	8,229	324,788	515,340
Subcontracts	3,680	49,149	-	-	867,203	920,032
Depreciation, accretion, and amortization	37,511	46,670	9,026	2,538	-	95,745
Utilities	15,357	15,410	695	1,275	18,396	51,133
Interest	18,043	20,483	4,449	711	-	43,686
Total functional expenses	$ 390,527	$ 370,123	$ 46,709	$ 76,740	$ 2,673,772	$ 3,557,871
Non-operating expenses:						
Interest				$ 18,703		$ 18,703
Net periodic benefit costs				196	$ (15,359)	(15,163)

Institutional Support expenses include certain costs related to the administration of the Institute's contract with NASA for the operation of JPL. The Institute is ultimately reimbursed for these costs through the annual negotiated reimbursement in lieu of indirect costs ("lump sum") as described in the JPL Contract. The total lump sum, yet to be negotiated, for the years ended September 30, 2024 and 2023, was $29,745 and $28,613, respectively.

Auxiliary Enterprises expenses include the costs associated with revenue-generating supporting services, including undergraduate room and board, graduate and faculty housing, retail stores, and dining facilities.

Facilities operation and maintenance costs incurred centrally are allocated back to the functional expense classifications as follows: Depreciation related to buildings and improvements and other central facilities' operating costs are allocated based on square footage occupancy of Institute facilities, equipment depreciation is allocated based on average equipment purchases attributed to each classification, and interest on external debt, net of amounts capitalized, is allocated to categories that benefit from the proceeds of such debt based on occupancy.

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 return 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 operating expenses and related reimbursements; 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, for refunding of other bonds, or for operating purposes; net gains or losses on nonrecurring transactions; actuarial adjustments related to annuity and trust agreements; changes in deferred tax assets and liabilities, gains and losses on retirement of indebtedness; and donor redesignations and other reclassifications of net assets.

Tax Status

Except as noted below, the Institute is generally exempt from federal taxes on income 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. In previous years, the Institute had maintained a full valuation allowance on its deferred tax assets, which are primarily due to historical losses from certain investment activities. This had reduced net deferred tax assets to a value of $0 as of September 30, 2023. Based on its analysis of both the timing and amounts of potential future net taxable income, the Institute now assumes that it is more likely than not that the Institute will realize the deferred tax assets and has lifted the valuation allowance. At September 30, 2024, the Institute's deferred tax asset was $5,707 and is included in the line item "Prepaid expenses and other assets" in the balance sheets. The Institute has not provided for any uncertain tax positions at September 30, 2024 and 2023.

The Institute is subject to a federal excise tax on net investment income. The Institute's deferred tax liability related to the excise tax was $16,688 and $10,947 at September 30, 2024 and 2023, respectively, and is included in the line item "Deferred revenue, refundable advances, and other" in the balance sheets.

Notes to Financial Statements (Dollars in Thousands)

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. Transactions with such entities are conducted in the normal course of business and in accordance with the Institute's policies and procedures governing potential conflicts of interest.

Accounting Pronouncements Adopted
During the year ended September 2024, the Institute adopted Accounting Standards Update ("ASU") 2016-13, *Financial instruments – Credit losses (Topic 326): Measurement of credit losses of financial instruments.* The adoption of this standard did not have a material impact for the year ended September 30, 2024.

C. Contributions Receivable, net

Contributions receivable consists of unconditional promises to give to the Institute in the future. Individual contributions receivable are initially recorded at fair value, including discounts to present values of the future cash flows at appropriate credit risk-adjusted rates, and are classified in Level 3 of the valuation hierarchy described in Note K. Discount rates on outstanding contributions receivable at September 30, 2024 and 2023 range from 0.32% to 5.66%.

Collections of contributions receivable were expected as follows at September 30, 2024 and 2023:

	2024	2023
Within one year	$ 51,846	$ 244,497
Between one year and five years	381,736	71,504
More than five years	118,982	17,746
Gross contributions receivable	552,564	333,747
Less:		
Unamortized discounts	96,438	5,923
Allowance for uncollectible contributions	341	363
Net contributions receivable	$ 455,785	$ 327,461

Net contributions receivable carried the following donor-imposed restrictions at September 30, 2024 and 2023:

	2024	2023
Endowment	$ 386,777	$ 248,154
Building and building improvements	27,960	33,324
Other purpose and/or time restrictions	41,048	45,983
Net contributions receivable	$ 455,785	$ 327,461

Notes to Financial Statements (Dollars in Thousands)

At September 30, 2024 and 2023, net promises totaling $349,682 and $42,183, respectively, were due from Institute trustees, their estates, and charitable entities founded by Institute trustees.

D. Investments

Investments consisted of the following at September 30, 2024 and 2023:

	2024	2023
Short-term investments	$ 351,378	$ 219,959
Fixed-income securities	190,941	98,342
Equity securities	1,869,368	1,575,871
Alternative investments:		
Alternative securities	1,177,843	1,053,327
Private equity	976,471	945,249
Real assets	564,097	556,861
Total investments	$ 5,130,098	$ 4,449,609

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.

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

- *Short-term investments* consist primarily of investments in prime, U.S. government, government agency money market funds, and exchange-traded funds.
- *Fixed-income securities* consist primarily of corporate or sovereign entity debt instruments in both U.S. and foreign markets and investments in funds that hold such instruments.
- *Equity securities* consist primarily of publicly traded corporate equities in globally diversified domestic markets, developed international and emerging international markets, and investments in funds that hold such investments. 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 follow a variety of strategies such as high yield and distressed credit, long/short equity, event-driven, and relative value. Managers invest in various securities and financial instruments, including publicly traded and private domestic and foreign companies, corporate debt, bonds, swaps, options, futures contracts, and commodities.
- *Private equity* consists primarily of investments in funds that hold 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 funds are made either as in-kind transfers of company securities or in cash.

Notes to Financial Statements (Dollars in Thousands)

- *Real assets* consist primarily of investments in illiquid funds that invest in foreign and/or domestic real estate and/or energy sectors. Real estate consists primarily of residential and commercial real estate assets, projects or land, and notes receivable secured by real estate. Energy consists primarily of oil and gas exploration and production or materials mining businesses, as well as related oil and gas services businesses.

Investments were held as follows at September 30, 2024 and 2023:

	2024	2023
Investment pool	$ 4,228,081	$ 3,595,777
Separately invested endowments	30,623	29,899
Trusts, annuities, and other	871,394	823,933
Total investments	$ 5,130,098	$ 4,449,609

At September 30, 2024 and 2023, endowment investments were $4,228,841 and $3,598,221, respectively. At September 30, 2024 and 2023, other investments included $53,147 and $64,677, respectively, held in separately invested accounts as required by donors and/or sponsors.

Investment return, which consists of interest and dividend income and net realized and unrealized gains and losses, net of fees, was $590,921 and $402,410 for the years ended September 30, 2024 and 2023, respectively.

E. Deferred United States Government Billings

The Institute's contract with NASA provides for the reimbursement of certain employee benefit costs and other obligations incurred but not yet billed to the JPL Contract. Therefore, the Institute has recorded deferred United States government billings related to the unfunded postretirement benefit obligation, accrued vacation, workers' compensation liabilities, and lease obligations 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 the related liabilities become payable by the Institute.

Deferred United States government billings related to deferred reimbursements of the following liabilities at September 30, 2024 and 2023:

	2024	2023
Unfunded postretirement benefit obligation	$ 49,047	$ 76,457
Accrued vacation	101,432	108,545
Accrued workers' compensation expense	4,457	3,700
Lease obligations	42,436	22,720
Total deferred United States government billings	$ 197,372	$ 211,422

Notes to Financial Statements (Dollars in Thousands)

F. Property, Plant, and Equipment, net

Property, plant, and equipment consisted of the following at September 30, 2024 and 2023:

	2024	2023
Land and land improvements	$ 81,833	$ 79,524
Buildings and building improvements	1,642,231	1,617,369
Equipment	717,181	698,084
Construction in progress	268,726	208,828
Less: accumulated depreciation	(1,446,511)	(1,379,665)
Total property, plant, and equipment, net	$ 1,263,460	$ 1,224,140

Depreciation expense for the years ended September 30, 2024 and 2023 was $90,424 and $94,028, respectively.

Notes to Financial Statements (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, 2024 and 2023:

			Interest rate	Outstanding	
		Maturity	2024 / 2023	2024	2023
Bonds payable:					
Taxable bonds (interest rates listed at coupon):					
Series 2019		2119	3.65%	$ 500,000	$ 500,000
Series 2016		2116	4.28%	150,000	150,000
Series 2015		2045	4.32%	400,000	400,000
Series 2011		2111	4.70%	350,000	350,000
California Educational Facilities Authority (CEFA) tax-exempt revenue bonds, with variable rates (prior to being synthetically fixed through swap agreements, where applicable):					
2006 Series A		2036	2.03% / 2.06%	82,500	82,500
2006 Series B		2036	2.05% / 2.50%	82,500	82,500
Series 1994		2024	- / 2.50%	-	30,000
Total bonds payable, gross				1,565,000	1,595,000
Unamortized discounts and issuance costs, net				(14,931)	(15,185)
Total bonds payable, net				1,550,069	1,579,815
Notes payable:	**Maximum**				
Variable rate facilities:					
General working capital and capital projects:					
JP Morgan Chase revolving bank credit facility	$ 100,000	2026	- / -	-	-
U.S. Bank revolving bank credit facility	75,000	2025	- / -	-	-
U.S. Bank revolving bank credit facility	50,000	None	5.60%/ 5.78%	45,000	36,901
Bank of America revolving bank credit facility	75,000	2025	- / -	-	-
PNC Bank revolving bank credit facility	50,000	2026	- / -	-	-
Supplemental liquidity for variable rate debt:					
Northern Trust revolving bank credit facility	50,000	2026	- / -	-	-
Northern Trust revolving bank credit facility	50,000	2024	- / -	-	-
TD Bank revolving bank credit facility	50,000	2025	- / -	-	-
Total notes payable				45,000	36,901
Total bonds and notes payable, net				$ 1,595,069	$ 1,616,716

Notes to Financial Statements (Dollars in Thousands)

As of September 30, 2024, the Institute had eight unsecured revolving lines of credit available (collectively, the “Lines of Credit”). Maturity dates for individual advances made under the Lines of Credit are determined at the time advances are made. At September 30, 2024 and 2023, the Institute had internally-mandated aggregate borrowing limits for the Lines of Credit as follows: $100,000 for borrowings to finance working capital, $100,000 for borrowings to finance acquisitions of real estate and temporary funding for capital projects, and $200,000 for borrowings to preserve liquidity.

The $50,000 line of credit from U.S. Bank is uncommitted.

Subsequent to September 30, 2024, the Institute extended its $50,000 revolving line of credit with Northern Trust originally maturing in December 2024 to mature in March 2026 and extended its $50,000 revolving line of credit with Northern Trust originally maturing in December 2026 to mature in December 2027. This line of credit was also reduced to $25,000.

The Institute is required to comply with financial covenants in certain line of credit agreements, including maintaining minimum ratios of unrestricted cash and investments to total adjusted debt outstanding. As of September 30, 2024, the Institute was in compliance with all of its required financial covenants.

During the year ended September 30, 2024, the Institute repaid the $30,000 principal on the CEFA Series 1994 bonds upon maturity.

Under certain circumstances, the CEFA Series 2006 Series A and 2006 Series B variable rate revenue bonds, which have contractual maturities commencing in 2036, could fail to be remarketed, requiring the Institute to repurchase the outstanding bonds totaling approximately $165,000. Therefore, those bonds have been classified as repayable during the year ending September 30, 2025, in the following table.

Future principal repayments on bonds and notes payable were as follows at September 30, 2024:

Year Ending September 30	Amount
2025	$ 210,000
2026	-
2027	-
2028	-
2029	-
Thereafter	1,400,000
Total	$ 1,610,000

The Institute uses an interest rate swap to manage the interest rate exposure of the 2006 Series A and B variable rate revenue bonds. Under the terms of the agreement, which expires October 1, 2036 and was amended on March 23, 2023, the Institute pays the counterparty a fixed interest rate of 3.549% and receives a variable rate, equal to 67% of the one-month Secured Overnight Financing Rate (“SOFR”) plus an adjustment spread of

Notes to Financial Statements (Dollars in Thousands)

0.075% (resulting in a rate of approximately 3.53% at September 30, 2024), on a $165,000 underlying notional principal amount.

The interest rate 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. The fair value of the swap was a liability of $19,896 and $10,290 at September 30, 2024 and 2023, respectively, and is included in the line item “Accounts payable and accrued expenses” in the balance sheets. Costs of regular settlements with the counterparty of $9 and $395 during the years ended September 30, 2024 and 2023, respectively, are included in the expense line item “Interest” in the statements of activities. Changes in the swap’s fair value during the years ended September 30, 2024, and 2023 resulted in unrealized (losses)/gains of $(9,606) and $10,114, respectively, which are included in non-operating changes in net assets in the statements of activities.

H. Net Assets

Net Assets with Donor Restrictions

The Institute’s net assets with donor restrictions were held as follows at September 30, 2024 and 2023:

	2024	2023
Time or purpose:		
Endowment	$ 1,383,303	$ 877,511
Contributions receivable	73,288	279,307
Education and research funds	307,391	249,273
Life income and annuity funds	42,070	53,281
Total net assets with time or purpose restrictions	$ 1,806,052	$ 1,459,372
Perpetual:		
Endowment	$ 2,075,077	$ 2,024,838
Contributions receivable	382,497	48,154
Life income and annuity funds	44,027	39,403
Student loan funds	20,089	19,698
Total net assets with perpetual restrictions	$ 2,521,690	$ 2,132,093
Total net assets with donor restrictions	$ 4,327,742	$ 3,591,465

Endowment Net Assets (including Funds Functioning as Endowment)

Endowment net assets constitute the largest component of the Institute’s net assets and are comprised of more than 1,000 donor-restricted and board-designated funds held primarily for long-term investment that supports educational, research, and general operating activities of the Institute. All endowment assets are held in a consolidated investment pool unless special considerations or donor stipulations require that they be invested separately. Gift annuities, beneficial interests, contributions receivable, and unexpended endowment distributions 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 net assets with donor restrictions that are perpetual in nature: 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 applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portions of donor-restricted endowment funds for which the remaining donor restrictions are not perpetual in nature, and which consist primarily of accumulated investment return, are considered donor-restricted as to time and purpose until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA and by Institute policies, and are expended accordingly.

The Institute's endowment (including funds functioning as endowment) spending policy includes a Board of Trustees-approved endowment spending formula that takes into consideration the prior year's allowed formulaic spending, inflation factors, and endowment growth. In accordance with UPMIFA, the policy also includes the following factors for consideration by the Board of Trustees when determining the annual amount to be made available for distribution to the operating budget each year:

- The purposes of donor-restricted endowment funds
- The duration and preservation of such funds
- General economic conditions
- Possible effects of inflation and deflation
- The expected total return from investment 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/(losses) is funded by prior years' accumulated investment return. The Institute appropriates endowment funds for expenditures based on authorized spending rates and, if applicable, the incurrence of specific expenditures in accordance with donor-imposed purpose restrictions.

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/depreciation (realized and unrealized gains/losses) and investment income (including interest, dividends, and royalties). The Institute targets a diversified asset allocation, including, but not limited to, investments in public markets, private equity, real assets, and alternative investments, within risk constraints deemed to be prudent.

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.

Notes to Financial Statements (Dollars in Thousands)

Endowment net assets consisted of the following at September 30, 2024 and 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
September 30, 2024			
Donor-restricted endowment funds	$ -	$ 3,411,412	$ 3,411,412
Board-designated endowment funds	782,701	46,968	829,669
Total endowment net assets	$ 782,701	$ 3,458,380	$ 4,241,081
September 30, 2023			
Donor-restricted endowment funds	$ -	$ 2,867,484	$ 2,867,484
Board-designated endowment funds	696,434	34,865	731,299
Total endowment net assets	$ 696,434	$ 2,902,349	$ 3,598,783

Changes in endowment net assets for the years ended September 30, 2024 and 2023 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
October 1, 2022	$ 673,397	$ 2,755,105	$ 3,428,502
Investment return, net	65,285	259,191	324,476
Contributions and pledge payments	-	40,634	40,634
Additions to board-designated endowments	6,554	12,950	19,504
Available for expenditure	(39,466)	(156,849)	(196,315)
Redesignations, reclassifications, and other	(9,336)	(8,682)	(18,018)
September 30, 2023	$ 696,434	$ 2,902,349	$ 3,598,783
Investment return, net	94,034	387,447	481,481
Contributions and pledge payments	-	337,623	337,623
Additions to board-designated endowments	48,920	11,353	60,273
Available for expenditure	(43,838)	(178,373)	(222,211)
Redesignations, reclassifications, and other	(12,849)	(2,019)	(14,868)
September 30, 2024	$ 782,701	$ 3,458,380	$ 4,241,081

The line item “Redesignations, reclassifications, and other” in the table above includes the effects of changes in donor-imposed restrictions or Institute designations and certain endowment management costs.

Notes to Financial Statements (Dollars in Thousands)

Under ASC 958, for accounting purposes the Institute must maintain the historical values of underwater donor-restricted endowment funds as net assets subject to donor restrictions that are perpetual in nature. Deficiencies in fair value of such funds relative to their historical values reduce the portion of net assets with donor restrictions that is subject to time and/or purpose restrictions, and diminish with fair value appreciation. Aggregate fair values and historical costs of underwater endowments at September 30, 2024 and 2023 were $138,303 and $142,291, and $262,271 and $277,283, respectively, causing deficiencies of $3,988 and $15,012, respectively.

The Institute's endowment spending policy and applicable laws permit the appropriation of endowment spending from underwater funds unless prohibited by donor-imposed restrictions. During the years ended September 30, 2024 and 2023, the Institute appropriated spending of $7,312 and $10,534 from funds that were underwater at September 30, 2024 and 2023, respectively. These appropriations were made in accordance with the Institute's policy, so as not to suspend certain Institute programs. The policy requires the Institute's management to monitor and approve spending from underwater funds annually on a fund-by-fund basis and to report annually to the Board of Trustees regarding underwater funds.

I. Postretirement and Postemployment Benefits

Postretirement Health and Life Insurance

The Institute provides postretirement health and life insurance benefits to eligible retirees and their dependents. The Institute's obligation related to these benefits is actuarially determined based on a September 30 measurement date. The Institute also provides defined contribution retirement plans, which are described at the end of this note.

Components of the funded status of postretirement benefits reported in the Institute's balance sheets and changes therein were as follows for the years ended September 30, 2024 and 2023. Additional detail regarding the JPL and Campus-related portions of the funded status of postretirement benefits is provided at the end of this note.

	2024	2023
Changes in the accumulated postretirement benefit obligation:		
Benefit obligation at beginning of year	$ 412,751	$ 428,970
Service cost	10,066	10,933
Interest cost	24,167	22,661
Benefits paid	(17,649)	(16,378)
Employee contributions	973	1,141
Actuarial gain	25,287	(34,576)
Benefit obligation at end of year	455,595	412,751
Changes in plan assets:		
Fair value of plan assets at beginning of year	222,000	182,203
Return on plan assets	52,077	26,494
Employer contributions	24,377	28,540
Employee contributions	973	1,141
Benefits paid	(17,649)	(16,378)
Fair value of plan assets at end of year	281,778	222,000
Funded status	$ (173,817)	$ (190,751)

Notes to Financial Statements (Dollars in Thousands)

Benefits for Campus retirees and their dependents are funded on a pay-as-you-go basis. Benefits for JPL retirees and their dependents are funded by NASA according to an accrual accounting approach based on the Federal Acquisition Regulation. JPL-related contributions in excess of benefits paid are held in a trust for the benefit of JPL retirees and are invested according to the related plan's investment policies. At September 30, 2024 and 2023, trust investments consisted of short-term investments and non-publicly traded collective trust funds and mutual funds. Short-term investments are classified in Level 1 of the valuation hierarchy described in Note K, and the collective trust funds and mutual funds, which have readily determinable fair values, are classified within Level 2 of that hierarchy.

Trust investments were held as follows at September 30, 2024 and 2023:

	2024	2023
Short-term investments	$ 267	$ 444
Collective trust funds	90,080	66,614
Mutual funds	191,431	154,942
Total investments	$ 281,778	$ 222,000

Net periodic postretirement benefit cost ("NPBC"), or the amount recorded as expense related to postretirement health and life insurance benefits attributable to a particular year, was as follows for the years ended September 30, 2024 and 2023:

	2024	2023
Components of net periodic postretirement benefit cost:		
Service cost	$ 10,066	$ 10,933
Other components:		
Interest cost	24,167	22,661
Expected return on plan assets	(14,121)	(11,774)
Amortization of prior service credit	(14,146)	(26,050)
Amortization of loss	(1,653)	-
Total other components	(5,753)	(15,163)
Net periodic benefit cost	$ 4,313	$ (4,230)

The statements of activities include both the components of NPBC and the effects of changes in funded status that are not otherwise recognized in NPBC. For the years ended September 30, 2024 and 2023, service costs related to Campus totaling $2,881 and $3,159, respectively, are included in the financial statement line item "Compensation and benefits," and service costs related to JPL totaling $7,185 and $7,774, respectively, are included in the financial statement line item "Jet Propulsion Laboratory operations."

Notes to Financial Statements (Dollars in Thousands)

For the years ending September 30, 2024 and 2023, the following are included in the non-operating statement of activities line item “Changes in benefit obligations and related recoveries, net”:

	2024	2023
Other components of NPBC, Campus	$ (5,894)	$ (196)
Other components of NPBC, JPL	11,647	15,359
Non-periodic changes in obligation, Campus	(5,765)	4,571
Non-periodic changes in obligation, JPL	2,635	18,675
JPL Contract recoveries	(14,282)	(34,034)
Changes in benefit obligation and other recoveries, net	$ (11,659)	$ 4,375

Non-periodic changes in the benefit obligation for both Campus and JPL represent changes in the benefit obligation not otherwise recognized in NPBC. JPL contract revenue equal to the sum of JPL’s other components of NPBC and non-periodic changes in the benefit obligation related to JPL is included as an offsetting recovery, as any costs associated with JPL are contractually recoverable from NASA.

At September 30, 2024 and 2023, the differences recognized in net assets without donor restrictions between cumulative net periodic postretirement benefit cost, less cumulative contributions, and funded status were as follows:

	2024	2023
Prior service credit	$ -	$ -
Net gain	(14,547)	(20,312)
Cumulative amounts recognized in net assets without donor restrictions	$ (14,547)	$ (20,312)

Any actuarial deferrals resulting from changes in the accumulated postretirement benefit obligation are amortized over the average future working lifetime of Institute employees.

The following weighted-average assumptions were used to determine the Institute’s net periodic benefit cost under the plans for the years ended September 30, 2024 and 2023:

	2024	2023
Discount rate	6.00%	5.40%
Discount rate for service cost	5.90%	5.20%
Expected return on plan assets	6.25%	5.75%
Health care cost trend rate	6.00%	6.25%

To develop the expected long-term rates of return on assets noted above, the Institute considers the historical returns and future expectations for each asset class, as well as the asset allocation of the retirement plan’s investment portfolio. Estimated future returns are based on expected returns for various asset categories. The evaluation of the historical and future returns resulted in the selection of 6.50% and 6.25% for the years ended September 30, 2024 and 2023.

Notes to Financial Statements (Dollars in Thousands)

The following weighted-average assumptions were used to determine the Institute's obligation under the plans at September 30, 2024 and 2023:

	2024	2023
Discount rate	5.10%	6.00%
Discount rate for service cost	5.20%	5.90%
Health care cost trend rate	5.75%	6.00%

The Institute's postretirement medical benefit plans provide a substantial portion of the Institute's retirees and their eligible dependents annual awards of defined-dollar credits that are 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. 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 is expected to increase in the future based on health care cost trend rates. The assumed health care cost trend rate is a 5.75% increase in 2024, after which annual rates of increase are assumed to decrease approximately 0.25% per year until 2030, after which healthcare cost is assumed to increase 4.25% annually in all future years. The effects of changes in these rates are not expected to be material to the benefit obligation or to related amounts recoverable from NASA.

At September 30, 2024, the estimated future benefit payments are as follows:

Year Ending September 30	Campus	JPL	Total
2025	$ 4,876	$ 13,668	$ 18,544
2026	5,254	14,392	19,646
2027	5,604	15,108	20,712
2028	5,945	15,776	21,721
2029	6,293	16,410	22,703
2030-2034	36,887	91,737	128,624

Additional detail regarding the JPL and Campus-related portions of the funded status of postretirement benefits and changes therein for the years ended September 30, 2024 and 2023 is as follows:

	Campus	JPL	Total
September 30, 2024			
Benefit obligation at end of year	$ 124,770	$ 330,825	$ 455,595
Fair value of plan assets at end of year	-	281,778	281,778
Funded status	$ (124,770)	$ (49,047)	$ (173,817)
September 30, 2023			
Benefit obligation at end of year	$ 114,294	$ 298,457	$ 412,751
Fair value of plan assets at end of year	-	222,000	222,000
Funded status	$ (114,294)	$ (76,457)	$ (190,751)

Notes to Financial Statements (Dollars in Thousands)

Defined Contribution Program

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, 2024 and 2023 were $33,324 and $31,869, respectively, for the Campus and $118,602 and $116,423, respectively, for JPL. The Institute has no assets or liabilities related to these plans.

At September 30, 2024 and 2023, the balance sheet line item “Prepaid expenses and other assets” included $172,578 and $142,010, respectively, in assets held pursuant to IRC section 457 defined contribution retirement plans. These assets are invested with external investment managers and are stated at fair value as further described in Note K. Level 1 assets consist of mutual funds that are traded on exchanges and similar platforms. Level 2 assets include funds comprised of equity securities and fixed income instruments. Level 3 assets consist primarily of fixed annuity contracts. The Institute’s liabilities related to these funds were $171,972 and $141,511 at September 30, 2024 and 2023, respectively, and are included in the line item “Accrued compensation and benefits” in the balance sheets.

J. Liquidity and Funds Available for General Expenditure

The Institute manages its financial assets and liquidity resources in order to provide cash for payment of general expenditures, such as operating expenses, construction costs, and principal payments on debt. Financial assets classified below as available for general expenditure within one year, computed in accordance with ASC 958, are those that are considered both convertible to cash and free of donor-imposed and/or contractual restrictions that would limit or prevent the use of such cash to fund general expenditures. At September 30, 2024 and 2023, the Institute’s financial assets and liquidity resources available for general expenditure within one year were as follows:

	2024	**2023**
Financial assets available within one year:		
Cash and cash equivalents	$ 44,496	$ 55,368
Accounts and notes receivable, net	360,084	354,033
Expected pledge payments available for operations	26,490	23,445
Other investments	389,159	361,013
Investments and gains subject to subsequent year's endowment spending	227,461	206,874
Total	1,047,690	1,000,733
Liquidity resources:		
Committed lines of credit	$ 450,000	$ 400,000
Less: current borrowings under lines of credit	(45,000)	(36,901)
Total	405,000	363,099
Total financial assets and liquidity resources available within one year	$ 1,452,690	$ 1,363,832

As detailed in Note G, the Institute maintains certain internally-imposed limits on the use of its lines of credit for operating, liquidity, and construction purposes. Those limits may be changed with the concurrence of the Institute’s Board of Trustees and, therefore, such internally-mandated limits have been omitted from the Institute's determination of available liquidity resources.

Under the Institute's cash management policies, cash received from endowment spending related to either funds functioning as endowment or donor-restricted endowments is available for general expenditure. Endowment spending distributed from donor-restricted endowments is reflected in the Institute's records as net assets with donor restrictions until the expenditures actually are incurred; such expenditures are funded by available financial assets and/or liquidity resources at the time they are paid.

Although the Institute does not normally intend to use endowment resources in excess of amounts appropriated annually according to its endowment spending policy, at September 30, 2024 and 2023, the Institute had $782,701 and $696,434, respectively, in funds functioning as endowment and included in net assets without donor restrictions that were available for general expenditure, subject to the concurrence of the Board of Trustees. Various redemption restrictions on underlying endowment investments could reduce the amount of cash immediately available from a redemption of a significant amount of funds functioning as endowment.

As noted in Note L, the Institute was committed to fund certain construction and services contracts from available financial assets and liquidity resources in the amount of $229,498 at September 30, 2024.

K. Fair Value

Fair value under GAAP 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 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. The three levels of the fair value hierarchy are described below.

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 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 investments in private company securities, investments in real asset interests (comprised of oil and gas interests and real property), and beneficial interests.

Level 3 equity securities consists primarily of direct investments in equity securities of privately-held companies. The share price from the last round of financing is the unobservable input used in determining the fair value. At September 30, 2024, such share prices range from $0.70 to $86.40 per share, with a weighted average price of $24.40. Significant increases or decreases in interest rates, equity market conditions and/or the companies' operating results may result in significantly different values.

The Institute’s Level 3 private equity holdings consist of investments in private equity managers’ investment funds. Private company investment valuations are obtained directly from the respective investment managers or from third-party appraisals and are determined using industry-standard methodologies that generally involve the use of valuation multiples or discounted cash flows. Significant increases or decreases in discount rates and valuation multiples in isolation may result in significantly different values.

Level 3 oil and gas interests primarily consist of investments in oil and gas investment managers’ funds. The Institute obtains oil and gas fund valuations directly from investment managers. Valuations are determined using industry-standard methodologies that mainly employ market comparables and discounted cash flows. Significant increases or decreases in commodity prices and discount rates in isolation may result in significantly different values.

Level 3 investments in real property consist of investments in real property investment managers’ funds and direct holdings of real property. The Institute obtains real property fund valuations directly from the respective investment managers. The Institute obtains initial valuations of direct holdings from appraisals obtained at date of transfer and subsequently adjusts such valuations based on market value trends. Valuations are determined using industry-standard methodologies that generally involve the use of location-adjusted capitalization rates, market comparables, and discounted cash flows. Significant increases or decreases in real property capitalization rates, discount rates, and market prices may result in significantly different values.

Valuations of Level 3 beneficial interests are based on appraisals of trust and bequest assets. Significant increases or decreases in market prices may result in significantly different values.

Level 3 assets held in the defined contribution plans are investments in annuity contracts issued by leading insurers. These investments are recorded at a principal or contract value, which generally represents net accumulated contributions/withdrawals plus interest credited. Underlying investments include fixed income, equity, real estate, and other secured assets. However, inputs to contract values are not observable. Changes in these inputs, especially those of interest rates, may result in significantly different values.

The Institute regularly monitors the adequacy of its Level 3 fair value measurements. Fair value measurements derived using specific unobservable quantitative inputs developed by the Institute were not significant for the years ended September 30, 2024 and 2023.

The Institute generally uses net asset value (“NAV”) as a practical expedient to determine the fair value of investments in funds that do not have readily determinable fair values and either have certain specific attributes of investment companies or prepare their financial statements consistent with the measurement principles of investment companies. For these funds, NAVs 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 fund's securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The fair value of investments valued at NAV as a practical expedient are excluded from the fair value hierarchy.

Notes to Financial Statements (Dollars in Thousands)

The following is a summary of the fair value of the Institute's financial instruments according to fair value level or NAV at September 30, 2024 and 2023. The fair value of assets held in trust for postretirement benefit plans, as disclosed in Note I, is excluded from the tables below.

	Level 1	Level 2	Level 3	NAV	2024 Total
September 30, 2024					
Investments:					
Short-term investments	$ 351,378	$ -	$ -	$ -	$ 351,378
Fixed-income securities	152,574	38,367	-	-	190,941
Equity securities	579,506	600,708	54,895	634,259	1,869,368
Alternative investments:					
Alternative securities	-	-	-	1,177,843	1,177,843
Private equity	-	-	62,695	913,776	976,471
Real assets	-	-	166,701	397,396	564,097
Total investments	$ 1,083,458	$ 639,075	$ 284,291	$ 3,123,274	$ 5,130,098
Other assets and liabilities:					
Beneficial interests	$ -	$ -	$ 40,835	$ -	$ 40,835
Defined contribution plan assets	65,312	69,454	37,812	-	172,578
Defined contribution plan liabilities	(64,827)	(69,363)	(37,782)	-	(171,972)
Interest rate swap	-	(19,896)	-	-	(19,896)

	Level 1	Level 2	Level 3	NAV	2023 Total
September 30, 2023					
Investments:					
Short-term investments	$ 219,959	$ -	$ -	$ -	$ 219,959
Fixed-income securities	65,106	33,236	-	-	98,342
Equity securities	505,935	498,335	46,387	525,214	1,575,871
Alternative investments:					
Alternative securities	-	-	-	1,053,327	1,053,327
Private equity	-	-	59,829	885,420	945,249
Real assets	-	-	205,406	351,455	556,861
Total investments	$ 791,000	$ 531,571	$ 311,622	$ 2,815,416	$ 4,449,609
Other assets and liabilities:					
Beneficial interests	$ -	$ -	$ 45,460	$ -	$ 45,460
Defined contribution plan assets	65,353	39,166	37,491	-	142,010
Defined contribution plan liabilities	(64,925)	(39,095)	(37,491)	-	(141,511)
Interest rate swap	-	(10,290)	-	-	(10,290)

Notes to Financial Statements (Dollars in Thousands)

At September 30, 2024 and 2023, additional details regarding the Institute's investments valued using NAV by major investment category were as follows:

	Fair Value	Unfunded Commitments	Normally Allowable Redemption Frequency	Redemption Notice Period in days	Lives in years
September 30, 2024					
Equity securities:					
Quarterly or less	$ 304,196	$ -	Quarterly or less	45 to 180	-
Greater than quarterly	328,591	4,348	Greater than Quarterly	60 to 90	-
Not actionable	1,472	-	Not actionable	-	-
Alternative investments:					
Alternative securities					
Quarterly or less	353,754	-	Quarterly or less	45 to 90	-
Greater than quarterly	426,802	-	Greater than Quarterly	60 to 180	-
Not actionable	397,287	192,778	Not actionable	-	up to 10
Private equity					
Greater than quarterly	-	-	-	-	-
Not actionable	913,776	279,028	Not actionable	-	up to 10
Real assets	397,396	76,653	Not actionable	-	up to 12
Total	$ 3,123,274	$ 552,807			

	Fair Value	Unfunded Commitments	Normally Allowable Redemption Frequency	Redemption Notice Period in days	Lives in years
September 30, 2023					
Equity securities:					
Quarterly or less	$ 254,353	$ -	Quarterly or less	60 to 180	-
Greater than quarterly	267,845	-	Greater than Quarterly	60 to 90	-
Not actionable	3,016	-	Not actionable	-	-
Alternative investments:					
Alternative securities					
Quarterly or less	231,840	-	Quarterly or less	45 to 90	-
Greater than quarterly	449,789	-	Greater than Quarterly	60 to 180	-
Not actionable	371,698	147,139	Not actionable	-	up to 10
Private equity					
Greater than quarterly	62,926	10,991	Semi-Annual to Every four years	120 to 270	-
Not actionable	822,494	277,422	Not actionable	-	up to 10
Real assets	351,455	136,027	Not actionable	-	up to 12
Total	$ 2,815,416	$ 571,579			

Notes to Financial Statements (Dollars in Thousands)

In addition to the unfunded commitments noted above, at September 30, 2024 and 2023, the Institute was committed to invest an additional $52,187 and $57,039, respectively, in investments classified within the fair value hierarchy over approximately the next ten years. All such investment commitments are expected to be funded from existing or forecasted investment assets.

The methods described above may produce fair value calculations that might not be indicative of net realizable value or reflective of future fair values and do not include potential transaction costs or discounts or premiums, if any. Alternative investments may not be readily marketable or redeemable, and may contain penalties for early withdrawal from the related funds. Furthermore, while the Institute believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies and/or assumptions to determine fair values of certain financial instruments could result in different estimates of fair value.

The following table presents a summary of changes in the fair values of the Institute's Level 3 assets for the years ended September 30, 2024 and 2023:

September 30, 2024	Beginning Balance	Gifts and Purchases	Sales and Maturities	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Transfers In	Transfers Out	Ending Balance
Investments:								
Equity securities	$ 46,387	$ 18,946	$ -	$ (2,652)	$ (7,786)	$ -	$ -	$ 54,895
Alternative investments:								
Private equity	59,829	-	(8,636)	-	11,502	-	-	62,695
Real assets	205,406	11,042	(17,354)	(15,740)	(16,653)	-	-	166,701
Total investments	$ 311,622	$ 29,988	$ (25,990)	$ (18,392)	$ (12,937)	$ -	$ -	$ 284,291
Other assets:								
Beneficial interests	$ 45,460	$ 6,201	$ (11,242)	$ (986)	$ 1,402	$ -	$ -	$ 40,835
Defined contribution plans	37,491	2,700	(3,302)	-	923	-	-	37,812

September 30, 2023	Beginning Balance	Gifts and Purchases	Sales and Maturities	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Transfers In	Transfers Out	Ending Balance
Investments:								
Equity securities	$ 31,547	$ 7,466	$ (252)	$ (750)	$ 8,376	$ -	$ -	$ 46,387
Alternative investments:								
Private equity	51,381	-	-	-	8,448	-	-	59,829
Real assets	196,664	30,724	(18,110)	(10,796)	6,924	-	-	205,406
Total investments	$ 279,592	$ 38,190	$ (18,362)	$ (11,546)	$ 23,748	$ -	$ -	$ 311,622
Other assets:								
Beneficial interests	$ 32,500	$ 23,809	$ (10,143)	$ (2,804)	$ 2,098	$ -	$ -	$ 45,460
Defined contribution plans	36,391	1,945	(1,715)	-	870	-	-	37,491

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.

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. During the years ended September 30, 2024 and 2023, there were no transfers between levels.

During the years ended September 30, 2024 and 2023, unrealized gains of $950 and $1,951, respectively, related to Level 3 assets were recorded in the non-operating line item “Gifts and pledges” in the statements of activities. All other realized and unrealized gains related to Level 3 investments were recorded in the non-operating line item “Investment return in excess/(deficit) of endowment spending” in the statements of activities. Unrealized gains/(losses) included in the statements of activities related to those Level 3 assets held at September 30, 2024 and 2023 were $(26,946) and $9,703, respectively.

The Institute uses an interest rate swap to manage the interest rate exposure of a portion of its variable rate debt. 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. The interest rate swap is valued using observable inputs, such as quotations received from counterparties, dealers, or brokers, market prices for reference securities, credit curves, and assumptions for nonperformance risk, whenever available and considered reliable, and is therefore classified in Level 2 of the fair value hierarchy.

L. Contingencies and Commitments

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 of the NASA/JPL Superfund site, estimated to be in excess of $100,000. 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.

Notes to Financial Statements (Dollars in Thousands)

Commitments

The Institute was committed under certain construction and services contracts in the amounts of approximately $229,498 and $165,023 at September 30, 2024 and 2023, respectively.

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, 2024 and 2023, the amounts of the letter of credit facility were $6,998 and $6,930, respectively. The letter of credit was not used during the years ended September 30, 2024 and 2023, and therefore no liability has been recorded in the balance sheets.

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

The Institute leases equipment and buildings, primarily for JPL, under operating leases expiring at various dates through 2034. Rent expense incurred under operating lease obligations was $6,588 and $5,600 for the years ended September 30, 2024 and 2023, respectively.

At September 30, 2024, accounts payable and accrued expenses included operating lease obligations of $42,436 and deferred U.S. government billings included an offsetting $42,436 for operating leases related to JPL. Future minimum payments under these operating leases were as follows at September 30, 2024:

Year Ending September 30	Amount
2025	$ 9,220
2026	8,636
2027	5,788
2028	3,054
2029	2,876
2030-2034	12,862
Total	$ 42,436

All of the $42,436 of lease obligations listed above is expected to be recoverable under the Institute's cost-reimbursable contract with NASA as such obligations are paid.

The Institute rents housing, equipment, and building space to students, faculty, and other organizations under operating leases expiring at various dates through 2029. Rental income under operating leases was $3,905 and $3,831 for the years ended September 30, 2024 and 2023, respectively.

Notes to Financial Statements (Dollars in Thousands)

At September 30, 2024, minimum future rental revenues from operating leases of greater than one year in duration were as follows:

Year Ending September 30	Amount
2025	$ 3,755
2026	3,508
2027	3,522
2028	3,542
2029	3,562
Total	$ 17,889

M. Supplemental Cash Flow Information

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

	2024	2023
Cash paid during the year for interest	$ 63,290	$ 62,058
Income and excise tax paid	2,583	4,812
Non-cash investing and financing activities:		
Securities received to satisfy pledge payments	65,333	12,547
In-kind receipt of securities and property, plant, and equipment	5,709	9,659
Accrued purchases of property, plant, and equipment	15,211	29,007
Decrease/(increase) in net amounts receivable for pending investment transactions	(11,666)	43,769

N. Subsequent Events

Subsequent events were evaluated through January 29, 2025, which is the date the financial statements were issued.