CARNEGIE INSTITUTION OF WASHINGTON

Financial Statements and Schedule

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Audit Committee
Carnegie Institution of Washington:

We have audited the accompanying statements of financial position of the Carnegie Institution of Washington (Carnegie) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Carnegie's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Carnegie's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carnegie Institution of Washington as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedules of expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

November 27, 2012

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CARNEGIE INSTITUTION OF WASHINGTON

Statements of Financial Position

June 30, 2012 and 2011

Assets		**2012**	**2011**
Cash and cash equivalents	$	2,224,055	1,518,067
Accrued investment income		47,721	—
Contributions receivable, net (note 2)		18,495,658	7,298,027
Accounts receivable and other assets (note 7)		21,436,261	17,279,764
Bond proceeds held by trustee (note 6)		15,694	17,694
Investments (notes 3 and 13)		794,835,568	795,672,507
Property and equipment, net (notes 4 and 5)		152,340,983	154,768,137
Total assets	$	989,395,940	976,554,196
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (note 7)	$	11,449,485	10,918,845
Deferred revenue (note 5)		29,670,190	31,307,772
Bonds payable (note 6)		65,706,919	65,728,416
Accrued postretirement benefits (note 8)		19,991,999	17,206,079
Total liabilities		126,818,593	125,161,112
Net assets (notes 9 and 10):			
Unrestricted		253,993,414	244,949,855
Temporarily restricted		553,628,669	551,513,903
Permanently restricted		54,955,264	54,929,326
Total net assets		862,577,347	851,393,084
Commitments and contingencies (notes 8, 11, and 12)			
Total liabilities and net assets	$	989,395,940	976,554,196

See accompanying notes to financial statements.

CARNEGIE INSTITUTION OF WASHINGTON

Statements of Activities

Years ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Revenues and support:								
External revenue:								
Grants and contracts	$ 40,529,751	—	—	40,529,751	40,480,694	—	—	40,480,694
Contributions and gifts (note 13)	1,323,064	25,477,731	1,000	26,801,795	1,683,991	11,396,207	1,400	13,081,598
Other income (note 7)	3,150,074	4,668,329	2,143	7,820,546	1,015,871	(994,476)	(2,812)	18,583
External revenue	45,002,889	30,146,060	3,143	75,152,092	43,180,556	10,401,731	(1,412)	53,580,875
Investment income, net (note 3)	8,852,590	27,305,764	22,795	36,181,149	37,171,847	115,929,091	41,142	153,142,080
Net assets released from restrictions (note 9)	55,337,058	(55,337,058)	—	—	40,048,499	(40,048,499)	—	—
Total revenues and other support	109,192,537	2,114,766	25,938	111,333,241	120,400,902	86,282,323	39,730	206,722,955
Expenses:								
Program expenses:								
Terrestrial magnetism	14,972,184	—	—	14,972,184	11,957,202	—	—	11,957,202
Observatories	20,071,881	—	—	20,071,881	21,920,605	—	—	21,920,605
Geophysical laboratory	20,425,062	—	—	20,425,062	19,962,665	—	—	19,962,665
Embryology	11,467,512	—	—	11,467,512	9,670,782	—	—	9,670,782
Plant biology	10,778,313	—	—	10,778,313	10,032,715	—	—	10,032,715
Global ecology	8,241,999	—	—	8,241,999	6,267,032	—	—	6,267,032
Other programs	852,665	—	—	852,665	1,050,387	—	—	1,050,387
Total program expenses	86,809,616	—	—	86,809,616	80,861,388	—	—	80,861,388
Administrative and general expenses	11,259,427	—	—	11,259,427	10,556,630	—	—	10,556,630
Total expenses	98,069,043	—	—	98,069,043	91,418,018	—	—	91,418,018
Change in net assets before pension related changes other than net periodic postretirement benefit cost	11,123,494	2,114,766	25,938	13,264,198	28,982,884	86,282,323	39,730	115,304,937
Pension related changes other than net periodic postretirement benefit cost (note 8)	(2,079,935)	—	—	(2,079,935)	(1,359,592)	—	—	(1,359,592)
Change in net assets	9,043,559	2,114,766	25,938	11,184,263	27,623,292	86,282,323	39,730	113,945,345
Net assets at beginning of year	244,949,855	551,513,903	54,929,326	851,393,084	217,326,563	465,231,580	54,889,596	737,447,739
Net assets at end of year	$ 253,993,414	553,628,669	54,955,264	862,577,347	244,949,855	551,513,903	54,929,326	851,393,084

See accompanying notes to financial statements.

CARNEGIE INSTITUTION OF WASHINGTON

Statements of Cash Flows

Years ended June 30, 2012 and 2011

		2012	2011
Cash flows from operating activities:			
Change in net assets	$	11,184,263	113,945,345
Adjustments to reconcile change in net assets to net cash used in in operating activities:			
Depreciation		9,724,219	9,016,591
Net gains on investments		(30,336,573)	(147,582,259)
Net losses on disposal of property		25,499	397,852
Contributions of stock		(9,511)	(112,832)
Amortization of bond issuance costs, premium, and discount		(21,497)	(71,899)
Contributions and investment income restricted for long-term investment		(273,299)	(277,025)
(Increase) decrease in assets:			
Receivables		(15,354,128)	2,176,315
Accrued investment income		(47,721)	46,301
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		530,640	(7,660,606)
Amounts held for others		—	(33,186,239)
Deferred revenue		(1,637,582)	(2,609,144)
Accrued postretirement benefits		2,785,920	1,960,026
Net cash used in operating activities		(23,429,770)	(63,957,574)
Cash flows from investing activities:			
Acquisition of property and equipment		(5,961,268)	(5,163,329)
Construction of facilities and equipment		(1,361,296)	(2,280,697)
Investments purchased		(231,962,980)	(298,350,945)
Proceeds from investments sold or matured		263,146,003	338,625,226
Proceeds from sales of investments by bond trustee		2,000	9,034
Net cash provided by investing activities		23,862,459	32,839,289
Cash flows from financing activities:			
Proceeds from contributions and investment income restricted for:			
Investment in endowment		1,000	1,400
Investment in property and equipment		272,299	275,625
Net cash provided by financing activities		273,299	277,025
Net increase (decrease) in cash and cash equivalents		705,988	(30,841,260)
Cash and cash equivalents at beginning of year		1,518,067	32,359,327
Cash and cash equivalents at end of year	$	2,224,055	1,518,067
Supplementary cash flow information:			
Cash paid for interest	$	3,071,763	3,071,763
Noncash activity – contributions of stock		9,510	112,832

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Carnegie Institution of Washington (Carnegie) conducts advanced research and training in the sciences. It carries out its scientific work in six research centers located throughout the United States and at an observatory in Chile. The centers are the Departments of Embryology, Plant Biology, Global Ecology, Terrestrial Magnetism, the Geophysical Laboratory, and the Observatories.

For the years ended June 30, 2012 and 2011, Carnegie had net investment gains of $36 million and $153 million. Carnegie's other sources of income are primarily from gifts and federal grants and contracts.

(b) Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting.

(c) Investments and Cash Equivalents

Carnegie's common stock and equity investments are reported at fair value based on quoted market prices, or with respect to commingled funds, real estate funds, natural resource funds, absolute return funds, and private equity funds, at estimated values provided by the general partners of limited partnerships or other external investment managers. These estimated values are reviewed and evaluated by Carnegie. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been reported had a ready market for such investments existed.

Carnegie applies the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)* to certain investments in funds that do not have readily determinable fair values including commingled funds, private equity, natural resources funds, real estate, and absolute return funds. This guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value (NAV) or its equivalent.

All investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. All changes in fair value are recognized in the statements of activities.

Carnegie considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents. Money market and other highly liquid instruments held by investment managers are reported as investments.

(d) Income Taxes

Carnegie has been recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) except for amounts from unrelated business income. Carnegie is also an educational institution within the meaning of

Section 170(b)(1)(A)(ii) of the Code. The Internal Revenue Service has classified Carnegie as other than a private foundation, as defined in Section 509(a) of the Code.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes*, requires that management evaluate tax positions taken by Carnegie and recognize a tax liability (or asset) if Carnegie has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Carnegie has analyzed the tax positions taken and has concluded that as of June 30, 2012, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

(e) Fair Value of Financial Instruments

Financial instruments of Carnegie include cash equivalents, receivables, investments, bond proceeds held by trustee, accounts payable, and bonds payable. The fair value of investments in common stock and equity securities is based on quoted market prices. The fair value of investments in bond funds, commingled funds, real estate, natural resources, absolute return funds, and private equity is estimated using net asset value or its equivalent as discussed in note 1(c).

The fair value of the California Educational Facilities Authority Refunding Revenue Bonds 2010 Series A and the Maryland Health and Higher Education Facilities Authority Revenue Refunding Bonds Series 2010 is estimated to be the carrying value (see note 6).

Interest rate and commodity swap agreements are entered into by Carnegie to mitigate the risk of changes in interest rates associated with fixed interest rate indebtedness and changes in the price of crude oil and natural gas. Carnegie applies the provisions of ASC 815, *Derivatives and Hedging*. This standard requires certain derivative financial instruments to be recorded at fair value.

ASC 820, *Fair Value Measurements*, establishes, among other things, a hierarchical disclosure framework, which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3 measurements).

Under ASC 820, financial instruments are categorized in one of the following three categories:

Level 1 – Pricing inputs are unadjusted quoted prices available in active markets for identical assets or liabilities.

Level 2 – Pricing inputs are quoted prices for identical assets or liabilities in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The level of a value determined for a financial instrument within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement in its entirety. Determination of what constitutes “observable” input requires judgment by Carnegie. In general, Carnegie considers observable inputs to be market data that are readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources that are actively involved in the relevant market.

In general, Carnegie includes funds in which its ownership interests are publicly traded in an active market under Level 1 of the valuation hierarchy. Carnegie classifies under Level 2 investments in a fund where its ownership interests are not publicly traded, but the pricing inputs are directly observable either directly or indirectly. Classification in Level 2 or 3 is based on Carnegie’s ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term (within 90 days of June 30), the investment is classified in Level 2, alternatively, Level 3

The fair values of cash equivalents, receivables, bond proceeds held by trustee, and accounts payable approximate their carrying values based on their short maturities.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Actual results could differ from those estimates.

(g) Property and Equipment

Carnegie capitalizes expenditures for land, buildings and leasehold improvements, telescopes, scientific and administrative equipment, and projects in progress. Routine replacement, maintenance, and repairs are charged to expense.

Depreciation is computed on a straight-line basis, generally over the following estimated useful lives:

Buildings and telescopes	50 years
Scientific and administrative equipment	2 – 10 years, based on scientific life of equipment

(h) Contributions

Contributions are classified based on the existence or absence of donor-imposed restrictions. Contributions are classified in categories of net assets as follows:

Unrestricted – includes all contributions received without donor-imposed restrictions on use or time.

Temporarily restricted – includes contributions with donor-imposed restrictions as to purpose of gift and/or time period expended.

Permanently restricted – generally includes endowment gifts in which donors stipulated that the corpus be invested in perpetuity. Only the investment income generated from endowments may be spent. Certain endowments require that a portion of the investment income be reinvested in perpetuity.

Contributions include unconditional promises to give. In instances where such promises are to be received after one year or more from the date of the gift, they are recorded at a discounted amount at an appropriate risk-adjusted rate commensurate with the expected collection period. Amortization of the discount is recorded as additional contribution revenue. Satisfaction of donor-imposed restrictions are reported as releases of restrictions in the statements of activities.

Gifts of long-lived assets, such as buildings or equipment, are considered unrestricted when placed in service. Cash gifts restricted for investment in long-lived assets are released from restriction when the asset is acquired or as costs are incurred for asset construction.

(i) Grants

Carnegie records revenues on grants from federal agencies only to the extent that reimbursable expenses are incurred. Accordingly, funds received in excess of reimbursable expenses are recorded as deferred revenue, and expenses in excess of reimbursements are recorded as accounts receivable. Reimbursement of indirect costs is based upon provisional rates, which are subject to subsequent audit by Carnegie's federal cognizant agency, the National Science Foundation.

(j) Allocation of Costs

The costs of providing programs and supporting services have been summarized in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fundraising expenses of $1,540,903 and $807,447 for the years ended June 30, 2012 and 2011, respectively, have been included in administrative and general expenses in the accompanying statements of activities.

(2) Contributions Receivable

Contributions receivable are summarized as follows as of June 30, 2012 and 2011:

		2012	2011
Unconditional promises expected to be collected in:			
Less than one year	$	6,599,745	4,322,215
One to five years		12,635,474	3,812,213
More than five years		200,000	—
		19,435,219	8,134,428
Less:			
Allowance for uncollectible amounts		(405,717)	(241,540)
Discount to present value		(533,844)	(594,861)
	$	18,495,658	7,298,027

Pledges receivable as of June 30, 2012 and 2011 were discounted based on the estimated risk-adjusted rate of return on the pledge date at rates ranging from less than 0.26% to 4.36%.

(3) Investments

Investments at fair value consisted of the following as of June 30, 2012 and 2011:

		2012	2011
Time deposits and money market funds	$	30,626,930	24,199,373
U.S. Government bond fund		42,213,845	35,468,488
Common stock – domestic		72,840,775	63,419,933
Domestic equity commingled funds		95,551,516	103,937,062
International equity commingled funds		126,736,392	138,295,490
Real estate funds		73,867,059	69,925,843
Natural resources funds		75,805,372	79,357,999
Absolute return funds		208,865,703	218,832,874
Private equity funds		68,327,976	62,235,445
	$	794,835,568	795,672,507

Investment income, net consisted of the following for the years ended June 30, 2012 and 2011:

	2012	2011
Interest and dividends	$ 6,841,808	6,490,516
Net realized gains	40,956,752	50,280,790
Net unrealized (losses) gains	(10,620,179)	97,301,469
Investment management expenses	(997,232)	(930,695)
	$ 36,181,149	153,142,080

The following table represents investments that are measured at fair value on a recurring basis as of June 30, 2012:

	2012	Level 1	Level 2	Level 3
Time deposits and money market funds	$ 30,626,931	30,626,931	—	—
U.S. Government bond fund	42,213,845	2,544,183	39,669,662	—
Common stock – domestic	62,613,463	62,260,291	—	353,172
Domestic equity commingled funds	105,778,838	32,925,875	72,852,963	—
International equity commingled funds	126,736,392	26,206,886	100,529,506	—
Real estate funds	73,867,059	—	—	73,867,059
Natural resources funds	75,805,372	—	—	75,805,372
Absolute return funds	208,865,703	—	208,219,732	645,971
Private equity funds	68,327,976	—	—	68,327,976
	$ 794,835,579	154,564,166	421,271,863	218,999,550

The following table represents investments that are measured at fair value on a recurring basis as of June 30, 2011:

	2011	Level 1	Level 2	Level 3
Time deposits and money market funds	$ 24,199,373	24,199,373	—	—
U.S. Government bond fund	35,468,488	—	35,468,488	—
Common stock – domestic	63,419,933	63,066,761	—	353,172
Domestic equity commingled funds	103,937,062	32,522,535	71,414,527	—
International equity commingled funds	138,295,490	31,223,459	107,072,031	—
Real estate funds	69,925,843	—	—	69,925,843
Natural resources funds	79,357,999	—	—	79,357,999
Absolute return funds	218,832,874	—	216,282,646	2,550,228
Private equity funds	62,235,445	—	—	62,235,445
	$ 795,672,507	151,012,128	430,237,692	214,422,687

(Continued)

The following table presents Carnegie's activity for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820 for the years ended June 30, 2012 and 2011.

	Common stock domestic	Natural resources funds	Real estate funds	Absolute return funds	Private equity funds	Total
Balance at June 30, 2010	$ 243,661	82,510,184	46,082,938	4,512,287	49,630,595	182,979,665
Total realized and unrealized gains (losses), net	—	(3,375,416)	22,939,543	(3,112,059)	13,135,571	29,587,639
Purchases, issuance and settlements (net)	109,511	223,231	903,362	1,150,000	(530,721)	1,855,383
Balance at June 30, 2011	353,172	79,357,999	69,925,843	2,550,228	62,235,445	214,422,687
Total realized gains (losses), net	—	562,217	8,389,625	(632,214)	5,758,884	14,078,512
Total unrealized gains (losses), net	—	(5,976,526)	2,492,547	(123,751)	2,483,739	(1,123,991)
Purchases and issuances	—	4,178,987	779,608	—	791,199	5,749,794
Settlements	—	(2,317,305)	(7,720,564)	(1,148,292)	(2,941,291)	(14,127,452)
Balance at June 30, 2012	$ 353,172	75,805,372	73,867,059	645,971	68,327,976	218,999,550

The following table summarizes the nature and risk of Carnegie's investments in funds which are valued based on net asset value as a practical expedient for fair value as of June 30, 2012 and 2011:

	Fair value		2012 unfunded commitments	Redemption frequency
	2012	2011		
U.S. Government bond fund (a)	$ 36,937,564	34,759,483	—	Monthly
Domestic equity commingled funds (b)	72,852,953	71,414,520	1,953,385	Bienniel
International equity commingled funds (c)	100,529,506	107,072,031	—	Monthly
Real estate funds (d)	73,867,059	69,925,843	57,439,937	Illiquid
Natural resources funds (e)	75,805,372	79,357,999	21,116,841	Illiquid
Absolute return funds (f)	208,643,926	218,832,874	—	Quarterly to illiquid
Private equity funds (g)	68,327,976	62,235,455	27,727,936	Illiquid
	$ 636,964,356	643,598,205	108,238,099	

(a) This class is comprised of a single fixed income fund. The fixed income fund is a mutual investment fund intended to mirror a U.S. government bond index. In general, this fund seeks to produce returns that mirror or exceed various benchmarks established for comparable portfolios. The notice period is 30 days or less.

(b) This class is comprised of a single fund that invests in common stocks of biotechnology companies. This fund seeks to produce returns that mirror or exceed various benchmarks established for comparable portfolios.

(c) This class is comprised of two international partnerships that invest in public equity markets internationally and one institutional mutual fund that mirrors an emerging markets index. Of these, one holds a concentrated portfolio of global companies. In general, these funds seek to produce returns that mirror or exceed various benchmarks established for comparable portfolios. The majority of Carnegie's capital in this category can be redeemed on a monthly basis or more frequently; in one case redemptions can occur within a year. The typical notice period is 30 days or less.

(d) This class includes several real estate funds that invest primarily in U.S. commercial real estate. One fund targets commercial, residential, and industrial real estate in Europe. The fair values of the investments in this category have been estimated using the net asset value of Carnegie's ownership interest in partners' capital. Investments under this category cannot be redeemed. Instead, distributions are made from operating proceeds on a periodic basis, typically monthly or quarterly. Proceeds from assets sold are generally distributed immediately. It is estimated that the underlying assets of these funds will be liquidated over the next one to ten years.

(e) This class includes funds that invest primarily in timber and oil and gas assets. The investment strategy is to acquire, operate, develop, and improve oil and gas and timber producing assets. The fair values of the investments in this category have been estimated using the net asset value of Carnegie's ownership interest in partners' capital. Carnegie employs an established forward pricing curve beyond the first two years of production in establishing its valuation within the oil and gas funds. Investments under this category cannot be redeemed. Instead, distributions are made from operating proceeds on a periodic basis, typically quarterly. Proceeds from assets sold may be distributed immediately. It is estimated that the underlying assets of these funds will be liquidated over the next two to fourteen years.

(f) This class is comprised of six separate funds, including: three long/short hedge funds that invest in publicly traded equities, a partnership that invests in fixed income securities; a partnership that invests in distressed fixed income securities; a multi-strategy partnership that invests in value investments, credit investments, event-driven situations, real estate, and distressed credit investments; and a partnership that invests in distressed credit securities and event-driven situations. In general, these funds seek to produce positive absolute returns that do not necessarily correlate with the public markets. The fair values of the investments in this category have been estimated using the net asset value of Carnegie's ownership interest in partners' capital. The majority of Carnegie's capital in this category can be redeemed on an annual basis; in some cases redemptions can occur within a year, with a minimum of typically 90 days notice. Less than one percent is invested in a partnership where, under the current terms, funds are in liquidation and cannot be withdrawn. The underlying assets are expected to be distributed over the next year.

(g) This class is comprised of three separate managers and nine separate private equity funds that invest primarily in leveraged buyouts, venture capital, emerging growth companies, corporate finance, and various niche strategies. Eight of the nine funds are funds of funds, where the manager in turn invests in other private equity funds. Private equity investment transactions may involve acquisitions, leveraged buyouts, reorganizations, privatizations, restructurings, and spin-offs. The fair values of the investments in this category have been estimated using the net asset value of Carnegie's ownership interest in partners' capital. Investments under this category cannot be redeemed. Private capital partnerships span several years that are often divided into commitment and distribution phases. In the first half of the span, capital is drawn down or called as investment opportunities are identified. During the second half of the span, capital is returned to the investment partners in the form of distributions. Such distributions are made on a periodic basis, typically quarterly. It is estimated that the underlying assets of these various funds will be liquidated over the next one to twelve years.

(4) Property and Equipment

Property and equipment consisted of the following as of June 30, 2012 and 2011:

	2012	2011
Buildings and improvements	$ 89,099,761	88,762,976
Scientific equipment	60,197,966	51,565,001
Telescopes	93,969,502	93,394,247
Construction in progress	4,170,739	8,538,861
Administrative equipment	3,875,706	3,628,701
Leased equipment	214,086	214,086
Land	817,117	817,117
Art	76,099	70,805
	252,420,976	246,991,794
Accumulated depreciation	(100,079,993)	(92,223,657)
	$ 152,340,983	154,768,137

Construction in progress consists of scientific equipment as of June 30, 2012 and 2011, respectively.

As of June 30, 2012 and 2011, approximately $67.8 million and $69.6 million, respectively, of property and equipment, net of accumulated depreciation, was located in Las Campanas, Chile.

(5) Magellan Consortium

During the year ended June 30, 1998, Carnegie entered into an agreement (Magellan Agreement) with four universities establishing a consortium to build and operate the Magellan telescopes. The two Magellan telescopes are located on Manqui Peak, Las Campanas in Chile. The first telescope, with a cost of approximately $41.7 million, was placed in service during 2001. The other, with a cost of approximately $30.1 million, was placed in service in 2003.

The university members of the consortium, by contribution to the construction and operating costs of Magellan, acquire rights of access and oversight as described in the Magellan Agreement. Total contributions by the university members for construction, which amounted to $36.0 million, covered approximately 50% of the total construction costs. These monies were used by Carnegie to finance part of the Magellan Telescopes' construction costs. The contributions were recorded as deferred revenue and are being recognized ratably as income over the remaining estimated useful lives of the telescopes. As of June 30, 2012 and 2011, the deferred revenue totaled $26.8 million and $27.5 million, respectively.

(6) Bonds Payable

(a) 2010 Maryland Health and Higher Education Facilities Revenue Bonds

On February 4, 2010, the Maryland Health and Higher Education Facilities Authority (MHHEFA) issued $30,580,000 of fixed rate, tax-exempt revenue bonds on behalf of Carnegie. Bond proceeds totaling approximately $30,500,000 were used to refund $30,000,000 in bonds issued in 2002 by MHHEFA and cover the costs of issuance including related fees.

The structure of the 2010 MHHEFA bonds is two term bonds, maturing in 2037 and 2040. The bond due July 1, 2037, bears interest at a fixed coupon rate of 4.25% with sinking fund redemptions as follows:

Due July 1:		
2036	$	6,120,000
2037		6,115,000

The bond due July 1, 2040, bears interest at a fixed coupon rate of 4.50% with sinking fund redemptions as follows:

Due July 1:		
2038	$	6,115,000
2039		6,115,000
2040		6,115,000

The interest expense for the MHHEFA issues was $1,345,512 and $1,345,512 for the years ended June 30, 2012 and 2011.

The 2010 MHHEFA bonds are secured solely by Carnegie's credit. There are no financial covenants or stand-by credit facilities associated with the bonds.

The bonds are subject to redemption and purchase prior to maturity, beginning on July 1, 2020, at the option of MHHEFA upon the direction of Carnegie.

(b) 2010 California Educational Facilities Authority Revenue Bonds

On March 24, 2010, the California Educational Facilities Authority (CEFA) issued fixed rate, tax-exempt revenue bonds with a par value of $34,525,000 on behalf of Carnegie. Bond proceeds totaling approximately $36,400,000 were used to: a) refund $17,500,000 of 1993 Series B bonds

issued by CEFA on behalf of Carnegie for the purpose of financing the Magellan telescope project and the renovation of facilities of the Observatories at Pasadena; b) refund $18,300,000 of 2006 California Educational Facilities Authority Refunding Revenue Bonds that, in turn, were used to finance the Magellan telescope project and the renovation of facilities of the Observatories at Pasadena; and c) cover the costs of issuance including related fees.

The structure of the 2010 CEFA bond is a single fixed-rate bond, maturing in 2040, with a par value of $34,525,000. The bond bears interest at a fixed coupon rate of 5.00% with sinking fund redemptions as follows:

Due July 1:		
2036	$	6,905,000
2037		6,905,000
2038		6,905,000
2039		6,905,000
2040		6,905,000

The interest expense for the CEFA issue was $1,726,250 and $1,726,250 for the years ended June 30, 2012 and 2011.

The 2010 CEFA bonds are secured solely by Carnegie's credit. There are no financial covenants or stand-by credit facilities associated with the bonds.

The 2010 California bonds are subject to redemption and purchase prior to maturity, beginning on July 1, 2020, at the option of CEFA upon the direction of Carnegie.

(c) Line of credit

On June 1, 2011, Carnegie entered into an unsecured revolving credit facility with a maximum principal amount of $15 million from a commercial bank. Borrowings under the credit facility bear interest at a floating London Interbank Offered Rate (LIBOR) plus a credit spread of 1.25%. Carnegie did not draw any funds from this line of credit facility in 2011 or 2012. The credit facility expires May 31, 2012.

(7) Interest Rate and Commodity Swap Agreements

(a) 2010 Maryland Health and Higher Education Facilities Authority Revenue Bonds

On February 11, 2010, Carnegie entered into a basis swap with Barclays Capital. A basis swap is an interest rate swap, which involves the exchange of two floating rate financial instruments. Under this agreement, Barclays Capital pays Carnegie 68% of three-month LIBOR and Carnegie pays Barclays Capital the Securities Industry and Financial Markets Association Benchmark (SIFMA) minus 0.08% on a notional amount of $22,935,000 which matches the maturity dates and amortization structure of the 2010 MHHEFA bonds (see note 6(a)), reducing on the dates and in the amounts as follows:

Due July 1:		
2036	$	4,590,000
2037		4,586,250
2038		4,586,250
2039		4,586,250
2040		4,586,250

Carnegie may terminate and cash settle this transaction upon meeting a three business day notice requirement, with both parties obligated to pay any amounts owed on the termination date.

In addition to this basis swap, on February 26, 2010, Carnegie entered into a fixed to floating interest rate swap where Carnegie receives 3.6895% and pays SIFMA on a notional amount of $7,645,000. This transaction matches the maturity dates and amortization structure of the 2010 bonds (see note 6(a)), reducing on the dates and in the amounts as follows:

Due July 1:		
2036	$	1,530,000
2037		1,528,750
2038		1,528,700
2039		1,528,700
2040		1,528,700

Under this agreement, Carnegie may terminate and cash settle the transaction upon meeting a three-day business notice requirement and Barclays Capital owns the right to cancel the swap with Carnegie after ten years and upon meeting a 30-calendar day notice requirement.

The basis and fixed to floating interest rate swap agreements described above are derivative instruments that are recorded at fair value. The estimated fair value as of June 30, 2012 and 2011 were liabilities of $1,856,850 and $2,542,487, respectively. These amounts are included in accounts payable and accrued expenses in 2012 and 2011 on the accompanying statements of financial position. The change in fair value for the years ended June 30, 2012 and 2011 was a gain of $685,637 and $779,773, respectively, and is reported as other income.

(b) 2010 California Educational Facilities Authority Refunding Revenue Bonds

On March 17, 2010, Carnegie entered into a basis swap with Barclays Capital. A basis swap is an interest rate swap, which involves the exchange of two floating rate financial instruments. Under this agreement, Barclays Capital pays Carnegie 68% of three-month LIBOR and Carnegie pays Barclays Capital SIFMA minus 0.111% on a notional amount of $25,893,750 which matches the maturity dates and amortization structure of the 2010 bonds (see note 6(b)), reducing on the dates and in the amounts as follows:

Due July 1:		
2036	$	5,178,750
2037		5,178,750
2038		5,178,750
2039		5,178,750
2040		5,178,750

Carnegie may terminate and cash settle this transaction upon meeting a three business day notice requirement, with both parties obligated to pay any amounts owed on the termination date.

In addition to this basis swap, on March 17, 2010, Carnegie entered into a fixed to floating interest rate swap where Carnegie receives 3.737% and pays SIFMA on a notional amount of $8,631,250. This transaction matches the maturity dates and amortization structure of the 2010 bonds (see note 6(b)), reducing on the dates and in the amounts as follows:

Due July 1:		
2036	$	1,726,250
2037		1,726,250
2038		1,726,250
2039		1,726,250
2040		1,726,250

Under this agreement, Carnegie may terminate and cash settle the transaction upon meeting a three-day business notice requirement and Barclays Capital owns the right to cancel the swap with Carnegie after ten years and upon meeting a 30-calendar day notice requirement.

The basis and fixed to floating interest rate swap agreements described above are derivative instruments that are recorded at fair value. The estimated fair value as of June 30, 2012 and 2011 were liabilities of $1,884,027 and $2,675,784, respectively. These amounts are included in accounts payable and accrued expenses in 2012 and 2011 on the accompanying statements of financial position. The change in fair value for the years ended June 30, 2012 and 2011 was a gain of $791,514 and $886,646, respectively, and is reported as other income.

(c) Commodity Swaps

Carnegie entered into a series of fixed-floating commodity swap agreements with J. Aron & Company for NYMEX West Texas Intermediate Crude Oil (WTI-Oil) and NYMEX Natural Gas.

Under the series of fixed-floating commodity swap agreements, for WTI-Oil, the floating price for each determination period will be the average of the closing settlement price(s) on the NYMEX for the Nearby Light Crude Futures Contract. For natural gas, the floating price for each determination period will be the average of the closing settlement prices for the pricing days of the NYMEX Natural Gas Henry Hub Futures Contract for the reference month.

If, with respect to each determination period, the fixed price exceeds the floating price, the fixed price payer shall pay Carnegie the difference between the two such amounts multiplied by the quantity, and if the floating price exceeds the fixed price, Carnegie will pay the fixed price payer the difference between the two amounts multiplied by the quantity. If the prices are equal, no payment shall be made.

The commodity swap agreements described above are derivative instruments that are recorded at fair value. The estimated fair value as of June 30, 2012 and 2011 was a receivable of $4,263,968 and $2,339,398, respectively. These amounts are included in accounts receivable and other assets, in the accompanying statements of financial position. The change in fair value for the years ended June 30, 2012 and 2011 was a gain of $1,924,570 and loss of $5,822,157, respectively, and is reported as other income.

For the valuation of interest rate and commodity swaps as of June 30, 2012, Carnegie used pricing models based on significant observable inputs as of the valuation date (Level 2), including prices of instruments with similar maturities and characteristics, interest rate yield curves, measures of interest rate volatility, and oil and natural gas pricing. The value was determined and adjusted to reflect nonperformance risk of both the counterparty and Carnegie. See note 1(e) for definitions of Levels 1, 2 and 3. The following table represents the interest rate swap liabilities and the commodity swap receivables that are measured at fair value on a recurring basis as of June 30, 2012 and 2011:

	Fair value measurements at June 30, 2012		
	Level 1	**Level 2**	**Level 3**
Interest rate swaps	$ —	(3,740,877)	—
Commodity swaps	—	4,263,968	—

	Fair value measurements at June 30, 2011		
	Level 1	**Level 2**	**Level 3**
Interest rate swaps	$ —	(5,218,271)	—
Commodity swaps	—	2,339,398	—

(8) Employee Benefit Plans

(a) Retirement Plan

Carnegie has a noncontributory, defined contribution, money-purchase retirement plan in which all U.S. personnel are eligible to participate. After one year of participation, an individual's benefits are fully vested. The Plan has been funded through individually owned annuities issued by Teachers' Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF).

Contributions made by Carnegie totaled approximately $4.5 million and $4.4 million for the years ended June 30, 2012 and 2011.

(b) ***Postretirement Benefits Plan***

Carnegie provides postretirement medical benefits to all employees who retire after age 55 and have at least 10 years of service. Cash payments made by Carnegie for these benefits totaled approximately $658,600 and $437,900 for the years ended June 30, 2012 and 2011, respectively.

The expense for postretirement benefits for the years ended June 30, 2012 and 2011 consists of the following:

		2012	2011
Service cost – benefits earned during the year	$	706,557	605,600
Interest cost on projected benefit obligation		930,879	807,938
Amortization of prior service costs		(18,000)	(18,000)
Amortization of gain		(254,844)	(357,185)
Postretirement benefit expense	$	1,364,592	1,038,353

The 2012 postretirement benefits expense was approximately $705,985 more than the cash payments of $658,607 and the 2011 postretirement benefits expense was approximately $600,434 more than the cash payments of $437,919. The postretirement benefits expense was allocated among program and supporting services expenses in the accompanying statements of activities.

The reconciliation of the Plan's funded status to amounts recognized in the financial statements at June 30, 2012 and 2011 follows:

		2012	2011
Change in benefit obligation:	$		
Benefit obligation at beginning of year		17,206,079	15,246,053
Service cost		706,557	605,600
Interest cost		930,879	807,937
Actuarial loss		1,807,091	984,407
Benefits paid		(658,607)	(437,918)
Benefit obligation at end of year		19,991,999	17,206,079
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Contribution to plan		658,607	437,918
Benefits paid		(658,607)	(437,918)
Fair value of plan assets at end of year		—	—
Funded status	$	(19,991,999)	(17,206,079)

Pension related changes other than net periodic postretirement benefit cost consisted of the following as of June 30, 2012 and 2011:

		2012	2011
Unrecognized net actuarial loss	$	2,061,935	1,341,592
Unrecognized prior service cost		18,000	18,000
	$	2,079,935	1,359,592

The unrecognized net gain and prior service costs that have not been recognized as a component of net periodic postretirement benefit cost as of June 30, 2012 and 2011:

		2012	2011
Unrecognized net actuarial loss	$	(3,254,518)	(5,316,453)
Unrecognized prior service cost		(185,000)	(203,000)
	$	(3,439,518)	(5,519,453)

The net gain and prior service cost that will be amortized into net periodic benefit cost over the next fiscal year:

		2012	2011
Unrecognized net actuarial loss	$	(92,575)	(254,844)
Unrecognized prior service cost		18,000	18,000
	$	(74,575)	(236,844)

The present value of the benefit obligation as of June 30, 2012 and 2011 was determined using an assumed discount rate of 5.5% and 5.5%, respectively. The present value of the net periodic postretirement benefit cost as of June 30, 2012 and 2011 was determined using an assumed discount rate of 4.25% and 5.5%, respectively. Carnegie’s policy is to fund postretirement benefits as claims and administrative fees are paid.

(Continued)

For measurement purposes, a 11% annual rate of increase in medical claims was assumed for 2012; the rate of increase was assumed to decrease at 1% per year, eventually reaching 5% in 2025. The healthcare cost trend rate assumption has a significant effect on the amounts reported. A one-percentage point change in assumed annual healthcare cost trend rate would have the following effects:

		One-percentage point increase	One-percentage point decrease
Effect on total of service and interest cost components	$	343,732	(268,504)
Effect on postretirement benefit obligation		3,468,258	(2,746,322)

The measurement date used to determine postretirement benefit obligations is June 30.

Carnegie expects to contribute approximately $581,000 to its postretirement benefit plan during the year ended June 30, 2013.

The following benefit payments (net of retiree contributions), which reflect expected future service, are expected to be paid in future years ending June 30:

2013	$	580,780
2014		653,825
2015		722,657
2016		783,256
2017		828,343
2018 – 2022		4,952,124

The prescription drug benefits offered by Carnegie are determined to not be actuarially equivalent to Medicare Plan D, and the effects of the Medicare Prescription Drug Improvement and Modernization Act, excluding the subsidy, do not have a significant impact on the per capita claims cost.

(9) Net Assets

(a) Unrestricted Net Assets

Unrestricted net assets consisted of the following as of June 30, 2012 and 2011:

		2012	2011
Board-designated quasi-endowments	$	93,573,064	90,793,730
Undesignated		160,420,350	154,156,125
	$	253,993,414	244,949,855

(Continued)

(b) Temporarily Restricted Net Assets

Temporarily restricted net assets were available to support the following donor-restricted purposes as of June 30, 2012 and 2011:

		2012	2011
Endowment assets available for future appropriation	$	509,840,478	523,382,040
Specific research programs		24,091,024	19,338,208
Equipment acquisition and construction		1,233,133	1,501,642
Passage of time		18,464,034	7,292,013
	$	553,628,669	551,513,903

(c) Permanently Restricted Net Assets

Permanently restricted net assets consisted of endowed gifts, the income from which is available to support the following donor-restricted purposes as of June 30, 2012 and 2011:

		2012	2011
Specific research programs	$	15,080,878	15,055,440
Operation of maxine singer building		15,000,050	15,000,050
Equipment acquisition and construction		2,764,719	2,764,719
General support (Carnegie endowment)		22,109,617	22,109,117
	$	54,955,264	54,929,326

(d) Net Assets Released from Restrictions

During 2012 and 2011, Carnegie met donor-imposed requirements on certain gifts and, therefore, released temporarily restricted net assets as follows:

		2012	2011
Appropriation of endowment assets	$	45,516,287	33,890,487
Specific research programs		2,786,282	5,184,441
Equipment acquisition and construction		268,510	464,379
Passage of time		6,765,979	509,192
	$	55,337,058	40,048,499

(Continued)

(10) Endowment

Carnegie's endowment consists of a number of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments to support the purposes of Carnegie. Net assets associated with endowment funds are classified and reported based on the existence or absences of donor-imposed restrictions.

(a) Interpretation of Relevant Law

Effective January 23, 2008, the District of Columbia enacted the Uniform Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, Carnegie is required to act prudently when making decisions to spend or accumulate donor-restricted endowment funds. As a result of this interpretation, Carnegie classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and subsequent gifts to the endowment. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Carnegie in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Carnegie considers the following factors in make a determination to appropriate or accumulate donor-restricted endowment fund:

1) The duration and preservation of the fund
2) The purposes of the organization and the donor-restricted endowment fund
3) General economic conditions, including the possible effects of inflation
4) The expected total return from income and the appreciation of investments
5) Other resources of the organization
6) The investment and spending policies of the organization

(b) Return Objectives and Risk Parameters

Carnegie's Board of Trustees has adopted an investment policy, including return objectives, for its endowment. This policy has identified: an appropriate risk posture; stated expectations and objectives; asset allocation guidelines; and criteria to monitor and evaluate the performance results of the Endowment fund's managers. Carnegie expects the Endowment fund to provide an average rate of return of approximately 8-9% annually, while recognizing that performance in any given year may vary from this goal.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, Carnegie relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and

(Continued)

current yield (interest and dividends). Carnegie employs a diversified asset allocation strategy that allocates investments among four broad asset classes: common stock, alternative assets, fixed income, and cash. Common stock is subdivided into domestic and international categories. Alternative assets are subdivided into absolute return partnerships, natural resources, and private equity funds.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The current Board-approved spending rule requires that the amounts appropriated for spending from the endowment be comprised of: a) 70% of the previous year's budget, adjusted for inflation, and b) 30% of the most recent year-end endowment value, adjusted for debt, and then multiplied by the determined spending rate, currently 5.00%, and adjusted for inflation. The rule functions to smooth annual contributions from the endowment in support of the operating budget. In establishing this policy, Carnegie considered the long-term expected return on its funds. Carnegie expects the current spending and investment policies to grow its endowment at an average of 3-4% annually.

(e) Appropriation of Endowment Assets for Next Fiscal Year

For FY13, Carnegie has appropriated $36,928,000 of its Endowment Funds assets to be distributed for spending. In accordance with the endowment spending policy described above, this amount is calculated based upon an endowment spending rate of five percent (5%). Additional amounts required to fulfill debt obligations of Carnegie are also authorized for expenditure.

(f) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Carnegie to retain as a fund of perpetual duration. No deficiencies existed as of June 30, 2012 and 2011. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

Net asset classification by type of endowment as of June 30, 2012:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	509,840,478	54,955,263	564,795,741
Board-designated endowment funds	93,573,064	—	—	93,573,064
	$ 93,573,064	509,840,478	54,955,263	658,368,805

Changes in endowment net assets for the year ended June 30, 2012:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 90,793,730	521,230,087	54,929,326	666,953,143
Investment return:				
Investment income	1,096,851	6,978,326	5,825	8,081,002
Net appreciation (realized and unrealized gains and losses)	3,598,611	27,148,352	19,112	30,766,075
Total investment return	4,695,462	34,126,678	24,937	38,847,077
Contributions	10,000	—	1,000	11,000
Appropriation of assets for expenditure	(1,926,128)	(45,516,287)	—	(47,442,415)
	$ 93,573,064	509,840,478	54,955,263	658,368,805

Net asset classification by type of endowment as of June 30, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	521,230,087	54,929,326	576,159,413
Board-designated endowment funds	90,793,730	—	—	90,793,730
	$ 90,793,730	521,230,087	54,929,326	666,953,143

Changes in endowment net assets for the year ended June 30, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 75,354,400	442,337,911	54,889,596	572,581,907
Investment return:				
Investment income	161,487	1,063,072	950	1,225,509
Net appreciation (realized and unrealized gains and losses)	17,055,473	111,719,591	37,380	128,812,444
Total investment return	17,216,960	112,782,663	38,330	130,037,953
Contributions	10,000	—	1,400	11,400
Appropriation of assets for expenditure	(1,787,630)	(33,890,487)	—	(35,678,117)
	$ 90,793,730	521,230,087	54,929,326	666,953,143

(11) Lease Arrangements

Carnegie leases a portion of the land it owns in Las Campanas, Chile to other organizations. These organizations have built and operate telescopes on the land. Most of the lease arrangements are not specific and some are at no cost to the other organizations. The value of the no-cost leases could not be determined and is not considered significant and, accordingly, contributions have not been recorded in the financial statements.

Carnegie also leases a portion of one of its laboratories to another organization for an indefinite term. Rents to be received under the agreement are approximately $671,500 annually, adjusted for CPI increases.

Carnegie leases land and buildings for various research departments. The monetary terms of the leases are considerably below fair value; however, these terms were developed considering other nonmonetary transactions between Carnegie and the lessors. The substance of the transactions indicates arm’s-length terms between Carnegie and the lessors.

(12) Contingencies

Costs charged to the federal government under cost-reimbursement grants and contracts are subject to government audit. Therefore, all such costs are subject to adjustment. Management believes that adjustments, if any, would not have a significant effect on the financial statements.

(Continued)

(13) Related-Party Transactions

Carnegie recorded contributions from its trustees, officers, and directors of approximately $2.1 million and $1.3 million for the years ended June 30, 2012 and 2011, respectively.

A trustee of Carnegie is also the Chairman of an investment entity with which Carnegie has invested $66.6 million and $70.3 million in five of its investment funds, as of June 30, 2012 and 2011, respectively. Carnegie paid approximately $1.4 million and $1.2 million in fees to these funds for the year ended June 30, 2012 and 2011, respectively.

(14) Subsequent Events

Carnegie has evaluated subsequent events through the date the financial statements were issued, November 27, 2012.

Schedule

CARNEGIE INSTITUTION OF WASHINGTON

Schedules of Expenses

Years ended June 30, 2012 and 2011

	2012			2011		
	Carnegie funds	**Federal and private grants**	**Total expenses**	**Carnegie funds**	**Federal and private grants**	**Total expenses**
Personnel costs:						
Salaries	$ 18,880,633	11,183,836	30,064,469	18,174,990	9,241,546	27,416,536
Fringe benefits and payroll taxes	11,307,272	6,074,576	17,381,848	11,251,058	4,624,968	15,876,026
Total personnel costs	30,187,905	17,258,412	47,446,317	29,426,048	13,866,514	43,292,562
Fellowship grants and awards	2,469,819	2,141,366	4,611,185	2,072,508	2,786,626	4,859,134
Depreciation	9,724,219	—	9,724,219	9,016,591	—	9,016,591
General expenses:						
Educational and research supplies	2,256,077	2,143,555	4,399,632	1,929,838	1,783,023	3,712,861
Building maintenance and operation	3,945,616	550,498	4,496,114	3,866,389	299,116	4,165,505
Travel and meetings	1,378,970	1,960,450	3,339,420	1,288,004	1,384,075	2,672,079
Professional and contract services	3,259,866	2,067,184	5,327,050	3,989,826	1,361,842	5,351,668
Communications	374,296	163,438	537,734	399,018	97,449	496,467
Administrative and general	2,706,586	598,446	3,305,032	1,603,606	890,948	2,494,554
Interest	2,314,189	—	2,314,189	2,422,372	—	2,422,372
Subcontracts	—	8,737,660	8,737,660	—	10,112,434	10,112,434
Equipment	5,039,958	4,895,767	9,935,725	4,535,402	4,731,715	9,267,117
Fundraising expense	1,507,989	32,915	1,540,904	807,158	289	807,447
Total general expenses	22,783,547	21,149,913	43,933,460	20,841,613	20,660,891	41,502,504
Total direct costs	65,165,490	40,549,691	105,715,181	61,356,760	37,314,031	98,670,791
Indirect costs:						
Grants and contracts	(12,908,566)	12,908,566	—	(10,581,338)	10,581,338	—
Total costs	52,256,924	53,458,257	105,715,181	50,775,422	47,895,369	98,670,791
Capitalized scientific equipment and facilities	(7,646,138)	—	(7,646,138)	(7,252,773)	—	(7,252,773)
Total expenses	$ 44,610,786	53,458,257	98,069,043	43,522,649	47,895,369	91,418,018

See accompanying independent auditors' report.