

Highlights

	Years ended June 30	
	1960	1970
Instruction and research expenditures	\$ 10,008,000	\$ 24,151,000
Jet Propulsion Laboratory, direct costs	53,519,000	185,305,000
Student fees	1,579,000	3,111,000
Endowment and investment income earned	3,752,000	7,334,000
Gifts received	12,116,000	8,402,000
Endowment funds, at market value	72,300,000	101,700,000
Number of faculty members	460	636
Number of students	1288	1537
Plant assets, at cost	34,367,000	90,563,000



Throughout most of the 1960's, higher education in the United States continued the phenomenal growth which followed World War II and accelerated after Sputnik. Enrollments grew, gift support expanded, and government sponsored research exceeded all forecasts. The nation increasingly realized its dependence upon higher education. Colleges and universities flourished. The California Institute of Technology was part of this scene—growing in size and strength. This Annual Report will describe the business and financial changes from 1960 to 1970. The report will also consider the uncertainties in the 1970 financial environment.

After ten years
of growth...
what now?

The sixties at Caltech... an overview

Progressively higher operating expenditures were evident during the 1960's, resulting from expansions in research activity, in student enrollment and in faculty. New buildings were added to house the increased personnel and activities.

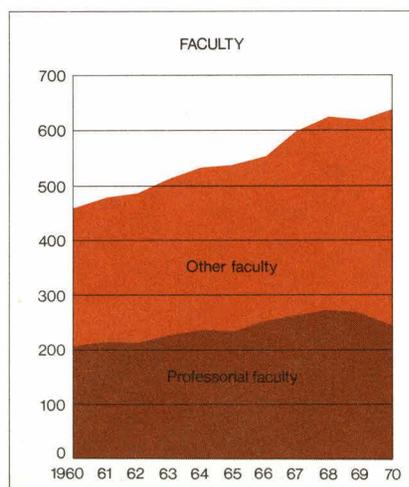
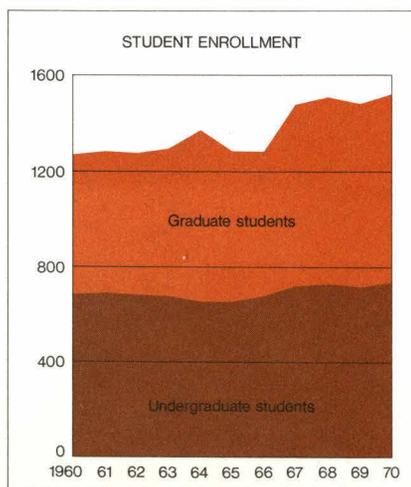
Annual expenditures for instruction and research at Caltech increased from \$10 million in fiscal 1960 to \$24 million in 1970, up 140% or an average annual increase of 9.1%.

Enrollment from 1960 to 1970 increased 19% from 1288 to 1537. Of the additional 249 students, 64 were undergraduates and 185 were graduate students.

The number of faculty increased for the same period by 176, from 460 to 636, a 38% increase. Professorial faculty increased by 44—a 22% increase.

The new buildings needed to accommodate increased activities on campus cost over \$30 million during the ten-year period. The total square footage for academic and support services expanded from 1.1 million square feet to the current 1.7 million square feet, and there were major additions to the off-campus observatories as well. Major plant additions are listed below chronologically:

Undergraduate Houses—Lloyd, Page, Ruddock
Harry Chandler Dining Hall
W. M. Keck Engineering Laboratories
Alfred P. Sloan Laboratory of Mathematics and Physics
Graduate Houses—Braun, Keck, Marks, Mosher-Jorgensen
Karman Laboratory of Fluid Mechanics and Jet Propulsion
Firestone Flight Sciences Laboratory
Winnett Student Center
Willis H. Booth Computing Center
Beckman Auditorium
Harry G. Steele Laboratory of Electrical Sciences
Central Engineering Services
Robert A. Millikan Memorial Library
Arthur A. Noyes Laboratory of Chemical Physics
Central Plant
George W. Downs Laboratory of Physics and Charles C. Lauritsen Laboratory of High Energy Physics
Business Services
Big Bear Solar Observatory
Oscar G. Mayer Memorial Observatory Building



The gift record during the early sixties reflected a prosperous society and public confidence in higher education. 1960 saw the completion of the Institute's first organized gift campaign, which brought \$19.4 million, primarily for buildings. During 1960 gifts of \$12.1 million were received. Immediately thereafter there were lower annual totals which gradually rose to peaks of about \$15 million in 1967 and again in 1968 as Caltech made its plans and needs more widely known. Tax laws were favorable to individual, corporate and foundation giving, and the stock market provided gains on securities. However, for 1969 and 1970, depressed securities prices, the fight against inflation, and the uncertainties of the Tax Reform Act of 1969, dampened the Caltech donor's ability to make contributions.

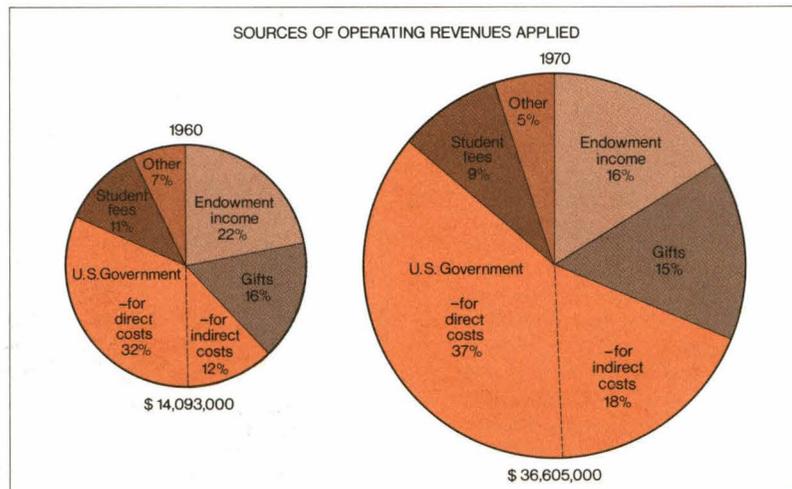
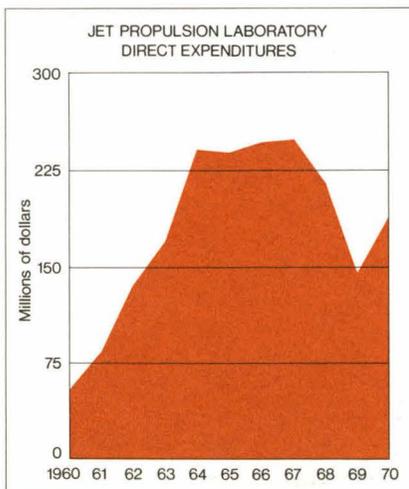
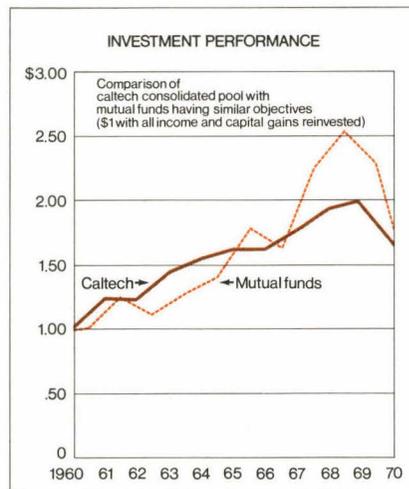
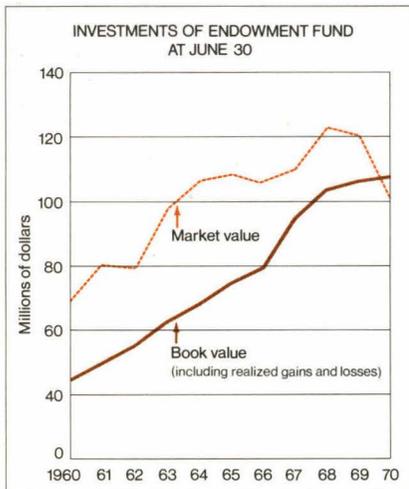


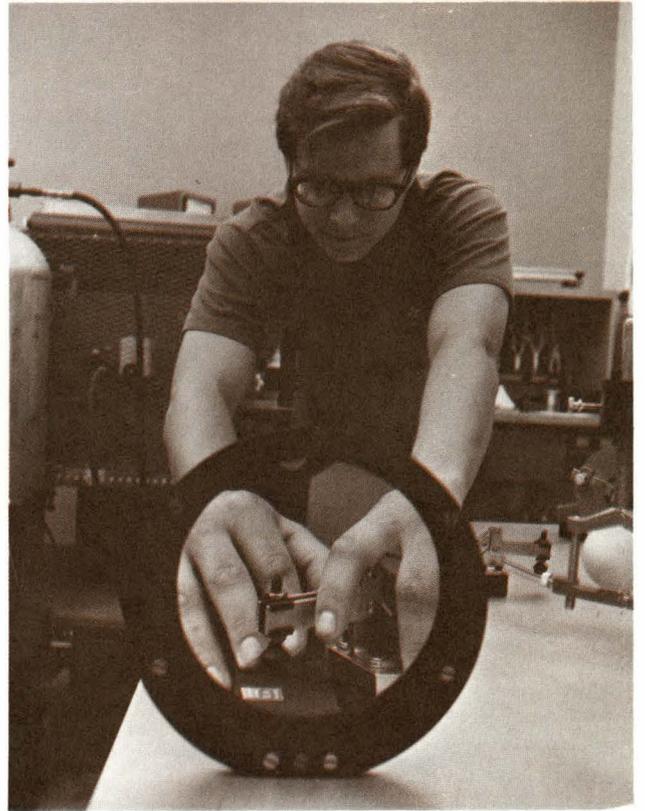
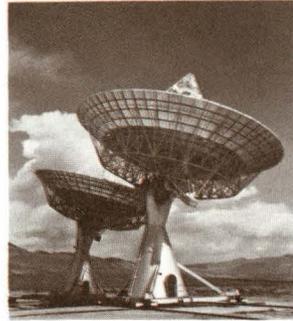
Endowment principal invested to produce income continued to accumulate during the 1960's. Whereas total endowment funds were worth \$72 million on June 30, 1960, by 1968 they had risen to a peak of \$124 million. Fortunately, the income produced by these investments has grown throughout the ten-year period. Even though market values at present are severely depressed, there has been little impact upon dividends, and interest earnings are at an all-time high. The investment performance of Caltech's endowment pool compares favorably with a group of mutual funds having similar objectives for long-term growth of principal and income.

Federal sponsorship of research on the Caltech campus increased over two and one-half times during the 1960's—reimbursement for costs was \$5.2 million in 1960 and \$14.4 million in 1970. These projects are of a fundamental research nature with the exception of a few training grants. In addition, the support for graduate students by government fellowships increased from \$68 thousand in 1960 to \$1.6 million in 1970. Though 1969 was a year marked by indecision as to the funds which would be available from federal agencies, 1970 was one of strong support, 11% above the previous year.

The Jet Propulsion Laboratory during the 1960's saw tremendous expansion from \$54 million total direct expenditures in 1960 to almost \$250 million in 1967. The greater part of JPL funding is subcontracted to industry. During the last three years, activities were severely curtailed, although direct expenditures during 1970, \$185 million, showed that substantial work was under way. JPL, funded primarily by NASA, continues to be the focus of the U.S. unmanned exploration of the solar system. Mars, Venus-Mercury, and Grand Tour (Jupiter, Saturn, Neptune, Uranus and Pluto) projects are now active. Also being studied are ways JPL can contribute technologies developed for space exploration to national problems in such areas as medical technology, pollution and urban improvement.

The basic trends in financial support for Caltech's operations are shown on the accompanying chart. The traditional sources, tuition and endowment income, are providing a smaller share; gifts have fluctuated around a fairly constant percentage; the federal support share has increased decidedly over the years.





Inside Caltech during the sixties... financially

Instruction and research programs both widened their scope and became more expensive during the decade. For purposes of summary, divisional expenditures are grouped into three major disciplines: (1) Science, which includes the Divisions of Physics, Mathematics and Astronomy; Biology; Geological Sciences; Chemistry and Chemical Engineering (2) Engineering and Applied Science (3) Humanities and the Social Sciences. Expenditures per full-time equivalent professorial faculty member vary significantly among these three disciplines for the years 1960, 1965 and 1970, and all increased sharply. The wide variation between disciplines represents support for other faculty, post-doctoral fellows, graduate teaching and research assistants, technicians and staff as well as equipment and other laboratory needs.

Instruction and Research—expenditures per professorial faculty member:

	1960	1970	Percent Increase	
			Total	Average Annual
Science	\$68,000	\$123,000	81%	6.1%
Engineering and Applied Science	38,000	78,000	105	7.5
Humanities and Social Sciences	14,000	27,000	93	6.8
Average	54,000	102,000	89	6.6

Among the Sciences, the largest division, Physics, Mathematics and Astronomy, experienced an expansion of 8.5% annually on a total dollar basis; Biology, Chemistry and Chemical Engineering experienced 7.6% annual dollar growth while the smaller division of Geological Sciences increased the most rapidly at 10.3% annually.

Directly related to the instruction and research efforts are the Computing Center and the Libraries which also had significant and costly growth during the ten years. Both have acquired superior facilities, and both have been called upon for a broader scope of service.

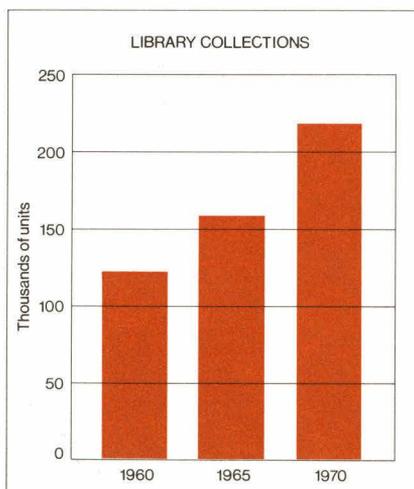
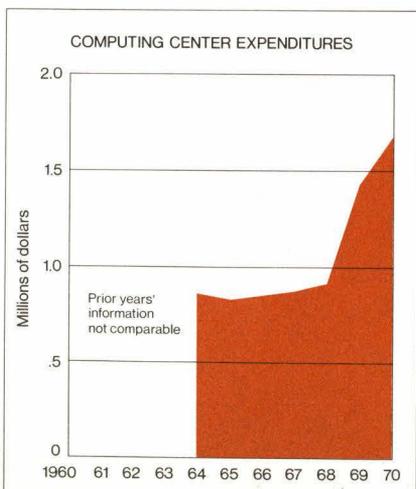
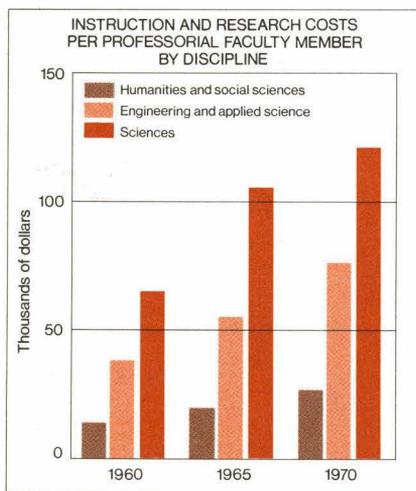
The Computing Center, traditionally reported as part of the Engineering and Applied Science Division, has doubled its expenditures since 1964. The big increase reflects acquisition of IBM 360's to replace the IBM 7094 series of computers. The Center's capabilities were thus enlarged many times to meet the demands of scientific technology today.

Library activities and collections expanded with the construction in 1967 of the Robert A. Millikan Memorial Library, a modern, nine-story structure located near the center of the campus. The amount of available library space tripled, making possible consolidation and expansion of collections. Linked to the facility expansion was the added emphasis on the humanities and social sciences with resulting serious need for greater depth in related collections.

Subscription costs increased from \$32 thousand in 1960 to \$146 thousand in 1970. Book acquisitions increased from \$26 thousand in 1960 to \$175 thousand in 1970.

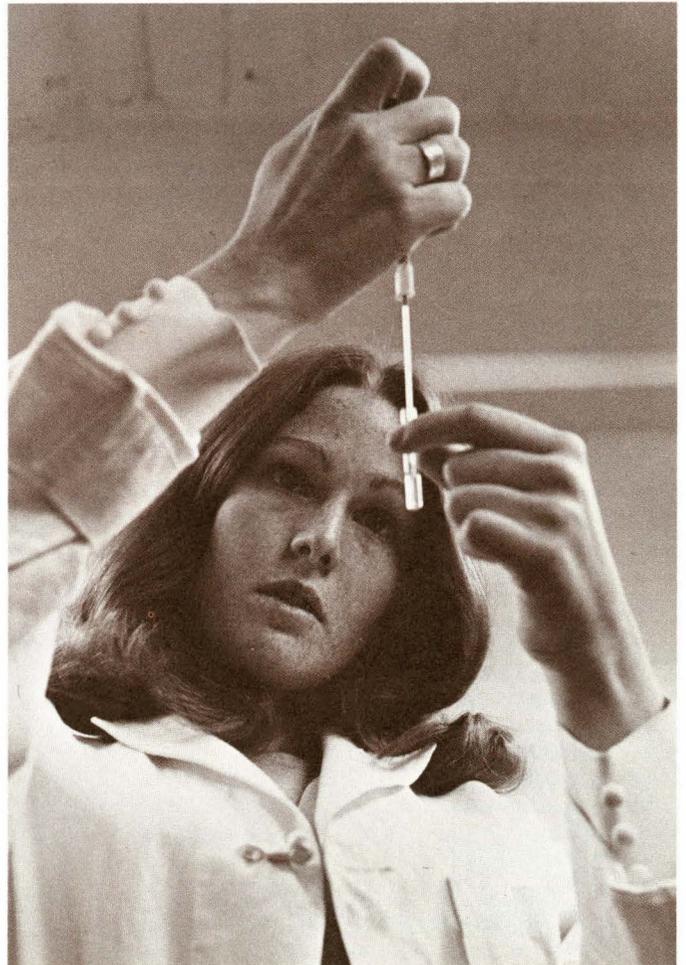
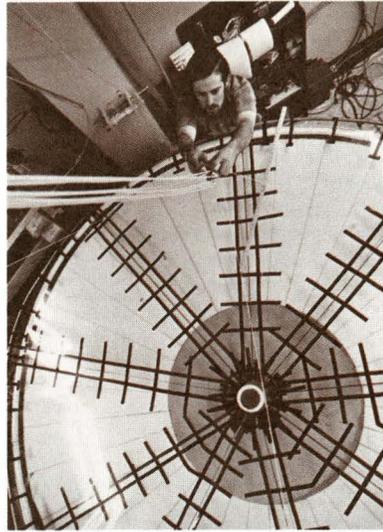
Unlike many private university libraries, Caltech derives only a tiny fraction of its total library support from endowment and gifts donated for that purpose.

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Student aid in terms of scholarships, fellowships and loans showed dramatic increases during the 1960's. This was Caltech's participation in an evolving, social philosophy which places prime emphasis on the full development of the exceptional student through the best education possible, regardless of his family's financial status. Availability of Caltech's own funds for scholarship and fellowship purposes increased only moderately while federal government programs provided most of the expansion.

Source of scholarships and fellowships:

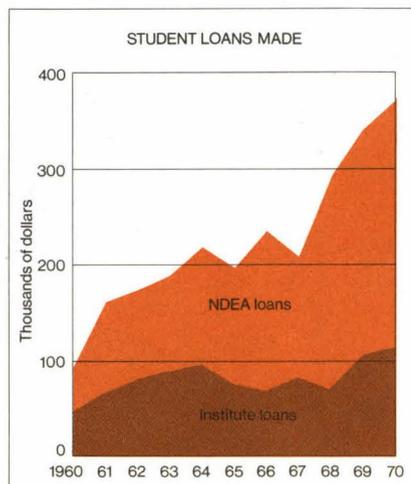
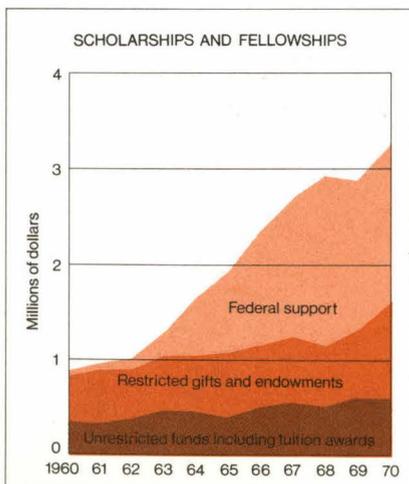
	1960	1970
Caltech general operating funds (including tuition awards or remissions) and restricted gift and endowment funds	92%	50%
Federal government programs	8	50
	100%	100%
Total expenditures	\$900,000	\$3,200,000

Student loans also are more widely used today to assist students with the high costs of education. The largest source has been the National Defense Education Act (NDEA) program.

Source of student loans made:

	1960	1970
Caltech student loan funds	46%	31%
Federal government under NDEA	54	69
	100%	100%
Total loans made during year	\$98,000	\$377,000

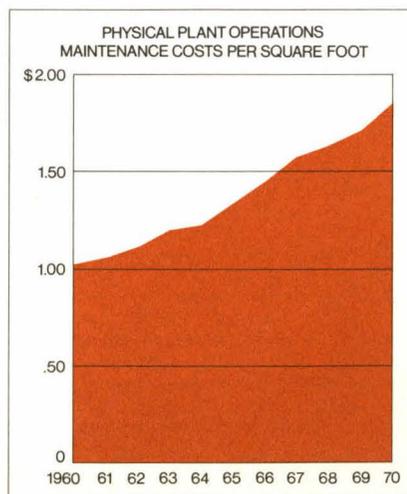
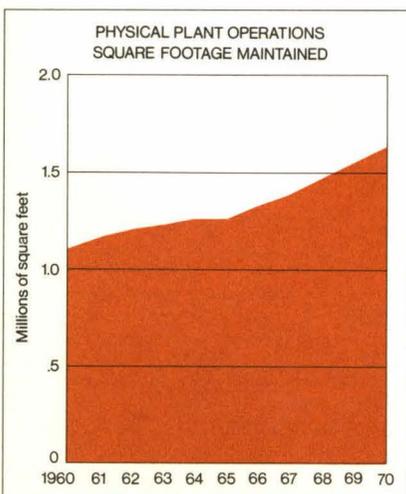
Physical Plant operations expanded significantly during the decade to support the increases in the instruction and research program. Two factors together account for the 168% increase in total cost. The gross building area maintained increased 49%. At the same time, the cost per square foot for this service rose 80%, as a result of inflationary factors of the decade and the increased complexity of facilities and equipment required to serve Caltech's programs. Analysis of the costs reveals significant increases in utility costs, increased air conditioning capability and other special maintenance factors associated with scientific laboratories.



Caltech... on the threshold of the seventies

The general trend of revenues and the growth of instruction and research programs at Caltech during the past 10 years would ordinarily give encouragement to those forecasting the financial aspects of the Institute for the 1970's. However, a second glance at the figures for research support during the period 1967 through 1969 gives some cause for hesitation. Heightening the uncertainty are two opposing concepts for the federal government's approach toward basic research. The Mansfield amendment indicates that defense agencies should turn away from basic science and technology, and that there may be a retrenchment in support for higher education in general. Opposing that view is the report of President Nixon's task force on science policy and the McIntyre amendment proposed in the Senate in summer 1970. These recommend continued support of science and technology as a matter of federal policy and urge increased National Science Foundation appropriations for fundamental research. Although 1970 federal support for Caltech research increased, concerns over the underlying political factors persist.

Aside from the outlook for research, gift income dropped sharply for the years 1969 and 1970. There is little doubt that the business downturn combined with the deliberations on new tax legislation discouraged gifts in 1970. The timing of business recovery remains to be seen.



In summary, Caltech faces the decade of the 1970's with a degree of financial uncertainty but recognizes that it does possess financial reserves to shore up periods of sharp economic constraint. In the long run it must rely on scientific strength and traditions of quality education to provide a basis for public and private support of its activities. Caltech's aims and activities for the future are under continual study by the President, the Vice President and Provost, the faculty and academic administrators. The Institute's forward progress toward these goals will depend heavily upon Trustee guidance and support, tangible assistance from individual and corporate friends of Caltech, and a sensible federal policy to nurture basic science.

Robert B. Gilmore

THE DECADE IN REVIEW

Fiscal Years Ended June 30*

	1960	1961	1962
Current funds expenditures (in thousands)			
Instruction and research (including libraries)	\$10,008	\$11,629	\$12,218
Student aid (excluding tuition remission)	608	679	703
Plant operation and maintenance	1,142	1,237	1,356
Administration, student services and general expense	1,566	1,685	1,808
Auxiliary services	828	655	737
Total	14,152	15,885	16,822
Capital expenditures, campus (in thousands)			
Government sponsored research direct expenditures (in thousands)	4,510	5,504	5,910
Jet Propulsion Laboratory, direct expenditures (in millions)	53.5	81.9	136.7
Student fees collected (in thousands)	1,579	1,606	1,619
Tuition rate	1,275	1,275	1,275
Gifts received (in thousands)			
Current funds, unrestricted	1,377	749	846
Current funds, restricted	4,825	1,769	1,864
Endowment	1,088	201	1,903
Plant	4,508	1,727	1,515
Other	318	849	600
Total	12,116	5,295	6,728
Endowment funds at market value (in millions)	72.3	82.4	80.4
Student enrollment (1st term)			
Undergraduate	693	704	689
Graduate	595	606	615
(women included)	4	6	14
Faculty members			
Professorial faculty	203	209	207
Other faculty	257	273	283
Total	460	482	490

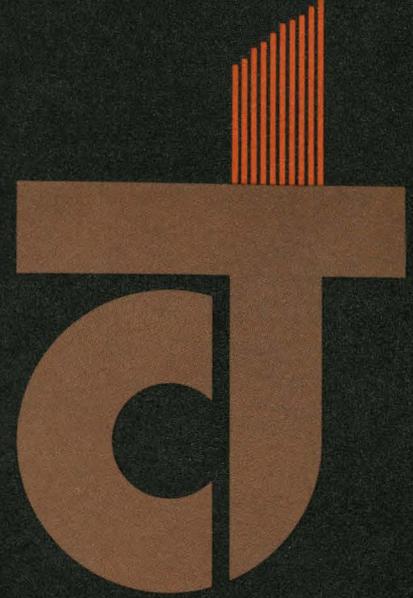
*Data have been adjusted to conform to current year's classification.

**\$2,385 for fiscal 1971.

1963	1964	1965	1966	1967	1968	1969	1970
\$14,234	\$15,920	\$17,092	\$18,280	\$20,459	\$20,892	\$21,692	\$24,151
916	1,348	1,632	1,918	2,184	2,450	2,340	2,706
1,519	1,615	1,760	1,954	2,224	2,418	2,671	3,077
2,054	2,384	2,791	3,150	3,827	4,268	4,178	4,829
830	872	1,026	1,065	1,656	1,613	1,751	1,842
19,553	22,139	24,301	26,367	30,350	31,641	32,632	36,605
3,275	4,355	3,560	6,411	9,274	7,675	6,766	6,311
7,169	7,988	9,134	9,923	11,223	10,930	10,677	11,841
173.1	240.1	235.0	244.0	247.9	214.3	143.6	185.3
2,018	2,076	2,134	2,536	2,619	2,674	3,067	3,111
1,575	1,575	1,575	1,800	1,800	1,800	2,100	2,100* *
1,053	1,013	950	2,283	4,973	3,341	3,432	1,884
2,521	1,836	1,882	2,724	2,532	3,042	3,381	3,600
683	735	96	216	1,647	2,155	182	902
1,905	3,466	3,871	2,897	5,373	5,927	2,340	1,778
2,727	119	1,575	618	446	729	2,954	238
8,889	7,169	8,374	8,738	14,971	15,194	12,289	8,402
98.7	105.5	107.4	105.0	112.3	123.5	120.8	101.7
678	697	665	681	717	730	722	757
661	678	727	749	778	790	762	780
15	16	21	30	38	37	45	39
215	222	220	234	241	253	248	247
300	312	318	321	359	374	370	389
515	534	538	555	600	627	618	636

INVESTMENTS OF ENDOWMENT AND SIMILAR FUNDS (in thousands)

June 30, 1970	Carrying Value	Estimated Market Value Amount	% of Total
Consolidated Pool			
Cash (Including Savings Account \$504)	\$ 548	\$ 548	.5%
Commercial Promissory Notes	3,724	3,724	3.7%
Bonds			
Face value			
\$ 1,188 Maturing in 6-10 years	1,185	971	.9%
3,111 Maturing in 11-20 years	2,796	1,972	2.0
20,175 Maturing after 20 years	18,969	15,488	15.5
\$24,474 Total Bonds	22,950	18,431	18.4%
Common Stock			
Electronic and electrical products	9,844	9,604	9.6%
Oils	5,943	6,587	6.6
Metals	6,403	6,355	6.4
Insurance	7,018	5,813	5.8
Utilities	6,932	5,714	5.7
Building materials	5,819	4,888	4.9
Pharmaceuticals	4,036	4,389	4.4
Merchandising	3,547	3,770	3.8
Pulp and paper	3,502	3,713	3.7
Banks	1,432	3,264	3.3
Food	3,301	2,864	2.9
Chemicals	2,601	2,397	2.4
Motors	2,426	1,812	1.8
Consumer credit	832	661	.7
Miscellaneous	5,309	3,698	3.8
Total Common Stock	68,945	65,529	65.8%
Preferred Stock, principally convertible	4,098	3,331	3.3
Convertible Debentures	3,000	2,248	2.3
Total Equity Securities	76,043	71,108	71.4%
Notes and Contracts Receivable	432	432	.4%
Real Estate and Improvements	3,910	5,580	5.6%
Total Consolidated Pool	107,607	99,823	100.0%
Separate Investments			
Savings Accounts	8	8	
Bonds	428	266	
Equity Securities	4,294	4,062	
Notes Receivable	48	48	
Real Estate and Improvements			
Campus expansion	3,141	3,176	
Other real estate	782	1,278	
Total Real Estate	3,923	4,454	
Total Separate Investments	8,701	8,838	
Total Endowment Fund Investments	\$116,308	\$108,661	



Financial Statements

The financial statements which follow measure the results of the Institute's operations and its financial condition. Statement formats have been revised this year toward greater clarity in disclosure. They more closely reflect the financial management process and the nonprofit nature of an institution such as this.

Financial planning and management deal in an integrated manner with the resources and needs of the total institution to accomplish priority objectives, based on academic goals. For this reason the funds statement (statement of changes in fund balances—exhibit 2) has been expanded to report total funds received, allocations of certain flexible funds to endowment or plant purposes, and those funds used or applied during the year.

Because of Caltech's nonprofit nature, the operating report (statement of current funds expenditures and revenues applied—exhibit 3) presents the year's expenditures first, then the source of funds utilized. It is subsidiary to the funds statement which reveals the heart of the year's financial operation and the changes in capital resources.

California Institute of Technology

BALANCE SHEET (in thousands)

	1969	June 30 1970
Assets		
Cash	\$ 1,843	\$ 644
Accounts receivable:		
United States Government (note A)	25,285	22,001
Other	974	738
Student notes receivable	1,603	1,850
Investments (notes B and D)	138,710	143,114
Prepaid expenses and other assets	1,143	1,849
Interfund investments and advances		
Campus properties at cost:		
Land	3,516	3,804
Buildings	47,744	51,305
Equipment	32,992	35,454
Total Assets	\$253,810	\$260,759
Liabilities and Fund Balances		
Accounts payable and accrued expenses (note A)	\$ 25,917	\$ 24,942
Advances from United States Government to finance research agreements	992	754
Funds held in custody for others	344	344
Returnable to donors	1,218	1,472
Deposits and advance collections	400	426
Share of other Institute funds in investments		
Interest bearing advances payable to other funds		
Fund balances (Exhibit 2) (note c):		
Expendable—		
Unrestricted—allocated	5,754	6,190
Restricted as to purpose	20,703	19,352
Quasi-endowment	27,099	25,402
Principal of funds	90,536	94,763
Invested in plant	80,847	87,114
Total Liabilities and Fund Balances	\$253,810	\$260,759

Interfund Eliminations	Current Funds	Loan Funds	Endowment and Similar Funds	Life Income and Annuity Funds	Plant Funds Unexpended	Plant Funds Invested in Plant
	\$ 460	\$ 14	\$ 44	\$ 62	\$ 64	
	21,918				83	
	738					
		1,850				
	15,276	58	116,264	11,516		
	1,849					
\$(21,019)	10,899	192		697	9,231	
						\$ 3,804
						51,305
						35,454
\$(21,019)	\$51,140	\$2,114	\$116,308	\$12,275	\$9,378	\$90,563
	\$24,373			\$ 61		\$ 508
	754					
			\$ 344			
		\$1,472				
	426					
\$(17,842)	9,423		8,419			
(3,177)				236		2,941
	5,252				\$ 938	
	10,912				8,440	
			25,402			
		642	82,143	11,978		
						87,114
\$(21,019)	\$51,140	\$2,114	\$116,308	\$12,275	\$9,378	\$90,563

SUMMARY OF CHANGES IN FUND BALANCES (in thousands)

	Years Ended June 30	
	1969	1970
Balance at beginning of year (Exhibit 1)	\$209,896	\$224,939
Funds received (note E)		
Student fees	3,067	3,111
Endowment and other investment income (notes c and d)	6,471	7,334
Net gain (loss) on disposal of investments	4,655	(2,642)
Assets received on termination of trust		2,840
Net proceeds from sale of oil rights and dissolution of Bolsa Corporations		1,178
Gifts and non-government grants	12,289	8,402
Agreements with United States Government	18,859	21,256
Fees for student lodging, meals and other auxiliary services	1,676	1,762
Other	504	386
Total Funds Received	47,521	43,627
Allocations and transfers		
Current year's gifts and bequests allocated to endowment		
Allocations for—		
Current purposes		
Plant purposes		
Reclassification of restricted funds		
Building maintenance endowment		
Other		
Net Allocations and Transfers		
Funds used		
Operating expenditures (Exhibit 3) (note E)	(32,632)	(36,605)
Expenditures for campus land, buildings, equipment and renewals —		
Capital purchases included in operating expenditures	2,056	2,477
Unexpended plant funds	(309)	(209)
Retirement and disposal of plant facilities	(782)	(723)
Interest on advances for plant purposes	(147)	(114)
Income to life beneficiaries	(360)	(426)
Other	(304)	(145)
Total Funds Used	(32,478)	(35,745)
Net change	15,043	7,882
Balance at end of year (Exhibit 1)	\$224,939	\$232,821

Current Funds Unrestricted	Current Funds Restricted	Loan Funds	Endowment and Similar Funds	Life Income and Annuity Funds	Plant Funds Unexpended	Plant Funds Invested in Plant
\$ 4,234	\$11,806	\$697	\$105,485	\$11,453	\$10,417	\$80,847
3,111						
1,955	4,149	35		426	769	
(79)	(161)		(2,383)	(19)		
			2,840			
			878	300		
1,884	3,600		902	238	1,526	252
6,705	13,675				876	
1,762						
108	9	10	57	8	194	
15,446	21,272	45	2,294	953	3,365	252
(30)	(1,167)		1,197			
666	151		(817)			
(148)	(312)		(697)		1,157	
	976		(976)			
			864		(864)	
(74)	(16)	(35)	199		(74)	
414	(368)	(35)	(230)		219	
(14,834)	(21,771)					
						2,477
					(4,499)	4,290
						(723)
					(114)	
				(426)		
(8)	(27)	(65)	(4)	(2)	(10)	(29)
(14,842)	(21,798)	(65)	(4)	(428)	(4,623)	6,015
1,018	(894)	(55)	2,060	525	(1,039)	6,267
\$ 5,252	\$10,912	\$642	\$107,545	\$11,978	\$ 9,378	\$87,114

STATEMENT OF CURRENT FUNDS EXPENDITURES AND REVENUES APPLIED (in thousands)

	Years ended June 30	
	1969	1970
Expenditures		
Instruction including departmental research	\$ 9,514	\$ 10,715
Sponsored research	11,537	12,753
Libraries	641	683
Student aid	2,340	2,706
Student services	616	718
Plant operation and maintenance	2,671	3,077
Administration	1,841	2,173
General institutional expense	1,721	1,938
Student lodging, meals and other auxiliary services	1,751	1,842
Total campus expenditures	\$ 32,632	\$ 36,605
Direct costs of sponsored research at Jet Propulsion Laboratory	\$143,626	\$185,305
Source of Revenues Applied		
Student fees	\$ 3,067	\$ 3,111
Endowment income	3,699	5,685
Gifts	4,800	4,218
Sponsors of research and other programs:		
United States Government	12,265	13,618
Industry, foundations and others	1,241	1,277
Recovery of indirect costs and management allowance	5,759	6,772
Fees for student lodging, meals and other auxiliary services	1,676	1,762
Other	125	162
Total campus revenues applied	\$ 32,632	\$ 36,605
Reimbursement by U.S. Government for direct costs of sponsored research at Jet Propulsion Laboratory	\$143,626	\$185,305

NOTES TO FINANCIAL STATEMENTS June 30, 1970

Note A Current funds accounts payable include \$20,625,000 representing costs incurred prior to June 30, 1970 (a substantial portion of which had not been billed to the Institute as of that date) under contracts providing for reimbursement by the United States Government and accordingly such costs are also recorded as accounts receivable from the United States Government.

Note B Institute investments at June 30, 1970 were stated at their approximate market value at date of gift, or at cost if purchased by the Institute, less applicable amortization and depreciation on real estate investments, and comprised the following:

Investments (in thousands)	Current funds	Loan funds	Endowment and similar funds	Life income and annuity funds
Marketable securities			\$103,715	\$ 6,129
Savings accounts and short term commercial obligations	\$12,665	\$58	4,236	405
Real estate, etc., less amortization and accumulated depreciation			7,833	4,173
Mortgages, notes, etc.	2,611		480	809
	\$15,276	\$58	\$116,264	\$11,516

Quoted market value of marketable securities of the endowment and similar funds and life income and annuity funds at June 30, 1970 was \$93,868,000 and \$5,367,000, respectively. Accumulated amortization and depreciation of real estate carried in the same funds was \$1,476,000 and \$728,000, respectively.

Note C In accordance with generally accepted accounting principles for colleges and universities, gifts and investment income are recorded as income for the period in which they are expended or applied.

Note D The Institute is the income beneficiary of certain funds, recorded at a nominal value, held in trust by others. The income derived from these funds amounted to \$375,000 for the current year and has been included as endowment and other investment income in the Summary of Changes in Fund Balances.

Note E Excludes reimbursement for and direct expenditures of organized research at Jet Propulsion Laboratory in the amount of \$143,626,000 for 1969 and \$185,305,000 for 1970.

Note F The Institute has retirement plans covering substantially all of its employees. The provision for pension costs in 1970 totaled \$5,528,000, of which \$3,975,000 is included in direct costs of research at Jet Propulsion Laboratory. The Institute funds estimated pension costs currently; at June 30, 1970 the pension funds available were sufficient to cover present value of vested benefits.

Note G During the year the Institute changed its method of accounting for withdrawal of funds invested in the consolidated endowment portfolio from a cost basis to a market value basis. This change had no significant effect on the accounts during the current year.

Note H Certain June 30, 1969 balances have been restated to conform to current year classifications.

Opinion of Independent Accountants

To the Board of Trustees of
California Institute of Technology

In our opinion, the accompanying balance sheet and the related statements of changes in fund balances and current funds expenditures and revenues applied (Exhibits 1 to 3) present fairly the financial position of California Institute of Technology at June 30, 1970 and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Los Angeles, California
September 18, 1970

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