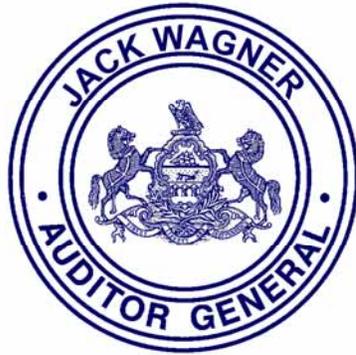


University of Pittsburgh
of the
Commonwealth System of Higher Education
Pittsburgh, Pennsylvania
Non-Preferred Appropriations

For the Fiscal Year Ended June 30, 2009



**University of Pittsburgh
of the
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May 2011
University of Pittsburgh
Non-Preferred Appropriations
For the Fiscal Year Ended June 30, 2009

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For the Fiscal Year Ended June 30, 2009

Introductory Section

Introductory Section

May 18, 2011

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

and

Mr. Mark A. Nordenberg
Chancellor and Chief Executive Officer
University of Pittsburgh
Pittsburgh, Pennsylvania 15260

Mr. Arthur G. Ramicone
Vice Chancellor for Budget and
Controller
University of Pittsburgh
Pittsburgh, Pennsylvania 15260

and

Mr. Thurman D. Wingrove
Associate Vice Chancellor for Financial
Information
University of Pittsburgh
Pittsburgh, Pennsylvania 15260

Dear Governor Corbett, Mr. Nordenberg, Mr. Ramicone, and Mr. Wingrove:

Enclosed is the independent auditor's report for the statement of non-preferred appropriations earned of the University of Pittsburgh of the Commonwealth System of Higher Education for the fiscal year ended June 30, 2009. You will note that our opinion is dated January 21, 2011, which is the date that our audit work closed.

Sincerely,

JACK WAGNER
Auditor General

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University of Pittsburgh
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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 51 members, including 17 term trustees, 16 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 and other specific program areas. For the fiscal year ended June 30, 2009, appropriations totaled \$160,489,960.

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Financial Section

Financial Section

The Honorable Tom Corbett
Mr. Mark A. Nordenberg
Mr. Arthur G. Ramicone
Mr. Thurman D. Wingrove
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As discussed in Note 2, the accompanying statement of non-preferred appropriations earned was prepared pursuant to the legislative requirements prescribed in Act 9A of 2008. The statement of non-preferred appropriations earned is not intended to present fairly in conformity with accounting principles generally accepted in the United States of America the entire financial position of University of Pittsburgh of the Commonwealth System of Higher Education and the results of its operations.

In our opinion, the accompanying statement of non-preferred appropriations earned presents fairly, in all material respects, the non-preferred appropriations of the University of Pittsburgh of the Commonwealth System of Higher Education for the fiscal year ended June 30, 2009, pursuant to Act 9A of 2008, in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

JACK WAGNER
Auditor General

January 21, 2011

May 2011
University of Pittsburgh
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For the Fiscal Year Ended June 30, 2009

Financial Section

University of Pittsburgh
Statement of Non-Preferred Appropriations

June 30, 2009

	Education and General	Disadvantaged Students	Services for Teens at Risk	Rural Education Outreach	Student Life Initiatives
<u>Computation of Eligible Costs</u>					
Unrestricted Expenditures:					
Instruction	\$283,031,034	\$ 0	\$ 0	\$ 880,763	\$ 0
Research	65,385,774	0	261,491	0	0
Public Service	13,472,272	0	261,490	260,434	0
Academic Support	76,661,154	0	0	43,156	6,634
Libraries	18,565,364	0	0	0	0
Student Services	74,125,719	256,921	0	1,012,148	402,878
Institutional Support	62,828,606	144,096	0	774,924	45,046
Operation/Maintenance of Plant	49,924,381	0	0	9,349	0
Scholarships and Fellowships	<u>101,807,925</u>	<u>343,481</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Unrestricted Expenditures	<u>\$745,802,229</u>	<u>\$744,498</u>	<u>\$522,981</u>	<u>\$2,980,774</u>	<u>\$454,558</u>
Add: Unrestricted Debt & Capital Transfers					
Debt	29,392,944	0	0	0	0
Capital	<u>45,946,524</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Unrestricted Transfers	<u>75,339,468</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Reported Costs	<u>\$821,141,697</u>	<u>\$744,498</u>	<u>\$522,981</u>	<u>\$2,980,774</u>	<u>\$454,558</u>
<u>Computation of Appropriations Earned</u>					
Reported Costs	\$821,141,697	\$744,498	\$522,981	\$2,980,774	\$454,558
Less Audit Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Eligible Costs	<u>\$821,141,697</u>	<u>\$744,498</u>	<u>\$522,981</u>	<u>\$2,980,774</u>	<u>\$454,558</u>
Maximum Appropriations	<u>\$156,770,380</u>	<u>\$415,480</u>	<u>\$491,620</u>	<u>\$2,403,580</u>	<u>\$408,900</u>
Appropriations Earned (Lesser of Eligible Costs or Maximum Appropriations)	<u>\$156,770,380</u>	<u>\$415,480</u>	<u>\$491,620</u>	<u>\$2,403,580</u>	<u>\$408,900</u>

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

May 2011
University of Pittsburgh
Non-Preferred Appropriations
For the Fiscal Year Ended June 30, 2009

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 classified as unrestricted funds.

Accrual Basis. The statement of non-preferred 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 9A of 2008 provided non-preferred appropriations of \$170,734,000 to the university for the fiscal year ended June 30, 2009. Due to revenue shortfalls, the university's appropriations were reduced by 6 percent to \$160,489,960. The specific appropriations for the university were allocated in the following categories and amounts:

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Financial Section

Category	Amount
Educational and General	\$156,770,380
Enhancing the Recruitment and Retention of Disadvantaged Students	415,480
Teen Suicide Center at the Western Psychiatric Institute and Clinic	491,620
Rural Education Outreach at Bradford	2,403,580
Student Life Initiatives	408,900
Total	<u><u>\$160,489,960</u></u>

The appropriations are made on the basis of 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 expenses 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 2008-2009 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 2008						
Pennsylvania	20,501	84.2%	6,015	59.3%	26,516	76.9%
Non-Pennsylvania	<u>3,849</u>	<u>15.8%</u>	<u>4,120</u>	<u>40.7%</u>	<u>7,969</u>	<u>23.1%</u>
Total	<u>24,350</u>	<u>100.0%</u>	<u>10,135</u>	<u>100.0%</u>	<u>34,485</u>	<u>100.0%</u>
Spring 2009						
Pennsylvania	19,298	83.9%	5,902	60.0%	25,200	76.8%
Non-Pennsylvania	<u>3,695</u>	<u>16.1%</u>	<u>3,928</u>	<u>40.0%</u>	<u>7,623</u>	<u>23.2%</u>
Total	<u>22,993</u>	<u>100.0%</u>	<u>9,830</u>	<u>100.0%</u>	<u>32,823</u>	<u>100.0%</u>
Summer 2009						
Pennsylvania	5,227	86.1%	3,590	65.0%	8,817	76.0%
Non-Pennsylvania	<u>846</u>	<u>13.9%</u>	<u>1,934</u>	<u>35.0%</u>	<u>2,780</u>	<u>24.0%</u>
Total	<u>6,073</u>	<u>100.0%</u>	<u>5,524</u>	<u>100.0%</u>	<u>11,597</u>	<u>100.0%</u>

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

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Audit Adjustments

Audit Adjustments

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Audit Adjustments

The university's annual appropriations from the Pennsylvania General Assembly provide 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 appropriations. Testing of university expenditures for the fiscal year ended June 30, 2009, consisted of selecting a sample of 59 expenditures totaling \$60,160,320 to determine if expenditures were incurred to support the stated purpose of the appropriations.

June 30, 2009, Audit Adjustments

No exceptions were noted in the sample of 59 expenditures totaling \$60,160,320.

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Audit Report Distribution List

Audit Report Distribution List

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Pennsylvania Treasury Department

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University of Pittsburgh
Mark Nordenberg
Chancellor and Chief Executive Officer

Arthur G. Ramicone
Vice Chancellor for Budget and Controller

Thurman D. Wingrove
Associate Vice Chancellor for Financial Information

Board of Trustees

This report is a matter of public record and is accessible at www.auditorgen.state.pa.us or by contacting the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. Telephone: 717-787-1381.