

**University of Pittsburgh
of the
Commonwealth System of Higher Education
Pittsburgh, Pennsylvania
Statement of Appropriations Earned
For the Fiscal Year Ended June 30, 2007**



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Introductory Section

University of Pittsburgh

The University of Pittsburgh of the Commonwealth System of Higher Education is incorporated under the non-profit laws of the Commonwealth of Pennsylvania. The University's mission is to provide undergraduate and graduate program instruction, basic and applied research, and service to the community. The University comprises the main campus in the Oakland section of Pittsburgh and regional campuses in Johnstown, Greensburg, Titusville, and Bradford. It offers over 400 distinct degree programs and numerous dual, joint, and cooperative degree programs. In addition, the School of Medicine Division operates and manages the University's School of Medicine and the non-clinical activities of the University of Pittsburgh Cancer Institute and Western Psychiatric Institute and Clinic.

The University's Board of Trustees consists of 50 members, including 17 term trustees, 15 special trustees, 6 alumni trustees, and 12 Commonwealth trustees. In addition, Pennsylvania's governor and the secretary of education serve as ex-officio members with no voting rights, as does the mayor of Pittsburgh and the Allegheny County chief executive officer. The University's chancellor and chief executive officer serves as an ex-officio member with voting rights. Board members serve without compensation for their services.

The University, as one of the four state-related universities, receives annual appropriations from the Commonwealth to supplement the University's educational and general program operations. For the fiscal year ended June 30, 2007, appropriations totaled \$182,986,000.

Financial Section

The accompanying statement was prepared pursuant to the legislative requirements prescribed in Act 11A of 2006, as described in Note 2, and is not intended to be a complete presentation of the University's financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying statement of appropriations earned presents fairly, in all material respects, the earned appropriations of the University of Pittsburgh of the Commonwealth System of Higher Education for the fiscal year ended June 30, 2007, pursuant to Act 11A of 2006, based on accounting described in Note 2.

This report is intended solely for the information and use of the Commonwealth of Pennsylvania and the University of Pittsburgh of the Commonwealth System of Higher Education, is not intended to be, and should not be used by anyone other than these specified parties.

Sincerely,

JACK WAGNER
Auditor General

May 14, 2008

Financial Section

**University of Pittsburgh
Statement of Appropriations Earned**

June 30, 2007

| | Education and General | Doctor of Medicine | Dental Clinic | Disadvantaged Students | Western Psychiatric Institute and Clinic |
|--|----------------------------------|-------------------------------|----------------------|-----------------------------------|---|
| <u>Computation of Eligible Costs</u> | | | | | |
| Unrestricted Expenditures: | | | | | |
| Instruction | \$253,227,592 | \$ 46,288,611 | \$ 5,133,202 | \$ 0 | \$ 4,654,593 |
| Research | 48,081,849 | 2,961,302 | 0 | 0 | 22,796,666 |
| Public Service | 10,811,538 | 714,494 | 5,133,201 | 0 | 657,559 |
| Academic Support | 53,653,510 | 6,790,790 | 0 | 0 | 0 |
| Libraries | 14,538,555 | 1,559,138 | 0 | 0 | 0 |
| Student Services | 64,732,297 | 8,115,260 | 0 | 346,678 | 0 |
| Institutional Support | 75,563,379 | 15,034,893 | 3,650,733 | 113,336 | 0 |
| Operation/Maintenance of Plant | 47,531,629 | 26,116,846 | 0 | 0 | 0 |
| Scholarships and Fellowships | <u>87,350,265</u> | <u>11,851,222</u> | <u>0</u> | <u>125,557</u> | <u>0</u> |
| Total Unrestricted Expenditures | 655,490,614 | 119,432,556 | 13,917,136 | 585,571 | 28,108,818 |
| Add: Unrestricted Debt & Capital Transfers | | | | | |
| Debt | 24,325,056 | 0 | 0 | 0 | 0 |
| Capital | <u>36,168,128</u> | <u>2,198,755</u> | <u>375,000</u> | <u>0</u> | <u>5,172,073</u> |
| Total Unrestricted Transfers | <u>60,493,184</u> | <u>2,198,755</u> | <u>375,000</u> | <u>0</u> | <u>5,172,073</u> |
| Total Reported Costs | <u>\$715,983,798</u> | <u>\$121,631,311</u> | <u>\$14,292,136</u> | <u>\$585,571</u> | <u>\$33,280,891</u> |
| <u>Computation of Appropriation Earned</u> | | | | | |
| Reported Costs | \$715,983,798 | \$121,631,311 | \$14,292,136 | \$585,571 | \$33,280,891 |
| Less Audit Adjustment | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Eligible Costs | <u>\$715,983,798</u> | <u>\$121,631,311</u> | <u>\$14,292,136</u> | <u>\$585,571</u> | <u>\$33,280,891</u> |
| Maximum Appropriation | <u>\$161,090,000</u> | <u>\$ 8,984,000</u> | <u>\$ 1,056,000</u> | <u>\$442,000</u> | <u>\$ 7,886,000</u> |
| Appropriation Earned (Lesser of Eligible Costs or Maximum Appropriation) | <u>\$161,090,000</u> | <u>\$ 8,984,000</u> | <u>\$ 1,056,000</u> | <u>\$442,000</u> | <u>\$ 7,886,000</u> |

Notes to the financial statement are an integral part of this report.

University of Pittsburgh
Statement of Appropriations Earned

June 30, 2007

| | Services for Teens at Risk | Graduate School of Public Health | Rural Education Outreach | Student Life Initiatives |
|--|-------------------------------|--|--------------------------------|-----------------------------|
| <u>Computation of Eligible Costs</u> | | | | |
| Unrestricted Expenditures: | | | | |
| Instruction | \$ 0 | \$ 0 | \$ 380,254 | \$ 66,234 |
| Research | 605,513 | 0 | 0 | 0 |
| Public Service | 0 | 449,478 | 151,400 | 0 |
| Academic Support | 0 | 0 | 1,266,253 | 22,620 |
| Libraries | 0 | 0 | 0 | 0 |
| Student Services | 0 | 0 | 189,608 | 346,146 |
| Institutional Support | 0 | 159,834 | 517,681 | 47,850 |
| Operation/Maintenance of Plant | 0 | 0 | 169,489 | 0 |
| Scholarships and Fellowships | 0 | 0 | 0 | 0 |
| Total Unrestricted Expenditures | <u>605,513</u> | <u>609,312</u> | <u>2,674,685</u> | <u>482,850</u> |
| Add: Unrestricted Debt & Capital Transfers | | | | |
| Debt | 0 | 0 | 0 | 0 |
| Capital | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Unrestricted Transfers | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Reported Costs | <u>\$605,513</u> | <u>\$609,312</u> | <u>\$2,674,685</u> | <u>\$482,850</u> |
| <u>Computation of Appropriation Earned</u> | | | | |
| Reported Costs | \$605,513 | \$609,312 | \$2,674,685 | \$482,850 |
| Less Audit Adjustment | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Eligible Costs | <u>\$605,513</u> | <u>\$609,312</u> | <u>\$2,674,685</u> | <u>\$482,850</u> |
| Maximum Appropriation | <u>\$523,000</u> | <u>\$413,000</u> | <u>\$2,157,000</u> | <u>\$435,000</u> |
| Appropriation Earned (Lesser of Eligible Costs or Maximum Appropriation) | <u>\$523,000</u> | <u>\$413,000</u> | <u>\$2,157,000</u> | <u>\$435,000</u> |

Notes to the financial statement are an integral part of this report.

Financial Section

Notes To The Financial Statement

1. Summary of Significant Accounting Policies

The University follows the recommendations for accounting and reporting included in the *Audit and Accounting Guide for Not-for-Profit Organizations* issued by the American Institute of Certified Public Accountants. In addition, the University uses the descriptions and classifications of unrestricted expenditures and transfers identified in Part 5 of the *College and University Business Administration's Administrative Service* published by the National Association of College and University Business Officers.

Fund Accounting:

The University has not altered the way in which it administers its various funds, which include unrestricted, restricted, research, student loan, endowment, and plant funds, and will continue to maintain its accounts in accordance with the principles of fund accounting. This is the method by which resources are classified for accounting purposes into funds that are grouped in accordance with specified activities or objectives. Separate accounts are maintained for each fund, and funds with similar characteristics are combined into fund groups. The annual appropriations from the Commonwealth are primarily classified as unrestricted funds.

Accrual Basis:

The statement of appropriations earned has been prepared on the accrual basis of accounting. Under this system, revenues are recorded when earned and expenses are recognized when incurred.

2. Basis for Reporting Appropriations Earned

Act 11A of 2006 provided non-preferred appropriations of \$182,986,000 to the University for the fiscal year ended June 30, 2007. The specific appropriations for the University are allocated in the following categories and amounts:

Financial Section

| Category | Amount |
|---|-----------------------------|
| Educational and General | \$161,090,000 |
| Instruction – Doctor of Medicine | 8,984,000 |
| Dental Clinic – School of Dentistry | 1,056,000 |
| Enhancing the recruitment and retention of disadvantaged Students | 442,000 |
| Maintenance and operation of the Western Psychiatric Institute and Clinic | 7,886,000 |
| Teen Suicide Center at the Western Psychiatric Institute and Clinic | 523,000 |
| Graduate School of Public Health | 413,000 |
| Rural Education Outreach at Bradford | 2,157,000 |
| Student Life Initiatives | <u>435,000</u> |
| Total | <u>\$182,986,000</u> |

The appropriations are made based on costs incurred; however, transfers between categories may be made if the amount transferred does not exceed five percent of the amount appropriated to the original category.

Reimbursable costs include unrestricted current fund direct and indirect expenditures and mandatory transfers attributable to the applicable program. The respective appropriations are considered earned when reimbursable costs equal or exceed the amounts appropriated by the Commonwealth in each category.

3. Enrollment Statistics

The University provided educational services for the 2006-2007 academic year at the main campus and regional campuses as follows:

| Term | No. of Undergraduate Students | Percent | No. of Graduate Students | Percent | Total No. of Students | Percent |
|------------------|--------------------------------------|----------------|---------------------------------|----------------|------------------------------|----------------|
| Fall 2006 | | | | | | |
| Pennsylvania | 20,934 | 87.4% | 5,836 | 60.7% | 26,770 | 79.7% |
| Non-Pennsylvania | <u>3,026</u> | <u>12.6%</u> | <u>3,778</u> | <u>39.3%</u> | <u>6,804</u> | <u>20.3%</u> |
| Total | <u>23,960</u> | <u>100.0%</u> | <u>9,614</u> | <u>100.0%</u> | <u>33,574</u> | <u>100.0%</u> |
| Spring 2007 | | | | | | |
| Pennsylvania | 19,595 | 87.4% | 5,707 | 61.4% | 25,302 | 79.7% |
| Non-Pennsylvania | <u>2,834</u> | <u>12.6%</u> | <u>3,592</u> | <u>38.6%</u> | <u>6,426</u> | <u>20.3%</u> |
| Total | <u>22,429</u> | <u>100.0%</u> | <u>9,299</u> | <u>100.0%</u> | <u>31,728</u> | <u>100.0%</u> |
| Summer 2007 | | | | | | |
| Pennsylvania | 5,583 | 87.8% | 3,517 | 64.6% | 9,100 | 77.1% |
| Non-Pennsylvania | <u>777</u> | <u>12.2%</u> | <u>1,931</u> | <u>35.4%</u> | <u>2,708</u> | <u>22.9%</u> |
| Total | <u>6,360</u> | <u>100.0%</u> | <u>5,448</u> | <u>100.0%</u> | <u>11,808</u> | <u>100.0%</u> |

Note: Numbers include both full-time and part-time students.

Audit Adjustments

Audit Adjustments

The University's annual appropriation from the Pennsylvania General Assembly provides the Auditor General with the right, with respect to the monies appropriated by the Commonwealth, to audit and disallow expenditures made for purposes inconsistent with the appropriation. Testing of University expenditures for the fiscal year ended June 30, 2007, consisted of selecting a sample of 41 invoices totaling \$1,861,647 to determine if expenditures were incurred to support the stated purpose of the appropriation.

June 30, 2007, Audit Adjustments

No exceptions were noted in the sample of 41 invoices totaling \$1,861,647.

Audit Report Distribution List

This report was initially distributed to the following:

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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our Web site at www.auditorgen.state.pa.us.