

Financial Profile

for the year ending June 30, 2007 (unaudited)



Reader's Note: *In this section, we present summary financial information that is unaudited. Each year the Carnegie Institution, through the Audit Committee of its Board of Trustees, engages an independent auditor to express an opinion about the financial statements and the financial position of the institution. The complete audited financial statements are made available on the institution's website at www.ciw.edu.*

The Carnegie Institution of Washington completed fiscal year 2007 in strong financial condition due to the excellent returns of the diversified investments within its endowment; a disciplined spending policy that balances today's needs with the long-term requirements of the institution and the interests of future scientists; and the generous support of organizations and individuals who recognize the value of nurturing basic science.

The primary source of support for the institution's activities continues to be its endowment. This reliance on institutional funding provides an important degree of independence in the research activities of the institution's scientists.

As of June 30, 2007, the endowment was valued at over \$830 million and had a total annual return, net of management fees, of 19%. During the last decade, the endowment has more than doubled, growing from \$338 million to more than \$830 million. Carnegie's endowment has returned an annualized 14.9% over the trailing five years for the period ending June 30, 2007.

For a number of years, under the direction of the finance committee of the board, Carnegie's endowment has been allocated among a broad spectrum of asset classes, including: fixed-income instruments (bonds), equities (stocks), absolute return investments; real estate partnerships; private equity; and natural resources partnerships. The goal of this diversified approach is to generate attractive overall performance and minimize the volatility that would exist in a less diversified portfolio.

The finance committee of the board regularly examines the asset allocation of the endowment and readjusts the allocation, as appropriate. The institution relies upon external managers and partnerships to conduct the investment activities, and it employs a commercial bank to maintain custody.

The below chart shows the allocation of the institution's endowment among the asset classes it uses as of June 30, 2007.

Asset Class	Target	Actual
Common Stock	35.0%	35.1%
Alternative Assets	55.0%	51.7%
Fixed Income and Cash	10.0%	13.2%

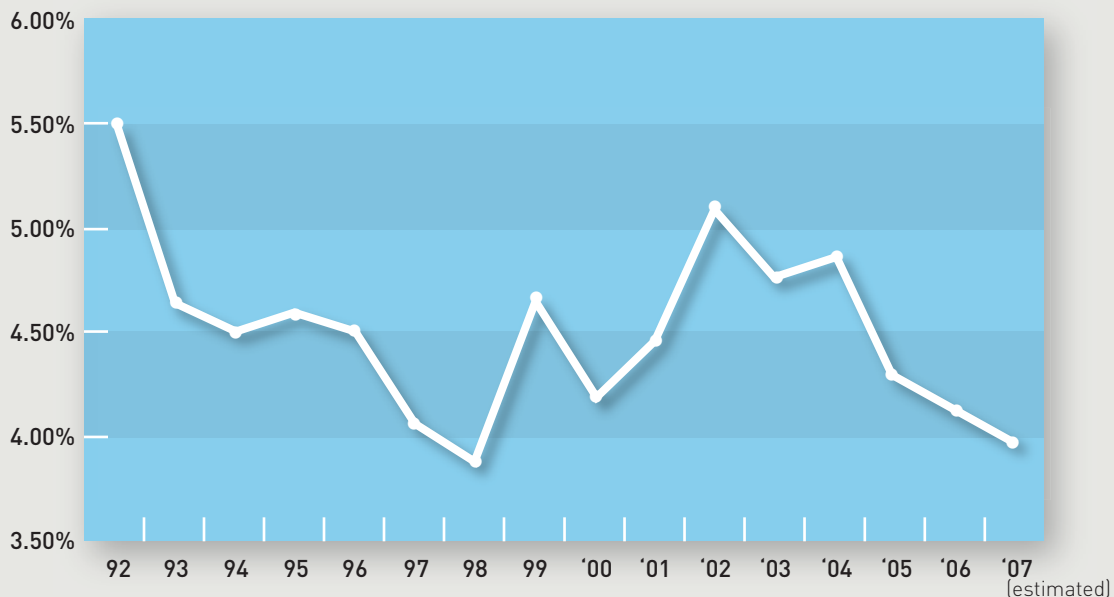
Carnegie Institution of Washington

Carnegie's investment goals are to provide high levels of current support to the institution and to maintain the long-term spending power of its endowment.

Carnegie has also pursued a long-term policy of controlling its spending rate, bringing the budgeted rate down in a gradual fashion from 6+ percent in 1992 to 5.00% for 2007. For the coming year, Carnegie has revised its spending method. In the past, Carnegie determined the funds available from the endowment as five percent of a simple three-year average of year-ending endowment values. Now it follows a 70/30 rule which factors in the previous year's spending. That is, the amounts available from the endowment under the 70/30 rule is made up of 70% of the previous year's budget, adjusted for inflation, and 1.5% (5% of 30%) of the previous year-end endowment value, adjusted for inflation and for debt. This method reduces volatility from year-to-year. The following figure depicts actual spending as a percentage of ending market value for the last 15 years.

In addition to investment performance and spending restraint, Carnegie benefits from external support. Within Carnegie's endowment, there are a number of "funds" that provide support either in a general way or targeted to a specific purpose. The largest of these is the Andrew Carnegie Fund, begun with the original gift of \$10 million. Mr. Carnegie later made additional gifts totaling another \$12 million during his lifetime. This tradition of generous support for Carnegie's scientific mission has continued throughout our history and a list of donors in fiscal year 2007 appears in an earlier section of this yearbook. In addition, Carnegie receives important federal and private grants for specific research purposes.

Endowment Spending as a Percent of Ending Value*



*Includes debt financing expenses

Statements of Financial Position (unaudited)

June 30, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	1,896,601	677,851
Accrued investment income	265,104	236,931
Contributions receivable	4,928,969	6,262,208
Accounts receivable and other assets	12,685,334	13,821,588
Bond proceeds held by trustee	122,106	292,688
Total current assets	\$ 19,898,114	\$ 21,291,266
Noncurrent assets:		
Investments	838,384,075	729,555,134
Construction in progress	4,191,109	5,590,511
Property and equipment, net	160,105,312	157,513,110
Total noncurrent assets	\$1,002,680,496	\$ 892,658,755
Total Assets	\$1,022,578,610	\$ 913,950,021
Liabilities and Net Assets		
Accounts payable and accrued expenses	10,308,534	5,513,044
Deferred revenues	34,987,592	37,305,764
Bonds payable	65,248,695	65,194,134
Accrued postretirement benefits	14,327,973	17,958,000
Total liabilities	\$ 124,872,794	\$ 125,970,942
Net assets		
Unrestricted:		
Board designated		
Investment in fixed assets, net	64,182,240	66,712,191
Designated for managed investment	705,600,951	603,409,368
Undesignated	45,175,534	32,507,942
	814,958,725	702,629,501
Temporarily restricted	27,990,125	30,765,782
Permanently restricted	54,756,966	54,583,796
Total net assets	\$ 897,705,816	\$ 787,979,079
Total liabilities and net assets	\$1,022,578,610	\$ 913,950,021

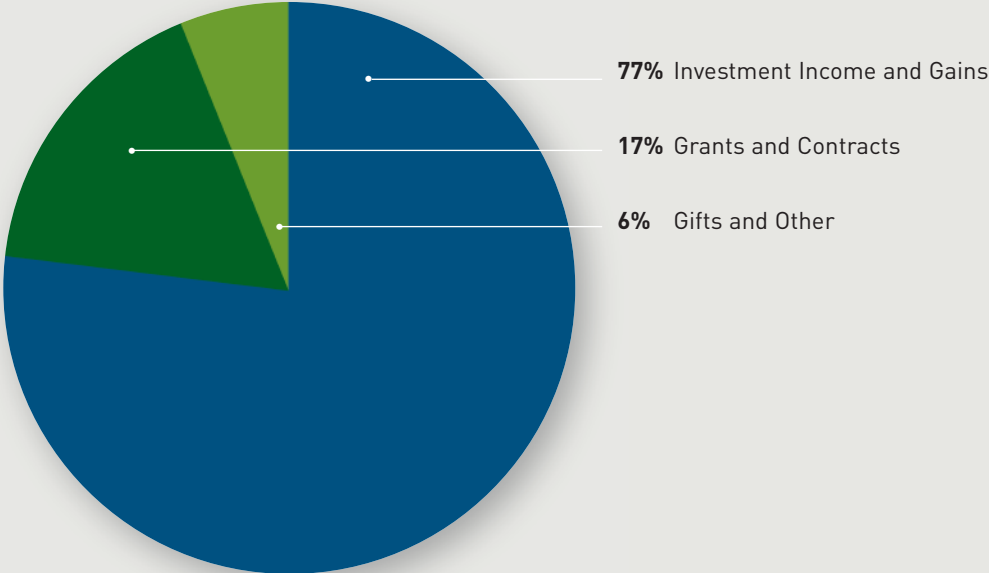
Statements of Activities¹ (unaudited)

Periods ended June 30, 2007 and 2006

	2007	2006
Revenue and support:		
Grants and contracts	\$ 31,280,089	\$ 30,590,596
Contributions, gifts	4,296,626	8,384,447
Net gain or (loss) on property disposal	(22,822)	(9,290)
Other income	7,075,827	5,615,663
Net external revenue	\$ 42,629,720	\$ 44,581,416
Investment income	58,567,739	39,771,713
Unrealized gain	82,375,135	83,731,281
Total revenues, gains, other support	\$183,572,594	\$168,084,410
Program and supporting services:		
Terrestrial Magnetism	11,083,178	10,667,105
Observatories	17,816,485	21,191,344
Geophysical Laboratory	13,096,369	13,101,603
Embryology	8,635,996	10,374,852
Plant Biology	9,928,992	10,617,264
Global Ecology	3,936,862	3,801,733
Other programs	609,667	603,602
Administration and general expenses	7,967,307	8,845,515
Total expenses	\$ 73,074,856	\$ 79,203,018
Adoption of FASB Statement No. 158	(771,001)	
Increase (decrease) in net assets	109,736,737	88,881,392
Net assets at the beginning of the period	787,979,079	699,097,687
Net assets at the end of the period	\$897,705,816	\$787,979,079

¹Includes restricted, temporarily restricted, and permanently restricted revenues, gains, and other support.

2007 Revenues and Gains (\$184 million)



2007 Expenses by Department (\$73 million)

