MIT NUCLEAR REACTOR LABORATORY

AN MIT INTERDEPARTMENTAL CENTER

John A. Bernard
Director of Reactor Operations

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May 29, 2008

U.S. Nuclear Regulatory Commission
Attn: Document Control Room
Washington, DC 20555

Re: Massachusetts Institute of Technology – Request for Additional Information License Renewal Request (TAC No. MA6084); License No. R-37; Docket No. 50-20;

Dear Sir or Madam:

The Massachusetts Institute of Technology hereby replies to the above request which consisted of these subquestions.

a) Justification for 2005 $23M Decommissioning Estimate:

Duke Engineering provided MIT with a cost estimate of $23M. That study was completed in November 2001. It included a 10% contingency. Inflation was quite low and for some sectors of the economy slightly negative for the years 2001-2005. Accordingly, for our 2006 submittal, we used the uninflated detailed Duke estimate which was $23M.

b) Decommissioning Estimate for 2008:

For 2008, we estimate the decommissioning cost of the MITR to be $29.8M. This figure is obtained by taking the $23M Duke estimate as a base and inflating it for both the cost of labor and burial as shown below:

Duke Study	23,000,000.00	%Total	NUREG Inflation Model	Inflator	29,793,000.00
Labor Portion	20,470,000.00	89%	Labor	1.28	26,200,000.00
Burial Portion	2,530,000.00	11%	Burial	1.42	3,593,000.00

Please note that labor was 89% of the total estimate and burial was 11%. The inflator figures are obtained from NUREG-1307, Rev. 12, Page D.1, Example 2 (Northeast Region). We take the date of completion of the Duke study to be 2002 as this is closest to the actual date of November 2001. For labor, the cost index is 2.21 in 2006 and 1.862 for 2002. We assume that cost increases are linear through 2008 and obtain

$$[1.862 + [(2.21 - 1.862)/(2006 - 2002))][2008 - 2002]] = 2.384$$

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NRR

The inflation factor for 2008 as compared to 2002 is therefore 2.384/1.862 or 1.28. Hence, the labor portion of the cost is ($20,470,000)(1.28) or $26,200,000. For burial the same approach is used to yield a factor of 25.44 for 2008, as inflation factor of 1.42 and a cost $3,593,000.00. For burial the same approach is used to obtain the 25.49 figure.

c) <u>Mechanism to Update Cost</u>:

The mechanism described above for response (b) will be followed as a subsequent revision to NUREG 1307 is issued.

If there are no further RAIs concerning this matter, we will revise our escrow account as to reflect the $29.8M figure. Enclosed please find supporting data for the Duke Engineering estimate. Also enclosed is a copy of the most recent report of the MIT Treasurer.

Please contact the undersigned with any questions.

Sincerely,

John Bernard, Ph.D, PE, CHP
Director of Reactor Operations

I declare under the penalty of perjury that the foregoing is true and correct.

Executed on 5-29-08 (Date) ____________ (Signature)

cc:

w/enclosures — Stephen Pierce, Project Manager
Research and Test Reactors Branch A
Division of Policy and Rulemaking
Office of Nuclear Reactor Regulation

w/o enclosures — Senior Project Manager
Research and Test Reactors Branch A
Division of Policy and Rulemaking
Office of Nuclear Reactor Regulation

w/o enclosures — Senior Reactor Inspector
Research and Test Reactors Branch B
Division of Policy and Rulemaking
Office of Nuclear Reactor Regulation

Report of the Treasurer

For the year ended
June 30, 2007

Massachusetts
Institute of
Technology

The Corporation
2006–2007
as of June 30, 2007

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President: Susan Hockfield*
Executive Vice President and Treasurer: Theresa M. Stone*
Vice President and Secretary: Kirk D. Kolenbrander*

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Martin Y. Tang

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Chief Justice of the Supreme Judicial Court: Margaret H. Marshall
Commissioner of Education: David P. Driscoll

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Members' names are listed in chronological order of election to each category

**member of the Executive Committee*

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Report of the Treasurer

To Members of the Corporation

■ Summary

MIT strengthened its financial position during 2007. The Statements of Financial Position, on page 11, shows that total net assets were $12,695.3 million at June 30, 2007, an increase of $2,635.5 million, or 26.2 percent, from the $10,059.8 million on June 30, 2006. This increase was due primarily to investment gains being in excess of amounts distributed to operations, gifts, and the implementation of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, requiring the addition of $847.8 million of retirement assets (See Note A.). Without the change in accounting due to the adoption of SFAS No. 158, total net assets increased $1,787.7 million or 17.8 percent to $11,847.5 million. Total gifts and pledges received in 2007 were $332.9 million as compared with $232.5 million in 2006. Land, buildings and equipment were at $1,743.2 million, an increase of $55.4 million (net of depreciation) from the prior year. This increase compared to an increase of $79.1 million in 2006. Total borrowings outstanding decreased from $1,278.5 million to $1,078.2 million at June 30, 2007 due primarily to the sale of MIT's Technology Square property and the liquidation of related debt totaling $225 million. MIT's publicly held debt continues to be rated triple A by both Moody's and Standard & Poor's.

MIT's operations include tuition, research revenues, unrestricted gifts and bequests for current use, fees and services, other programs, investment income, the portion of net investment gains distributed to funds under MIT's total return investment policy, auxiliary revenues, payments on pledges for unrestricted gifts and operating expenditures. The Statements of Activities, on pages 12 and 13, show that operating expenses exceeded operating revenues by $27.3 million in 2007. This compares to 2006 when operating expenses exceeded operating revenues by $41.0 million.

Financial Position

Net assets are shown on the Statements of Financial Position on page 11. They are presented in three categories to recognize the significant ways in which universities are different from profit-making organizations. These categories reflect the nature of the restrictions placed on gifts by donors.

Permanently restricted net assets represent those gifts for which the original principal can never be spent. This category includes gifts and pledges to true endowment together with assets held in trust, such as life income funds, which, when received or matured, will be added to the endowment. The increase in permanently restricted net assets of $167.1 million, or 10.3 percent, to a total of $1,794.5 million, primarily reflects new gifts and pledges made to restricted endowment funds, increases in life income funds, and gains and losses on investments where the donor required investment gains to be retained permanently.

Temporarily restricted net assets represent those gifts that ultimately can become available to meet operating or capital expenditures. They require an event or lapse of time to occur before they are available for spending. Over 90 percent of the assets in this category result from accumulated market gains on permanently restricted endowment funds.

This category also includes pledges not permanently restricted, gifts for construction projects that have not been expended, and life income funds, which, upon maturity, will be available for spending. The increase in temporarily restricted net assets of $984.1 million, or 20.9 percent, to a total of $5,684.0 million, primarily results from the increase in the market value of assets held in permanently restricted funds. The Commonwealth of Massachusetts requires that all universities located within the Commonwealth include accumulated market gains on both permanently and temporarily restricted net assets with temporarily restricted net assets. Most other states allow inclusion of these gains with unrestricted net assets. If MIT were allowed to follow the prevalent rule, unrestricted net assets would increase by $5,273.2 million to $10,490.1 million, and temporarily restricted net assets would decrease by a like amount to $410.8 million.

Unrestricted net assets comprise all the remaining economic resources available to MIT. This category includes MIT's working capital, and those assets designated by the Corporation as "funds functioning as endowment," to be invested over the long term to generate support of MIT operations and capital projects. Also included are current funds received from donors for restricted purposes that, under the accounting rules, are categorized as unrestricted if MIT spends an equivalent amount of unrestricted funds for the same purpose. Unrestricted net assets increased $1,484.3 million, 39.8 percent, to a total of $5,216.8 million. This compares to an increase of $454.8 million, or 13.9 percent, in 2006. A major portion of the increase in unrestricted net assets, $847.8 million, is due to the implementation of SFAS No. 158 as described in Note A, Adoption of New Accounting Standards and Note I, Retirement Benefits. The market value for all invested funds exceeds book value at June 30, 2007.

Pledges receivable increased $8.3 million, or 2.6 percent, to $331.4 million at June 30, 2007. During fiscal 2007, new pledges totaled $98.4 million. Payments on pledges totaled $105.8 million. Change to discount and to allowance for unfulfilled pledges increased the pledge receivable by $15.7 million.

Operations

Operating revenues increased $39.6 million, or 1.9 percent, to $2,180.4 million, due primarily to increases in gifts and bequests for current use, and an increase in fees and services revenues. Operating expenses increased $25.9 million, or 1.2 percent, to a total of $2,207.6 million. Areas of increased spending included utilities, rents and repairs, salaries and wages, and subrecipient agreements. These results are shown in the Statements of Activities on pages 12 and 13.

Net tuition and other income increased $10.1 million, or 5.1 percent, to $209.3 million in 2007. As more fully described in the Notes to Financial Statements, tuition and related revenues before tuition discount grew $21.3 million, or 5.7 percent, to a total of $394.7 million including executive and continuing education revenues. Tuition support provided from MIT sources increased $11.3 million, or 6.5 percent, to $185.4 million. Total student financial support from all sources increased $4.2 million, or 1.2 percent, to $346.2 million.

Research revenues in departmental and interdepartmental laboratories were $570.8 million, a decrease of $11.7 million, or (2.0) percent from the prior year. While research spending at The Broad Institute increased $6.1 million, research elsewhere on campus declined $8.7 million; the Department of Health and Human Services (primarily through the National Institutes of Health) is the single largest sponsor on campus, with research support increasing 3.1 percent from $195.6 million to $201.6 million in 2007. The Department of Defense was the second largest sponsor, with research support of $90.6 million in 2007. Industrial support continued to be significant, totaling $79.7 million in 2007. The Department of Energy and the National Science Foundation also were significant sponsors of research on campus in 2007 with support of $64.9 million and $65.1 million, respectively. Research revenues at Lincoln Laboratory decreased from $636.4 million in 2006 to $605.9 million in 2007, a decrease of 4.8 percent. Research at the Lincoln Laboratory is funded primarily under a contract with the Department of Defense (Air Force). Research revenues include reimbursement from sponsors for both direct and indirect (facilities and administration) costs.

MIT's direct research expenditures "base", used as the basis for recovery of indirect costs, decreased by $9.4 million, or 1.4 percent; with $4.4 million of the decrease on campus and $5.0 million at Lincoln Laboratories. Research financed by MIT's unrestricted funds increased from $13.8 million in 2006 to $19.8 million in 2007.

Revenue from fees and services increased $22.8 million, or 19.6 percent, to $139.6 million. This was due primarily to strong revenue growth in technology licensing. Investment income, defined as dividends, interest and rents, increased $8.3 million, or 3.4 percent to $252.7 million. The financial statements include both realized and unrealized gains on investments. The table at the end of this section displays the change in MIT's net assets, excluding the net investment gains. Net asset reclassifications to operations of $33.7 million reflect payments on unrestricted pledges received and released to operations in 2007.

Operating expenses increased $25.9 million or 1.2 percent to a total of $2,207.6 million in 2007. The largest component of the increase was instruction and unsponsored research, which grew $49.5 million, or 8.9 percent. A significant contributor to this expense growth was The Broad Institute, where spending for instruction and unsponsored research grew $22.8 million to a total of $46.6 million. Research spending was down $34.3 million, or 3.3 percent, with most of the decrease, $28.6 million, at MIT's Lincoln Laboratory. General and administrative expenses increased $8.1 million or 1.7 percent. Employee benefits decreased slightly due primarily to a decrease in the net periodic benefit cost of MIT's defined benefit plan, which decreased $3.6 million to $4.5 million. This decrease was due to the continuing over-funded status of the defined benefit plan

(Decrease) Increase in Net Assets Excluding Net Investment Gains

(in thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Increase in net assets	$ 1,484,305*	$ 984,125	$ 167,099	$ 2,635,529*
Deduct: net investment gains	660,799	997,591	14,885	1,673,275
(Decrease) increase in net assets excluding net investment gains	**$ 823,506***	**$ (13,466)**	**$ 152,214**	**$ 962,254***

* *Includes $847,795 arising from overfunded retirement plan, net of underfunding of retiree health benefit plan due to the adoption of SFAS No.158.*

and the requirements of generally accepted accounting principles. There were no contributions to the defined benefit plan in 2007 or 2006.

The Result of Operations changed by $13.7 million from a negative ($41.0) million in 2006 to a negative ($27.3) million in 2007. The Statements of Cash Flows, on page 14, show that the net cash provided by operating activities decreased from $183.4 million in 2006 to $143.8 million in 2007.

Gifts

In 2007, MIT set a new record for gifts and pledges. The Campaign for Students was initiated to support scholarships, fellowships, other educational programming, and student life activities. In addition, the MIT Energy Initiative is gaining interest from both individual donors and corporations. The planning for MIT's new cancer research facility and supporting programs is also garnering support.

Gifts and pledges for 2007 totaled $332.9 million, including gifts-in-kind (primarily gifts of equipment) valued at $0.4 million. Total gifts and pledges were $232.5 million in 2006. For 2007, gifts from individuals represented 40 percent of new gifts and pledges, down from 62 percent in the previous year. Gifts from foundations represented 46 percent of new gifts and pledges in 2007, up from 26 percent in 2006. Gifts from corporations and other sources represented 14 percent, up from 12 percent in 2006. New gifts and payments on pledges for unrestricted purposes were 5 percent of the total in 2007, compared with 8 percent in 2006. The largest category of gifts for 2007 was Research and Education at 61 percent.

Endowment and Similar Funds

The market value of investments in the endowment and similar funds totaled $9,980.4 million at June 30, 2007, compared to $8,368.1 million at June 30, 2006, an increase of $1,612.3 million, or 19.3 percent. The market value at June 30, 2007 includes $9,803.0 million invested in Pool A, MIT's primary investment pool, and $177.4 million held in separately invested funds. The increase in the market value of endowed and similar funds was the result of investment performance as discussed in detail below.

The endowment assets are managed to maximize total investment return relative to appropriate risk. Investment income and a portion of gains are distributed for spending in a manner that, over the long term, retains for reinvestment an amount at least equal to the anticipated rate of inflation.

Endowment funds invested in Pool A receive distributions based on the number of units held. Units are valued monthly and new gifts or other funds transferred to Pool A are credited with Pool A units based on the current month's market value of the units in Pool A.

Investments

Investments at market value were $11,061.1 million, an increase of $1,560.9 million, or 16.4 percent, from the $9,500.2 million of the previous year. Over the past five years, total invested assets have increased from $6,174.1 million to $11,061.1 million while distributions for expenditure have totaled $1,642.1 million. More specific information is included in the Notes to Financial Statements, Note B.

General Investments

General investments at market value were $10,629.0 million, an increase of $1,466.7 million, or 16.0 percent from the $9,162.3 million of the previous year. General investments primarily include Pool A, MIT's long-term investment pool which holds primarily endowment funds and funds functioning as endowment, and Pool C which is the investment pool primarily for expendable funds and which holds funds invested with a shorter investment time horizon.

The asset allocation among fixed income, equity and real estate investments remained essentially the same during the year. Equity and real estate investments at market value were 82.2 percent of the general investments at June 30, 2007. Net realized gains during the year amounted to $1,015.9 million. The increase in the market value of general investments resulted primarily from market action and rebalancing trades between asset classes. Real estate investments held in Pool A and Pool C decreased by $428.7 million to $622.3 million. The decrease was primarily due to the sale of Technology Square in Cambridge.

Investment income in the form of dividends, interest and rents was $262.4 million. This compares to $252.5 million in the previous year, an increase of 3.9 percent. This measure of investment income does not include any investment gains.

The Executive Committee of the Corporation provides for distributions for spending from the general investments from both investment income and market appreciation, and in the separately invested funds only of investment income. This policy is consistent with the investment policy which focuses on total investment return, a combination of both capital appreciation and income from interest, dividends, and rents. In 2007, the distribution rate was $40.50 per Pool A unit, up from the $38.20 per Pool A unit distribution rate in 2006. In 2007, the amount distributed for spending from the general investments totaled $349.6 million, compared to $320.7 million distributed in the prior year. The amount distributed for spending from the general investments in 2007 included $92.6 million from investment gains, or 26.5 percent of the total distributed to funds. In 2006, the comparable amount distributed from the general investments included $62.3 million, or 19.4 percent, from investment gains. During 2007 distributions from separately invested funds were $4.8 million, compared to $2.7 million in 2006. The income earned in Pool C, currently invested funds, was fully distributed. In addition to the distributions from total return in Pool A and from income in Pool C and the separately invested funds, there was also a special distribution of $5.0 million from gains in Pool C in 2007 and 2006. Between 1998 and 2007, the distribution from Pool A increased from $17.55 to $40.50 per unit. For 2008, the approved distribution rate will be $53.00 per unit.

Other Investments

Separately invested assets increased by $56.7 million to a market value of $239.8 million. This increase was a result of new gifts and market activity. Investments held by the life income funds increased $16.6 million to a market value of $165.2 million. This increase was the result of new gifts and market activity less transfers to general investments. Life income funds are invested primarily in two partnerships organized and managed by MIT, one for equity assets and the other for fixed income assets. The partnership pools simplify and bring greater uniformity to the investment process for MIT's life income funds.

The Board of Directors of the MIT Investment Management Company ("MITIMCo") held four regularly scheduled meetings during the fiscal year. During 2007 MITIMCo continued its program to diversify international and emerging market equities management with multiple investment firms. The investment program in non-marketable and marketable alternative investments in the domestic and international markets continued to expand to meet the asset allocation policy adopted by MITIMCo. Non-marketable alternatives include investments such as venture capital and private equity. Marketable alternatives include investments in event arbitrage, distressed debt and hedge funds. The alternative investments are managed by more than one hundred independent organizations primarily through pooled investment partnerships. At June 30, 2007, alternative investments, marketable and non-marketable, plus real estate assets, represented slightly more than 56 percent of the assets in Pool A.

Land, Buildings and Equipment

Fixed assets had a net book value of $1,743.2 million at June 30, 2007, an increase of 3.3 percent from $1,687.8 million at June 30, 2006. The most significant area of increase this past fiscal year was in the area of construction in progress.

The PDSI project in the Green Building (named for the Departments of Physics and Materials Science and Engineering, Spectroscopy Lab and Infrastructure renewal enhancements) is nearly complete. PDSI consists of a new 49,000 square foot infill building in the courtyard encompassed by Buildings 2, 4, 6, and 8, along with the comprehensive renovation of 79,000 square feet of adjacent space, and infrastructure for an additional 127,000 square feet. The major renovation of Building E25 to accommodate the Department of Earth, Atmospheric, and Planetary Sciences and the Harvard-MIT Program in Health Sciences and Technology will be completed this fall. A new graduate residence at 235 Albany Street moved into the construction phase this fiscal year. New Ashdown House will be a five-story building with 548 beds and has a planned occupancy date of late summer 2008. Significant improvements to Vassar Street west of Massachusetts Avenue are well underway. Incorporating spring plantings, the project will be completed in the spring of 2009. The Media Lab and School of Architecture and Planning building, a new six-story 163,000 square foot structure, began construction during fiscal year 2008. Adjacent to the Media Lab's Wiesner building, it will be completed in the fall of 2009. Construction has begun on a three-level underground East Campus Garage. The structure will accommodate approximately 430 cars and will be located directly beneath the new Sloan building. The Sloan School expansion will be a six-story, 217,000 square foot building providing offices, classrooms, team study rooms, and executive education space. The project will be completed during the summer of 2010. The estimated cost of these projects is over $550 million.

Further academic and research projects include a new cancer research facility and related activities in bioengineering. In addition there will be substantial investment in infrastructure and utilities.

Smaller projects completed during the fiscal year include the renovation of the third and fourth floors of Building E23, and the expansion of the exhibit space for the MIT Museum on the first floor of Building N51.

Our new capital initiative will add state-of-the-art facilities for emerging areas of research, increase educational infrastructure that supports residential and community life, as well as revitalize the physical campus. The new campus development program will further advance the Institute's historic mission to generate new knowledge, fuel innovation and educate leaders for the next generation.

General

Under the leadership of President Susan Hockfield and Provost Rafael Reif, the Institute embarked upon the current fiscal year with leadership strength in all academic and administrative areas.

We are pleased to report that the Institute's financial strength has grown, thanks to generous donations and the outstanding performance of our endowment investments. MIT's endowment fund posted investment gains of 22.1 percent for the year ended June 30, 2007. For the past 10 years the Institute's endowment has had an annualized return of 15.3 percent. With total net assets of $12,695.3 million, an increase of 26.2 percent for the year, we are well positioned to increase our support for research and educational initiatives as well as our new and renewal capital projects.

Our purpose remains to support MIT's mission of advancing knowledge and educating students in science, technology and the humanities, and to serve the nation and the world in 2008 and beyond.

Respectfully submitted,

Theresa M. Stone

Theresa M. Stone
Executive Vice President and Treasurer

September 21, 2007

Massachusetts Institute of Technology

Statements of Financial Position

at June 30, 2007 and 2006

(in thousands of dollars)

	2007	2006
Assets		
Cash	$ 91,744	$ 71,321
Accounts receivable, net	207,335	207,989
Pledges receivable, net	331,443	323,187
Contracts in progress, principally U.S. Government	53,145	56,105
Deferred charges, inventories and other assets	60,780	55,687
Student notes receivable, net	49,781	54,702
Investments, at fair value	11,061,142	9,500,178
Collateral for securities lending and other assets	328,008	277,999
Retirement plan asset-overfunded status	1,019,788	127,448
Land, buildings and equipment, at cost ($2,477,000 for 2007 and $2,342,029 for 2006), net of accumulated depreciation	1,743,203	1,687,835
Total assets	$ 14,946,369	$ 12,362,451

	2007	2006
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accruals and other liabilities	$ 247,214	$ 243,233
Liabilities due under life income fund agreements	74,661	76,996
Collateral for securities lending and minority interest	328,008	277,999
Accrued benefits, deferred revenue and other credits	211,442	139,202
Advance payments	278,750	254,200
Borrowings	1,078,234	1,278,489
Government advances for student loans	32,756	32,557
Total liabilities	2,251,065	2,302,676
Net Assets:		
Unrestricted (includes $970,766 for 2007 and $127,448 for 2006 arising from the overfunded defined benefit plan, net of underfunding of the post-retirement benefit plan)	5,216,844	3,732,539
Temporarily restricted	5,684,006	4,699,881
Permanently restricted	1,794,454	1,627,355
Total net assets	12,695,304	10,059,775
Total liabilities and net assets	$ 14,946,369	$ 12,362,451

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

Massachusetts Institute of Technology

Statements of Activities

for the years ended June 30, 2007 and 2006

(in thousands of dollars)

	Unrestricted		Temporarily Restricted	
	2007	2006	2007	2006
Operating Activities				
Operating Revenues:				
Tuition and other income, net of discount of $185,399 in 2007 and $174,140 in 2006	$ 209,253	$ 199,168	$ –	$ –
Research revenues:				
Campus direct	407,650	419,144	–	–
Campus indirect	163,148	163,340	–	–
Lincoln Laboratory direct	573,696	602,426	–	–
Lincoln Laboratory indirect	32,234	33,968	–	–
Total research revenues	1,176,728	1,218,878	–	–
Gifts and bequests for current use	120,064	96,832	–	–
Fees and services	139,602	116,766	–	–
Other programs	93,962	97,571	–	–
Investment income	252,675	244,386	–	–
Net gains on investments, distributed	68,808	55,557	–	–
Auxiliary enterprises	85,603	82,000	–	–
Net asset reclassifications and transfers	33,676	29,577	–	–
Total operating revenues	2,180,371	2,140,735	–	–
Operating Expenses:				
Salaries and wages	836,686	816,999	–	–
Employee benefits	193,826	195,198	–	–
Supplies and services	778,649	770,235	–	–
Subrecipient agreements	73,692	68,001	–	–
Utilities, rent and repairs	161,831	153,216	–	–
Depreciation	111,597	118,981	–	–
Interest expense	51,340	59,066	–	–
Total operating expenses	2,207,621	2,181,696	–	–
Results of operations	(27,250)	(40,961)	–	–
Non-Operating Revenues, Gains and Losses				
Pledges	–	–	71,094	72,968
Gifts and bequests	–	–	9,541	9,782
Investment income	–	–	7,044	4,748
Net gain on investments and other assets	652,749	533,869	997,591	895,308
Distribution of accumulated investment gains	(25,180)	(20,578)	(43,628)	(34,979)
Net change in life income funds	3,087	4,521	8,630	1,130
Net asset reclassifications and transfers	33,104	11,456	(66,147)	(41,105)
Total non-operating activities	663,760	529,268	984,125	907,852
Increase in net assets before cumulative effect of change in accounting principles	636,510	488,307	984,125	907,852
– Retirement benefits	847,795	–	–	–
– Asset retirement obligation	–	(33,509)	–	–
Increase in net assets	1,484,305	454,798	984,125	907,852
Net assets at the beginning of the year	3,732,539	3,277,741	4,699,881	3,792,029
Net assets at the end of the year	$ 5,216,844	$ 3,732,539	$ 5,684,006	$ 4,699,881

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

Massachusetts Institute of Technology

Statements of Activities

for the years ended June 30, 2007 and 2006

(in thousands of dollars)

Permanently Restricted 2007	Permanently Restricted 2006	Total 2007	Total 2006	
				Operating Activities
				Operating Revenues:
$ –	$ –	$ 209,253	$ 199,168	Tuition and other income, net of discount of $185,399 in 2007 and $174,140 in 2006
				Research revenues:
–	–	407,650	419,144	Campus direct
–	–	163,148	163,340	Campus indirect
–	–	573,696	602,426	Lincoln Laboratory direct
–	–	32,234	33,968	Lincoln Laboratory indirect
–	–	1,176,728	1,218,878	Total research revenues
–	–	120,064	96,832	Gifts and bequests for current use
–	–	139,602	116,766	Fees and services
–	–	93,962	97,571	Other programs
–	–	252,675	244,386	Investment income
–	–	68,808	55,557	Net gains on investments, distributed
–	–	85,603	82,000	Auxiliary enterprises
–	–	33,676	29,577	Net asset reclassifications and transfers
–	–	2,180,371	2,140,735	Total operating revenues
				Operating Expenses:
–	–	836,686	816,999	Salaries and wages
–	–	193,826	195,198	Employee benefits
–	–	778,649	770,235	Supplies and services
–	–	73,692	68,001	Subrecipient agreements
–	–	161,831	153,216	Utilities, rent and repairs
–	–	111,597	118,981	Depreciation
–	–	51,340	59,066	Interest expense
–	–	2,207,621	2,181,696	Total operating expenses
–	–	(27,250)	(40,961)	Results of operations
				Non-Operating Revenues, Gains and Losses
42,966	6,215	114,060	79,183	Pledges
89,209	46,675	98,750	56,457	Gifts and bequests
2,715	3,411	9,759	8,159	Investment income
14,885	3,375	1,665,225	1,432,552	Net gain on investments and other assets
–	–	(68,808)	(55,557)	Distribution of accumulated investment gains
17,957	11,807	29,674	17,458	Net change in life income funds
(633)	72	(33,676)	(29,577)	Net asset reclassifications and transfers
167,099	71,555	1,814,984	1,508,675	Total non-operating activities
167,099	71,555	1,787,734	1,467,714	Increase in net assets before cumulative effect of change in accounting principles
–	–	847,795	–	– Retirement benefits
–	–	–	(33,509)	– Asset retirement obligation
167,099	71,555	2,635,529	1,434,205	Increase in net assets
1,627,355	1,555,800	10,059,775	8,625,570	Net assets at the beginning of the year
$ 1,794,454	$ 1,627,355	$12,695,304	$10,059,775	Net assets at the end of the year

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

Massachusetts Institute of Technology

Statements of Cash Flows

for the years ended June 30, 2007 and 2006

(in thousands of dollars)

	2007	2006
Cash Flow from Operating Activities:		
Increase in net assets	$ 2,635,529	$ 1,434,205
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net gain on investments	(1,673,275)	(1,432,552)
Cumulative effect of change in accounting principle, asset retirement obligation	–	33,509
Change in retirement plan asset, net of accrued benefits	(843,291)	–
Depreciation	111,597	118,981
Net (gain) on life income funds	(24,495)	(11,273)
Other adjustments	6,624	(419)
Change in operating assets and liabilities:		
Pledges receivable	(8,256)	(8,387)
Accounts receivable	654	17,543
Contracts in progress	2,960	(13,128)
Deferred charges, inventories and other assets	(5,093)	(3,041)
Accounts payable, accruals and other liabilities	3,981	9,826
Liabilities due under life income fund agreements	(2,335)	(2,423)
Deferred revenue and other credits	23,191	60,340
Advance payments	24,550	44,829
Reclassify investment income	(9,759)	(8,159)
Reclassify contributions restricted for long-term investment	(98,750)	(56,457)
Net cash provided by operating activities	143,832	183,394
Cash Flow from Investing Activities:		
Purchase of land, buildings and equipment	(173,132)	(204,079)
Purchases of investments	(23,658,438)	(7,323,177)
Proceeds from sale of investments	23,792,872	7,377,107
Student notes issued	(30,435)	(34,668)
Collections from student notes	34,900	41,884
Net cash (used in) investing activities	(34,233)	(142,933)
Cash Flow from Financing Activities:		
Proceeds from contributions restricted for:		
Investment in endowment	89,211	46,675
Investment in plant and other	9,539	9,782
Total proceeds from contributions	98,750	56,457
Increase in investment income for restricted purposes	9,759	8,159
Increase (decrease) in collateral for securities lending and minority interest	2,371	(87,628)
Proceeds from borrowings	37,800	34,900
Repayment of borrowings	(238,055)	(14,512)
Increase in government advance for student loans	199	138
Net cash (used in) financing activities	(89,176)	(2,486)
Net increase in cash	20,423	37,795
Cash at the beginning of the year	71,321	33,346
Cash at the end of the year	$ 91,744	$ 71,321

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

Notes to Financial Statements

A. Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

The financial statements include MIT and its wholly owned subsidiaries.

Net assets, revenues, expenses, gains and losses are classified into three categories based on the existence or absence of donor-imposed restrictions. The categories are permanently restricted, temporarily restricted and unrestricted net assets. Unconditional promises to give (pledges) are recorded as receivables and revenues within the appropriate net asset category.

Permanently restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains that are required by donors to be permanently retained. Pledges, trusts and remainder interests are reported at their estimated fair market values.

Temporarily restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains which can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift (capital projects, pledges to be paid in the future, life income funds) or by interpretations of law (gains available for appropriation but not appropriated in the current period).

Unrestricted net assets are all the remaining net assets of MIT.

Donor-restricted gifts and unexpended restricted endowment income which are received and either spent or the restriction is otherwise met within the same year are reported as unrestricted revenue. Gifts of long-lived assets are reported as unrestricted revenue. Gifts specified for the acquisition or construction of long-lived assets are reported as temporarily restricted net assets until the monies are expended and the assets placed in service at which point they are reclassified to unrestricted net assets.

MIT administers its various funds, including endowments, funds functioning as endowments, school or departmental funds and related accumulated gains in accordance with the principles of "fund accounting." Gifts are recorded in fund accounts and investment income is distributed to funds annually. Income distributed to funds may be a combination of capital appreciation and yield pursuant to MIT's total return investment policy. Each year, the Executive Committee of the Corporation approves the rates of distribution of investment income to the funds from MIT's investment pools. See Note B for further information on income distributed to funds.

MIT's operations include tuition, research revenues, unrestricted gifts and bequests for current use, fees and services, other programs, investment income, the portion of net investment gains distributed to funds under MIT's total return investment policy, auxiliary revenues, payments on pledges for unrestricted gifts, and operating expenditures. Results of operations are displayed in the Statements of Activities.

MIT is a non-profit organization that is tax exempt under Section 501(c)(3) of the Internal Revenue Code, originally recognized in October 1926, with the most recent affirmation letter dated July 2001.

Cash

Current banking arrangements do not require outstanding checks and wires to be funded until actually presented for payment. Outstanding checks and wires in the amount of $19.8 million and $18.6 million in 2007 and 2006, respectively, are recorded in accounts payable until they are presented to our banks for payment. Certain cash balances, totaling $60.1 million and $53.2 million in 2007 and 2006, respectively, are restricted for use in connection with government research.

Sponsored Research

Revenue associated with contracts and grants is recognized as related costs are incurred. The capital costs of buildings and equipment are depreciated over their life cycle and the sponsored research recovery allowance for depreciation is treated as indirect research revenue. MIT has recorded reimbursement of indirect costs relating to sponsored research at negotiated fixed billing rates. The income generated by the negotiated rates is adjusted each fiscal year to reflect any variance between the negotiated fixed rates and rates based on actual cost. The actual cost rate is audited by the Defense Contract Audit Agency (DCAA) and a final fixed-rate agreement is signed by the U.S. Government and MIT. The variance between the negotiated fixed rate and the final audited rate results in a carry-forward (over or under recovery). The carry-forward will be included in the calculation of negotiated fixed billing rates in future years. Any adjustment in the rate is charged/(credited) to unrestricted net assets.

A. Accounting Policies (continued)

Land, Buildings and Equipment

Land, buildings and equipment are shown at cost or fair value as of the date of a gift, net of accumulated depreciation. When expended, costs associated with the construction of new facilities are shown as construction in progress until such projects are completed. Depreciation is computed on a straight-line basis over the estimated useful lives of 25 to 50 years for buildings, 3 to 25 years for equipment, and 4 years for software. Fully depreciated buildings and equipment were removed from the financial statements in the amount of $25.2 million and $54.9 million during 2007 and 2006, respectively. Land, buildings and equipment are as follows at June 30:

Land, Buildings and Equipment

(in thousands of dollars)	2007	2006
Land	$ 48,283	$ 42,768
Educational buildings	2,033,987	2,030,924
Equipment	188,057	163,690
Software	33,988	24,747
Total	**2,304,315**	**2,262,129**
Less: accumulated depreciation	(733,797)	(654,194)
Construction in progress	164,766	67,749
Software projects in progress	7,919	12,151
Land, buildings and equipment	**$ 1,743,203**	**$ 1,687,835**

Depreciation expense was $111.6 million and $125.9 million during 2007 and 2006, respectively. Net interest expense of $0.5 million and $1.3 million was capitalized during fiscal 2007 and 2006, respectively, in relation to MIT's construction.

Tuition and Financial Aid

Tuition and similar revenues include tuition and fees in degree programs as well as tuition and fees for executive and continuing education programs at MIT.

Tuition and Similar Revenue

(in thousands of dollars)	2007	2006
Tuition revenue	$ 373,265	$ 356,214
Executive and continuing education revenues	21,387	17,094
Total	**394,652**	**373,308**
Less: tuition discount	(185,399)	(174,140)
Net tuition	**$ 209,253**	**$ 199,168**

Tuition support is awarded to undergraduate students by MIT based on need. Graduate students are provided with tuition support in connection with research assistant, teaching assistant and fellowship appointments. Total financial aid granted to students by MIT was $346.2 million and $342.0 million in 2007 and 2006, respectively. Of that amount, $122.3 million in 2007 and $128.4 million in 2006, was aid from sponsors. Tuition support from MIT sources is displayed as tuition discount. Components of financial aid are detailed in Table 1.

Gifts and Pledges

Gifts and pledges are recognized when received. Gifts of securities are recorded at their fair market value at the date of contribution. Gifts of equipment received from manufacturers and other donors during 2007 and 2006 were put into use and recorded by MIT at fair market value and totaled $0.4 million and $0.9 million in 2007 and 2006, respectively. Pledges in the amount of $331.4 million and $323.2 million are recorded as receivables with the revenue assigned to the appropriate classification of restriction for 2007 and 2006, respectively. Pledges consist of unconditional written promises to contribute to MIT in the future. Pledges are recorded after discounting the future cash flows to the present value.

Table 1. Financial Aid

(in thousands of dollars)	2007			2006		
	Institute Sources	External Sponsors	Total Financial Aid	Institute Sources	External Sponsors	Total Financial Aid
Tuition support	$ 185,399	$ 58,076	$ 243,475	$ 174,140	$ 56,903	$ 231,043
Stipends	12,688	12,332	25,020	14,522	17,918	32,440
Student salaries	25,877	51,855	77,732	24,957	53,546	78,503
Total	**$ 223,964**	**$ 122,263**	**$ 346,227**	**$ 213,619**	**$ 128,367**	**$ 341,986**

A. Accounting Policies (continued)

Pledges receivable at June 30 are expected to be realized in the following time periods:

Pledges Receivable

(in thousands of dollars)	2007	2006
In one year or less	$ 88,693	$ 121,150
Between one year and five years	125,937	115,517
More than five years	153,643	136,520
Less: allowance for unfulfilled pledges	(36,830)	(50,000)
Pledges receivable, net of discount	**$ 331,443**	**$ 323,187**

A review of pledges is made with regard to collectibility. As a result, the allowance for pledges that may not be fulfilled is adjusted, and some pledges have been canceled and are no longer recorded in these statements. In addition, pledges are discounted in the amount of $109.7 million and $112.2 million in 2007 and 2006, respectively, using discount rates based on the applicable U.S. Treasury rates at June 30, 2007, and 2006. MIT has gross conditional pledges, not recorded, for the promotion of education and research in the amount of $159.2 million and $197.7 million in 2007 and 2006, respectively.

MIT records items of collections as a gift at nominal value. They are received for educational purposes and generally displayed throughout MIT. They are not disposed of for financial gain or otherwise encumbered in any manner.

Advance Payments

Amounts received by MIT from the U.S. Government, corporations, industrial sources, foundations and other non-MIT sponsors under the terms of agreements that generally require the exchange of assets, rights or privileges between MIT and the sponsor are recorded as advance payments. Revenue is recognized upon MIT fulfilling the terms of the agreement.

Life Income Funds

MIT's life income fund agreements with donors consist primarily of irrevocable charitable gift annuities, pooled income funds and charitable remainder trusts for which MIT serves as trustee. Assets are invested and payments are made to donors and other beneficiaries in accordance with the respective agreements. MIT records at fair value the assets that are associated with each life income fund and records the present value of the estimated future payments at current interest rates to be made to the donors and beneficiaries under these agreements as a liability.

Adoption of New Accounting Standards

SFAS No. 158

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements No. 87, 88, 106 and 132(R) ("SFAS No. 158"). SFAS No. 158 requires recognition in the statements of financial position of the over or underfunded status of defined pension and other postretirement plans, measured as the difference between the fair value of plan and the projected benefit obligation ("PBO") for pension plans and the accumulated postretirement benefit obligation ("APBO") for other benefit plans. This effectively requires the recognition of all previously unrecognized actuarial gains and losses, prior service cost and transition liability in unrestricted net assets upon adoption, and provides additional annual disclosure.

FASB Statement No. 87, *Employers' Accounting for Pension* ("SFAS No. 87") and FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pension*

The following table sets forth the incremental effect of applying SFAS No. 158 on individual line items in the statement of financial position at June 30, 2007.

(in thousands of dollars)	Prior to adopting SFAS No. 158	Effect of adopting SFAS No. 158	As Reported at June 30, 2007
Retirement plan asset-overfunded status	$ 122,944	$ 896,844	$ 1,019,788
Total assets	14,049,525	896,844	14,946,369
Accrued benefits, deferred revenue and other credits	162,393	49,049	211,442
Total liabilities	2,202,016	49,049	2,251,065
Unrestricted net assets	4,369,049	847,795	5,216,844
Total net assets	11,847,509	847,795	12,695,304
Total liabilities and net assets	14,049,525	896,844	14,946,369

A. Accounting Policies (continued)

("SFAS No. 106") continue to apply in measuring plan assets and benefit obligations, as of the date of the fiscal year-end statement of financial position, and in determining the amount of net periodic benefit income or cost. The provisions of SFAS No. 158 are effective for fiscal years ending after December 15, 2006 and were applied prospectively in fiscal year 2007.

MIT's adoption of SFAS No. 158 at June 30, 2007 resulted in an $847.8 million increase to unrestricted net assets. The adoption of SAFS No. 158 had no effect on MIT's results of operations or liquidity for the year ended June 30, 2007, or for any prior period presented, and it will not affect MIT's operating results in future periods as SFAS No. 158 does not affect the determination of net periodic benefit income or cost.

EITF 04-5

In the year ended June 30, 2007, MIT adopted EITF (Emerging Issues Task Force) 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights.* The impact of the implementation was an increase in MIT's investments and collateral due in relation to securities lending and minority interest by $161.8 million.

FIN 47

MIT adopted FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, ("FIN 47"), as of July 1, 2005. FIN 47 is an interpretation of SFAS No. 143, *Accounting for Asset Retirement Obligations* and requires that asset retirement obligations that are conditional on a future event, such as the obligation to safely dispose of asbestos when a building is remodeled or demolished, be recognized when the fair value of the obligation can be reasonable estimated. In 2006 MIT recorded an obligation of $39.9 million reflecting its asset retirement obligations. Total expenses recorded in 2006 were $35.8 million, including accretion expense of $1.9 million and depreciation expense of $0.3 million relating to 2006, and $33.5 million for years prior to 2006. In fiscal 2007, accretion expense net of spending for asset retirements was $0.8 million, and depreciation was $0.6 million.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain June 30, 2006 balances previously reported have been reclassified to conform to June 30, 2007 presentation.

Net asset reclassifications and transfers consist primarily of payments on unrestricted pledges and use of building funds in accordance with donor restrictions. Expirations of temporary restrictions on net assets and the release of permanent restrictions by a donor are also reported as reclassifications of net assets from temporarily or permanently restricted net assets to unrestricted net assets. In 2006, net asset reclassifications and transfers also reflect the return of $14.4 million of gains over-distributed in 2005, restored to the balance of accumulated undistributed gains.

B. Investments

Total market value of investments approximated $11,061.1 million and $9,500.2 million at June 30, 2007 and 2006, respectively. The market values of publicly traded investments are generally determined based upon quoted market prices. MIT's privately held equity investments include both publicly-traded and private equity investments held in private partnerships. MIT's positions in these private partnerships are carried at estimated fair value provided by the management of the privately held equity investments and validated by MIT management. The majority of these funds have been valued based upon estimated fair values provided to MIT as of June 30, with the remainder valued as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. MIT believes that the carrying value of its privately held equity investments, based upon the valuation methodologies above, is a reasonable estimate of the fair value as of June 30. These estimated values are subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a market for such investments existed. Market values of certain real estate assets were determined by professional appraisers. Cash equivalents include money market funds, commercial paper, banker acceptances and negotiable certificates of deposit, maturing within 30 days.

Table 2 provides a detailed breakdown of investments by type as of June 30, 2007 and 2006.

MIT has two interest rate swap agreements, one expiring in 2011 and one expiring in 2031, to manage the interest cost and risk associated with its Massachusetts Health and Educational Facilities Authority (MHEFA) variable rate debt portfolios. Under the terms of these swap agreements, MIT pays fixed rates, ranging from 4.46 percent to 4.91 percent, determined at inception, and receives the Bond Market Association Index (BMA) rate on the respective notional principal amounts. MIT's interest rate swaps had a notional value of $250.0 million at June 30, 2007 and 2006. These agreements are recorded at an estimated market value of ($14.4) million and ($10.9) million at June 30, 2007 and 2006, respectively, and the change in market value of $(3.5) million and $19.0 million in 2007 and 2006, respectively is included in non-operating net gain on investments and other assets. These financial instruments involve counter-party credit exposure. The counter parties for these swap transactions are major financial institutions that meet MIT's criteria for financial stability and creditworthiness.

MIT maintains its investments primarily in two major investment pools: Pool A, principally for endowment and

Table 2. Investments
(in thousands of dollars)

	June 30, 2007		June 30, 2006	
	Book	Market	Book	Market
General Investments				
Cash equivalents	$ 1,044,990	$ 1,044,990	$ 334,971	$ 334,971
Fixed income	856,685	847,974	912,276	884,943
Equities:				
Publicly traded	2,068,506	2,830,724	2,137,981	2,697,779
Privately held	3,345,041	5,282,940	2,753,490	4,193,605
Total equities	$ 5,413,547	$ 8,113,664	$ 4,891,471	$ 6,891,384
Real estate:				
Held in Pool A	254,079	423,462	625,595	867,776
Held in Pool C	198,881	198,881	183,225	183,225
Total real estate	452,960	622,343	808,820	1,051,001
Total general investments	**$ 7,768,182**	**$10,628,971**	**$ 6,947,538**	**$9,162,299**
Separately invested	225,749	239,847	176,664	183,178
Life income funds	149,943	165,161	147,573	148,599
MHEFA Series J-1 & J-2 interest rate swap agreements	–	(14,384)	–	(10,820)
Other investments	18,319	18,319	10,700	10,700
Receivables (Payables) arising from securities transactions	23,228	23,228	6,222	6,222
Total investments	**$ 8,185,421**	**$11,061,142**	**$ 7,288,697**	**$ 9,500,178**

funds functioning as endowment and Pool C, principally for investment of current funds of the schools and departments and MIT's operating funds. Pool A operates as a mutual fund with units purchased and redeemed at month end at that month's fair value. The total market value of Pool A was $10,161.5 million and $8,550.1 million at June 30, 2007 and 2006, respectively. The total value of Pool A includes Pool C investment of $358.5 million and $318.0 million at June 30, 2007 and 2006, respectively. The unit market values at June 30, 2007 and 2006 were $1,340.1420 and $1,135.3265, respectively. Changes in unit values reflect investment results less distributions for spending. On a unit basis, the ownership assigned to each net asset classification at June 30, 2007 and 2006 was as follows:

Pool A Units	2007	2006
Unrestricted	2,476,655	2,502,813
Permanently restricted	5,105,730	5,028,146
Total units	**7,582,385**	**7,530,959**

The decrease in the number of unrestricted units resulted from new gifts less distributions to support general operations. Fund balances in Pool C are at the dollar amount "deposited" and earn income at rates as determined by the Executive Committee, with reference to short-term money market rates. The total value of Pool C as of June 30, 2007 was $1,119.1 million and was $986.3 million at June 30, 2006.

Table 3 summarizes the total investment gains by classification of net assets for the years ended June 30, 2007 and 2006.

MITIMCo and the Executive Committee of the Corporation have adopted a total return investment policy. MIT's endowment spending policy thus allows for consumption of both investment yield and gains to support academic and research programs. The spending rate is managed to preserve the purchasing power of the endowment. Although a portion of accumulated realized gains and losses are reported as part of MIT's unrestricted resources, their use is availed of in a manner consistent with MIT's spending policy and long-term goal of preservation of the purchasing power of the endowment. The distribution rate on Pool A is declared by the Executive Committee each year for the next fiscal year. Pool A per unit distribution rates were $40.50 and $38.20 for fiscal years 2007 and 2006, respectively. Pool C distributed 4% on average balances to participating funds in 2007 and 2006, in the amounts of $8.8 and $6.8 million respectively, with earnings in excess of that amount distributed for general operations.

The total distribution to all funds was $347.5 million in 2007 and $323.0 million in 2006. The amount distributed in 2007 is net of adjustments of $8.3 million of investment earnings held in temporarily restricted net assets pending compliance with donor restrictions. Without these adjustments, the 2007 distribution would have totaled $355.8 million. Total distributions include amounts distributed to non-operating activities, internal rents and internal interest charges eliminated for financial statement purposes, and other adjustments totaling $26.1 million in 2007 and $23.1 million in 2006. MIT has recorded perpetual trusts held by outside trustees of $61.9 million for 2007 and $48.9 million for 2006. These amounts are included in the investments reported in Table 2 as part of separately invested funds. In 2007 and 2006, net asset reclassifications include certain distributions made in previous years to unrestricted funds that have not yet been expended for the donor's restricted purpose, where the donor requires reinvestment, or where the donor has not yet stipulated the use of the funds. These amounts were reclassified from unrestricted net assets to temporarily or permanently restricted net assets as appropriate.

Realized gains and losses are recorded by MIT using the average cost basis. Investment transactions are recorded on trade date. Net gains and losses are classified as unrestricted

Table 3. Investment Gains
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2007				
Realized gains	$ 379,007	$ 643,628	$ 6,274	$ 1,028,909
Change in net unrealized gains	281,792	353,963	8,611	644,366
Total	**$ 660,799**	**$ 997,591**	**$ 14,885**	**$ 1,673,275**
2006				
Realized gains	$ 185,371	$ 362,247	$ 3,382	$ 551,000
Change in net unrealized gains (losses)	348,498	533,061	(7)	881,552
Total	**$ 533,869**	**$ 895,308**	**$ 3,375**	**$ 1,432,552**

B. Investments (continued)

net assets unless they are restricted by the donor or by law. Market value for all invested funds exceeds book value at June 30, 2007. Net gains on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by MIT in accordance with the Massachusetts Management of Institutional Funds Act and guidance from the Attorney General of the Commonwealth of Massachusetts.

MIT has an agreement with a major financial institution to lend Institute securities in exchange for a fixed annual fee less a contractual rebate on the cash collateral received. All securities are returnable on demand and are collateralized by daily cash deposits based on the market value of the securities loaned. MIT manages the investment process for all cash collateral received. MIT is indemnified against borrower default by the financial institution. MIT had investment securities with an aggregate market value of $161.2 million and $271.7 million on loan at June 30, 2007 and 2006, respectively. Cash collateral under management was $166.2 million and $278.0 million at June 30, 2007 and 2006, respectively. The cash collateral received is shown as an asset and a liability on the Statements of Financial Position.

C. Derivative Instruments

From time to time, MIT will enter into various forward currency exchange contracts solely as partial offset of exchange rate movements affecting the U.S. dollar values of portfolio holdings on securities denominated in foreign currencies. These contracts obligate MIT to deliver currencies at specific future dates in return for U.S. dollars at fixed exchange rates and are recorded at market value. MIT had open contracts with a market value of $3.5 million at June 30, 2007. MIT had no open contracts at June 30, 2006. Additional information is included in Note F.

D. Student Notes

Student notes consisted of the following at June 30, 2007 and 2006:

Student Notes Receivable

(in thousands of dollars)	2007	2006
Institute-funded student notes receivable	$ 22,946	$ 26,775
Perkins student notes receivable	29,835	30,927
Total student notes receivable	**52,781**	**57,702**
Less: allowance for doubtful accounts	(3,000)	(3,000)
Student notes receivable, net	**$ 49,781**	**$ 54,702**

Perkins student notes receivable are funded by the U.S. Government and by MIT to the extent required by the Perkins National Direct Student Loan Program. Funds advanced by the U.S. Government for this program, $32.8 million and $32.6 million at June 30, 2007 and 2006, respectively, are ultimately refundable to the U.S. Government and are classified as liabilities. Due to the nature and terms of the student loans, which are subject to significant restrictions, it is not feasible to determine the fair value of such loans.

E. Accounts Payable, Accruals and Other Liabilities

MIT's accounts payable, accruals and other liabilities consisted of the following at June 30:

Accounts Payable, Accruals and Other Liabilities

(in thousands of dollars)	2007	2006
Accounts payable and accruals	$ 195,555	$ 187,109
Accrued vacation	48,946	49,498
Accounts payable U.S. Government	2,713	6,626
Total	**$ 247,214**	**$ 243,233**

MIT is currently self-insured for health insurance, long-term disability, workers' compensation and unemployment compensation. Liabilities recorded for these benefits totaled $32.4 million and $30.3 million for 2007 and 2006, respectively.

F. Borrowings

Table 4. Borrowings

(in thousands of dollars / due dates are calendar based)	2007	2006
EDUCATIONAL PLANT		
Massachusetts Health and Educational Facilities Authority (MHEFA)		
Series I, 4.75%–5.20%, due 2028, par value $59,200	$ 59,713	$ 59,738
Series J-1, variable rate, due 2031	125,000	125,000
Series J-2, variable rate, due 2031	125,000	125,000
Series K, 5.25%–5.50%, due 2012–2032, par value $230,000	245,261	245,897
Series L, 3.0%–5.25%, due 2005–2033, par value $184,860	194,848	197,816
Series M, 5.25%, due 2014-2030, par value $131,110	147,937	148,869
Total MHEFA	**897,759**	**902,320**
Medium Term Notes Series A, 7.125%, due 2026	17,339	17,335
Medium Term Notes Series A, 7.25%, due 2096	45,436	45,434
Notes payable to bank, variable rate, due 2008	112,700	74,900
Total Educational Plant	**1,073,234**	**1,039,989**
STUDENT LOANS		
Notes payable to bank, variable rate, due 2008	5,000	13,500
Sub-total	**1,078,234**	**1,053,489**
Technology Square Loan, 5.26%, due 2005-2039	–	225,000
Total Borrowings	**$ 1,078,234**	**$ 1,278,489**

The aggregate amount of debt payments and sinking fund requirements for each of the next five fiscal years is as follows:

Debt Obligations

(in thousands of dollars)	
2008	$ 119,785
2009	2,190
2010	2,260
2011	2,370
2012	28,990
Thereafter	874,499

Cash paid for interest on long-term debt in 2007 and 2006 was $48.8 million and $56.4 million, respectively.

The carrying value of the outstanding debt approximates fair value based on estimates using current interest rates available for similarly rated debt of the same remaining maturities. MIT maintains a line of credit with a major financial institution for an aggregate commitment of $118.5 million. As of June 30, 2007, $0.8 million was available under this line of credit. At June 30, 2007, the interest rate would have been 5.37%. The line of credit expires on September 30, 2007.

Variable interest rates were as follows at June 30, 2007:

Borrowings	Amount	Rate
MHEFA Series J-1	$ 125,000	3.63%
MHEFA Series J-2	$ 125,000	3.69%
Notes payable to bank	$ 117,700	5.37%

G. Commitments and Contingencies

Federal Government Funding

MIT receives funding or reimbursement from Federal Government agencies for sponsored research under Government grants and contracts. These grants and contracts provide for reimbursement of indirect costs based on rates negotiated with the Office of Naval Research (ONR), MIT's cognizant Federal agency. MIT's indirect cost reimbursements have been based on fixed rates with carry forward of under or over recoveries. MIT's net over recovery decreased from $4.1 million in 2006 to $2.0 million in 2007.

The DCAA is responsible for auditing both direct and indirect charges to grants and contracts in support of ONR's negotiating responsibility. MIT has final audited rates through the 2003 fiscal year. MIT's 2007 research revenues of $1,176.7 million include reimbursement of indirect costs of $195.4 million, which includes the adjustment for the variance between the indirect cost income determined by the fixed rates and that based on actual costs for 2007. In 2006, research revenues were $1,218.9 million which included reimbursement of indirect costs of $197.3 million.

Leases

At June 30, 2007 there were no capital lease obligations. MIT is committed under operating (rental) leases. Rent expense was $62.8 million and $42.1 million in 2007 and 2006, respectively. Certain leases expiring in fiscal year 2007 are subject to renewal. Future minimum payments under operating leases are as follows:

Lease Obligations
(in thousands of dollars)

2008	$	63,553
2009	$	65,861
2010	$	68,515
2011	$	71,301
2012	$	74,227

Investments

As of June, 2007, MIT is committed to invest approximately $2,285.4 million with equity managers and with private partnerships for hedge funds, private equity and other alternative investments. As of June 30, 2007, $40.8 million of investments were pledged as collateral to various supplier and government agencies, the largest being to the Nuclear Regulatory Commission and for self-insured workers' compensation insurance.

Future Construction

MIT has contracted for Educational Plant in the amount of $123.5 million at June 30, 2007. It is expected that the resources to satisfy these commitments will be provided from unexpended plant funds, anticipated gifts, unrestricted funds and future borrowings. MIT will be committing additional resources to planned major construction projects and improvements to the current infrastructure over the next several years.

Related Entities

MIT has entered into agreements, including collaborations with third-party not-for-profit and for-profit entities for education, research and technology transfers. Some of these agreements involve funding from foreign governments. These agreements subject MIT to greater financial risk than do its normal operations. In the opinion of management, the realization of increased financial risks by MIT under these agreements is remote. Revenue received from the related entities was $3.3 million and $9.1 million during 2007 and 2006, respectively.

General

MIT is subject to certain other legal proceedings and claims that arise in the normal course of operations. In the opinion of management, the ultimate outcome of these actions will not have a material effect on MIT's financial position.

H. Functional Expense Classification

MIT's expenditures on a functional basis are shown below:

Institute Expenditures by Functional Classification
(in thousands of dollars)

	2007	2006
General and administrative	$ 488,452	$ 480,389
Instruction and unsponsored research	608,423	558,956
Sponsored research	1,001,144	1,035,417
Auxiliary enterprises	98,327	96,417
Operation of alumni association	11,275	10,517
Total operating expenses	**$ 2,207,621**	**$ 2,181,696**

I. Retirement Benefits

MIT offers retirement and post-retirement benefits to its employees, consisting of a defined benefit plan and a defined contribution plan. The plans cover substantially all employees of MIT. MIT contributes to the defined benefit plan amounts that are actuarially determined to provide the retirement plan with sufficient assets to meet future benefit requirements. There were no contributions to the defined benefit plan in 2007 or 2006.

For purposes of calculating net periodic pension cost for the defined benefit plan, plan amendments are amortized in a straight line basis over the average future service to expected retirement of active participants at the date of the amendment. Cumulative gains and losses (including changes in assumptions) in excess of 10% of the greater of the projected benefit obligation and the market related value of assets are amortized over the average future service of active participants. The annual amortization shall not be less than the total amount of unrecognized gains and losses up to $1 million.

The amount contributed and expenses recognized during 2007 and 2006 related to the defined contribution plan were $35.5 million and $34.3 million, respectively.

MIT also provides retiree welfare benefits (certain health-care and life insurance benefits) for retired employees. Substantially all of MIT's employees may become eligible for those benefits if they reach a qualifying retirement age while working for MIT. Retiree health plans are paid for in part by retirees and covered retirees, their covered dependents and beneficiaries. Benefits are provided through various insurance companies whose charges are based either on the benefits and administrative expenses paid during the year or annual insured premiums. Substantially all retiree life insurance plans are non-contributory and cover the retiree only. MIT also maintains a trust to pay for retiree welfare benefits. MIT's contributions to the trust during 2007 and 2006 were $20.1 million and $24.5 million, respectively.

For purposes of calculating net periodic postretirement benefit cost, a portion of current obligation related to transition to SFAS No. 106 is being amortized in a straight line basis over 20 years from the date of adoption of that statement in 1994. Plan amendments are amortized in a straight line basis over the average future service to full eligibility of active participants at the date of amendment. Cumulative gains and losses (including changes in assumptions) in excess of 10% of the greater of the plan's obligation and the market related value of assets are amortized over the average future service of active participants. The annual amortization shall not be less than the total amount of unrecognized gains and losses up to $1 million.

As discussed in Note A, MIT adopted the recognition and related disclosure provisions of SFAS No. 158, as required, prospectively in 2007.

The estimated net actuarial gain and prior service cost for the defined benefit plan that will be amortized from unrestricted net assets into net periodic benefit income over the next fiscal year are $7.8 million and $2.1 million, respectively. The estimated net actuarial loss, prior service cost and transition obligation for the other postretirement plans that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $1.0 million, $3.5 million and $4.8 million, respectively.

Components of Net Periodic Benefit Cost

The following table summarizes the components of net periodic benefit cost recognized in the statement of activities for the years ended June 30, 2007 and 2006.

(in thousands of dollars)	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Service cost	$ 57,707	$ 63,451	$ 11,915	$ 13,524
Interest cost	117,660	103,608	17,999	17,392
Expected return on plan assets	(172,044)	(162,141)	(17,163)	(17,102)
Amortization of transition amount	–	–	4,775	4,775
Amortization of net actuarial (gain) loss	(1,000)	1,000	(1,000)	2,368
Amortization of prior service cost	2,181	2,185	3,557	3,557
Net periodic benefit cost	**$ 4,504**	**$ 8,103**	**$ 20,083**	**$ 24,514**

I. Retirement Benefits (continued)

Benefit Obligations and Fair Value of Assets

The following table summarizes the funded status, benefit obligations, amounts recognized in the statements of financial position, and amounts recognized in unrestricted net assets for the MIT's benefit plans. MIT uses a June 30 measurement date for its pension and postretirement benefit plans.

(in thousands of dollars)	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Change in benefit obligation				
Benefit obligation at beginning of year	$ 1,880,847	$ 1,963,321	$ 284,472	$ 327,315
Service cost	57,707	63,451	11,915	13,524
Interest cost	117,660	103,608	17,999	17,392
Retiree contributions	–	–	2,741	2,418
Net benefit payments and transfers	(108,797)	(108,801)	(21,643)	(18,563)
Assumption changes and actuarial net loss (gain)	95,312	(140,732)	38,952	(57,614)
Benefit obligation at end of year	**$ 2,042,729**	**$ 1,880,847**	**$ 334,436**	**$ 284,472**
Change in plan assets				
Fair value of plan assets at beginning of year	$ 2,648,070	$ 2,266,599	$ 243,772	$ 217,306
Actual return on plan assets	523,244	490,272	40,461	18,097
Employer contributions	–	–	20,083	24,514
Retiree contributions	–	–	2,741	2,418
Net benefit payments and transfers	(108,797)	(108,801)	(21,643)	(18,563)
Fair value of plan assets at end of year	**$ 3,062,517**	**$ 2,648,070**	**$ 285,414**	**$ 243,772**
Reconciliation of prepaid benefit cost and total amount recognized				
Funded (unfunded) status of the plans	$ 1,019,788	$ 767,223	$ (49,022)	$ (40,700)
Unrecognized net transition liability	–	–	–*	33,429
Unrecognized prior service costs	–*	14,048	–*	17,782
Unrecognized net gain	–*	(653,823)	–*	(10,485)
Net amount recognized	**$ 1,019,788**	**$ 127,448**	**$ (49,022)**	**$ 26**
Amounts recognized in the statements of financial position consist of:				
Benefit assets	$ 1,019,788	–**	–	–
Prepaid benefit cost	–*	127,448	–*	26
Benefit liability	–	–	(49,022)	–**
Total	**$ 1,019,788**	**$ 127,448**	**$ (49,022)**	**$ 26**
Amounts recognized in unrestricted net assets consist of:				
Net actuarial loss (gain)	$ (908,710)	–**	$ 6,168	–**
Prior service cost	11,866	–**	14,226	–**
Transition liability	–	–	28,655	–**
Total	**$ (896,844)**	–**	**$ 49,049**	–**

* *not applicable in 2007 due to the application of SFAS No. 158.*
** *not applicable in 2006 due to the application of SFAS No. 158.*

I. Retirement Benefits (continued)

The accumulated benefit obligation for MIT's defined benefit pension plan was $1,933.8 million and $1,825.5 million at June 30, 2007 and 2006, respectively.

In accordance with the provision of FASB Staff Position 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,* MIT has recognized the effect of the expected Medicare subsidy by reducing its accumulated postretirement benefit obligation of $53.6 million and $49.6 million as of June 30, 2007 and 2006, respectively. This initial reduction was recognized as an actuarial gain. Additionally, the service and interest cost components of postretirement benefits cost were reduced in 2007 and future periods.

Assumptions and Health Care Cost Trend Rate Sensitivity

	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Assumptions used to determine benefit obligation as of June 30:				
Discount rate	6.25%	6.25%	6.25%	6.25%
Rate of compensation increase	4.00%	4.00%		
Assumptions used to determine net periodic benefit (income) cost for year ended June 30:				
Discount rate	6.25%	5.25%	6.25%	5.25%
Expected long-term return on plan assets	8.00%	8.00%	7.25%	8.00%
Rate of compensation increase	4.00%	4.00%		
Assumed health care cost trend rates:				
Health care cost trend rate assumed for next year			8.00%	8.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			5.00%	5.00%
Year that the rate reaches the ultimate trend rate			2010	2009

The expected long-term rate of return assumption represents the expected average rate of earnings on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The long-term rate of return assumption is determined based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses and the potential to outperform market index returns.

As an indicator of sensitivity, a one-percentage-point change in the assumed health care cost trend rate would have the following effects for 2007:

(in thousands of dollars)	1% point increase	1% point decrease
Effect on 2007 post-retirement service and interest cost	$ 4,758	$ 3,946
Effect on post-retirement benefit obligation as of June 30, 2007	$ 36,910	$ 31,322

I. Retirement Benefits (continued)

Plan Assets

The weighted-average asset allocations of the investment portfolio for its pension plan and other postretirement benefit plans at June 30 and target allocations are as follows:

	Pension Benefits Plan Assets as of June 30			Other Benefits Plan Assets as of June 30		
	Target Allocation	2007	2006	Target Allocation	2007	2006
Asset Category						
Equity Securities	35.0%	35.2%	37.7%	75.0%	75.0%	76.8%
Fixed Income Securities	15.0%	21.5%	19.6%	25.0%	22.6%	23.2%
Real Estate	10.0%	6.5%	6.2%	–	–	–
Other	40.0%	36.8%	36.5%	–	2.4%	–
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The investment objectives for the assets of the plans are to minimize expected funding contributions and to meet or exceed the rate of return assumed for plan funding purposes over the long term. The nature and duration of benefit obligations, along with assumptions concerning asset class returns and return correlations, are considered when determining an appropriate asset allocation to achieve the investment objectives.

Investment policies and strategies governing the assets of the plans are designed to achieve investment objectives within prudent risk parameters. Risk management practices include the use of external investment managers and the maintenance of a portfolio diversified by asset class, investment approach and security holdings, and the maintenance of sufficient liquidity to meet benefit obligations as they come due. The defined benefit plan also participates in securities lending programs in order to generate additional income by loaning plan assets to borrowers on a fully collateralized basis.

Contributions

MIT does not expect to contribute to its defined benefit pension plan, and expects to contribute approximately $24.0 million to its other postretirement benefit plan in fiscal year 2008. These contributions have been estimated based on the same assumptions used to measure MIT's benefit obligation at year end, except for expected long term return of the plan's assets increases from 8% to 8.25% for the defined benefit pension plan, and from 7.25% to 7.5% for the post-retirement benefit plan.

Expected Future Benefit Payments

The following table reflects total expected benefit payments for the defined benefit and other postretirement benefit plans, as well as expected receipt of the federal subsidy. These payments have been estimated based on the same assumptions used to measure MIT's benefit obligation at year end.

(in thousands of dollars)	Pension Benefits	Other Benefits[1]	Federal Subsidy[2]
2008	$ 109,419	$ 24,942	$ 2,393
2009	114,727	26,667	2,612
2010	119,398	28,167	2,814
2011	123,711	29,406	2,999
2012	127,694	30,415	3,212
Years 2013-2017	694,841	168,874	19,488

[1] *Other benefits reflect the total net benefits expected to be paid from the plans and exclude the participants' share of the cost, which is funded by participant contributions to the plans, and does not reflect any subsidy expected to be received from the government for MIT's retiree prescription drug coverage*

[2] *Federal subsidy reflects the amount MIT is expected to receive from the government and reflects MIT's expected drugs claims experience.*

J. Components of Net Assets

The following table presents the three categories of net assets by purpose as of June 30, 2007. The amounts listed in the unrestricted column labeled Endowment Funds Principal are those gifts received over the years which MIT designated as funds functioning as endowment and invested with the endowment funds. The larger components of temporarily restricted net assets are (1) pledges, which will be reclassified to unrestricted net assets when cash is received and (2) accumulated net gains on investments of gifts which the donor required to be permanently retained; such gains will be reclassified to unrestricted net assets when appropriated for spending in accordance with MIT's spending policy and the Massachusetts Management of Institutional Funds Act and guidance from the Massachusetts Attorney General.

Fund Category *(in thousands of dollars)*	2007 Unrestricted	2007 Temporarily Restricted	2007 Permanently Restricted	2007 Total	2006 Total
Endowment Fund Principal					
General Purpose	$ 786,108	$ 905,644	$ 212,418	$ 1,904,170	$ 1,652,567
Departments and Research	417,353	821,442	325,879	1,564,674	1,252,144
Library	10,214	18,835	7,221	36,270	30,142
Salaries and Wages	364,022	2,179,671	526,639	3,070,332	2,591,406
Graduate General	53,348	103,846	50,281	207,475	173,831
Graduate Departments	54,057	266,576	140,747	461,380	377,505
Undergraduate	183,615	884,000	255,200	1,322,815	1,112,599
Prizes	6,121	24,842	16,276	47,239	37,950
Miscellaneous	953,417	68,366	25,268	1,047,051	869,672
Investment income held for distribution	319,003	–	–	319,003	270,250
Endowment funds before pledges	3,147,258	5,273,222	1,559,929	9,980,409	8,368,066
Pledges	–	–	124,629	124,629	110,021
Total Endowment Funds	**3,147,258**	**5,273,222**	**1,684,558**	**10,105,038**	**8,478,087**
Other Invested Funds					
Student Loan Funds	19,251	–	16,936	36,187	35,139
Building Funds	54,916	145,874	–	200,790	168,159
Designated Purposes:					
– Departments and Research	227,336	–	–	227,336	191,357
– Other Purposes	20,945	–	–	20,945	12,416
Reserve Funds	7,255	–	–	7,255	15,581
Real Estate gifts held for sale	9,430	–	–	9,430	2,252
Life Income Funds	7,315	39,405	81,514	128,234	101,898
Pledges	–	195,368	11,446	206,814	213,166
Accumulated net gains	119,478	30,137	–	149,615	89,542
Total Other Invested	**465,926**	**410,784**	**109,896**	**986,606**	**829,510**
Funds available for current expenses	217,169	–	–	217,169	212,130
Total Funds	**3,830,353**	**5,684,006**	**1,794,454**	**11,308,813**	**9,519,727**
Funds expended for Educational Plant	415,725	–	–	415,725	412,600
Retirement benefits overfunded	970,766	–	–	970,766	127,448
Total Net Assets at Market	**$ 5,216,844**	**$ 5,684,006**	**$ 1,794,454**	**$12,695,304**	**$10,059,775**

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Report of Independent Auditors

To the Audit Committee of the
Massachusetts Institute of Technology

In our opinion, the accompanying statement of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of the Massachusetts Institute of Technology (the "Institute") at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A to the financial statements, in 2007 the Institute changed its method of accounting for defined benefit pension and other post retirement obligations by adopting Statement of Financial Accounting Standard No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132R* ("SFAS No. 158"). In accordance with the transition provisions of SFAS No. 158, the 2007 financial statements include the cumulative effect of adopting this new accounting principle as of June 30, 2007.

PricewaterhouseCoopers LLP

September 21, 2007

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights

(Dollars in thousands)

	2007	2006	2005	2004	2003
Financial Position:					
Investments, at fair value	$ 11,061,142	$ 9,500,178	$ 8,022,655	$ 7,250,527	$ 6,174,059
Land, Building and Equipment: at cost less accumulated depreciation	1,743,203	1,687,835	1,608,719	1,563,641	1,365,470
Borrowings	1,078,234	1,278,489	1,249,591	1,286,131	912,135
Student Notes Receivable, net	49,781	54,702	62,408	69,394	76,778
Total Assets	14,946,369	12,362,451	10,856,158	10,263,280	8,351,406
Total Liabilities	2,251,065	2,302,676	2,230,588	2,521,896	1,420,781
Unrestricted Net Assets, at market	5,216,844	3,732,539	3,277,741	3,014,458	2,697,089
Temporarily Restricted Net Assets, at market	5,684,006	4,699,881	3,792,029	3,248,635	2,881,496
Permanently Restricted Net Assets, at market	1,794,454	1,627,355	1,555,800	1,478,291	1,352,040
Total Net Assets	12,695,304	10,059,775	8,625,570	7,741,384	6,930,625
Market Value of Endowment Funds	9,980,409	8,368,066	6,712,436	5,869,810	5,133,613
Principal Sources of Revenue:					
Tuition and Other Income	$ 394,652	$ 373,308	$ 362,299	$ 344,009	$ 322,525
Research Revenues:					
Campus	570,798	582,484	559,704	517,419	450,105
Lincoln Laboratory	605,930	636,394	611,125	497,938	442,300
Gifts, Bequests and Pledges	332,874	232,472	177,305	205,759	237,063
Net gains (losses) on Investments	1,673,275	1,432,552	885,605	852,030	(114,275)
Investment Distribution	355,848	329,375	318,067	332,419	335,772
Principal Purposes of Expenditures:					
Total Operating Expenditures	$ 2,207,621	$ 2,181,696	$ 2,036,545	$ 1,839,905	$ 1,686,573
General and Administrative	488,452	491,089	428,798	395,088	382,810
Instruction and Unsponsored Research	608,423	548,256	503,901	494,426	451,092
Direct Cost of Sponsored Research – Current Dollars	1,001,144	1,035,417	996,943	850,564	754,519
Direct Cost of Sponsored Research – Constant Dollars (2003=100)	874,059	927,188	926,733	814,456	754,519
Scholarships and Fellowships	185,399	174,140	165,458	168,194	154,692

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights (continued)

(Dollars in thousands)

	2007	2006	2005	2004	2003
Research Revenues:[(A)]					
Campus:					
Federal Government Sponsored:					
Health and Human Services	$ 201,557	$ 195,573	$ 180,682	$ 159,029	$ 93,254
Department of Energy	64,899	67,265	69,927	69,183	65,175
Department of Defense	90,571	89,552	86,096	86,948	85,866
National Science Foundation	65,057	65,163	66,768	65,443	57,718
National Aeronautics and Space Administration	27,889	31,228	32,170	31,442	35,735
Other Federal	14,431	15,570	11,954	12,114	13,120
Total Federal	464,404	464,351	447,597	424,159	350,868
Non-Federal Sponsored:					
State/Local/Foreign Governments	13,055	15,137	17,912	18,930	15,949
Non-profits	32,200	24,833	19,744	15,721	18,355
Industry	79,725	72,743	65,108	60,498	73,265
Total Non-Federal	124,980	112,713	102,764	95,149	107,569
Total Federal & Non Federal	589,384	577,064	550,361	519,308	458,437
F&A and other adjustments	(18,586)	5,420	9,343	(1,889)	(8,332)
Total Campus	570,798	582,484	559,704	517,419	450,105
Lincoln Laboratory:					
Federal Government Sponsored	607,270	631,292	606,441	492,463	434,666
Non-Federal Sponsored	4,602	5,102	4,684	5,475	7,634
F&A and other adjustments	(5,942)	–	–	–	–
Total Lincoln Laboratory	605,930	636,394	611,125	497,938	442,300
Total Research Revenues	**$ 1,176,728**	**$ 1,218,878**	**$ 1,170,829**	**$ 1,015,357**	**$ 892,405**

(A) *The amounts in this table reflect revenues from the original source of funds.*

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights (continued)

	2007	2006	2005	2004	2003
Students:					
Undergraduate					
Full Time	4,068	4,014	4,078	4,070	4,115
Part Time	59	52	58	42	63
Undergraduate Applications					
Applicants	11,374	10,440	10,466	10,549	10,664
Accepted	1,514	1,494	1,665	1,735	1,724
Acceptance Rate	13%	14%	16%	16%	16%
Enrolled	1,002	996	1,077	1,019	980
Yield	66%	67%	65%	59%	57%
Freshmen Ranking in the top 10% of their Class	97%	97%	97%	97%	99%
Average SAT Scores (Math and Verbal)	1,460	1,461	1,471	1,463	1,460
Graduate					
Full Time	5,924	5,865	5,907	5,928	5,789
Part Time	202	275	277	300	350
Graduate Applications					
Applicants	16,154	15,040	15,654	16,292	16,133
Accepted	3,187	3,389	3,308	3,251	3,416
Acceptance Rate	20%	23%	21%	20%	21%
Enrolled	1,980	2,003	1,900	1,858	2,071
Yield	62%	59%	57%	57%	61%
Student Financial Aid *(in thousands of dollars)*:					
Undergraduate Tuition Support	$ 71,454	$ 63,746	$ 58,677	$ 52,106	$ 47,857
Graduate Tuition Support	172,021	167,297	161,384	157,722	147,240
Fellowship Stipends	25,020	32,440	31,717	30,176	28,760
Student Loans	8,962	9,542	11,052	13,544	25,928
Student Employment	77,732	78,503	75,917	78,219	73,646
Total Financial Assistance	**$ 355,189**	**$ 351,528**	**$ 338,747**	**$ 331,767**	**$ 323,431**
Tuition *(in dollars)*:					
Tuition and Fees	$ 33,600	$ 32,300	$ 30,800	$ 29,600	$ 28,230
Average Room and Board	9,950	9,500	9,100	8,710	7,830
Faculty and Staff:					
Faculty	998	992	983	971	966
Employees	12,453	11,970	11,490	11,091	10,832