California Institute of Technology

Financial Statements

For the Years Ended September 30, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, 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 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 28, 2026

California Institute of Technology
Balance Sheets
At September 30, 2025 and 2024
(Dollars in Thousands)

	2025	2024
ASSETS		
Cash and cash equivalents	$ 122,747	$ 44,496
Accounts and notes receivable, net		
United States government	108,177	200,980
Other	260,549	192,421
Contributions receivable, net	513,224	455,785
Investments	5,221,440	5,130,098
Prepaid expenses and other assets	368,125	342,897
Deferred United States government billings	155,037	197,372
Property, plant, and equipment, net	1,323,362	1,263,460
Total assets	$ 8,072,661	$ 7,827,509
LIABILITIES and NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 246,672	$ 341,553
Accrued compensation and benefits	355,391	343,909
Deferred revenue, refundable advances, and other	162,880	143,482
Annuities, trust agreements, and agency funds	88,465	87,362
Bonds and notes payable, net	1,635,323	1,595,069
Accumulated postretirement benefit obligation	123,723	173,817
Total liabilities	2,612,454	2,685,192
Net assets:		
Without donor restrictions	836,157	814,575
With donor restrictions:		
Time or purpose	1,993,029	1,806,052
Perpetual	2,631,021	2,521,690
Total net assets with donor restrictions	4,624,050	4,327,742
Total net assets	5,460,207	5,142,317
Total liabilities and net assets	$ 8,072,661	$ 7,827,509

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

California Institute of Technology
Statement of Activities
For the Year Ended September 30, 2025
(with summarized financial information for the year ended September 30, 2024)
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Operating revenues:				
Tuition and fees, net of student financial aid	$ 52,739	$ -	$ 52,739	$ 53,296
Endowment spending, distributed	41,837	182,218	224,055	211,034
Gifts and pledges	67,922	76,195	144,117	89,200
Grants and contracts:				
Jet Propulsion Laboratory operations	2,298,058	-	2,298,058	2,611,617
United States government, Campus - direct	232,650	-	232,650	221,714
Other Campus - direct	57,694	5,206	62,900	111,845
Recovery of indirect costs and allowances	163,298	-	163,298	163,176
Sales and services	56,912	-	56,912	58,627
Other	6,000	-	6,000	12,336
Net assets released from restrictions	229,372	(229,372)	-	-
Total operating revenues and other support	3,206,482	34,247	3,240,729	3,532,845
Operating expenses:				
Compensation and benefits	533,749	-	533,749	504,500
Supplies and services	206,150	-	206,150	191,939
Subcontracts	57,468	-	57,468	48,548
Depreciation, accretion, and amortization	100,017	-	100,017	92,182
Utilities	31,026	-	31,026	30,219
Interest	47,541	-	47,541	46,815
Jet Propulsion Laboratory operations	2,298,058	-	2,298,058	2,611,617
Total operating expenses	3,274,009	-	3,274,009	3,525,820
Results of operations	(67,527)	34,247	(33,280)	7,025
Non-operating changes:				
Investment return in excess of endowment spending	77,685	127,130	204,815	368,710
Endowment spending, undistributed	3,567	5,917	9,484	11,177
Gifts and pledges	150	145,807	145,957	536,732
Changes in benefit obligations and related recoveries, net	4,088	-	4,088	(11,659)
Interest expense	(15,554)	-	(15,554)	(16,287)
Redesignations, reclassifications, and other	19,173	(16,793)	2,380	(50,879)
Total non-operating activities	89,109	262,061	351,170	837,794
Increase in net assets	21,582	296,308	317,890	844,819
Net assets at beginning of year	814,575	4,327,742	5,142,317	4,297,498
Net assets at end of year	$ 836,157	$ 4,624,050	$ 5,460,207	$ 5,142,317

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
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	2024 Total
Operating revenues:			
Tuition and fees, net of student financial aid	$ 53,296	$ -	$ 53,296
Endowment spending, distributed	40,323	170,711	211,034
Gifts and pledges	36,109	53,091	89,200
Grants and contracts:			
Jet Propulsion Laboratory operations	2,611,617	-	2,611,617
United States government, Campus - direct	221,714	-	221,714
Other Campus - direct	107,836	4,009	111,845
Recovery of indirect costs and allowances	163,176	-	163,176
Sales and services	58,627	-	58,627
Other	12,336	-	12,336
Net assets released from restrictions	230,347	(230,347)	-
Total operating revenues and other support	3,535,381	(2,536)	3,532,845
Operating expenses:			
Compensation and benefits	504,500	-	504,500
Supplies and services	191,939	-	191,939
Subcontracts	48,548	-	48,548
Depreciation, accretion, and amortization	92,182	-	92,182
Utilities	30,219	-	30,219
Interest	46,815	-	46,815
Jet Propulsion Laboratory operations	2,611,617	-	2,611,617
Total operating expenses	3,525,820	-	3,525,820
Results of operations	9,561	(2,536)	7,025
Non-operating changes:			
Investment return in excess of endowment spending	158,015	210,695	368,710
Endowment spending, undistributed	3,515	7,662	11,177
Gifts and pledges	2,420	534,312	536,732
Changes in benefit obligations and related recoveries, net	(11,659)	-	(11,659)
Interest expense	(16,287)	-	(16,287)
Redesignations, reclassifications, and other	(37,023)	(13,856)	(50,879)
Total non-operating activities	98,981	738,813	837,794
Increase in net assets	108,542	736,277	844,819
Net assets, beginning of year	706,033	3,591,465	4,297,498
Net assets, end of year	$ 814,575	$ 4,327,742	$ 5,142,317

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, 2025 and 2024
(Dollars in Thousands)

	2025	2024
Cash flows from operating activities:		
Increase in net assets	$ 317,890	$ 844,819
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation, accretion, and amortization	100,017	92,182
Changes in postemployment benefit obligations	(44,117)	3,130
Contributions restricted for long-term investment and capital projects	(145,232)	(515,288)
Realized and unrealized (gains)/losses on investments and swap	(362,398)	(498,517)
Other non-cash items	(4,043)	(9,045)
Effects of changes in assets and liabilities (increase/(decrease) to cash):		
Accounts and notes receivable, net	106,873	(5,969)
Contributions receivable, net	(10,435)	5,529
Prepaid expenses and other assets	(22,909)	(29,276)
Deferred United States government billings	42,335	14,050
Accounts payable and accrued expenses	(80,449)	5,902
Accrued compensation and benefits	11,482	49,906
Deferred revenue, refundable advances, and other	19,278	13,399
Accumulated postretirement benefit obligation	(5,977)	(20,064)
Net cash used in operating activities	(77,685)	(49,242)
Cash flows from investing activities:		
Purchases of investments	(1,011,828)	(1,229,062)
Proceeds from sales and maturities of investments	1,183,076	1,073,199
Purchases of property, plant, and equipment	(155,423)	(155,393)
Proceeds from sale of property, plant, and equipment	141	2
Net cash used in investing activities	15,966	(311,254)
Cash flows from financing activities:		
Contributions restricted for long-term investment and capital projects	98,077	369,930
Investment return restricted for long-term investment and capital projects	905	1,007
Cash received under annuity and trust agreements	6,777	6,189
Cash payments made under annuity and trust agreements	(5,789)	(5,601)
Net borrowings/(repayments) of short-term debt	40,000	8,099
Cash paid for retirement of indebtedness	-	(30,000)
Net cash provided by financing activities	139,970	349,624
Net change in cash and cash equivalents	78,251	(10,872)
Cash and cash equivalents at beginning of year	44,496	55,368
Cash and cash equivalents at end of year	$ 122,747	$ 44,496

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 GAAP 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 $249,815 and $355,787 at September 30, 2025 and 2024, respectively. Activity in the allowance accounts was not significant during the years ended September 30, 2025 and 2024. The carrying value of net accounts receivable approximates fair value. Accounts receivable included $110,645 and $28,447 related to investment transactions not yet settled at September 30, 2025 and 2024, respectively.

At September 30, 2025 and 2024, the Institute held aggregate accounts receivable from students and employees of $3,336 and $4,282, respectively, and loans receivable from students of $4,930 and $4,885, 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.

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 $13,090 and $14,194 at September 30, 2025 and 2024, respectively, and is included in the line item “Property, plant, and equipment, net” in the balance sheets. Conditional asset retirement obligations were $36,230 and $36,225 at September 30, 2025 and 2024, 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 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 $110,182 and $109,552 at September 30, 2025 and 2024, 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, 2025 and 2024. Split-interest agreement liabilities totaled $63,501 and $62,543 at September 30, 2025 and 2024, 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%, and applicable estimated remaining life expectancies of benefactors, which range from 2 to 48 years. For the years ended September 30, 2025 and 2024, the weighted-average discount rate was 5.3% and the weighted-average life expectancy was 10 years. Significant changes in assumed discount rates and/or life expectancies either in isolation or in combination could 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 $7,936 and $7,670 at September 30, 2025 and 2024, respectively.

The Institute held assets totaling $17,028 and $17,149 in agency funds on behalf of other entities at September 30, 2025 and 2024, 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. Interests in perpetual trusts are recorded as revenue when contributed by the trustee. 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 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 $47,523 and $40,835 at September 30, 2025 and 2024, 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, 2025 and 2024, accrued compensated absences of $119,652 and $125,877, 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, 2025 and 2024, liabilities for workers’ compensation were $10,816 and $11,482, 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 $21,624 and $27,674, and advance payments on such contributions totaled $2,564 and $3,210, at September 30, 2025 and 2024, respectively. Substantially all conditional contributions include donor-imposed purpose or time restrictions related to education and research. Advance payments are recorded in "Deferred revenue, refundable advances, and other" in the balance sheets.

- *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 $206,035 and $187,657 at September 30, 2025 and 2024, 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 $27,628 and $21,142 at September 30, 2025 and 2024, 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 $104,919 and $102,431 for the years ended September 30, 2025 and 2024, 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 $175,269 and $170,061, and financial aid totaled $122,530 and $116,765, for the years ended September 30, 2025 and 2024, 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 $2,841 and $3,418 at September 30, 2025 and 2024, respectively.

  Payments received in advance of academic terms are recorded as deferred revenue. Total deferred revenue related to tuition, fees, room and board was $15,370 and $13,367 at September 30, 2025 and 2024, respectively. Substantially all deferred revenue balances at September 30, 2024 were recognized as revenue during the fiscal year ended September 30, 2025, 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 $71,659 and $179,789 at September 30, 2025 and 2024, 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, 2025 and 2024, 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 $58,379 and $60,745 for the years ended September 30, 2025 and 2024, 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, such that the contracts ends September 30, 2027. At September 30, 2025, 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 $9,088,541 and $11,448,766 at September 30, 2025 and 2024, 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, 2025 and 2024.

Notes to Financial Statements (Dollars in Thousands)

Campus recorded $114,662 and $101,244 in direct revenues from sponsored research activities accounted for as contracts with customers for the years ended September 30, 2025 and 2024, 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 $23,277 and $19,752 are included in the line item “Recovery of indirect costs and allowances” in the statements of activities for the years ended September 30, 2025 and 2024, respectively. There were no material deferred revenue or accounts receivable balances related to these contracts at September 30, 2025 and 2024.

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, 2025 and 2024:

September 30, 2025	Campus Program Activities					
	Instruction & Academic Support	Organized Research	Auxiliary Enterprises	Institutional Support	JPL Operations	Total
Operating expenses:						
Compensation and benefits	$ 266,888	$ 179,210	$ 15,237	$ 72,414	$ 1,313,479	$ 1,847,228
Supplies and services	104,425	63,402	18,523	19,800	285,842	491,992
Subcontracts	8,963	48,505	-	-	675,238	732,706
Depreciation, accretion, and amortization	36,875	52,273	8,774	2,095	-	100,017
Utilities	14,543	14,590	694	1,199	23,499	54,525
Interest	20,765	21,847	4,130	799	-	47,541
Total functional expenses	$ 452,459	$ 379,827	$ 47,358	$ 96,307	$ 2,298,058	$ 3,274,009
Non-operating expenses:						
Interest				$ 15,554		$ 15,554
Net periodic benefit costs				6,060	$ (3,531)	2,529

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)

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, 2025 and 2024, was $27,379 and $29,745, 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. At September 30, 2025 and 2024, the Institute held deferred tax assets of $0 and $5,707 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, 2025 and 2024.

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 $10,036 and $16,688 at September 30, 2025 and 2024, 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.

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, 2025 and 2024 range from 0.32% to 5.66%.

Collections of contributions receivable were expected as follows at September 30, 2025 and 2024:

	2025	2024
Within one year	$ 59,714	$ 51,846
Between one year and five years	517,620	381,736
More than five years	23,444	118,982
Gross contributions receivable	600,778	552,564
Less:		
Unamortized discounts	86,702	96,438
Allowance for uncollectible contributions	852	341
Net contributions receivable	$ 513,224	$ 455,785

Net contributions receivable carried the following donor-imposed restrictions at September 30, 2025 and 2024:

	2025	2024
Endowment	$ 433,281	$ 386,777
Building and building improvements	24,056	27,960
Other purpose and/or time restrictions	55,887	41,048
Net contributions receivable	$ 513,224	$ 455,785

Notes to Financial Statements (Dollars in Thousands)

D. Investments

Investments consisted of the following at September 30, 2025 and 2024:

	2025	2024
Short-term investments	$ 553,754	$ 351,378
Fixed-income securities	187,120	190,941
Equity securities	1,798,378	1,869,368
Alternative investments:		
Alternative securities	1,071,844	1,177,843
Private equity	1,051,676	976,471
Real assets	558,668	564,097
Total investments	$ 5,221,440	$ 5,130,098

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, structured finance, U.S. government, and 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, growth equity, 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, 2025 and 2024:

	2025	2024
Investment pool	$ 4,352,748	$ 4,228,081
Separately invested endowments	31,226	30,623
Trusts, annuities, and other	837,466	871,394
Total investments	$ 5,221,440	$ 5,130,098

At September 30, 2025 and 2024, endowment investments were $4,356,542 and $4,228,841, respectively. At September 30, 2025 and 2024, other investments included $64,916 and $53,147, 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 $438,354 and $590,921 for the years ended September 30, 2025 and 2024, 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, 2025 and 2024:

	2025	2024
Unfunded postretirement benefit obligation	$ 4,007	$ 49,047
Accrued vacation	94,605	101,432
Accrued workers' compensation expense	4,401	4,457
Lease obligations	52,024	42,436
Total deferred United States government billings	$ 155,037	$ 197,372

Notes to Financial Statements (Dollars in Thousands)

F. Property, Plant, and Equipment, net

Property, plant, and equipment consisted of the following at September 30, 2025 and 2024:

	2025	2024
Land and land improvements	$ 84,942	$ 81,833
Buildings and building improvements	1,795,589	1,642,231
Equipment	741,223	717,181
Construction in progress	229,213	268,726
Less: accumulated depreciation	(1,527,605)	(1,446,511)
Total property, plant, and equipment, net	$ 1,323,362	$ 1,263,460

Depreciation expense for the years ended September 30, 2025 and 2024 was $98,273 and $90,424, 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, 2025 and 2024:

			Interest rate	Outstanding	
	Maximum	Maturity	2025 / 2024	2025	2024
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	1.69% / 2.03%	82,500	82,500
2006 Series B		2036	1.73% / 2.05%	82,500	82,500
Total bonds payable, gross				1,565,000	1,565,000
Unamortized discounts and issuance costs, net				(14,677)	(14,931)
Total bonds payable, net				1,550,323	1,550,069
Notes payable:					
Variable rate facilities:					
General working capital and capital projects:					
JP Morgan Chase revolving bank credit facility	$ 100,000	2028	- / -	-	-
U.S. Bank revolving bank credit facility	75,000	2027	4.71%/ -	35,000	-
U.S. Bank revolving bank credit facility	50,000	None	4.66%/ 5.60%	50,000	45,000
Bank of America revolving bank credit facility	75,000	2027	- / -	-	-
PNC Bank revolving bank credit facility	50,000	2026	- / -	-	-
Supplemental liquidity for variable rate debt:					
Northern Trust revolving bank credit facility	25,000	2027	- / -	-	-
Northern Trust revolving bank credit facility	50,000	2026	- / -	-	-
TD Bank revolving bank credit facility	50,000	2027	- / -	-	-
Total notes payable				85,000	45,000
Total bonds and notes payable, net				$ 1,635,323	$ 1,595,069

Notes to Financial Statements (Dollars in Thousands)

As of September 30, 2025, 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, 2025 and 2024, 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.

During the year ended September 30, 2025, the Institute extended its $50,000 revolving line of credit with Northern Trust to mature in March 2026 and extended its $50,000 revolving line of credit with Northern Trust 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, 2025, the Institute was in compliance with all of its required financial covenants.

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, 2025:

Year Ending September 30	Amount
2026	$ 250,000
2027	-
2028	-
2029	-
2030	-
Thereafter	1,400,000
Total	$ 1,650,000

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 0.075% (resulting in a rate of approximately 2.96% and 3.53% at September 30, 2025 and 2024, respectively), on a $165,000 underlying notional principal amount.

There was no collateral held by the counterparty to the Institute’s interest rate swap at September 30, 2025 and 2024.

Notes to Financial Statements (Dollars in Thousands)

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 $15,123 and $19,896 at September 30, 2025 and 2024, 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 $703 and $9 during the years ended September 30, 2025 and 2024, 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, 2025, and 2024 resulted in unrealized gains/(losses) of $4,773 and $(9,606), 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, 2025 and 2024:

	2025	2024
Time or purpose:		
Endowment	$ 1,519,179	$ 1,383,303
Contributions receivable	84,222	73,288
Education and research funds	363,288	307,391
Life income and annuity funds	26,340	42,070
Total net assets with time or purpose restrictions	$ 1,993,029	$ 1,806,052
Perpetual:		
Endowment	$ 2,140,534	$ 2,075,077
Contributions receivable	429,002	382,497
Life income and annuity funds	40,906	44,027
Student loan funds	20,579	20,089
Total net assets with perpetual restrictions	$ 2,631,021	$ 2,521,690
Total net assets with donor restrictions	$ 4,624,050	$ 4,327,742

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, 2025 and 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
September 30, 2025			
Donor-restricted endowment funds	$ -	$ 3,593,268	$ 3,593,268
Board-designated endowment funds	800,120	66,445	866,565
Total endowment net assets	$ 800,120	$ 3,659,713	$ 4,459,833
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

Changes in endowment net assets for the years ended September 30, 2025 and 2024 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
October 1, 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
Investment return, net	76,453	314,361	390,814
Contributions and pledge payments	-	62,740	62,740
Additions to board-designated endowments	4,052	19,416	23,468
Available for expenditure	(45,404)	(188,135)	(233,539)
Redesignations, reclassifications, and other	(17,682)	(7,049)	(24,731)
September 30, 2025	$ 800,120	$ 3,659,713	$ 4,459,833

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, 2025 and 2024 were $32,002 and $138,303, and $33,475 and $142,291, respectively, causing deficiencies of $1,473 and $3,988, 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, 2025 and 2024, the Institute appropriated spending of $1,700 and $7,312 from funds that were underwater at September 30, 2025 and 2024, 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, 2025 and 2024. Additional detail regarding the JPL and Campus-related portions of the funded status of postretirement benefits is provided at the end of this note.

	2025	**2024**
Changes in the accumulated postretirement benefit obligation:		
Benefit obligation at beginning of year	$ 455,595	$ 412,751
Service cost	11,073	10,066
Interest cost	22,763	24,167
Benefits paid	(18,757)	(17,649)
Employee contributions	1,162	973
Actuarial (gain) loss	(37,590)	25,287
Benefit obligation at end of year	434,246	455,595
Changes in plan assets:		
Fair value of plan assets at beginning of year	281,778	222,000
Return on plan assets	26,761	52,077
Employer contributions	19,579	24,377
Employee contributions	1,162	973
Benefits paid	(18,757)	(17,649)
Fair value of plan assets at end of year	310,523	281,778
Funded status	$ (123,723)	$ (173,817)

Notes to Financial Statements (Dollars in Thousands)

The significant actuarial gain during the year ended September 30, 2025 is primarily due to increased discount rates.

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, 2025 and 2024, trust assets 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, 2025 and 2024:

	2025	2024
Short-term investments	$ 494	$ 267
Collective trust funds	198,321	90,080
Mutual funds	111,708	191,431
Total investments	$ 310,523	$ 281,778

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, 2025 and 2024:

	2025	2024
Components of net periodic postretirement benefit cost:		
Service cost	$ 11,073	$ 10,066
Other components:		
Interest cost	22,763	24,167
Expected return on plan assets	(18,431)	(14,121)
Amortization of prior service credit	-	(14,146)
Amortization of gain	(1,803)	(1,653)
Total other components	2,529	(5,753)
Net periodic benefit cost	$ 13,602	$ 4,313

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, 2025 and 2024, service costs related to Campus totaling $3,235 and $2,881, respectively, are included in the financial statement line item “Compensation and benefits,” and service costs related to JPL totaling $7,838 and $7,185, 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, 2025 and 2024, the following are included in the non-operating statement of activities line item “Changes in benefit obligations and related recoveries, net”:

	2025	2024
Other components of NPBC, Campus	$ (6,060)	$ (5,894)
Other components of NPBC, JPL	3,531	11,647
Non-periodic changes in obligation, Campus	10,148	(5,765)
Non-periodic changes in obligation, JPL	33,969	2,635
JPL Contract recoveries	(37,500)	(14,282)
Changes in benefit obligation and other recoveries, net	$ 4,088	$ (11,659)

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, 2025 and 2024, 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:

	2025	2024
Net gain	$ (118,827)	$ (74,710)
JPL Contract recoveries	94,132	60,163
Cumulative amounts recognized in net assets without donor restrictions	$ (24,695)	$ (14,547)

Any actuarial deferrals resulting from changes in the accumulated postretirement benefit obligation are amortized over the average future working lifetime of Institute employees. Any such deferrals related to JPL are offset by future NASA recoveries under the JPL Contract and therefore do not affect net assets.

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, 2025 and 2024:

	2025	2024
Discount rate	5.10%	6.00%
Discount rate for service cost	5.20%	5.90%
Expected return on plan assets	6.50%	6.25%
Health care cost trend rate	5.75%	6.00%

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, 2025 and 2024.

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, 2025 and 2024:

	2025	2024
Discount rate	5.60%	5.10%
Discount rate for service cost	5.80%	5.20%
Health care cost trend rate	5.50%	5.75%

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 5.50% increase in 2025, 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.

The Institute expects to contribute $5,141 and $12,695 to its postretirement benefit plan for Campus and JPL, respectively, in fiscal year 2026. At September 30, 2025, the estimated future benefit payments are as follows:

Year Ending September 30	Campus	JPL	Total
2026	$ 5,141	$ 14,206	$ 19,347
2027	5,465	14,889	20,354
2028	5,802	15,553	21,355
2029	6,146	16,171	22,317
2030	6,506	16,809	23,315
2031-2035	38,053	93,950	132,003

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, 2025 and 2024 is as follows:

	Campus	JPL	Total
September 30, 2025			
Benefit obligation at end of year	$ 119,716	$ 314,530	$ 434,246
Fair value of plan assets at end of year	-	310,523	310,523
Funded status	$ (119,716)	$ (4,007)	$ (123,723)
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)

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, 2025 and 2024 were $34,745 and $33,324, respectively, for the Campus and $104,909 and $118,602, respectively, for JPL. The Institute has no assets or liabilities related to these plans.

At September 30, 2025 and 2024, the balance sheet line item "Prepaid expenses and other assets" included $194,268 and $172,578, 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 $193,593 and $171,972 at September 30, 2025 and 2024, 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, 2025 and 2024, the Institute's financial assets and liquidity resources available for general expenditure within one year were as follows:

	2025	2024
Financial assets available within one year:		
Cash and cash equivalents	$ 122,747	$ 44,496
Accounts and notes receivable, net	169,439	360,084
Expected pledge payments available for operations	27,638	26,490
Other investments	373,612	389,159
Investments and gains subject to subsequent year's endowment spending	58,225	227,461
Total	751,661	1,047,690
Liquidity resources:		
Committed lines of credit	$ 425,000	$ 450,000
Less: current borrowings under lines of credit	(85,000)	(45,000)
Total	340,000	405,000
Total financial assets and liquidity resources available within one year	$ 1,091,661	$ 1,452,690

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, 2025 and 2024, the Institute had $800,120 and $782,701, 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.

Subsequent to September 30, 2025, the Institute's Board of Trustees approved $237,500 in total endowment spending for the subsequent year.

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 $175,451 and $229,498 at September 30, 2025 and 2024, respectively.

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, 2025, such share prices range from $1.24 to $89.60 per share, with a weighted average price of $17.85. 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, 2025 and 2024.

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, 2025 and 2024. 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	2025 Total
September 30, 2025					
Investments:					
Short-term investments	$ 553,754	$ -	$ -	$ -	$ 553,754
Fixed-income securities	152,898	34,222	-	-	187,120
Equity securities	505,763	503,559	35,611	753,445	1,798,378
Alternative investments:					
Alternative securities	-	-	-	1,071,844	1,071,844
Private equity	-	-	68,895	982,781	1,051,676
Real assets	-	-	156,815	401,853	558,668
Total investments	$ 1,212,415	$ 537,781	$ 261,321	$ 3,209,923	$ 5,221,440
Other assets and liabilities:					
Beneficial interests	$ -	$ -	$ 47,523	$ -	$ 47,523
Defined contribution plan assets	101,270	51,479	41,519	-	194,268
Defined contribution plan liabilities	(100,678)	(51,429)	(41,486)	-	(193,593)
Interest rate swap	-	(15,123)	-	-	(15,123)

	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)

Notes to Financial Statements (Dollars in Thousands)

At September 30, 2025 and 2024, 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, 2025					
Equity securities:					
Quarterly or less	$ 361,188	$ -	Quarterly or less	45 to 180	-
Greater than quarterly	391,404	1,783	Greater than Quarterly	60 to 90	-
Not actionable	853	-	Not actionable	-	-
Alternative investments:					
Alternative securities					
Quarterly or less	257,676	-	Quarterly or less	45 to 90	-
Greater than quarterly	444,647	-	Greater than Quarterly	60 to 180	-
Not actionable	369,521	154,364	Not actionable	-	up to 10
Private equity					
Greater than quarterly	-	-	-	-	-
Not actionable	982,781	268,156	Not actionable	-	up to 10
Real assets	401,853	85,808	Not actionable	-	up to 12
Total	$ 3,209,923	$ 510,111			

	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			

Notes to Financial Statements (Dollars in Thousands)

In addition to the unfunded commitments noted above, at September 30, 2025 and 2024, the Institute was committed to invest an additional $31,117 and $52,187, 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, 2025 and 2024:

September 30, 2025	Beginning Balance	Gifts and Purchases	Sales and Maturities	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Transfers In	Transfers Out	Ending Balance
Investments:								
Equity securities	$ 54,895	$ 8,469	$ (10,570)	$ -	$ (17,183)	$ -	$ -	$ 35,611
Alternative investments:								
Private equity	62,695	-	-	-	6,200	-	-	68,895
Real assets	166,701	8,722	(13,153)	(13,723)	8,268	-	-	156,815
Total investments	$ 284,291	$ 17,191	$ (23,723)	$ (13,723)	$ (2,715)	$ -	$ -	$ 261,321
Other assets:								
Beneficial interests	$ 40,835	$ 21,975	$ (15,422)	$ (299)	$ 434	$ -	$ -	$ 47,523
Defined contribution plans	37,812	5,785	(2,078)	-	-	-	-	41,519

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

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, 2025 and 2024, there were no transfers between levels.

During the years ended September 30, 2025 and 2024, unrealized gains of $340 and $950, 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 losses included in the statements of activities related to those Level 3 assets held at September 30, 2025 and 2024 were $(17,425) and $(26,946), respectively.

The interest rate swap, as noted in Note G, 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.

Commitments

The Institute was committed under certain construction and services contracts in the amounts of approximately $175,451 and $229,498 at September 30, 2025 and 2024, 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

Notes to Financial Statements (Dollars in Thousands)

September 30, 2025 and 2024, the amounts of the letter of credit facility were $7,573 and $6,998, respectively. The letter of credit was not used during the years ended September 30, 2025 and 2024, 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 2035. Rent expense incurred under operating lease obligations was $8,591 and $6,588 for the years ended September 30, 2025 and 2024, respectively.

At September 30, 2025, "Accounts payable and accrued expenses" included operating lease obligations of $52,024 and deferred U.S. government billings included an offsetting $52,024 for operating leases related to JPL. Future minimum payments under these operating leases were as follows at September 30, 2025:

Year Ending September 30	**Amount**
2026	$ 9,084
2027	7,733
2028	5,459
2029	5,151
2030	4,946
2031-2035	19,651
Total	$ 52,024

All of the $52,024 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 2030. Rental income under operating leases was $4,527 and $3,905 for the years ended September 30, 2025 and 2024, respectively.

Notes to Financial Statements (Dollars in Thousands)

At September 30, 2025, minimum future rental revenues from operating leases of greater than one year in duration were as follows:

Year Ending September 30	Amount
2026	$ 3,914
2027	3,541
2028	3,561
2029	3,581
2030	3,062
Total	$ 17,659

M. Supplemental Cash Flow Information

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

	2025	2024
Cash paid during the year for interest	$ 63,034	$ 63,290
Income and excise tax paid	17,072	2,583
Non-cash investing and financing activities:		
Securities received to satisfy pledge payments	14,411	65,333
In-kind receipt of securities and property, plant, and equipment	20,598	5,709
Accrued purchases of property, plant, and equipment	19,462	15,211
Decrease/(increase) in net amounts receivable for pending investment transactions	(97,597)	(11,666)

N. Subsequent Events

Subsequent events were evaluated through January 28, 2026, which is the date the financial statements were issued.