

FINANCIAL STATEMENTS AND OMB CIRCULAR A-133 REPORT ON FEDERAL FINANCIAL ASSISTANCE PROGRAMS

University of Puerto Rico Year Ended June 30, 2012

Ernst & Young LLP



University of Puerto Rico

Financial Statements and OMB Circular A-133 Report on Federal Financial Assistance Programs

Year Ended June 30, 2012

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Financial Statements



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Report of Independent Auditors

Board of Trustees University of Puerto Rico

We have audited the accompanying basic financial statements of the business-type activities and the aggregate discretely presented component units of the University of Puerto Rico (the University), a component unit of the Commonwealth of Puerto Rico, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Servicios Médicos Universitarios, Inc. (the Hospital) and Desarrollos Universitarios, Inc. (the Company), which represent 100% of the aggregate discretely presented component units, as of and for the years then ended June 30, 2012 and 2011. These financial statements were audited by other auditors whose reports thereon have been furnished to us. Our opinion insofar as it relates to amounts included for the Hospital and the Company, is solely based on the reports of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2013, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 25 and the schedules of funding progress on page 73 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The schedules of changes in sinking fund reserve (unaudited) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ernst + Young LLP

August 22, 2013, except for the schedule of expenditures of federal awards for which the date is December 6, 2013

Stamp No. E88317 affixed to original of this report.



Introduction

The University of Puerto Rico (the University), founded in 1903, is a state supported university system created by Law No. 1 of January 20, 1966, "Law of the University of Puerto Rico" ("Act No. 1"), as amended, with the mission to serve the people of Puerto Rico and contribute to the development and enjoyment of the fundamental, ethical and esthetic values of Puerto Rican culture, and committed to the ideals of a democratic society. To advance its mission, the University strives to provide high quality education and create new knowledge in the Arts, Sciences and Technology.

The University is a public corporation of the Commonwealth of Puerto Rico (the Commonwealth) governed by a seventeen-member Board of Trustees, of which fourteen members were appointed by the Governor of Puerto Rico and confirmed by the Senate of Puerto Rico. The remaining members of the Board consisted of one full-time student and two tenured professors.

On April 30, 2013, Act No. 13 derogated Article 3 of Act No. 1 of 1966, as amended, and established a new Article 3 of Act No. 1 that, among other matters, defines the composition, faculties and duties of the Governing Board of the University of Puerto Rico (the "Governing Board"), the new governing body of the University. Act No. 13 substitutes the Board of Trustees of the University with the Governing Board composed of thirteen members, of which nine members are appointed by the Governor of Puerto Rico and confirmed by the Senate of Puerto Rico. The remaining members of the Governing Board consist of two tenured professors and two full-time students. The Secretary of the Department of Education of the Commonwealth becomes ex-officio member of the Governing Board.

The University is exempt from the payment of taxes on its revenues and properties. The University is a discretely presented major component unit of the Commonwealth.

The University is the largest institution of higher education on Puerto Rico. Commonwealth appropriations are the principal source of the University revenues, but additional revenues are derived from tuitions, federal grants, patient services, auxiliary enterprises, interest income, and other sources. The University is in good accreditation standing with the Middle States Commission on Higher Education, the regional accreditation entity of the eleven units that comprise the University of Puerto Rico system.

The financial reporting entity of the University consists of the campuses at Río Piedras, Mayagüez, Medical Sciences, Cayey, Humacao, Ponce, Bayamón, Aguadilla, Arecibo, Carolina and Utuado, and the Central Administration.

The financial operations and position of two not-for-profit organizations, Servicios Médicos Universitarios, Inc. and Desarrollos Universitarios, Inc. are considered component units of the University and are discretely presented in the University's financial statements. An annual audit of each organization's financial statement is conducted by independent certified public accountants. Financial statements and information relating to the component units may be obtained from their respective administrative officers.

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The following discussion presents an overview of the financial position and financial activities of the University, excluding its component units, for the years ended June 30, 2012, 2011 and 2010. This discussion and analysis was prepared by University management and should be read in conjunction with the basic financial statements of the University, including the notes thereto.

Financial Highlights

As of June 30, 2012, the University has total assets of \$1.52 billion, total liabilities of \$1.04 billion and net assets of \$472.4 million. The University's net assets increased by \$46.3 million or 11% when compared to prior year. The reason for this change is explained in the section entitled "Analysis of Financial Position and Changes in Financial Position." An overview of the statements is presented below along with a financial analysis of the transactions impacting the statements.

Condensed financial statements for the University as of and for the years ended June 30, 2012, 2011 and 2010 follow:

Condensed Stateme	ents of Net Asso	ets (In thousa	nds)		
				June 30	
		2012		2011	2010
Assets					
Current assets	\$	387,220	\$	360,562	\$ 233,452
Noncurrent assets:					
Due from Commonwealth of Puerto Rico		11,720		24,720	56,609
Capital assets		953,054		965,895	961,168
Other assets		165,349		157,929	172,950
Total assets		1,517,343		1,509,106	1,424,179
Liabilities					
Current liabilities		165,117		184,902	204,944
Noncurrent liabilities		879,866		898,146	851,142
Total liabilities		1,044,983		1,083,048	1,056,086
Net assets					
Invested in capital assets, net of related debt		352,899		337,279	309,055
Restricted:					
Nonexpendable		89,696		87,973	78,591
Expendable		60,573		65,152	72,205
Unrestricted (deficit)		(30,808)		(64,346)	(91,758)
Total net assets	\$	472,360	\$	426,058	\$ 368,093



Condensed Statements of Revenues, Expenses and Changes in Net Assets (In thousands)

Condensed Statements of Revenues, Exp	Year Ended June 30				,
		2012		2011	2010
Operating revenues					
Tuition and fees, net	\$	72,475	\$	73,451	\$ 41,809
Governmental grants and contracts		174,166		161,547	131,682
Patient services		86,819		71,466	51,449
Other operating revenues		37,023		48,007	40,118
Total operating revenues		370,483		354,471	265,058
Operating expenses					
Salaries and benefits		827,755		860,079	933,653
Scholarships and fellowships		203,959		215,205	211,831
Supplies and other services and utilities		222,737		206,562	198,742
Other operating expenses		66,922		68,792	78,585
Total operating expenses		1,321,373		1,350,638	1,422,811
Operating loss		(950,890)		(996,167)	(1,157,753)
Nonoperating revenues (expenses)					
Commonwealth appropriations		834,097		839,372	839,318
Federal Pell Grant program		174,139		179,160	179,165
Federal ARRA program		_		15,000	105,000
Other nonoperating revenues (expenses), net		(13,326)		3,976	1,066
Net nonoperating revenues		994,910		1,037,508	1,124,549
Income (loss) before other revenues		44,020		41,341	(33,204)
Capital appropriations		465		5,580	1,288
Additions to term and permanent endowments		1,817		11,044	9,251
Changes in net assets		46,302		57,965	(22,665)
Net Assets					
Beginning of year		426,058		368,093	390,758
End of year	\$	472,360	\$	426,058	\$ 368,093

Overview of the Basic Financial Statements

This discussion and analysis is required supplementary information to the basic financial statements of the University and is intended to serve as introduction to the basic financial statements of the University.



The accounting and reporting policies of the University conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting.

The basic financial statements of the University include the following: (1) Statement of Net Assets, (2) Statement of Revenues, Expenses, and Changes in Net Assets, (3) Statement of Cash Flows, and (4) Notes to the Basic Financial Statements. The University also includes additional information to supplement the basic financial statements.

The statement of net assets provides information on the University's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the University is improving or deteriorating. The net assets are displayed in three parts, invested in capital assets net of related debt, restricted and unrestricted. Restricted net assets may either be expendable or nonexpendable and are those assets that are restricted by law on third-party agreements or by an external donor. Unrestricted net assets, while they are generally designated for specific purposes, are available for use by the University to meet current expenses for any purposes. The statements of net assets, along with all of the University's basic financial statements, are prepared under the accrual basis of accounting, whereby revenues are recognized when the service is provided and expenses are recognized when others provide the service to the University, regardless of when cash is exchanged. Assets and liabilities included in the statements of net assets are classified as current or noncurrent.

The statement of revenues, expenses and changes in net assets presents information on how the University's net assets changed during the reporting periods. Changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The purpose of this statement is to present the revenues earned, both operating and nonoperating, and the expenses paid and accrued and any other revenues, expenses, gains and losses earned or spent by the University during the reporting periods. Generally, operating revenues are used to provide goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided.



The statement of cash flows shows changes in cash and cash equivalents, resulting from operating, non-capital and capital financing and investing activities, which include cash receipts and cash disbursements information.

The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

The required supplementary information consists of two schedules concerning the following: (1) the supplementary information of the University's Employees retirement Plan as required by the GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers, and (2) the supplementary information of the University's Postemployment Benefits Other Than Pensions Program as required by the GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

The other financial information consists of the schedules of changes in sinking fund reserves.

Analysis of Financial Position and Changes in Financial Position

Statements of Net Assets

Assets

Total assets amounted to \$1.52 billion, \$1.51 billion and \$1.42 billion at June 30, 2012, 2011, and 2010, respectively. Total assets increased by \$8.2 million or less than 1% in 2012 and by \$84.9 million or 6% in 2011 when compared with the prior year balances.

Current assets primarily consist of cash and cash equivalents, short-term investments and accounts receivable. As of June 30, 2012, cash and cash equivalents, investments and accounts receivable comprise approximately 28%, 35% and 37%, respectively, of the current assets; meanwhile 84% of the noncurrent assets are capital assets. As of June 30, 2011, cash and cash equivalents, investments and accounts receivable comprise approximately 29%, 36% and 33%, respectively, of the current assets; meanwhile 84% of the noncurrent assets are capital assets.

Cash and cash equivalents (mainly certificates of deposit) amounted to \$109.8 million, \$108.0 million and \$3.4 million at June 30, 2012, 2011, and 2010, respectively. The increases in the University's cash position of \$1.8 million in 2012 and \$104.6 million in 2011 mainly resulted from the advances taken from the lines of credit obtained during the fiscal years 2012 and 2011, collection of \$14.4 million of old accounts receivable from a Commonwealth's component unit in 2012, the stabilization fee established by the Board of Trustees of the University starting in fiscal year 2011 and the strict cost control measures implemented during the fiscal years 2012 and 2011 to address the University's budgetary deficit issues.



In October 2010, the University obtained a \$100 million revolving line of credit facility with the Government Development Bank for Puerto Rico (GDB) for working capital purposes. This line of credit was increased to \$125 million in October 2011. In addition, the University obtained a \$5 million non-revolving line of credit with GDB in June 2011, which was increased to \$75 million in August 2011, to complete certain construction projects of the University's Program for Permanent Improvements. These lines of credit improved the University's cash positions at June 30, 2012 and 2011. The balances outstanding under the \$125 million and \$75 million lines of credit amounted to \$65.0 million and \$10.2 million, respectively, at June 30, 2012. Refer to Subsequent Events Section.

Also, to address the University's budgetary deficit issues, on June 30, 2010, the Board of Trustees of the University established a stabilization fee to be charged to all students in addition to tuition charges and other fees already in place in the University. The stabilization fee amounted to \$400 per student per semester and had no set termination date. The stabilization fee, which is included in revenue from tuitions and fees, amounted to \$44.2 million and \$41.3 million in the fiscal years ended June 30, 2012 and 2011, respectively. On January 26, 2013, the stabilization fee was repealed by the Board of Trustees of the University effective July 1, 2013. Refer to Subsequent Events Section.

In addition, by virtue of Act No. 176 of November 2010, as amended by Act No. 46 of April 2011, the Commonwealth of Puerto Rico (the Commonwealth) had committed to transfer 10% of the Additional Lottery's net annual income with a guaranteed minimum amount of \$30 million per academic year, for the creation of a Special Scholarship Fund for the University of Puerto Rico. The purpose of the fund was to provide financial aid to graduate and undergraduate students. The fund was administered by the University. Proceeds of this fund received by the University in fiscal years 2012 and 2011 amounted to \$30.0 million, of which \$25.9 million and \$23.4 million were granted as scholarships during the fiscal years ended June 30, 2012 and 2011, respectively. Unused fund balance at June 30, 2012 and 2011 amounted to \$10.7 million and \$6.6 million, respectively. On April 7, 2013, Act No. 176 was derogated by Act No. 7, which among other matters, eliminated the Special Scholarship Fund for the University. Refer to Subsequent Events Section.

On the other hand, the ARRA funds, designated for operational purposes, decreased by \$15.0 million in 2012 and \$90.0 million in 2011. No such funds were received in 2012. Management compensated the decreases in the ARRA funds with the line of credit with GDB, the stabilization fee and the cost control measures which resulted in a reduction of operating expenses by \$29.3 million or 2% in 2012 and \$72.2 million or 5% in 2011, when compared with prior year balances.

Total investments at June 30, 2012 amounted to \$222.9 million, an increase of \$9.4 million or 4% as compared to a balance of \$213.5 million at June 30, 2011. In 2011, total investments decreased by \$12.0 million or 5% as compared to a balance of \$225.5 million at June 30, 2010. The increase in 2012 was mainly due to the increase in investments designated to fund the University's Healthcare Deferred Compensation Plan. The decrease in 2011was mainly due to the disposition of the investments designated to fund the University's construction projects, which was partially offset by the increase in investments designated to fund the University's Healthcare Deferred Compensation Plan.



Accounts receivable, net, including due from the Commonwealth of Puerto Rico increased by \$9.1 million or 6% from \$144.7 million at June 30, 2011 to \$153.8 million at June 30, 2012. In 2011, accounts receivable, net decreased by \$22.5 million or 13% from \$167.2 million at June 30, 2010. The increase in 2012 mainly resulted from the increases in the due from Commonwealth's agencies of \$14.8 million and in the due from medical plans of \$17.6 million, which were partially offset by the decrease of \$29.1 million in the due from Commonwealth. Due from Commonwealth's agencies include an account receivable from a Commonwealth's agency of \$20.0 million as a result of contracts for professional development of public school teachers obtained in 2012. Due from medical plans increased in 2012 as a result of more services rendered to patients. Due from Commonwealth decreased in 2012 as a result of collections of \$31.6 million under two payment plans. During the year ended June 30, 2012, the University forgave amounts due by the Hospital and fully reserved by the University of \$34,496,756. The decrease in 2011 mainly resulted from collections of \$12.9 million in the due from Commonwealth and increased provisions for doubtful accounts of \$8.8 million for the year ended June 30, 2011.

Capital assets decreased by \$12.8 million or 1% from \$965.9 million at June 30, 2011, to \$953.1 million at June 30, 2012. For 2011, capital assets increased by \$4.7 million or less than 1% from \$961.2 million at June 30, 2010. The changes in both years mainly resulted from the University's investment in construction projects and other capital assets that amounted to \$36.0 million in fiscal year 2012 and \$49.2 million in fiscal year 2011, which effect was partially (or totally) offset by the depreciation and amortization expense of \$46.5 million in fiscal year 2012 and \$43.9 million in fiscal year 2011.

Liabilities

Total liabilities amounted to \$1.04 billion, \$1.08 billion and \$1.06 billion at June 30, 2012, 2011, and 2010, respectively, a decrease of \$38.1 million or 4% in 2012 and an increase of \$27.0 million or 3% in 2011 when compared with the prior year balances.

Current liabilities consist primarily of accounts payable and accrued liabilities, the current portion of long-term debt and other liabilities. Noncurrent liabilities primarily consist of long-term debt and leases and compensated absences.

Accounts payable and accrued liabilities decreased by \$9.5 million or 9% from \$105.5 million at June 30, 2011 to \$96.0 million at June 30, 2012. In 2011, these current liabilities decreased by \$37.9 million or 26% from \$143.4 million at June 30, 2010. The decrease in 2012 is mainly related to the decrease in amounts due to the Commonwealth's component units as a result of lower unpaid utilities invoices. The decrease in 2011 is mainly related to the University's positive cash position in fiscal year 2011 which offset the excess of outstanding checks over bank balance of \$10.9 million at June 30, 2010 and reduced the unpaid health and medical benefit costs, accounts payable to suppliers and other accounts payable.

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Long-term debt and capital lease obligations decreased by \$45.0 million or 6% from \$727.4 million at June 30, 2011, to \$682.4 million at June 30, 2012. In 2011, long-term debt and lease increased by \$61.3 million or 9% from \$666.1 million at June 30, 2010. The decrease in 2012 mainly resulted from principal paid on long-term debt and capital leases of \$57.2 million, net of advances of \$12.7 million obtained from the lines of credit with GDB and a commercial bank. In June 2011, the University obtained a \$5 million non-revolving line of credit with GDB, which was increased to \$75 million in August 2011, to complete certain construction projects of the University's Program for Permanent Improvements. In October 2010, the University obtained a \$100 million revolving line of credit facility with GDB for working capital purposes, which was increased to \$125 million in October 2011. These lines of credit improved the University's cash positions at June 30, 2012 and 2011. The balances outstanding under the \$125 million and \$75 million lines of credit amounted to \$65.0 million and \$10.2 million, respectively, at June 30, 2012. In January 2012, the University entered into two term loan agreements with a commercial bank for a total amount of \$2.4 million for the acquisition of medical equipments to be used in the Medical Sciences Campus. The increase in 2011 mainly resulted from the \$100 million line of credit obtained from GDB in October 2010 which was partially offset by principal paid on capital debt and leases of \$28.9 million during the fiscal year ended June 30, 2011. The balance outstanding under this line of credit amounted to \$93.7 million at June 30, 2011.

Long-term debt includes the University's revenue bonds amounted to \$540.1 million and \$567.6 million as of June 30, 2012 and 2011, respectively. These bonds are currently rated "Ba1" by Moody's Investors Service and "BBB-" by Standard & Poor's Ratings Services.

Compensated absences amounted to \$167.1 million, \$156.7 million and \$163.1 million at June 30, 2012, 2011 and 2010, respectively, an increase of \$10.4 million or 7% in 2012 and of \$6.4 million or 4% in 2011 when compared with prior year balances. Changes in compensated absences are mainly related to variations on the use of vacations by employees and total employees at the end of periods.

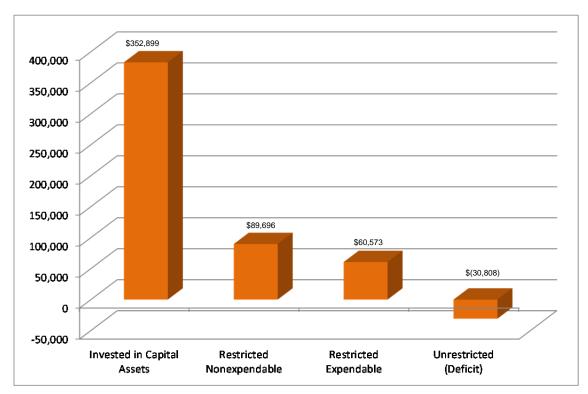
Net Assets

Net assets represent the residual interest in the University's assets after liabilities are deducted. Net assets amounted to \$472.4 million, \$426.1 million and \$368.1 million at June 30, 2012, 2011, and 2010, respectively, an increase of \$46.3 million or 11% in 2012 and of \$58.0 million or 16% in 2011 when compared with the prior year balances. These changes are explained in the section entitled "Statements of Revenues, Expenses and Changes in Net Assets".



The major classifications of the net assets at June 30, 2012 are shown in the following illustration:

Chart 1 – Net Assets (Dollars in thousands)



Net assets invested in capital assets, net of related debt, represent the University's capital assets less accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted nonexpendable net assets consist primarily of the University's permanent endowment funds. The corpus of these funds may not be expended and must remain with the University in perpetuity. Only the earnings from these funds may be expended. Restricted expendable net assets are subject to externally imposed restrictions governing their use. The funds are restricted primarily for debt service, capital projects, student loans and scholarship purposes.

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the University such as donors or grant agencies.



Statements of Revenues, Expenses and Changes in Net Assets

Approximately 87% of the operating revenues and non-operating revenues of the University are Federal and Commonwealth appropriations, grants and contracts. The remainder consists primarily of tuition and fees and patient services.

Operating Revenues

Total operating revenues amounted to \$370.5 million, \$354.5 million and \$265.1 million for the years ended June 30, 2012, 2011, and 2010, respectively, an increase of \$16.0 million or 5% in 2012 and an increase of \$89.4 million or 34% in 2011. The changes in operating revenues mainly resulted from the changes in tuitions and fees, in governmental grants and contracts and in patient services revenues.

Tuitions and fees decreased by \$976,000 or 1%, from \$73.4 million in 2011 to \$72.5 million in 2012, mainly as a result of a lower student enrollment at the University. For fiscal year 2012, the student body of the University consisted of approximately 56,659 students, a decrease of 5,130 students or 8% when compared with approximately 61,789 students for fiscal year 2011. For fiscal year 2010, the student body of the University consisted of approximately 65,026 students. In fiscal year 2010, a student conflict interrupted operations of the University campuses for up to 62 days. Historical data demonstrate that a decrease in applicants and enrollment always follows labor or student conflicts, recuperating thereafter to normal rates. The University tuition is among the lowest in Puerto Rico and in the United States of America. In accordance with a Board of Trustees Resolution, tuition cost per credit has been increased 4% annually per incoming class since academic year 2007-2008 to academic year 2011-2012. In 2011, tuitions and fees increased by \$31.6 million or 76%, from \$41.8 million in 2010, mainly as a result of the stabilization fee established by the Board of Trustees of the University on June 30, 2010 to address the University's budgetary deficit issues. This stabilization fee is charged to all students in addition to tuition charges and other fees already in place in the University. The stabilization fee amounts to \$400 per student per semester. This stabilization fee increased revenue from tuitions and fees by \$41.3 million in fiscal year ended June 30, 2011. However, the positive effect of the stabilization fee on the revenue from tuitions and fees in 2011 was partially offset by the increase in the scholarship allowances of \$22.8 million or 46%, from \$49.7 million in 2010 to \$72.6 million in 2011.

In 2012, revenues from governmental grants and contracts increased by \$12.7 million or 8% from \$161.5 million in 2011, to \$174.2 million in 2012. In 2011, these revenues increased by \$29.8 million or 23% from \$131.7 million in 2010. The increase in 2012 mainly resulted from the increase in the Commonwealth's grants and contracts for professional development of public school teachers and other purposes. The increase in 2011 mainly resulted from the increases in the federal and in the Commonwealth's grants and contracts for agricultural station services and other purposes.

Patient services revenue amounted to \$86.8 million, \$71.5 million and \$51.4 million for the years ended June 30, 2012, 2011, and 2010, respectively, an increase of \$15.3 million or 21 % in 2012 and an increase of \$20.1 million or 39 % in 2011. In 2012 and 2011, patient service revenue increased as a result of more services rendered to patients.



Non-operating Revenues

Total non-operating revenues amounted to \$994.9 million, \$1.04 billion and \$1.12 billion for the years ended June 30, 2012, 2011, and 2010, respectively, a decrease of \$42.6 million or 4% in 2012 and a decrease of \$87.0 million or 8% in 2011.

In 2011, the University received nonrecurring revenues from the American Reinvestment and Reconstruction Act (ARRA funds) of \$15.0 million when in 2010 it received \$105.0 million, a decrease of \$90 million. No such funds were received in 2012.

In addition, the Commonwealth appropriations amounted to \$834.1 million, \$839.4 million and \$839.3 million for the years ended June 30, 2012, 2011 and 2010, a decrease of \$5.3 million or less than 1% in 2012. They remained flat in 2011.

Appropriations from the Commonwealth are the principal source of revenues of the University and are mainly supported by Act No. 2 of January 20, 1966, as amended. Under the Act, the Commonwealth appropriates for the University an amount equal to 9.60% of the average total amount of annual general funds revenues collected under the laws of the Commonwealth in the two fiscal years immediately preceding the current fiscal year (the Commonwealth formula appropriations). The non-operating revenues were negatively impacted by the continued reduction in the Commonwealth formula appropriations as a result of the reduction in the Commonwealth's general funds revenues. The Commonwealth formula appropriations amounted to \$685.9 million, \$691.5 million and \$729.1 million for the years ended June 30, 2012, 2011, and 2010, respectively, a decrease of \$5.6 million or less than 1% in 2012 and a decrease of \$37.6 million or 5% in 2011. On April 7, 2013, Act No. 7 amended Act No. 2 of January 20, 1966, as amended, and revised the formula for the Commonwealth appropriations effective July 1, 2013. Refer to Subsequent Events Section.

In addition, the Commonwealth has appropriated amounts for general current obligations, for capital improvement programs, and for loans and financial assistance to students. These Commonwealth appropriations amounted to \$148.2 million, \$147.9 million and \$110.2 million for the years ended June 30, 2012, 2011, and 2010, respectively, an increase of \$284,000 in 2012 and an increase of \$37.7 million or 34% in 2011. These appropriations remained flat in 2012. In 2011, the increase mainly resulted from the appropriations received from the Special Scholarship Fund. By virtue of Act No. 176 of November 2010, as amended by Act No. 46 of April 2011, the Commonwealth of Puerto Rico had committed to transfer 10% of the Additional Lottery's net annual income with a guaranteed minimum amount of \$30 million per academic year, for the creation of a Special Scholarship Fund for the University of Puerto Rico. The purpose of the fund was to provide financial aid to graduate and undergraduate students. The fund was administered by the University. Proceeds of this fund received by the University in 2012 and 2011 amounted to \$30 million, of which \$25.9 million and \$23.4 million were granted as scholarships during the fiscal years ended June 30, 2012 and 2011, respectively. Unused fund balance at June 30, 2012 and 2011 amounted to \$10.7 million and \$6.6 million, respectively. On April 7, 2013, Act No. 176 was derogated by Act No. 7, which among other matters, eliminated the Special Scholarship Fund for the University. Refer to Subsequent Events Section.



Federal Pell Grant program revenues amounted to \$174.1 million in 2012 and \$179.2 million in 2011 and in 2010, a decrease of \$5.1 million or 3% in 2012 and remained flat in 2011. The decrease in 2012 was mainly due to the decrease in the Federal Pell Grant assistance along with a decrease in the number of eligible participants.

The following illustration presents the major sources of the University revenues (both operating and nonoperating) for the year ended June 30, 2012:

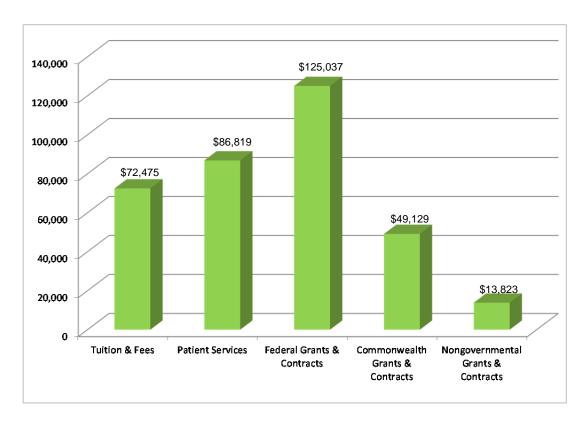
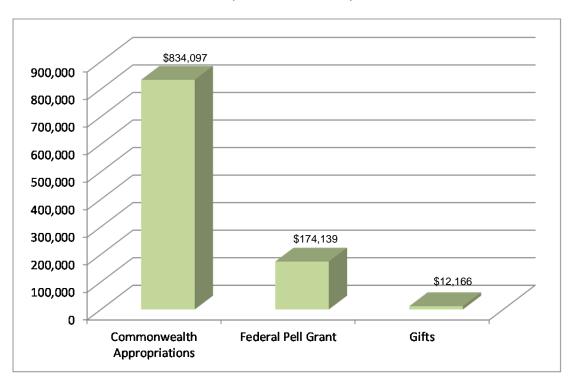


Chart 2 – Major Sources of Operating Revenues (Dollars in thousands)

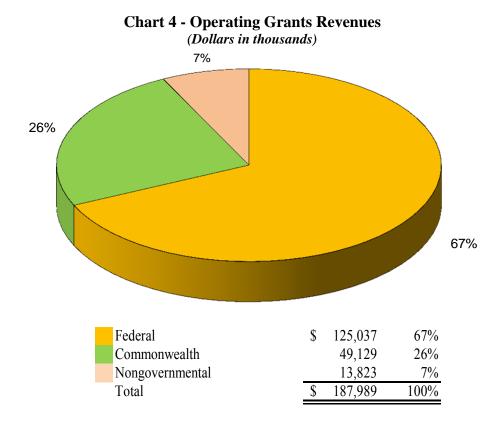


Chart 3 – Major Sources of Nonoperating Revenues (Dollars in thousands)





Federal grants represent 67% of the University operating grants revenues. The following illustration presents the operating grants revenues of the University of Puerto Rico for the year ended June 30, 2012:



Operating Expenses

The University's expenses are presented using natural expense classifications. Total operating expenses amounted to \$1.32 billion, \$1.35 billion and \$1.42 billion for the years ended June 30, 2012, 2011, and 2010, respectively, a decrease of \$29.3 million or 2% in 2012 and a decrease of \$72.2 million or 5% in 2011. The reduction in operating expenses is the result of the cost control measures taken by University in the fiscal years 2012 and 2011.



Salaries and benefits, the most significant component of operating expenses, amounted to \$827.8 million, \$860.1 million and \$933.6 million for the years ended June 30, 2012, 2011 and 2010, respectively, a decrease of \$32.3 million or 4% in 2012 and a decrease of \$73.6 million or 8% in 2011. In 2012 and 2011, these expenses decreased as a result of strict control measures taken by Management which includes the replacement of no more than 33% of retired employees, reductions in employees' benefits such as excess compensated absences, among others. In 2012, the University reduced about 250 positions of retired employees and of employees under contracted services. Notwithstanding that salary expense decreased in 2012, the University increased its contribution rate to the retirement plan from 13.0% to 14.7% which resulted in an increase of \$4.3 million in the contribution benefit to the retirement plan. In 2011, the University reduced about 800 positions of retired employees and of employees under contracted services. Notwithstanding that salary expense decreased in 2011, the University increased its contribution rate to the retirement plan from 11.4% to 13.0% which resulted in an increase of \$10.0 million in the contribution benefit to the retirement plan.

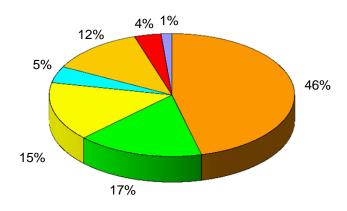
Scholarships and fellowships amounted to \$204.0 million, \$215.2 million and \$211.8 million for the years ended June 30, 2012, 2011 and 2010, respectively, a decrease of \$11.2 million or 5% in 2012 and an increase of \$3.4 million or 2% in 2011. The decrease in 2012 mainly resulted from a decrease in the number of eligible participants. The increase in 2011 mainly resulted from \$24.0 million in scholarships granted under the Special Scholarship Fund approved by Act No. 176 of November 2010, as amended by Act No. 46 of April 2011, which was partially offset by a decrease in the number of eligible participants.

Supplies and other services and utilities amounted to \$222.7 million, \$206.5 million and \$198.7 million for the years ended June 30, 2012, 2011 and 2010, respectively, an increase of \$16.2 million or 8% in 2012 and an increase of \$7.8 million or 4% in 2011. The increases in 2012 and 2011 mainly resulted in the utilities expense category (mainly electricity), in supplies for educational and medical purposes and in additional professional services. Utilities amounted to \$58.0 million, \$50.6 million and \$48.5 million for the years ended June 30, 2012, 2011 and 2010, respectively, an increase of \$7.4 million or 15% in 2012 and of \$2.1 million or 4% in 2011. Such increases in utilities mainly resulted from significant oil prices increases experienced during the both periods.



The following illustration presents the major University operating expenses, using natural classification for the year ended June 30, 2012:

Chart 5 - Operating Expenses (Dollars in thousands)

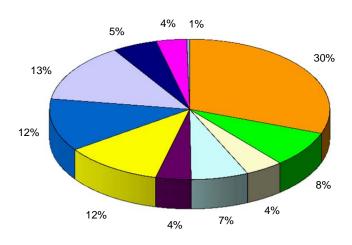


Salaries	\$ 607,115	46%
Benefits	220,640	17%
Scholarships and fellowships	203,959	15%
Supplies and other services	164,710	12%
Utilities	58,027	5%
Depreciation and amortization	46,474	4%
Other expenditures	20,448	1%
Total	\$ 1,321,373	100%



Functional expense classification presents University expenses in the operational categories they benefit. The following illustration presents the major uses of University revenues (both operating and nonoperating) on a functional basis for the year ended June 30, 2012:

Chart 6 - Expenses by Function (Dollars in thousands)



Instruction	\$ 402,901	30%
Research	108,288	8%
Public service	57,478	4%
Academic support	86,988	7%
Student services	53,657	4%
Institutional support	155,162	12%
Operation and maintenance	159,361	12%
Student aid	178,627	13%
Patient service	68,027	5%
Depreciation and amortization	46,474	4%
Other	 4,410	1%
Total	\$ 1,321,373	100%



Operating Loss and Net Change in Net Assets

For the year ended June 30, 2012, the University reported an operating loss of \$950.8 million. After adding nonoperating revenues of \$994.9 million, primarily from the Commonwealth's appropriations and Federal programs, and capital appropriations and additions to term and permanent endowments of \$2.3 million, the net assets increased by \$46.3 million for the year ended June 30, 2012 or 11% of last year net assets.

For the year ended June 30, 2011, the University reported an operating loss of \$996.2 million. After adding nonoperating revenues of \$1.04 billion, primarily from the Commonwealth's appropriations and Federal programs, and capital appropriations and additions to term and permanent endowments of \$16.6 million, the net assets increased by \$58.0 million for the year ended June 30, 2011 or 16% of last year net assets.

Statements of Cash Flows

Net cash provided by noncapital financing activities were primarily due to the receipts of the Commonwealth's appropriations and the federal Pell grants and the federal direct loans. Net cash provided by (used in) investing activities mainly results from the proceeds from sales and maturities of investments, net of the purchases of investments. The change in cash and cash equivalents was partially offset by the cash used in capital and related financing activities and in operating activities. Net cash used in capital and related financing activities was primarily due to purchases of capital assets and principal and interest payments on capital debt and leases. Net cash used in operating activities is consistent with the University's operating loss.

Subsequent Events

Subsequent events were evaluated through August 22, 2013, the date the financial statements were available to be issued, to determine if such events should be recognized or disclosed in the 2012 financial statements.

In January 2013, the \$75 million line of credit facility with the Government Development Bank for Puerto Rico was amended to extend the maturity date to January 31, 2014.

On April 7, 2013, Act No. 7 amended Act No. 2 of January 20, 1966, as amended, to revise the formula for the Commonwealth appropriations, an amount equal to 9.60% of the average total amount of annual general funds revenues collected under the laws of the Commonwealth in the two fiscal years immediately preceding the current fiscal year. Act No.7 is effective on July 1, 2013. Management expects to receive approximately \$77 million in additional Commonwealth formula appropriations in fiscal year 2014 as a result of Act No. 7.



In addition, Act No. 7 of April 7, 2013 derogated Act No. 176 of November 2010, as amended by Act No. 46 of April 2011, in which the Commonwealth of Puerto Rico had committed to transfer 10% of the Additional Lottery's net annual income with a guaranteed minimum amount of \$30 million per academic year, for the creation of a Special Scholarship Fund for the University of Puerto Rico. The purpose of the fund was to provide financial aid to graduate and undergraduate students. Management expects a reduction in the Commonwealth appropriations and in scholarships expense of approximately \$30.0 million in fiscal year 2014 as a result of the derogation of Act. No. 176.

On January 26, 2013, Board of Trustees of the University approved Certification No. 41 (2012-2013) which derogated the stabilization fee established by the Board of Trustees of the University on June 30, 2010 to address the University's budgetary deficit issues. This stabilization fee was charged to all students in addition to tuition charges and other fees already in place in the University. The stabilization fee amounted to \$400 per student per semester. Board of Trustees Certification No. 41 is effective on July 1, 2013. Management expects a reduction in tuitions and fees of approximately \$47 million in fiscal year 2014 as a result of the derogation of the stabilization fee.

On April 30, 2013, Act No. 13 derogated Article 3 of Act No. 1 of 1966, as amended, and established a new Article 3 of Act No. 1 that, among other matters, defines the composition, faculties and duties of the Governing Board of the University of Puerto Rico (the "Governing Board"), the new governing body of the University. Act No. 13 substitutes the Board of Trustees of the University with the Governing Board composed of thirteen members, of which nine members are appointed by the Governor of Puerto Rico and confirmed by the Senate of Puerto Rico. The remaining members of the Governing Board consist of two tenured professors and two full-time students. The Secretary of the Department of Education of the Commonwealth becomes ex-officio member of the Governing Board.

Federal Assistance Programs

The University participates in a number of federal financial assistance programs. These programs are subject to audits in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, or to compliance audits by grantor agencies.

Effective April 23, 2012, the National Science Foundation (NSF), an independent U.S. government agency, suspended the federal awards for research and development in the Research and Development Center at the Mayagüez Campus and in the Resource Center for Science and Engineering ascribed to the Central Administration unit of the University because the University has not corrected the time and effort reporting deficiencies as established in the Corrective Action Plan related to previous audits' findings. NSF is responsible for promoting science and engineering through research programs and education projects. NSF will not reimburse expenditures incurred on and after April 23, 2012 by the University in the involved units. Most of the research and training activities under grants affected by the Suspension Status continue with funding from the University. Significant interactions between NFS and the University has led to a robust body of Effort Reporting System (ERS) policies and procedures, the creation of a system-wide Office for Research Compliance and Integrity and an overarching committee for continuous assessment and creation of sponsored programs, policies and procedures. The University is actively working with NSF to achieve full compliance and lift the administrative suspension.



The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Management believes the impact will not be material to the University's financial statements.

Capital Assets and Debt Administration

• Capital assets, net decreased by \$12.8 million or 1% in 2012

Capital assets are comprised of buildings used to provide high quality education and create new knowledge in the Arts, Sciences and Technology, equipments and assets under capital lease. Significant capital assets additions for the year ended June 30, 2012, consisted mainly of renovation and rehabilitation of existing facilities, restoration of historic buildings, and modifications of existing facilities in light of new technology, educational standards and the requirements of modern building codes. Capital assets decreased by \$12.8 million or 1% from \$965.9 million at June 30, 2011, to \$953.1 million at June 30, 2012. The change in 2012 mainly resulted from the University's investment in construction projects and other capital assets that amounted to \$36.0 million, which effect was partially (or totally) offset by the depreciation and amortization expense of \$46.5 million. Construction commitments at June 30, 2012, entered into by the University, amounted to approximately \$46.6 million. Refer to Note 5 to the financial statements for further information regarding the University's net capital assets.

Long-term debt and capital lease obligation decreased by \$45.0 million or 6% in 2012

The decrease in 2012 mainly resulted from principal paid on long-term debt and capital leases of \$57.2 million, net of advances of \$12.7 million obtained from the lines of credit with GDB and a commercial bank.

Long-term debt includes the University's revenue bonds and amounted to \$540.1 million as of June 30, 2012. The University has issued revenue bonds designated as "University System Revenue Bonds", the proceeds of which have been used mainly to finance new activities in connection with its educational facilities construction program and to cancel and refinance previous debts incurred. These bonds are currently rated "Ba1" by Moody's Investors Service (Moody's) and "BBB-" by Standard & Poor's Ratings Services (S&P). On December 14, 2012, Moody's downgraded the rating of the University's revenue bonds from Baa2 to Ba1. This rating action followed the downgrade on December 13, 2012 of the Commonwealth of Puerto Rico (the Commonwealth) and the Government Development Bank for Puerto Rico Rico's bonds. In March 2013, S&P and Moody's revised their outlook perspectives of the University's revenue bonds to negative mainly as a result of the downgrade and negative outlook of the Commonwealth, which it has generally mirrored given the University significant dependence on Commonwealth's appropriations. While this strong link to the Commonwealth has historically benefited the University in terms of annual appropriations growth, its revenue stream is concentrated and vulnerable to the Commonwealth's economic slowdowns.



In October 2007, the University entered into a capital lease agreement with Desarrollos Universitarios, Inc., a nonprofit corporation and discretely presented component unit of the University. The agreement is for the use of Plaza Universitaria, a residential and commercial facility for the use of students and other persons or entities conducting business with the University.

In June 2011, the University obtained a \$5 million non-revolving line of credit with GDB, which was increased to \$75 million in August 2011, to complete certain construction projects of the University's Program for Permanent Improvements. In October 2010, the University obtained a \$100 million revolving line of credit facility with GDB for working capital purposes, which was increased to \$125 million in October 2011. The balances outstanding under the \$125 million and \$75 million lines of credit amounted to \$65.0 million and \$10.2 million, respectively, at June 30, 2012. In January 2012, the University entered into two term loan agreements with a commercial bank for a total amount of \$2.4 million for the acquisition of medical equipment to be used in the Medical Sciences Campus.

Refer to Notes 6, 7, 8 and 9 to the financial statements for further information regarding the University's long-term debt and capital lease obligation.

Economic Outlook

The University's business activities are conducted in Puerto Rico. Its operating results are mainly funded by nonoperating revenues mainly from the Commonwealth of Puerto appropriations and from the United States of America Government grants (Federal Pell Grant Program).

Puerto Rico uses the U.S. currency and forms part of the U.S. financial system. Factors affecting the U.S. economy usually have a significant impact on the performance of the Puerto Rico economy. These include exports, direct investment, the amount of federal transfer payments, the level of interest rates, the level of oil prices, the rate of inflation, and tourist expenditures, among others. In the past, the economy of Puerto Rico has generally followed economic trends in the overall U.S. economy.

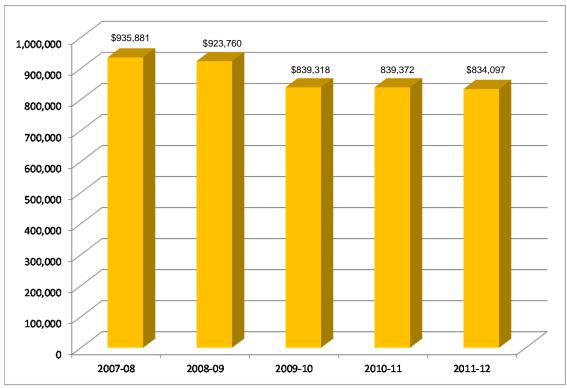
The Puerto Rico economy is currently in a recession that began officially in the fourth quarter of fiscal year 2006, a fiscal year in which the real gross national product grew by only 0.5%. There has been an overall contraction in sectors of Puerto Rico's economy, principally within the manufacturing and construction sectors, coupled with declines in tourism and retail sales, budget shortfalls and diminished consumer buying power driven by the implementation of a sales tax.

Appropriations from the Commonwealth are the principal source of revenues of the University and are supported by Act No. 2 of January 20, 1966, as amended. Under the Act, the Commonwealth appropriates for the University an amount equal to 9.60% of the average total amount of annual general funds revenues collected under the laws of the Commonwealth in the two fiscal years immediately preceding the current fiscal year. In addition, the Commonwealth has appropriated amounts for general current obligations, for capital improvement programs, and for loans and financial assistance to students.



The Commonwealth appropriations for the last five years are illustrated below:

Chart 7 – Commonwealth Appropriations (Dollars in thousands)



⁽¹⁾Includes restricted funds for special activities.

If economic conditions worsen more than expected, it could significantly reduce the Commonwealth's revenues and therefore reduce the University's revenues from the Commonwealth's appropriations, which could have an adverse effect on the University's financial position or changes in its net assets.

The University and the Puerto Rico Industrial Development Company (PRIDCO) entered into an agreement to create the "Fondo de Investigación del Centenario de la Universidad de Puerto Rico" on June 30, 2004. As part of the agreement, the University will receive from PRIDCO \$40 million on a tenyear period of which PRIDCO has granted \$24.2 million as of June 30, 2012. The University expects to collect the remaining balance.



Request for Information

This financial report is designed to provide a general overview of the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance. The executive offices of the University are located at 1187 Flamboyán Street, Jardín Botánico Sur, San Juan, Puerto Rico 00926.



University of Puerto Rico (A Component Unit of the Commonwealth of Puerto Rico) Statements of Net Assets

	June 30				
		2012	50	2011	
Assets					
Current assets:					
Cash and cash equivalents	\$	94,529,117	\$	96,139,332	
Restricted cash and cash equivalents		12,056,085		8,396,509	
Investments at fair value		80,135,053		73,997,945	
Restricted investments at fair value- deposited with trustee		54,649,587		54,649,613	
Accounts receivable (less allowances for doubtful accounts of \$132,074,100 and \$169,503,873 for 2012					
and 2011, respectively)		126,562,190		88,408,504	
Due from Commonwealth of Puerto Rico		15,500,000		31,598,442	
Inventories		3,311,406		3,518,775	
Prepaid expenses and deferred charges		476,496		3,853,165	
Total current assets		387,219,934		360,562,285	
Noncurrent assets:					
Restricted cash and cash equivalents		3,170,788		3,479,692	
Restricted investments at fair value		88,120,242		84,818,821	
Due from Commonwealth of Puerto Rico		11,720,254		24,720,254	
Prepaid pension asset and other assets		70,118,269		66,317,282	
Notes receivable, net		3,940,201		3,312,394	
Capital assets (net of accumulated depreciation and amortization):					
Land and other nondepreciable assets		109,024,213		158,829,439	
Depreciable assets		844,029,672		807,065,961	
Total noncurrents assets		1,130,123,639		1,148,543,843	
Total assets		1,517,343,573		1,509,106,128	
Liabilities Current liabilities:					
Accounts payable and accrued liabilities		96,017,574		105,482,890	
Current portion of long-term debt		30,404,791		45,056,638	
Obligation under capital lease, current portion		1,472,628		1,383,308	
Other current liabilities		37,222,070		32,979,704	
Total current liabilities		165,117,063		184,902,540	
Noncurrent liabilities:					
Long-term debt, net of current portion		587,328,733		616,290,379	
Obligation under capital lease, net of current portion		63,220,500		64,693,128	
Other long-term liabilities		229,317,139		217,162,554	
Total noncurrent liabilities		879,866,372		898,146,061	
Total liabilities		1,044,983,435		1,083,048,601	

(Continued)



University of Puerto Rico (A Component Unit of the Commonwealth of Puerto Rico) Statements of Net Assets (continued)

	June 30					
		2012		2011		
Net assets						
Invested in capital assets, net of related debt	\$	352,899,491	\$	337,279,006		
Restricted, nonexpendable:						
Scholarship and fellowships		32,041,023		33,093,435		
Research		46,733,728		53,175,807		
Other		10,920,969		1,703,227		
Restricted, expendable:						
Loans		8,008,289		7,675,624		
Capital projects		_		5,388,897		
Debt service		52,564,612		52,087,812		
Unrestricted (deficit)		(30,807,974)		(64,346,281)		
Total net assets	\$	472,360,138	\$	426,057,527		

See accompanying notes.



University of Puerto Rico (A Component Unit of the Commonwealth of Puerto Rico) Statements of Revenues, Expenses and Changes in Net Assets

Revenues 500 50		Year Ended June 30			
Revenues Tuitions and fees (net of scholarship allowances of \$66,985,162 and \$72,\$84,268 for 2012 and 2011, respectively) \$ 72,474,954 \$ 73,451,284 Net patients revrices revenue and other \$ 86,819,429 71,465,562 Federal grants and contracts 125,037,138 134,209,649 Commonwealth grants and contracts (net of provision (credit) to allowances 13,823,194 15,106,195 Sales and services of educational departments 11,620,001 8,991,008 Auxiliary enterprises (net of scholarship allowances of \$136,405 2,986,223 3,000,567 Other operating revenues 3,593,530 20,909,278 Total operating revenues 3,593,530 354,406,818 Exempt staff 26,3976,483 375,389,975 Solaries 21,204,618 273,389,789 Scholarships and fellowships 20,398,904 215,204,518 </th <th></th> <th></th> <th></th> <th>June 30</th> <th></th>				June 30	
Tuttions and fees (net of scholarship allowances of \$66,985,162 and \$72,584,268 for 2012 and 2011, respectively)	Revenues		2012		2011
Tuttions and fees (net of scholarship allowances of \$66,985,162 and \$72,584,268 for 2012 and 2011, respectively)					
and \$72,584,268 for 2012 and 2011, respectively) \$ 72,474,954 \$ 73,451,284 Net patient services revenue and other \$ 86,819,429 \$ 71,465,526 Federal grants and contracts 125,037,138 134,209,649 Commonwealth grants and contracts (net of provision (credit) to allowances of (\$5,322,450) and \$2,394,595 for 2012 and 2011, respectively) 49,128,919 27,337,138 Nongovernmental grants and contracts 11,620,001 8,991,008 Sales and services of educational departments 11,620,001 8,991,008 Auxiliary enterprises (net of scholarship allowances of \$136,405 2,986,223 3,000,567 Other operating revenues 8,593,330 20,909,278 Total operating revenues 342,326,653 345,848,868 Exempt staff 263,976,483 275,389,975 Nonexempt wages 211,761 733,515 Benefits 203,958,904 215,204,518 Supplies and other services 141,700,63 155,972,533 Utilities 58,072,11 50,588,80 Depreciation and amortization 46,473,333 43,921,10 Other expenses 20,448,044 24,871,422	• 0				
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Federal grants and contracts 125,037,138 134,209,649 Commonwealth grants and contracts (net of provision (credit) to allowances of (\$5,322,450) and \$2,394,595 for 2012 and 2011, respectively) 49,128,919 27,337,138 Nongovernmental grants and contracts 11,600,001 8,991,008 Auxiliary enterprises (net of scholarship allowances of \$136,405 11,600,005 and \$85,476 for 2012 and 2011, respectively) 2,986,223 3,000,567 Other operating revenues 3,593,530 20,909,278 Total operating revenues 3,593,530 345,848,868 Exempt staff 263,976,483 275,398,975 Scholarships and fellowships 220,640,249 238,097,899 Scholarships and fellowships 220,640,249 238,097,899 Scholarships and fellowships 230,958,904 215,204,518 Supplies and other services 164,710,063 155,972,533 Utilities 58,027,211 50,588,088 Depreciation and amortization 4,593,333 43,921,130 Other expenses 20,448,034 24,871,422 Total operating expenses 20,448,034 24,871,422 Total operating expenses 20,448,034 24,871,422 Total operating revenues (expenses) 238,1749 2,568,356 Nonoperating revenues (expenses) 238,1749 2,568,356 Interest on capital assets - related debt (23,477,739) (13,828,789) Interest on capital assets - related debt (23,477,739 1,787,458 Interest on notes payable 44,570,254 1,787,578 Additions term and permanent endowments 44,020,322 41,340,656					
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Income before other revenues 44,020,322 41,340,656 Capital appropriations 465,279 5,579,578 Additions to term and permanent endowments 1,817,010 11,044,066					
Additions to term and permanent endowments 1,817,010 11,044,066	1 5			-	<u> </u>
Additions to term and permanent endowments 1,817,010 11,044,066	Capital appropriations		465,279		5,579,578
	• •• •				11,044,066
	Change in net assets		46,302,611		57,964,300
Net assets:	Net assets:				
Beginning of year 426,057,527 368,093,227	Beginning of year		426,057,527		368,093,227
End of year \$ 472,360,138 \$ 426,057,527		_\$		\$	

See accompanying notes.



University of Puerto Rico (A Component Unit of the Commonwealth of Puerto Rico) Statements of Cash Flows

	Year Ended June 30		
	2012	2011	
Cash flows from operating activities			
Tuition and fees	\$ 72,089,231	\$ 71,155,116	
Grants and contracts	169,312,230	186,752,877	
Patient services	70,853,228	65,391,480	
Auxiliary enterprises	2,986,223	3,000,567	
Sales and services educational departments and other	20,213,531	29,900,284	
Payments to suppliers	(178,868,605)	(216,840,623)	
Payments to employees	(601,788,241)	(618,868,343)	
Payments for benefits	(220,710,086)	(238,665,640)	
Payments for utilities	(55,745,561)	(54,815,847)	
Payments for scholarships and fellowships	(203,958,903)	(215,204,517)	
Loans issued to students, net of repayments	(627,807)	(196,627)	
Other receipts (payments)	(1,429,824)	405,590	
Net cash used in operating activities	(927,674,584)	(987,985,683)	
Cash flows from noncapital financing activities			
Commonwealth appropriations	857,037,324	852,231,723	
Federal ARRA program	-	15,000,000	
Pell grant	174,139,169	179,160,009	
Endowment gifts	1,817,010	11,044,066	
Proceeds from noncapital debt	_	93,705,769	
Principal paid on noncapital debt	(28,706,660)	_	
Interest paid on notes payable	(4,629,396)	(1,334,547)	
Other non-operating revenues	173,075	1,357,205	
Gifts and grants for other than capital purposes	12,166,408	15,666,211	
Net cash provided by noncapital financing activities	1,011,996,930	1,166,830,436	
Cash flows from capital and related financing activities			
Capital appropriations	465,279	5,579,578	
Purchases of capital assets	(35,965,027)	(49,217,333)	
Proceeds from sales of capital assets	231,413	1,126,820	
Proceeds from capital debt	12,674,324	_	
Principal paid on capital debt and lease	(28,462,025)	(28,946,245)	
Interest paid on capital debt and lease	(24,469,100)	(17,420,460)	
Decrease (increase) in deposit with trustee	26_	(26,740)	
Net cash used in capital and related financing activities	(75,525,110)	(88,904,380)	
Cash flows from investing activities			
Proceeds from sales and maturities of investments	35,790,786	69,666,116	
Purchases of investments	(45,229,314)	(57,551,068)	
Collections of interest and dividend income on investments	2,381,749	2,568,356	
Net cash provided by (used in) investing activities	(7,056,779)	14,683,404	
Net change in cash and cash equivalents	1,740,457	104,623,777	
Cash and cash equivalents:			
Beginning of year	108,015,533	3,391,756	
End of year	\$ 109,755,990	\$ 108,015,533	

(Continued)



University of Puerto Rico (A Component Unit of the Commonwealth of Puerto Rico) Statements of Cash Flows (continued)

	Year Ended June 30			
		2012		2011
Reconciliation of operating loss to net cash used in operating activities				
Operating loss	\$	(950,889,303)	\$	(996,166,984)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization		46,473,333		43,921,130
Provision for doubtful accounts		7,104,484		8,831,226
Changes in operating assets and liabilities: Decrease (increase) in:				
Grants and contracts receivables		(29,062,334)		793,251
Prepaid expenses, inventories and other Increase (decrease) in:		(844,756)		(10,148,345)
Excess of outstanding checks over bank balance		_		(10,920,460)
Accounts payable and accrued liabilities		(7,884,460)		(27,408,513)
Accrued salaries, wages, benefits and other liabilities		7,428,452		3,113,012
Net cash used in operating activities	\$	(927,674,584)	\$	(987,985,683)
Supplemental schedule of noncash investing, capital and financing activities: Due from Servicios Médicos Universitarios, Inc.				
forgiven by the University of Puerto Rico	\$	34,496,756	\$	_

See accompanying notes.



Discretely Presented Component Unit Servicios Médicos Universitarios, Inc. Statements of Net Assets (Deficit)

	T 20			
	June 30			2011
Acceta		2012		2011 As Restated
Assets			1	As Kestatea
Current assets:	Φ	7 240 015	¢	2 142 696
Cash and cash equivalents	\$	7,240,915	\$	3,142,686
Patient accounts receivable, net of allowance for doubtful		12.024.656		12 215 572
accounts of \$24,037,203 for 2012 and \$14,885,379 for 2011		12,924,676		13,215,573
Accounts receivable - other		2,009,910		1,118,160
Due from related parties		9,318,328		8,354,159
Inventories of supplies		1,008,543		1,050,759
Prepaid expenses		229,368		250,963
Estimated third-party payor settlements-Medicare		444,106		2,079,005
Total current assets		33,175,846		29,211,305
Noncurrent assets:				
Capital assets (net of accumulated depreciation and amortization				
of \$12,590,159 for 2012 and \$11,038,785 for 2011)		1 002 (42		260.942
Nondepreciable assets Depreciable assets		1,083,642		260,842
•		4,767,399		4,555,485
Due from Department of Health of the Commonwealth of Puerto Rico		155 (2)		127 (50
		155,636		137,650 4,953,977
Total noncurrent assets		6,006,677		
Total assets		39,182,523		34,165,282
Liabilities				
Current liabilities:				
Current portion of long-term debt and capital lease obligation	\$	1,791,641	\$	1,681,119
Accounts payable	•	17,729,053		17,464,644
Due to related parties		16,596,452		49,356,458
Accrued payroll taxes and employee benefits		1,691,204		1,502,296
Accrued expenses		2,924,144		2,013,275
Total current liabilities		40,732,494		72,017,792
		, ,		
Noncurrent liabilities:				
Long-term debt and capital lease obligation, net of current portion		17,653,223		19,222,494
Accrued claim losses		1,215,796		1,134,796
Total noncurrent liabilities		18,869,019		20,357,290
Total liabilities		59,601,513		92,375,082
77		(00.446.555)	<u></u>	(50.000.000
Net assets- unrestricted (deficit)	\$	(20,418,990)	\$	(58,209,800)

See accompanying notes.



Discretely Presented Component Unit Servicios Médicos Universitarios, Inc. Statements of Revenues, Expenses and Changes in Net Assets (Deficit)

	Year Ended June 30				
	2012	2011			
		As Restated			
Revenues					
Operating revenues:					
Net patient service revenue, net of provisions of \$9,333,453					
for 2012 and \$9,628,460 for 2011	\$ 42,269,761	\$ 38,248,101			
Capital revenue	993,782	3,185,174			
Other revenue	1,830,992	1,624,509			
Total operating revenues	45,094,535	43,057,784			
Operating Expenses:					
Salaries and benefits	15,953,049	15,085,774			
Contracted services	3,229,444	3,018,469			
Professional services	2,960,330	3,287,431			
Supplies	13,470,657	12,944,843			
Utilities	3,323,787	2,708,728			
Provision for claim losses	150,000	150,000			
Depreciation and amortization	1,551,374	1,634,396			
Other	187,787	192,223			
Total operating expenses	40,826,428	39,021,864			
Operating income	4,268,107	4,035,920			
Nonoperating expenses- interest on notes payable	(974,053)	(1,133,234)			
Income before other revenues	3,294,054	2,902,686			
Contribution from the University of Puerto Rico -					
forgiveness of debt	34,496,756	_			
Change in net assets	37,790,810	2,902,686			
Net assets:					
Beginning of year, as previously reported	(58,209,800)	(61,683,244)			
Prior period adjustment	-	570,758			
Net assets at beginning of year	(58,209,800)	(61,112,486)			
Net assets at end of year	\$ (20,418,990)	\$ (58,209,800)			
The desert at end of year	ψ (20,410,330)	ψ (30,207,800)			

See accompanying notes.



Discretely Presented Component Unit Desarrollos Universitarios, Inc. Statements of Net Assets

	т.	June 30	
	2012	2011	
Assets	2012	2011	
Current assets:			
Cash	\$ 1,735,580	\$ 1,721,322	
Restricted funds held by trustee	15,059,470	14,621,673	
Current portion of net investment in direct financing lease	1,480,996	1,383,308	
Reimbursable tenant improvements unbilled, net of construction			
certifications payable of \$127,745 for 2011	1,253,710	424,557	
Total current assets	19,529,756	18,150,860	
Noncurrent assets:			
Restricted cash	757,491	1,322,158	
Net investment in direct financing lease, net of current portion	63,358,429	64,847,637	
Capital assets- depreciable assets net of accumulated depreciation of		· ,· · ,· ·	
\$28,068 for 2012 and \$19,409 for 2011	4,433	13,092	
Bond issuance costs, net of accumulated amortization	,	•	
of \$871,112 for 2012 and \$790,920 for 2011	1,918,112	1,998,304	
Other assets	436,418	274,951	
Total noncurrent assets	66,474,883	68,456,142	
Total assets	86,004,639	86,607,002	
Liabilities			
Current liabilities:			
Current portion of bonds payable	\$ 1,860,000	\$ 1,760,000	
Construction contract and other development payables,	. , ,	, ,	
retainage of \$1,553,736 for 2012 and 2011	1,633,736	1,633,736	
Operating trade accounts payable	88,500	85,294	
Accrued interest payable	1,920,969	1,970,469	
Accrued costs and expenses	1,130,364	1,139,626	
Due to University of Puerto Rico, net	133,716	18,844	
Commercial tenants and student dormitories security deposits	68,185	127,491	
Total current liabilities	6,835,470	6,735,460	
Noncurrent liabilities:			
Bonds payable, net of current portion and discount of			
\$219,748 for 2012 and \$236,856 for 2011	72,490,252	74,333,144	
Total liabilities	79,325,722	81,068,604	
Net assets:			
Invested in capital assets, net of related debt	4,433	13,092	
Restricted, expendable:	,	•	
Capital project	1,432,390	1,432,390	
Debt service	8,212,375	7,825,078	
Others	689,306	1,194,667	
Unrestricted (deficit) Total net assets	(3,659,587) \$ 6,678,917	\$\frac{(4,926,829)}{\$5,538,398}	
	\$ 6,678,917		

See accompanying notes.



Discretely Presented Component Unit Desarrollos Universitarios, Inc. Statements of Revenues, Expenses and Changes in Net Assets

	Year Endo	ed June 30
	2012	2011
Revenues:		
Operating revenues: Income from investment in direct financing lease Fixed management fee Reimbursable expenditures fee	\$ 4,310,412 900,000 2,386,245	\$ 4,398,634 900,000 2,382,513
Total operating revenues	7,596,657	7,681,147
Operating expenses: Project operation and maintenance General and administrative	2,342,045 600,446	2,426,816 625,980
Total operating expenses Operating income	2,942,491 4,654,166	3,052,796 4,628,351
Nonoperating revenues (expenses): Interest and other financing related expenses Interest income	(3,939,910) 426,263	(4,040,222) 424,603
Net nonoperating expenses	(3,513,647)	(3,615,619)
Change in net assets	1,140,519	1,012,732
Net assets: Beginning of year	5,538,398	4,525,666
End of year	\$ 6,678,917	\$ 5,538,398

See accompanying notes.

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University of Puerto Rico

Notes to Financial Statements June 30, 2012

1. Reporting Entity and Summary of Significant Accounting Policies

A. Reporting Entity

The University of Puerto Rico (the University), founded in 1903, is a state supported university system created by Law No. 1 of January 20, 1966, "Law of the University of Puerto Rico" ("Act No. 1"), as amended, with the mission to serve the people of Puerto Rico and contribute to the development and enjoyment of the fundamental, ethical and esthetic values of Puerto Rican culture, and committed to the ideals of a democratic society. To advance its mission, the University strives to provide high quality education and create new knowledge in the Arts, Sciences and Technology.

The University is a public corporation of the Commonwealth of Puerto Rico (the Commonwealth) governed by a seventeen-member Board of Trustees, of which fourteen members were appointed by the Governor of Puerto Rico and confirmed by the Senate of Puerto Rico. The remaining members of the Board consisted of one full-time student and two tenured professors. The Governor appointed the original members for a term of six years. The terms for the student and professors are one year.

On April 30, 2013, Act No. 13 derogated Article 3 of Act No. 1 of 1966, as amended, and established a new Article 3 of Act No. 1 that, among other matters, defines the composition, faculties and duties of the Governing Board of the University of Puerto Rico (the "Governing Board"), the new governing body of the University. Act No. 13 substitutes the Board of Trustees of the University with the Governing Board composed of thirteen members, of which nine members are appointed by the Governor of Puerto Rico and confirmed by the Senate of Puerto Rico. The remaining members of the Governing Board consist of two tenured professors and two full-time students. The Secretary of the Department of Education of the Commonwealth becomes ex-officio member of the Governing Board.

The University is exempt from the payment of taxes on its revenues and properties. The University is a discretely presented major component unit of the Commonwealth.

The financial reporting entity of the University consists of the campuses at Río Piedras, Mayagüez, Medical Sciences, Cayey, Humacao, Ponce, Bayamón, Aguadilla, Arecibo, Carolina and Utuado, and the Central Administration.

Appropriations from the Commonwealth are the principal source of revenues of the University and are supported by Act No. 2 of January 20, 1966, as amended. Under the Act, the Commonwealth appropriates for the University an amount equal to 9.60% of the average total amount of annual general funds revenues collected under the laws of the Commonwealth in the two fiscal years immediately preceding the current fiscal year. In addition, the Commonwealth has appropriated amounts for general current obligations, for capital improvement programs, and for loans and financial assistance to students.

Discretely Presented Component Unit Disclosures: A discretely presented component unit is an entity whose operations are separate from the University's but over whom the University has significant accountability. The University has two discretely presented component units as follows:

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University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Servicios Médicos Universitarios, Inc.

Servicios Médicos Universitarios, Inc. (the Hospital) is a legally separate entity from the University and is governed by a separate board. The Hospital is a not-for-profit acute care corporation, organized under the Laws of the Commonwealth of Puerto Rico, on February 11, 1998, to operate and administer healthcare units. The principal objectives of the Hospital are to constitute it as the principal medical education institution of the University and to offer healthcare services to the residents of Puerto Rico. The University appoints a voting majority of the Hospital board and is also financially accountable for the Hospital. Complete financial statements of the Hospital can be obtained directly by contacting the Hospital's administrative offices.

Desarrollos Universitarios, Inc.

Desarrollos Universitarios, Inc. (the Company) is a legally separate entity from the University and is governed by a separate board. The Company was organized on January 22, 1997, under the laws of the Commonwealth of Puerto Rico, as a not-for-profit organization. The Company was organized to develop, construct, and operate academic, residential, administrative, office, commercial, and maintenance facilities for the use of students and other persons or entities conducting business with the University. The Company developed the Plaza Universitaria Project, which consist of a student housing facility, a multi-story parking building and an institutions building to house administrative, student service and support functions and to a lesser extent to lease commercial space. The financing for the Projects was provided by the issuance of \$86,735,000 in Educational Facilities Revenue Bonds through the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (AFICA) on December 20, 2000. In 2008, the University entered into a capital lease agreement with the Company for the Plaza Universitaria project. The Company is fiscally dependent on the University. Complete financial statements of the Company can be obtained directly by contacting the Company's administrative offices.

The following is a summary of the significant accounting policies followed by the University:

B. Measurement Focus and Basis of Accounting

The accounting and reporting policies of the University conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are

University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting (continued)

recognized when earned, and expenses are recorded when an obligation has been incurred. All significant transactions related to internal service activities such as publications, telecommunications and institutional computing have been eliminated where appropriate.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB pronouncements conflict with GASB pronouncements. The University has elected to not apply FASB pronouncements issued after the applicable date.

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

C. Reclassifications

Reclassifications of prior year balances have been made to conform to the current year presentation.

D. Cash Equivalents

The University considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents.

E. Investments

Investments are reported at fair value, except for money market investments which are carried at cost, in the statements of net assets. Fair value is based on quoted market prices. The changes in the fair value of investments are reported in the statements of revenues, expenses and changes in net assets as a component of net investment income (non-operating activities).

Donated investments are recorded at their fair value at the date of donation. Investments of the Deferred Compensation Plan are valued at fair value, except for investment positions in 2a-7 like external pools which are carried at the pool's share price, which approximates amortized cost.

F. Restricted Funds Held by Trustee - Discretely Presented Component Unit

Restricted funds of Desarrollos Universitarios, Inc. held by trustee at June 30, 2012 and 2011 consist of money market funds and zero coupon bonds purchased with remaining maturities of six months or less.

University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

G. Allowance for Doubtful Accounts

The allowance for uncollectible accounts and other receivables is an amount that management believes will be adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of the collectability of the receivables and prior credit loss experience. Because of uncertainties inherent in the estimation process, the related allowance may change in the future.

H. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market and consist primarily of books.

I. Capital Assets

All capital expenditures of \$1,000 or more and having a useful life of two or more years are capitalized at cost at the date of acquisition. Donated assets are recorded at estimated fair value at the date of donation. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets, or in the case of assets under capital lease, over the term of the lease, whichever is shorter, generally 25 to 50 years for buildings and infrastructure, 5 to 20 years for equipment, library materials and software, and 7 to 30 years for land improvements.

Renovations to buildings and other assets that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense has been incurred.

J. Impairment of Capital Assets

The University accounts for asset impairment under the provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also establishes accounting requirements for insurance recoveries. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value. No impairment charges were recorded during the years ended June 30, 2012 and 2011.

K. Bond Premium/Discount, Deferred Issuance Costs and Deferred Refunding Loss

Bond premium and/or discount and deferred issuance costs are amortized using the effective interest method. Deferred refunding loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

L. Deferred Compensation Plan

The University offers certain employees a non-qualified deferred compensation plan which was created pursuant to Certification No. 94 of the Council of Higher Education, dated February 13, 1984. The plan, managed by independent plan administrators, permits employees to defer a portion of their salary until future years. At the employee's election, such amounts may be invested in mutual funds, which represent varying levels of risk and return. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to these amounts, are (until paid or made available to the employee or other beneficiary) solely the property and rights of the University (without being restricted to the provisions of benefits under the plan), subject only to the claims of the University's general creditors. Participants' rights under the plan are equal to that of general creditors of the University in an amount equal to the fair value of the deferred account for each participant. It is the opinion of the University's legal counsel that the University has no liability for the losses under the plan but does have the duty of care that would be required of an ordinary prudent investor. The University believes that it is unlikely that it will use the assets of the plan to satisfy the claims of general creditors in the future.

M. Compensated Absences

The vacation policy of the University generally provides for the accumulation of 2.5 days per month. Unpaid vacation time accumulated is fully vested to the employees from the first day of work.

Employees accumulate sick leave generally at a rate of 1.5 days per month up to a maximum of 90 days. The University pays, annually, the excess of 90 days of accumulated sick leave to the employees. Upon retirement, an employee receives compensation for all accumulated unpaid sick leave at the then current rate, provided the employee has at least 10 years of service with the University. At June 30, 2012 and 2011, the cost of the excess of 90 days of the accumulated sick leave was approximately \$10,886,000 and \$9,744,000, respectively, which is included in other current liabilities in the accompanying statements of net assets.

N. Classification of Net Assets

The University's net assets are classified as follows:

- Invested in capital assets, net of related debt consist of the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent proceeds from issuance of debt has been received but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- Restricted, nonexpendable net assets consist of endowment and similar type funds which donors
 or other outside sources have stipulated, as a condition of the gift instrument, that the principal
 is to be maintained inviolate and in perpetuity, and invested for the purpose of producing
 present and future income, which may either be expended or added to principal.

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University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

N. Classification of Net Assets (continued)

- Restricted, expendable net assets include resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, hospital revenues, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty and staff. While unrestricted net assets may be designated for specific purposes by action of management or the Governing Board, they are available for use, at the discretion of the governing board, to meet current expenses for any purpose.

O. Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues.

Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, net of scholarship allowances; most federal, state and local grants and contracts; and, hospital patient service revenues, net of allowances for contractual adjustments and doubtful accounts.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, Federal Pell Grants and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 35 and GASB Statement No. 34, such as state appropriations, investment income and gifts. Gifts to the endowment fund are classified as other nonoperating revenues.

P. Scholarship Allowances and Student Financial Aid

Student tuition and fees, and certain other revenues from students, are recorded net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as federal grants, state or nongovernmental programs, are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

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University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

Q. Net Patient Service Revenue

The University and the Hospital have agreements with third-party payers that provide for payments to the University and the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

R. Grants and Contracts

The University has been awarded grants and contracts for which the funds have not been received or expenditures made for the purpose specified in the award. These awards have not been reflected in the financial statements, but represent commitments of sponsors to provide funds for specific research or training projects. For grants that have allowable cost provisions, the revenue will be recognized as the related expenditures are made. For grants with work completion requirements, the revenue is recognized as the work is completed and for grants without either of the above requirements, the revenue is recognized as it is received.

S. Gifts and Pledges

Pledges of financial support from organizations and individuals representing unconditional promises to give are recognized in the financial statements once all eligibility requirements, including time requirements, have been met. In the absence of such promises, revenue is recognized when the gift is received. Endowment pledges generally do not meet eligibility requirements, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and are not recorded as assets until the related gift has been received. Unconditional promises that are expected to be collected in future years are recorded at the present value of the estimated future cash flows.

T. Pension

The University accounts for pension costs under the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers, as amended by* GASB Statement No. 50, *Pension Disclosures*. Under GASB Statement No. 27, annual pension cost, measured on the accrual basis of accounting, is equal to the annual required contribution (ARC) to the plan. A pension liability or asset is reported equal to the cumulative difference between annual required contributions and the statutorily required contributions.

University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

U. Postemployment Benefits Other Than Pensions

The University accounts for postemployment benefits other than pensions ("OPEB") under the provisions of the GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires a systematic, accrual–basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. GASB Statement No. 45 allows employers to amortize the portion of the cost attributed to past service over a period not to exceed thirty (30) years.

V. Effect of New Accounting Standard Adopted

In June 2011, the GASB issued Statement No. 64, Application of Hedge Accounting Termination Provisions. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of swap counterparty or swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The adoption of this statement had no impact on the University's financial statements.

W. Future Adoption of Accounting Pronouncements

The GASB has issued the following Statements:

- GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which is effective for periods beginning after December 15, 2011.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, which is effective for periods beginning after June 15, 2012.
- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which is effective for periods beginning after December 15, 2011.
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which is effective for periods beginning after December 15, 2011.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for periods beginning after December 15, 2012.

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University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

W. Future Adoption of Accounting Pronouncements (continued)

- GASB Statement No. 66, *Technical Corrections- 2012- an Amendment of GASB Statements No. 10 and No.* 62, which is effective for periods beginning after December 15, 2012.
- GASB Statement No. 67, Financial Reporting for Pension Plans- an Amendment of GASB Statement No. 25, which is effective for periods beginning after June 15, 2013.
- GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans- an Amendment of GASB Statement No. 27, which is effective for periods beginning after June 15, 2014.
- GASB Statement No. 69, Government Combinations and Disposals of Government Operations, which is effective for periods beginning after December 15, 2013.
- GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which is effective for periods beginning after June 15, 2013.

Management is evaluating the impact that these statements will have on the University's financial statements.

2. Cash and Cash Equivalents

The University's cash and cash equivalents as of June 30, 2012 and 2011 consisted of the following:

			2012	
	U	nrestricted	Restricted	Total
Cash on hand and due from commercial banks	\$	620,308	\$ 11,732,281	\$ 12,352,589
Cash equivalents:				
Certificates of deposit with:				
Commercial banks		34,681,394	_	34,681,394
Economic Development Bank for Puerto Rico		57,910,294	_	57,910,294
Money market funds		1,317,121	3,494,592	 4,811,713
Total cash equivalents		93,908,809	3,494,592	97,403,401
Total	\$	94,529,117	\$ 15,226,873	\$ 109,755,990



Notes to Financial Statements (continued) June 30, 2012

2. Cash and Cash Equivalents (continued)

				2011	
	U	Inrestricted]	Restricted	Total
Cash on hand and due from commercial banks	\$	776,708	\$	7,766,512	\$ 8,543,220
Cash equivalents:					
Certificates of deposit with: Commercial banks		93,182,624		_	93,182,624
Economic Development Bank for Puerto Rico		2,180,000		_	2,180,000
Money market funds				4,109,689	4,109,689
Total cash equivalents		95,362,624		4,109,689	99,472,313
Total	\$	96,139,332	\$	11,876,201	\$ 108,015,533

Custodial credit risk related to deposits is the risk that in the event of a financial institution failure, the University's deposits might not be recovered. The University is authorized to deposit only in institutions approved by the Department of the Treasury of the Commonwealth of Puerto Rico (Treasury), and such deposits are maintained in separate bank accounts in the name of the University. Such authorized depositories, except for the Economic Development Bank for Puerto Rico (EDB), collateralize the amount deposited in excess of federal depository insurance (\$250,000 at June 30, 2012) with securities that are pledged with the Department of the Treasury. There is no formal policy for custodial credit risk for cash accounts opened with commercial banks outside of Puerto Rico. Cash accounts opened with commercial banks outside of Puerto Rico amounted to \$185,543 at June 30, 2012.

The deposits at EDB, a public corporation of the Commonwealth of Puerto Rico, and in money market funds are uninsured and uncollateralized. These deposits are exposed to custodial credit risk.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of a deposit. Cash in foreign currency amounted to \$185,543 at June 30, 2012. Cash in foreign currency present minimal foreign currency risk at June 30, 2012.

Cash equivalents of the University's permanent endowment funds amounted to \$3,215,405 and \$3,558,598 as of June 30, 2012 and 2011, respectively. Refer to Note 3.

As of June 30, 2012 and 2011, the cash deposited in the banks amounted to \$132,705,486 and \$133,182,213, respectively.

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University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

3. Investments

The University's investments held at June 30, 2012 and 2011 are summarized in the following table:

	 2012	 2011
U.S. Treasury notes	\$ 70,305,383	\$ 69,643,177
U.S. sponsored agencies bonds and notes	3,770,662	4,277,522
U.S. municipal bonds	1,303,912	1,158,300
Foreign government bonds	2,768,432	861,208
Mortgage-backed securities	11,496,782	5,909,223
Corporate bonds	20,927,772	27,466,545
Common stock and convertibles	27,600,192	26,806,449
External investment pools	77,011,969	69,596,673
Certificates of deposit	7,383,407	7,053,784
Guaranteed investment certificate	327,881	620,184
Others	 8,490	73,314
Total	\$ 222,904,882	\$ 213,466,379

The University is authorized to invest a percentage of total assets, with certain limitations, in the following types of investments; not less than 20% and no more than 80% in fixed income securities, not less than 20% and no more than 80% in equity securities. No international equity, private equity and non-U.S. income security investments other than foreign government bonds are held by the University.

Restricted Investments in Sinking Fund

The University is required to maintain a sinking fund for the retirement of the "University System Revenue Bonds". The Trustee shall, upon the receipt of the pledged revenues, make deposits to the credit of the sinking fund accounts. Funds held by trustee at June 30, 2012 and 2011 amounted to \$54,649,587 and \$54,649,613, respectively, and consisted of U.S. Treasury notes purchased with remaining maturities of six months or less.

Restricted Investments in Permanent Endowment Funds

Restricted investments held in the University's permanent endowment funds at June 30, 2012 and 2011 amounted to \$88,120,242 and \$84,818,821, respectively. The corpus of these funds may not be expended and must remain with the University in perpetuity. Only the earnings from these funds may be expended.

If a donor has not provided specific instructions, state law permits the Governing Board to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board of Trustees is required to consider the University's "long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions." Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

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University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

3. Investments (continued)

Restricted Investments in Permanent Endowment Funds (continued)

As of June 30, 2012 and 2011, almost all the University's endowment funds only authorize for expenditure the realized portion of the net appreciation of their investments (including interest and dividend income on investment and cash equivalents) in amounts that range from 85% to 100% in accordance with the donor specific instructions. Unrealized net appreciations on investments of the endowment funds are not available for authorization for the expenditures by the Governing Board. As of June 30, 2012, net appreciation of approximately \$4,919,000 is restricted to specific purposes.

Investments Designated to Fund the University's Healthcare Deferred Compensation Plan

Investments designated to fund the University's Healthcare Deferred Compensation Plan, which consisted of external investment pools, amounted to \$77,011,969 and \$69,596,673 as of June 30, 2012 and 2011, respectively. At the employee's election, such amounts may be invested in mutual funds, which represent varying levels of risk and return. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. These investments are (until paid or made available to the employee or other beneficiary) solely the property and rights of the University (without being restricted to the provisions of benefits under the plan), subject only to the claims of the University's general creditors. Participants' rights under the plan are equal to that of general creditors of the University in an amount equal to the fair value of the deferred account for each participant.

Credit Risk

Issuer credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. All of the University's investments in U.S. Treasury securities and mortgage-backed securities guaranteed by the Government National Mortgage Association carry the explicit guarantee of the U.S. government.



Notes to Financial Statements (continued) June 30, 2012

3. Investments (continued)

Credit Risk (continued)

As of June 30, 2012, the University's credit quality distribution for securities is as follows:

			Q	uality Rating	
	 Carrying Value	 AAA to A-		Unrated	No Risk
U.S. Treasury notes	\$ 70,305,383	\$ _	\$	_	\$ 70,305,383
U.S. sponsored agencies bonds and notes	3,770,662	3,770,662		_	_
U.S. municipal bonds	1,303,912	1,303,912		_	_
Foreign government bonds	2,768,432	2,768,432		_	_
Mortgage-backed securities	11,496,782	9,785,028		_	1,711,754
Corporate bonds	20,927,772	20,927,772		_	_
Guaranteed investment certificate	327,881	_		327,881	_
Common stock and convertibles	27,600,192	_		27,600,192	_
External investment pools	77,011,969	_		77,011,969	_
Certificates of deposit	7,383,407	_		7,383,407	_
Others	8,490	_		8,490	
Total	\$ 222,904,882	\$ 38,555,806	\$	112,331,939	\$ 72,017,137

Custodial Credit Risk

Custodial credit risk related to investments is the risk that, in the event of failure of the counterparty to a transaction, the University may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At June 30, 2012, the custody of these investments is held by the trust department of a commercial bank in the name of the University and the portfolio is managed by a brokerage firm.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. Expected maturities will differ from contractual maturities, because counterparties may have the right to call or prepay obligations with or without call or prepayment penalties. No investment in any one issuer other than the U.S. Government and the ING Life Insurance and Annuity Company – Fixed Account (external investment pool), represented 5% or more of the total investment portfolio at June 30, 2012.



Notes to Financial Statements (continued) June 30, 2012

3. Investments (continued)

Interest Rate Risk (continued)

The following table summarizes the type and maturity of investments held by the University at June 30, 2012:

	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	No Stated Maturity Date	Total Fair Value
U.S. Treasury notes	\$ 54,649,587	\$ 8,963,216	\$ 6,692,580	\$ -	\$ -	\$ 70,305,383
U.S. sponsored agencies bonds and notes	-	1,406,719	2,363,943	_	_	3,770,662
U.S. municipal bonds	-	_	133,643	1,170,269	_	1,303,912
Foreign government bonds	-	2,768,432	-	-	_	2,768,432
Mortgage-baked securities	122,696	_	942,327	10,431,759	_	11,496,782
U.S. corporate bonds	2,395,331	8,000,780	10,531,661	-	_	20,927,772
Certificates of deposit	7,383,407	_	-	-	_	7,383,407
Guaranteed investment certificate	327,881	_	-	-	_	327,881
External investment pools	59,724,840	385,166	-	1,147,073	15,754,890	77,011,969
Others	8,490	_	-	-	-	8,490
Common stock and convertibles	 _		_	_	27,600,192	27,600,192
Total	\$ 124,612,232	\$ 21,524,313	\$ 20,664,154	\$ 12,749,101	\$ 43,355,082	\$ 222,904,882

At June 30, 2012, the University has variable rate interest investments amounting to \$2,678,818, which reset in a semiannual basis at 100% of an interest rate index plus a spread.

4. Accounts Receivable, Due from Commonwealth of Puerto Rico and Other Related-Party Transactions

The University's accounts receivable as of June 30, 2012 and 2011 are as follows:

	2012	2011
Due from Commonwealth's:		
Agencies	\$ 42,516,956	\$ 27,735,523
Component units	44,897,357	45,905,730
Municipalities	2,641,867	2,750,575
Due from Federal Government	30,023,749	24,557,612
Due from Servicios Médicos Universitarios, Inc.	16,651,040	51,955,760
Due from medical plans	99,770,106	82,217,203
Other	 22,135,215	22,789,974
	 258,636,290	257,912,377
Less allowance for doubtful accounts	 (132,074,100)	(169,503,873)
Accounts receivable, net	\$ 126,562,190	\$ 88,408,504

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University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

4. Accounts Receivable, Due from Commonwealth of Puerto Rico and Other Related-Party Transactions (continued)

During the year ended June 30, 2012, the University forgave amounts due by the Hospital and fully reserved by the University of \$34,496,756.

Due from Commonwealth's component units includes an account receivable from the Puerto Rico Tourism Company (PRTC), a component unit of the Commonwealth of Puerto Rico, of \$12,224,736 and \$6,066,401 at June 30, 2012 and 2011, respectively. This account receivable includes unremitted distributions of income to be received by the University from PRTC under the Gambling Law (slot machines and others) by virtue of Act No. 36 of 2005 which are payable upon demand. PRTC appropriations (nonoperating revenues) for the years ended June 30, 2012 and 2011 amounted to \$70,940,139 and \$72,468,106, respectively, and are included as part of Commonwealth appropriations in the accompanying statements of revenues, expenses and changes in net assets.

Due from Commonwealth of Puerto Rico

As of June 30, 2012 and 2011, the University has accounts receivable from Commonwealth of Puerto Rico (the Commonwealth) of \$27,220,254 and \$56,318,696, respectively. Due from the Commonwealth balance will be received as follows: \$15,500,000 in fiscal year 2013; \$6,720,254 in fiscal year 2014; and \$5,000,000 in fiscal year 2015.

Due from Commonwealth as of June 30, 2012 includes \$15,000,000 related to revenue from the Commonwealth legislative scholarships for fiscal years 2008 and 2009, which the Commonwealth is paying to the University in annual payments of \$5.0 million.

Due from Commonwealth also includes a payment plan approved on September 7, 2004 in which the Commonwealth agreed to pay \$94,710,382 to the University on behalf of the Puerto Rico Department of Health and the Commonwealth of Puerto Rico, over the course of ten years. As of June 30, 2012, the University has received \$84,990,128 from this amount. The remaining balance of \$9,720,254 will be received as follows: \$8,000,000 in fiscal year 2013 and \$1,720,254 in fiscal year 2014.

In addition, due from Commonwealth includes \$2,500,000 for funds to be received from the Special Scholarship Fund by virtue of Act No. 176 of November 2010 which are payable upon demand.



Notes to Financial Statements (continued) June 30, 2012

4. Accounts Receivable, Due from Commonwealth of Puerto Rico and Other Related-Party Transactions (continued)

Other Related-Party Transactions

The University's accounts payable and accrued liabilities include the following related-party transactions as of June 30, 2012 and 2011:

	2012	2011
Due to Commonwealth's:		
Agencies	\$ 2,364,101	\$ 2,374,104
Component units	23,007,124	29,854,423
Due to Servicios Médicos Universitarios, Inc.	9,318,327	1,822,841
Due to the University of Puerto Rico Retirement System	2,575,092	 2,463,335
Total	\$ 37,264,644	\$ 36,514,703

For additional related-party transactions see Notes 2, 7, 9 and 11.

5. Capital Assets

Changes in the University's capital assets for the years ended June 30, 2012 and 2011 are as follows:

						2012			
		Beginning Balance	Additions			Transfers		isposals and Others	Ending Balance
Capital assets not being depreciated:	·								
Land	\$	49,615,849	\$	-	\$	-	\$	-	\$ 49,615,849
Construction in progress		109,213,590		23,843,784		(73,649,010)		_	59,408,364
		158,829,439		23,843,784		(73,649,010)		_	109,024,213
Other capital assets:									
Land improvements		35,706,696		_		573,531		_	36,280,227
Building, fixed equipment, improvements									
and infrastructure		954,420,659		_		69,322,109		(2,101,796)	1,021,640,972
Equipment, software and library materials		274,267,486		12,121,243		3,753,370		(5,503,803)	284,638,296
Building and equipment under capital lease		99,298,249		_		_		_	99,298,249
		1,363,693,090		12,121,243		73,649,010		(7,605,599)	1,441,857,744
Less accumulated depreciation and amortization for:									
Land improvements		(18,318,975)		(1,294,162)		_			(19,613,137)
Buildings, fixed equipment,		(10,510,775)		(1,274,102)		_		_	(15,015,157)
improvements and infrastructure		(316,862,597)		(22,974,527)		_		_	(339,837,124)
Equipment, software and library materials		(207,540,057)		(19,221,005)		_		5,272,390	(221,488,672)
Building and equipment under capital lease		(13,905,500)		(2,983,639)				5,272,590	(16,889,139)
Bullang and equipment ander cupital rease		(556,627,129)		(46,473,333)				5,272,390	(597,828,072)
Other capital assets, net		(220,027,127)		(40,475,555)				5,272,550	(257,020,072)
of accumulated depreciation		807,065,961		(34,352,090)		73,649,010		(2,333,209)	844,029,672
Capital assets, net	\$	965,895,400	\$	(10,508,306)	\$		\$	(2,333,209)	\$ 953,053,885



Notes to Financial Statements (continued) June 30, 2012

5. Capital Assets (continued)

			201	1			
	Beginning Balance	Additions	7	Transfers	D	isposals and Others	Ending Balance
Capital assets not being depreciated:							
Land	\$ 42,438,639	\$ _	\$	7,177,210	\$	_	\$ 49,615,849
Construction in progress	 210,561,495	39,271,996	(140,472,508)		(147,393)	109,213,590
	253,000,134	39,271,996	(133,295,298)		(147,393)	158,829,439
Other capital assets:							
Land improvements	33,102,107	-		2,604,589		_	35,706,696
Building, fixed equipment, improvements							
and infrastructure	824,585,366	_		129,835,293		_	954,420,659
Equipment, software and library materials	270,586,718	9,945,337		855,416		(7,119,985)	274,267,486
Building and equipment under capital lease	99,298,249	_		_		_	99,298,249
	1,227,572,440	9,945,337		133,295,298		(7,119,985)	1,363,693,090
Less accumulated depreciation and							
amortization for:							
Land improvements	(17,110,195)	(1,208,780)		_		_	(18,318,975)
Buildings, fixed equipment,							
improvements and infrastructure	(296,691,106)	(20,171,491)		-		_	(316,862,597)
Equipment, software and library materials	(194,708,980)	(19,529,945)		-		6,698,868	(207,540,057)
Building and equipment under capital lease	 (10,894,586)	(3,010,914)					(13,905,500)
	(519,404,867)	(43,921,130)		-		6,698,868	(556,627,129)
Other capital assets, net							
of accumulated depreciation	 708,167,573	(33,975,793)		133,295,298		(421,117)	807,065,961
Capital assets, net	\$ 961,167,707	\$ 5,296,203	\$	_	\$	(568,510)	\$ 965,895,400

As of June 30, 2012 and 2011, the carrying value of the University's assets recorded under capital leases amounted to approximately \$82,409,000 and \$85,393,000, respectively. Amortization expense on these assets amounted to approximately \$2,984,000 and \$3,011,000 in 2012 and 2011, respectively. In addition, the carrying value of the University's medical equipments that collateralized the term notes payable to a commercial bank (see Note 7) amounted to approximately \$2,426,000 as of June 30, 2012.

Capitalized interest on construction in progress amounted to approximately \$5,267,000 and \$7,655,000 for the years ended June 30, 2012 and 2011, respectively.

6. Noncurrent Liabilities

Changes in the University's noncurrent liabilities for the years ended June 30, 2012 and 2011 are as follows:

			2012						
	Beginning Balance	Additions	Reductions		Other	Ending Balance	v	Less Due Vithin One Year	Noncurrent Liabilities
Long-term debt:	 	 		•		 			
Notes payable	\$ 93,705,769	\$ 12,674,324	\$ (28,745,377)	\$	_	\$ 77,634,716	\$	474,791	\$ 77,159,925
Bonds payable	 567,641,248	 	 (27,040,000)		(502,440)	 540,098,808		29,930,000	 510,168,808
Total long-term	\$ 661,347,017	\$ 12,674,324	\$ (55,785,377)	\$	(502,440)	\$ 617,733,524	\$	30,404,791	\$ 587,328,733
Other long-term liabilities:									
Deferred compensation payable	\$ 69,561,616	\$ 7,450,353	\$ _	\$	_	\$ 77,011,969	\$	_	\$ 77,011,969
Claims liability	23,830,822	-	(2,107,714)		677,892	22,401,000		2,107,714	20,293,286
Compensated absences	156,749,820	13,900,646	(3,524,226)		_	167,126,240		35,114,356	132,011,884
Capital lease obligation	 66,076,436	 	 (1,383,308)			 64,693,128		1,472,628	 63,220,500
Total other long-term liabilities	\$ 316,218,694	\$ 21,350,999	\$ (7,015,248)	\$	677,892	\$ 331,232,337	\$	38,694,698	\$ 292,537,639



Notes to Financial Statements (continued) June 30, 2012

6. Noncurrent Liabilities (continued)

			2011					
	Beginning				Ending	Less Due	Noncurrent	
	Balance	Additions	Reductions	Other	Balance	Within One Year	Liabilities	
Long-term debt:								
Notes payable	\$ -	\$ 93,705,769	\$ -	\$ -	\$ 93,705,769	\$ 18,016,638	\$ 75,689,131	
Bonds payable	598,704,715	1,563,296	(27,652,000)	(4,974,763)	567,641,248	27,040,000	540,601,248	
Total long-term	\$ 598,704,715	\$ 95,269,065	\$ (27,652,000)	\$ (4,974,763)	\$ 661,347,017	\$ 45,056,638	\$ 616,290,379	
Other long-term liabilities:								
Deferred compensation payable	\$ 60,092,390	\$ 9,469,226	\$ -	\$ -	\$ 69,561,616	\$ -	\$ 69,561,616	
Claims liability	23,425,232	_	(2,337,408)	2,742,998	23,830,822	2,337,408	21,493,414	
Compensated absences	163,106,036	5,489,606	(11,845,822)	_	156,749,820	30,642,296	126,107,524	
Capital lease obligation	67,370,683		(1,294,247)		66,076,436	1,383,308	64,693,128	
Total other long-term liabilities	\$ 313,994,341	\$ 14,958,832	\$ (15,477,477)	\$ 2,742,998	\$ 316,218,694	\$ 34,363,012	\$ 281,855,682	

Notes payable and bonds payable are further discussed in Notes 7 and 8-A, respectively.

7. Notes Payable

The University obtained a \$125 million line of credit with the Government Development Bank for Puerto Rico (GDB), a public corporation of the Commonwealth, for working capital purposes. This line of credit was converted into a ten year term loan in October 2011 payable in monthly equal principal payments plus interest starting on October 1, 2013. The term loan is collateralized by the University's accounts receivable from the Commonwealth of Puerto Rico and its agencies as well as by the Commonwealth of Puerto Rico income guaranteed appropriations under Act No. 2 of January 20, 1966, as amended. This term loan matures on October 1, 2022 and bears interest per annum equal to prime rate plus 150 basis points, with a floor of 6% (6% at June 30, 2012). The balance outstanding of this term loan amounted to \$64,999,109 and \$93,705,769 at June 30, 2012 and 2011, respectively. The unused balance of this line of credit amounted to \$6.9 million at June 30, 2012.

In addition, the University has a \$75.0 million non-revolving line of credit facility with GDB to complete certain construction projects of the University's Program for Permanent Improvements. This line of credit bears interest per annum equal to prime rate plus 150 basis points, with a floor of 6% (6% at June 30, 2012). The balance outstanding of this line of credit amounted to \$10,248,324 at June 30, 2012. The unused balance of this line of credit amounted to \$64.8 million at June 30, 2012. As disclosed in Note 15, this line of credit was amended in January 2013 to extend the maturity date to January 31, 2014.

In January 2012, the University entered into two term loan agreements with a commercial bank for a total amount of \$2.4 million for the acquisition of medical equipments to be used in the Medical Sciences Campus. These term loans are payable in 60 monthly payments as follows: three interest only payments and 57 principal and interest payments amounting to \$46,803. These term loans are collateralized with the acquired medical equipment, mature on February 1, 2017 and bear interest per annum equal to 4%. The balance outstanding of these terms loan amounted to \$2,387,283 at June 30, 2012.



Notes to Financial Statements (continued) June 30, 2012

7. Notes Payable (continued)

The table that follows represents debt service payments on notes payable as of June 30, 2012. Although interest rates on variable rate debt change over time, the calculations included in the table below are based on the assumption that the variable rate on June 30, 2012 will remain the same for their term.

Fiscal Year Ending

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June 30	Principal	Interest	Total
2013	\$ 474,791	\$ 4,601,696	\$ 5,076,487
2014	5,910,727	4,474,020	10,384,747
2015	17,984,714	3,782,408	21,767,122
2016	7,757,342	2,969,437	10,726,779
2017	7,590,995	2,515,243	10,106,238
2018-2022	36,110,616	6,048,528	42,159,144
2023	1,805,531	18,055	1,823,586
	\$ 77,634,716	\$ 24,409,387	\$ 102,044,103

A. Notes Payable - Discretely Presented Component Unit

Servicios Médicos Universitarios, Inc. (the Hospital) has notes payable amounting to \$19,444,864 and \$20, 903,613 as of June 30, 2012 and 2011, respectively. A summary of the Hospital's notes payable at June 30, 2012 and 2011 follows:

	 2012	 2011
Term loan payable with GDB	\$ 17,588,844	\$ 18,818,920
Non-revolving line of credit with GDB	638,932	77,145
Term loan payable in 76 biweekly payments of principal and interest of \$30,000, bears fixed interest of 5.5% and matures on October 24, 2013.	950,942	1,605,234
Term loan payable in 36 monthly payments of principal and interest of \$12,000, bears fixed interest of 5.5% and matures on March 31, 2014.	237,362	364,489
Other	28,784	37,825
	19,444,864	20,903,613
Less: current portion	1,791,641	1,681,119
Noncurrent portion	\$ 17,653,223	\$ 19,222,494



Notes to Financial Statements (continued) June 30, 2012

7. Notes Payable (continued)

A. Notes Payable – Discretely Presented Component Unit (continued)

The Hospital operates and administers the healthcare unit located in Carolina. This facility was acquired by the University and includes land, building and medical equipment. During 2009, the Hospital restructured its line of credit facility with GDB and accrued interest in the aggregated amount of \$23,360,913 into a term loan and extended the maturity date to June 30, 2025. As part of the term loan agreement, the Hospital was required to make a down payment of \$2,700,000. The term loan is payable in 192 monthly installments of principal and interest of approximately \$171,637 and bears interest per annum equal to prime rate plus 150 basis points (3.25% at June 30, 2012). The loan is guaranteed by the University.

The non-revolving line of credit of \$1.1 million with GDB was granted for the acquisition of medical equipment and matures on December 20, 2015. It bears interest per annum equal to prime rate plus 150 basis points, with a floor of 6% and a ceiling of \$12% (6.00% at June 30, 2012). The line of credit is guaranteed by the University.

The activity of the principal balance of the long- term debt for the years ended June 30, 2012 and 2011 is as follows:

 2012		2011
\$ 20,903,613	\$	19,891,091
561,787		2,683,120
 (2,020,536)		(1,670,598)
\$ 19,444,864	\$	20,903,613
<u> </u>	\$ 20,903,613 561,787 (2,020,536)	\$ 20,903,613 \$ 561,787 (2,020,536)

The table that follows represents debt service payments on long-term debt as of June 30, 2012. Although interest rates on variable rate debt change over time, the calculations included in the table below are based on the assumption that the variable rate on June 30, 2012 will remain the same for their term.

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 1,791,641	\$ 1,191,112	\$ 2,982,753
2014	1,337,030	1,093,408	2,430,438
2015	1,065,650	1,024,525	2,090,175
2016	1,766,677	944,721	2,711,398
2017	1,199,292	860,348	2,059,640
2018-2022	7,280,321	3,017,883	10,298,204
2023	5,004,253	566,353	5,570,606
	\$ 19,444,864	\$ 8,698,350	\$ 28,143,214



Notes to Financial Statements (continued) June 30, 2012

8. Bonds Payable

A. Bonds

The University has issued revenue bonds designated as "University System Revenue Bonds", the proceeds of which have been used mainly to finance new activities in connection with its educational facilities construction program and to cancel and refinance previous debts incurred. The following is the balance of bonds payable as of June 30, 2012 and 2011:

Series	Balance as of Balance as of June 30, 2012 June 30, 2011		Annual Interest Rate (%)	Due Date June 30, 2012	
F - Term	\$ -	\$ 4,525,000	5.50%		
N - Capital Appreciation Serial Bonds	12,685,000	20,590,000	5.75%	2013	
O - Serial	_	2,315,000	4.80%		
P - Serial	221,865,000	229,095,000	5.00%	2013-2026	
P - Term	47,645,000	47,645,000	5.00%	2027-2030	
Q - Serial	104,205,000	109,270,000	5.00%	2013-2026	
Q - Term	132,415,000	132,415,000	5.00%	2027-2036	
	518,815,000	545,855,000			
Plus unamortized premium	25,425,293	27,299,914			
Less:					
Unaccreted interest	_	(430)			
Future appreciated principal	(703,476)	(1,765,522)			
Deferred refunding loss	(3,438,009)	(3,747,714)			
	\$ 540,098,808	\$ 567,641,248			

At June 30, 2012, bonds payable require payments of principal and interest as follows:

Fiscal Year Ending June 30	<u>Principal</u>		Interest		 Total
2013	\$	29,930,000	\$	25,306,500	\$ 55,236,500
2014		18,110,000		24,444,250	42,554,250
2015		19,015,000		23,538,750	42,553,750
2016		19,970,000		22,588,000	42,558,000
2017		20,965,000		21,589,500	42,554,500
2018 to 2022		121,635,000		91,136,000	212,771,000
2023 to 2027		130,715,000		58,127,500	188,842,500
2028 to 2032		97,665,000		28,380,000	126,045,000
2033 to 2036		60,810,000		7,786,250	 68,596,250
	\$	518,815,000	\$	302,896,750	\$ 821,711,750

B. Pledged Revenues

The bonds are general obligations of the University and are collateralized by the pledge of, and a first lien on, all revenues derived or to be derived by the University, except for appropriations and contributions, as defined in the Trust Agreement governing the bonds issued. In the event that the pledged revenues are insufficient to pay the principal of, and the interest on, the bonds, the University agrees to provide any additional required monies from other funds available to the University for such purposes, including funds appropriated by the Commonwealth of Puerto Rico.

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Notes to Financial Statements (continued) June 30, 2012

8. Bonds Payable (continued)

B. Pledged Revenues (continued)

The University's revenues pledged were as follows for the years ended June 30, 2012 and 2011:

	2012		 2011
Pledged Revenues:			
Tuition and other fees collected	\$	78,529,284	\$ 86,413,916
Student fees collected		4,881,215	4,455,726
Stabilization Fee		44,186,568	41,326,364
Rental and other charges received for the right of use			
and occupancy of the facilities in the University system		1,784,483	1,764,561
Interest on investment of University funds, excluding funds			
invested pursuant to Article VI of the Trust Agreement		369,158	306,052
Funds paid to the University in respect to overhead		10 520 502	16024540
allowance on federal research projects		19,529,583	16,924,540
Other income		31,415,272	28,577,584
Total Pledged Revenues		180,695,563	179,768,744
Sinking Fund Reserve Interest		234,771	 691,439
Total Pledged Revenues Plus Interest	\$	180,930,334	\$ 180,460,183
Aggregate Debt Service:			
Principal and Interest Requirement	\$	53,321,245	\$ 54,779,880
Senior Debt Service Coverage Ratio		3.39	 3.29
Desarrollo Universitarios Bonds (Subordinate to the University's Bonds)	\$	5,601,938	\$ 5,625,938
Aggregate Debt Service	\$	58,923,183	\$ 60,405,818
Total Debt Service Ratio		3.07	 2.99

The Trust Agreement governing the bonds issued required a ratio of total pledged revenues plus interest earned on reserve account to principal and interest requirements for the University's bonds of at least 1.5 to 1 (total debt service coverage ratio). At June 30, 2012, the University was in compliance with the total debt service coverage ratio requirement.

The University is required to maintain a sinking fund as described in the following paragraphs:

The funds for retirement of indebtedness consist of a sinking fund which includes three separate accounts designated as Bond Service Account, Redemption Account and Reserve Account. The Trustee shall, upon the receipt of the pledged revenues, make deposits to the credit of the following accounts in the amounts specified and in the following order:

- Bond Service Account - such amount thereof as may be required to make the amount then to its credit equal to the interest then due, or to become due, within the next ensuing six (6) months on the bonds of each series then outstanding, and the amount of principal of the serial bonds of each series then due, or to become due, within the next ensuing twelve (12) months.

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Notes to Financial Statements (continued) June 30, 2012

8. Bonds Payable (continued)

B. Pledged Revenues (continued)

- Redemption Account such amount, if any, after making the deposit to the Bond Service
 Account, as may be required to make the amount then to its credit equal to the amortization
 requirements, if any, for the fiscal year in which such deposit is made for the term bonds of each
 series then outstanding plus redemption premiums, if any.
- Reserve Account such amount, if any, after making the deposit to the above accounts as may
 be required to make the amount then to its credit equal to the maximum principal and interest
 (less any federal debt service grant payments) requirements for any year thereafter, on account
 of all bonds then outstanding.
- Monies in the Bond Service Account and the Redemption Account shall, as nearly as may be practicable, be continuously invested and reinvested in direct obligations of, or obligations, the principal of and interest on which are unconditionally guaranteed by the United States Government. Monies in the Reserve Account may be invested in a broader range of investments including interest bearing bank accounts, federal agency obligations, repurchase agreements, commercial paper and other highly rated obligations.

The University complied with the sinking fund requirements at June 30, 2012.

C. Bonds Payable – Discretely Presented Component Unit

On December 21, 2000, AFICA issued, on behalf of Desarrollos Universitarios, Inc., Educational Facilities Revenue Bonds, 2000 Series A, in the amount of \$86,735,000. The bonds were issued to (i) finance the development, construction and equipment of the Plaza Universitaria Project (the Projects), (ii) repay a portion of certain advances made by the Government Development Bank for Puerto Rico under a line of credit facility for the purpose of paying certain costs of the development and construction of the Projects, (iii) make a deposit to the Debt Service Reserve fund and, (iv) pay the costs and expenses incurred in connection with the issuance and sale of bonds. The principal and interest on the bonds are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation, and by the assignment of the lease agreement with the University.



Notes to Financial Statements (continued) June 30, 2012

8. Bonds Payable (continued)

C. Bonds Payable – Discretely Presented Component Unit (continued)

Bonds payable at June 30, 2012 and 2011, consist of:

	Interest		2012	2011
Description	Rate	Maturity	Face Amount	Face Amount
Serial Bonds	5.63%	July 1, 2012	\$ -	\$ 1,760,000
Serial Bonds	5.63%	July 1, 2013	1,860,000	1,860,000
Serial Bonds	5.63%	July 1, 2014	1,960,000	1,960,000
Serial Bonds	5.63%	July 1, 2015	2,075,000	2,075,000
Serial Bonds	5.63%	July 1, 2016	2,190,000	2,190,000
Serial Bonds	5.63%	July 1, 2017	2,315,000	2,315,000
Serial Bonds	5.63%	July 1, 2018	2,445,000	2,445,000
Serial Bonds	5.63%	July 1, 2019	2,580,000	2,580,000
Serial Bonds	5.00%	July 1, 2020	2,725,000	2,725,000
Serial Bonds	5.00%	July 1, 2021	2,880,000	2,880,000
Serial Bonds	5.00%	July 1, 2033	3,020,000	3,020,000
Serial Bonds	5.00%	July 1, 2034	50,520,000	50,520,000
Total			74,570,000	76,330,000
Less unaccreted interest			(219,748)	(236,856)
Total			\$ 74,350,252	\$ 76,093,144

The activity of the principal balance of the bonds payable for the years ended June 30, 2012 and 2011, is as follows:

	 2012	2011
Beginning Balance	\$ 76,330,000	\$ 78,015,000
Reductions	 (1,760,000)	 (1,685,000)
Ending Balance	\$ 74,570,000	\$ 76,330,000



Notes to Financial Statements (continued) June 30, 2012

8. Bonds Payable (continued)

C. Bonds Payable – Discretely Presented Component Unit (continued)

At June 30, 2012, bonds payable require payment of principal and interest as follows:

Fiscal Year Ending June 30	 Principal		Interest		Total
2013	\$ 1,860,000	\$	3,737,313	\$	5,597,313
2014	1,960,000		3,627,063		5,587,063
2015	2,075,000		3,510,344		5,585,344
2016	2,190,000		3,387,155		5,577,155
2017	2,315,000		3,256,938		5,571,938
2018 to 2022	13,650,000		14,117,687		27,767,687
2023 to 2027	17,535,000		10,085,000		27,620,000
2028 to 2032	22,385,000		4,997,750		27,382,750
2033 to 2035	10,600,000		271,500		10,871,500
Total	\$ 74,570,000	\$	46,990,750	\$	121,560,750

Interest on the bonds is payable each January 1 and July 1. Bonds maturing after July 1, 2011 may be redeemed, at the option of the University in whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest, without premium. In addition, term bonds are subject to mandatory redemption in part commencing on July 1, 2022 to the extent of the sinking fund requirement for said bonds set forth below at a redemption price equal to 100% of the principal amount thereof plus accrued interest.

Redemption Period	Amount
July 1, 2023	\$ 3,175,000
July 1, 2024	3,330,000
July 1, 2025	3,500,000
July 1, 2026	3,675,000
July 1, 2027	3,855,000
July 1, 2028	4,050,000
July 1, 2029	4,255,000
July 1, 2030	4,465,000
July 1, 2031	4,690,000
July 1, 2032	4,925,000
July 1, 2033	5,170,000
July 1, 2034	5,430,000
Total	\$ 50,520,000

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Notes to Financial Statements (continued) June 30, 2012

9. Obligation under Capital Lease

In October 2007, the University entered into a capital lease agreement with Desarrollos Universitarios, Inc., a nonprofit corporation and discretely presented component unit of the University. The agreement is for the use of Plaza Universitaria, a residential and commercial facility for the use of students and other persons or entities conducting business with the University. The agreement began on October 1, 2006 and expires on June 25, 2033. The outstanding liability at June 30, 2012 and 2011 on this capital lease is \$64,693,128 and \$66,076,436, respectively. The effective interest rate was determined at 6.60%.

The future minimum lease payments under the capital lease are as follows:

Year Ending June 30,	Amount
2013	\$ 5,697,312
2014	5,702,063
2015	5,700,344
2016	5,702,156
2017	5,701,938
2018-2022	28,497,687
2023-2027	28,495,000
2028-2032	28,502,750
2033	5,701,500
Total future minimum lease payments	 119,700,750
Less amounts representing interest costs	(55,007,622)
Present value of minimum lease payments	\$ 64,693,128

10. Commitments and Contingent Liabilities

A. Claims Liability

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The University was insured through January 1993 under claims-made insurance policies with respect to medical malpractice risks for \$250,000 per occurrence up to an annual aggregate of \$500,000. Subsequent to such date, the University was unable to obtain insurance at a cost it considered to be economically justifiable, consequently, the University is now self-insured for such risks. Under Law Number 98 of August 24, 1994, the responsibility of the University is limited to a maximum amount of \$75,000 per person, or \$150,000 if it involves actions for damages to more than one person or where a single injured party is entitled to several causes of action. Self-insured risk liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The process used in computing claims liabilities does not necessarily result in an exact amount, because actual claims liabilities depend upon such complex factors as inflation, changes in legal doctrines, and damage awards. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

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Notes to Financial Statements (continued) June 30, 2012

10. Commitments and Contingent Liabilities (continued)

A. Claims Liability (continued)

Changes in the claims liability amount for medical malpractice in the years ended June 30, 2012 and 2011 were:

	 2012	 2011
Claims payable - July 1	\$ 12,254,000	\$ 11,961,000
Incurred claims and changes in estimates	894,075	1,910,214
Payments for claims and adjustments expenses	(1,192,075)	(1,617,214)
Claims payable - June 30	\$ 11,956,000	\$ 12,254,000

In addition, the University is a defendant in several lawsuits other than medical malpractice arising out of the normal course of business. Management has recorded an accrual of \$10,445,000 and \$11,576,822 as of June 30, 2012 and 2011, respectively, to cover claims and lawsuits that may be assessed against the University. The University continues to carry commercial insurance for these risks of loss.

B. Federal Assistance Programs

The University participates in a number of federal financial assistance programs. These programs are subject to audits in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, or to compliance audits by grantor agencies.

Effective April 23, 2012, the National Science Foundation (NSF), an independent U.S. government agency, suspended the federal awards for research and development in the Research and Development Center at the Mayagüez Campus and in the Resource Center for Science and Engineering ascribed to the Central Administration unit of the University because the University has not corrected the time and effort reporting deficiencies as established in its Corrective Action Plan related to previous audits' findings. NSF is responsible for promoting science and engineering through research programs and education projects. NSF will not reimburse expenditures incurred on and after April 23, 2012 by the University in the involved units. Most of the research and training activities under grants affected by the Suspension Status continue with funding from the University. Significant interactions between NFS and the University has led to a robust body of Effort Reporting System (ERS) policies and procedures, the creation of a system-wide Office for Research Compliance and Integrity and an overarching committee for continuous assessment and creation of sponsored programs, policies and procedures. The University is actively working with NSF to achieve full compliance and lift the administrative suspension.

The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Management believes the impact will not be material to the University's financial statements.

C. Construction Commitments

Construction commitments at June 30, 2012, entered by the University, amounted to approximately \$46.6 million.

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Notes to Financial Statements (continued) June 30, 2012

10. Commitments and Contingent Liabilities (continued)

D. Operating Lease Agreement

The University rents a building of an outside clinic of the medical practice plan of the Medical Sciences Campus under non-cancelable long-term operating lease agreement which expires in July 2018. This lease contains escalation clauses providing for increased rental. Rent charged to operations in fiscal year 2012 and 2011 amounted to \$1,344,000. At June 30, 2012, the minimum annual future rentals, without considering renewal options, are approximately as follows:

Fiscal Year Ending June 30	Amount		
2013	\$	1,339,000	
2014		1,339,000	
2015		1,339,000	
2016		1,339,000	
2017		1,339,000	
2018-2019		1,227,000	
	\$	7,922,000	

E. Guaranty Commitment

The University guarantees the Hospital long-term debt (a term loan and a line of credit) with the Government Development Bank for Puerto Rico amounting to \$18,227,776 at June 30, 2012. See Note 7A.

F. Discretely Presented Component Units

Desarrollos Universitarios, Inc. (the Company) operates the Plaza Universitaria facilities for use by students, faculty members, administrators, employees, visitors, invitees, and other members of or persons and entities related to or conducting business with the University community, or other activities conducted in such facility.

On May 11, 2000, the University's Board of Trustees ratified a Memorandum of Agreement (the Agreement) to establish a contractual agreement between the University and the Company. The Agreement, dated May 22, 1998, states among other things the following: (1) the University will lease to, or otherwise grant to, the Company the right for the long-term use of the land, for the sole purpose of developing, constructing and operating Plaza Universitaria, (2) the Company shall finance the development of Plaza Universitaria from AFICA Bond proceeds and/or line credit and/or any other structure or credit facility, (3) the Company will own the Plaza Universitaria improvements and will lease them exclusively to the University, during the life of the AFICA Bonds, (4) the University shall have the right to prepay or refinance the Bonds at any time, consistent with the restrictions on refinancing contained in the financing documents, (5) upon the payment or prepayment in full of all the AFICA Bonds, the lease on the land shall terminate and the University shall become, *ipso facto*, owner of all the Plaza Universitaria improvements, without the need or obligation to make any additional payment of any kind (other than any "bargain purchase" payment as may be required under the project documents), and (6) rental payments (lease payments) from the University shall have a fixed component

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Notes to Financial Statements (continued) June 30, 2012

10. Commitments and Contingent Liabilities (continued)

F. Discretely Presented Component Units (continued)

and a variable component. The fixed component shall be in an amount sufficient to guarantee to bondholders the payment of principal and interest on the AFICA Bonds as may be established in the financing documents, and will be pledged to guarantee such payments. The variable component of the lease payments will be used to cover operating, maintenance, administrative, management, and other fees and costs, which will be established periodically and reviewed annually between the parties, as well as such amounts for reserves and special funds, which may be required under the financing documents related to the bond issue.

In October 2003, the Plaza Universitaria Project's general contractor submitted a claim for extended overhead (field and main office) and subsequently a Proposal for Settlement for an amount exceeding \$10 million. It is the Company's legal counsel's opinion that some of the allegations are invalid under the terms of the contract and that the general contractor has already been compensated for some of the claimed amounts by Company approved change orders. Management of the Company believes, based on the advice of counsel, that there is a minimal financial exposure to the Company in connection with this claim.

11. University of Puerto Rico Retirement System

Plan Description and Membership – The University of Puerto Rico Retirement System (the System) is a single-employer, defined benefit pension plan that covers all employees of the University of Puerto Rico (the University) with the exception of hourly, temporary, part-time, contract and substitute employees, and visiting professors. It is qualified and exempt from Puerto Rico and United States income taxes. The System is not subject to the requirements of the Employees Retirement Income Security Act of 1974 (ERISA). The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the University of Puerto Rico Retirement System at P.O. Box 21769, San Juan, Puerto Rico 00931-1769.

The System provides retirement, disability and death benefits to participants and beneficiaries. Cost-of-living adjustments are provided to participants and beneficiaries at the discretion of the Governing Board the University (Governing Board). Participants who have completed 20 years of service by July 1, 1979 are entitled to annual retirement benefits at any age after 30 years of service. Otherwise, participants are entitled to annual retirement benefits at age 55 after 30 years of service. Participants may elect to receive their retirement benefits at age 58 after 10 years of service, or at age 55 after 25 years of service. The amount of the service retirement annuity is based on the applicable retirement formula, as defined.

A participant whose employment terminates after ten years of service, and who does not withdraw his or her contributions, receives a retirement annuity payable beginning at age 60 based on the applicable retirement formula. If termination of employment occurs prior to completing ten years of service, participant is entitled to a refund of his or her own contributions. Refund of a participant's own contributions can also be obtained after attainment of ten years of service but in that event the vested benefit is forfeited.



Notes to Financial Statements (continued) June 30, 2012

11. University of Puerto Rico Retirement System (continued)

At June 30, 2012, membership in the System consisted of the following:

Retirees and beneficiaries currently receiving benefits	7,697
Terminated plan participants entitled to but not yet receiving benefits	465
Terminated non-vested plan participants entitled to return of their contributions	7,881
Current participating employees	11,148
Total membership	27,191

Funding Policy – The contribution requirements of participants and the University are established and may be amended by the Governing Board. Plan members are required to contribute from 7% to 11% of their annual covered salary up to certain specified amounts, as defined. The University is supposed to contribute at an actuarially determined rate; the rate as of June 30, 2012 and 2011 was 14.70% and 13.0%, respectively, of annual covered payroll. The actuarially determined employer contribution rate comes from actuarial valuation at start of the fiscal year. It takes into account payment of administrative expenses. Therefore, administrative expenses are paid out of the plan fund.

Annual Pension Cost and Prepaid Pension Asset – The University's annual pension cost and prepaid pension asset movement for the years ended June 30, 2012 and 2011were as follows:

		2012	 2011
Annual required contribution (ARC)	\$	72,186,223	\$ 68,486,552
Interest on the net pension asset		(4,727,071)	(4,407,092)
Adjustments to ARC		2,877,043	2,682,294
Annual OPEB cost (expense)	·	70,336,195	66,761,754
Employer contribution		75,139,790	70,761,490
Change in the net pension asset		4,803,595	3,999,736
Prepaid pension asset beginning of year		59,088,385	55,088,649
Prepaid pension asset- end of year	\$	63,891,980	\$ 59,088,385
Percentage of annual OPEB cost contributed		106.83%	105.99%

Prepaid pension asset has been recorded in prepaid pension asset and other assets in the University's accompanying statements of net assets.

The three-year trend information is as follows:

Fiscal Year Ending	Year Pension Employer		Percentage of APC Contributed	Net Pension Obligation (Asset)	
6/30/2012	\$ 70,336,195	\$ 75,139,790	106.8%	\$ (63,891,980)	
6/30/2011	\$ 66,761,754	\$ 70,761,490	106.0%	\$ (59,088,385)	
6/30/2010	\$ 62,275,417	\$ 71,176,599	114.3%	\$ (55,088,649)	



Notes to Financial Statements (continued) June 30, 2012

11. University of Puerto Rico Retirement System (continued)

Funded Status and Funding Progress – The following table shows the University's funded status of the System as of June 30, 2012, the most recent actuarial valuation date:

Actuarial Accrued Liability (AAL)	\$ 2,617,989,147
Actuarial Value of Assets	 1,039,441,000
Unfunded AAL (UAAL)	\$ 1,578,548,147
Funded Ratio	39.7%
Covered Payroll	\$ 499,027,788
UAAL as a Percentage of Covered Payroll	316.3%
	<u> </u>

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial Methods and Assumptions – The actuarial methods and assumptions as of the latest actuarial valuation follow:

Actuarial valuation date 6/30/2012

Actuarial cost method Entry age normal (traditional)
Amortization method Level percentage of payroll
Remaining amortization period 30 years constant (open basis)

Asset valuation method Market value adjusted to reflect investment gain

and losses over a five (5) year period.

Actuarial assumptions:

Investment rate of return* 8.00%
Projected salary increases* 5.00%
*Includes inflation at 3.50%

Postretirement benefit increases 3% every two (2) years applicable to salary cap

or Certification 139, no postretirement benefit

increases are assumed.

Mortality table RP-2000 with projection

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Notes to Financial Statements (continued) June 30, 2012

12. Post-Employment Benefits Other Than Pensions (OPEB)

Program Description and Membership – The University provides post-employment benefits other than pension for its retired employees (the "OPEB Program"). Substantially all of the employees may become eligible for these benefits if they are eligible to retire under the University of Puerto Rico Retirement System (30 years of service, age 58 with 10 years of service or age 55 with 25 years of service). Employees are also eligible on disability with 10 years of service. The cost of providing such benefits are recognized when paid.

The University provides the following OPEB:

- Medical Subsidy: Fixed subsidy of \$125 per month (\$1,500 per year) per participant (\$0 for spouse) is paid by the University for the life of the participant at retirement to insurance companies whose premiums are paid by the retiree and by the University or directly to the participant with proof of coverage.
- Tuition Remission: Tuition fees for classes at the University are waived for life after retirement.

At June 30, 2012, membership in the OPEB Program consisted of the following:

Retirees and beneficiaries currently receiving benefits	7,447
Current participating employees	11,168
Total membership	18,615

Funding Policy and Annual OPEB Cost – The required contribution is based on projected pay—as—you—go financing requirements. Benefits are actuarially calculated by an independent actuary.

The Annual OPEB Cost is calculated based on the annual required contribution of the employer (the "ARC"). The ARC is determined in accordance with plan provisions, demographic participant data, actuarial assumptions, actuarial cost method, and other actuarial methods prescribed by GASB Statement No. 45. While pre–funding is not required, the ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC will generally increase with benefit cost increases and participant growth; in addition, gains/losses resulting from demographic and/or assumption changes will also impact the ARC.



Notes to Financial Statements (continued) June 30, 2012

12. Post-Employment Benefits Other Than Pensions (OPEB) (continued)

The following tables show the components of the University's annual OPEB cost for the fiscal years ended June 30, 2012 and 2011, the amount actually contributed to the OPEB Program, the change in the University's net obligation and the funded status of the OPEB Program.

	2012	 2011
ARC	\$ 10,128,465	\$ 9,651,667
Interest on the net OPEB obligation	98,530	102,822
Adjustments to ARC	(85,392)	(89,113)
Annual OPEB cost (expense)	10,141,603	9,665,376
Employer contribution	(10,029,846)	(9,772,691)
Change in the net OPEB obligation	 111,757	 (107,315)
Net OPEB obligation- beginning of year	 2,463,242	2,570,557
Net OPEB obligation- end of year	\$ 2,574,999	\$ 2,463,242
Percentage of annual OPEB cost contributed	98.90%	 101.11%

Net OPEB obligations have been recorded in accounts payable and accrued liabilities in the University's accompanying statements of net assets.

The following table shows the University's funded status of the OPEB Program:

Actuarial Valuation Date	July	July 1, 2011		
Actuarial Accrued liability (AAL)	\$	197,323,686		
Unfunded AAL	\$	197,323,686		
Funded ratio		0%		

The three-year trend information is as follows:

		Percentage of Annual					
Fiscal Year Ended		Annual OP		OPEB Cost		Net	
		O	PEB Cost	Contributed	OPE	OPEB Obligation	
						_	
	6/30/2012	\$	10,141,603	98.9%	\$	2,574,999	
	6/30/2011	\$	9,665,376	101.1%	\$	2,463,242	
	6/30/2010	\$	9,659,344	88.3%	\$	2,570,557	
	6/30/2011	\$ \$ \$	9,665,376	101.1%	\$	2,463,242	

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University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

12. Post-Employment Benefits Other Than Pensions (OPEB) (continued)

OPEB Actuarial Valuation – The University's OPEB Program actuarial valuation was conducted by Deloitte Consulting LLP as of July 1, 2011, members of the American Academy of Actuaries. As permitted by GASB Statement No. 45, the actuarial valuation is performed every two years.

Significant Actuarial Methods and Assumptions:

Actuarial Valuation Date July 1, 2011
Actual Cost Method Projected Unit Credit

Amortization Method Level Dollar amortization over 30 Years

Medical Subsidy 85%

Tuition Remission \$497 per retiree in fiscal 2012

increasing 4.0% per year

Mortality RP-2000 Healthy Combined Mortality Table for healthy

RP-2000 Healthy Combined Mortality Table

lives set forward 10 years for disabled lives

Payroll Growth
Discount Rate
4%

The University does not pre-fund its OPEB Program and retiree benefits are paid out of the University's general assets each year. Accordingly, the discount rate is based on the long-term rates of return that the University expects to earn on general assets which are used to pay plan benefits.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the actuarial value of program assets relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided at the time of each valuation and on the pattern of sharing of costs between the employer and members to that point. The projections of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets.

University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

13. Management Business Plan and Operation - Discretely Presented Component Unit

During most of the preceding years (up to June 30, 2009), the Hospital experienced significant operating losses having an accumulated net assets deficiency of \$20,418,990 as of June 30, 2012. The Hospital has received advances from the University to cover its cash needs from operations. Most of these accumulated losses are mainly related to the fact that, as a former public hospital operated by the Puerto Rico Department of Health, it provides a significant amount of services to indigent population for which the Hospital does not obtain a payment. Most of these patients are indigent persons not subscribed to the Health Reform Program, homeless and resident aliens without medical insurance coverage, among others. The medical services provided to these persons were supposed to be paid to the Hospital by the Puerto Rico Department of Health. However, since the beginning of the operations, the Puerto Rico Department of Health has been unable to pay for such services. As shown in the accompanying financial statements, the Hospital has provided allowances for uncollectible accounts receivable in the approximated amount of \$24,037,203 as of June 30 2012.

The Hospital's management believes that all these factors had a material impact in the Hospital's results of operations during its years of operations and, consequently, has resulted in the accumulated deficit at June 30, 2012.

The Hospital's management, with the assistance of its Board of Directors, is working with a management plan toward its operational activities as well as the Hospital's ability to generate sufficient cash flows to cover its current obligations.

Some of these measures had an impact in the Hospital's operations and as a result, the Hospital's operations reported an income before other revenues of approximately \$3,294,000 and \$2,903,000 during the years ended June 30, 2012 and 2011, respectively.

The University has expressed its commitment to provide the Hospital with the necessary financial support, if needed, to continue its operations. During the year ended June 30, 2012, the University forgave amounts due by the Hospital of \$34,496,756. This amount is presented in the Hospital's Statement of Activities and Changes in Unrestricted Net Assets for the year ended June 30, 2012 as a Contribution from the University of Puerto Rico.



Notes to Financial Statements (continued) June 30, 2012

14. Functional Information

The University's operating expenses by functional classification during the years ended June 30, 2012 and 2011 were as follows:

			2012					
Functional Classification	\$ Salaries and Benefits	holarships and Fellowships	Supplies and ther Services	Utilities]	Depreciation and Amortization	Other Expenses	Total
Instruction	\$ 371,243,905	\$ 7,508,214	\$ 21,616,847	\$ 1,692,724	\$	-	\$ 839,171	\$ 402,900,861
Research	55,693,981	17,903,923	26,587,888	892,748		-	7,209,386	108,287,926
Public service	47,422,479	1,477,919	6,164,090	1,858,240		-	555,527	57,478,255
Academic support	66,352,678	878,245	17,762,673	98,031		-	1,896,247	86,987,874
Student service	40,849,116	570,791	10,306,767	7,220		-	1,923,474	53,657,368
Institutional support	118,345,663	747,590	30,425,801	2,329,318		-	3,313,539	155,161,911
Operation & maintenance	81,292,467	5,577	25,961,353	51,123,707		-	977,536	159,360,640
Student aid	2,869,135	174,380,779	1,231,910	435		-	144,627	178,626,886
Independent operation	36,073	9,788	55,719	_		_	12,989	114,569
Patient service	41,847,866	397,476	22,414,908	22,478		-	3,344,781	68,027,509
Auxiliary enterprises	967,414	78,602	2,182,107	2,310		_	230,757	3,461,190
Depreciation and amortization	_	_	-	_		46,473,333	_	46,473,333
Other	834,369	_	_	_		_	_	834,369
	\$ 827,755,146	\$ 203,958,904	\$ 164,710,063	\$ 58,027,211	\$	46,473,333	\$ 20,448,034	\$ 1,321,372,691

						2011						
	:	Salaries and	S	cholarships and	S	Supplies and other			epreciation and	Other		
Functional Classification	Functional Classification Benefits			Fellowships	Services		Utilities A		Amortization	Expenses		Total
Instruction	\$	381,034,096	\$	8,330,607	\$	11,470,578	\$ 207,213	\$	_	\$ 1,053,349	\$	402,095,843
Research		58,562,681		16,929,661		24,124,214	665,785		-	15,248,777		115,531,118
Public service		48,788,342		1,951,412		29,508,182	2,260,367		_	2,407,258		84,915,561
Academic support		70,501,131		998,539		16,744,465	261,993		-	1,656,614		90,162,742
Student service		42,628,220		447,149		8,987,773	8,737		_	1,006,335		53,078,214
Institutional support		105,990,193		302,188		20,839,230	2,775,314		-	1,240,077		131,147,002
Operation & maintenance		103,791,274		1,544		24,618,057	44,346,510		_	118,947		172,876,332
Student aid		2,848,635		185,814,778		674,373	541		_	46,193		189,384,520
Independent operation		36,165		9,967		41,462	_		-	657		88,251
Patient service		38,772,457		387,658		16,508,105	27,144		_	1,730,718		57,426,082
Auxiliary enterprises		908,129		6,108		2,456,094	35,204		-	362,497		3,768,032
Depreciation and amortization		_		_		_	-		43,921,130	_		43,921,130
Other		6,217,931		24,907		_	_		_	_		6,242,838
	\$	860,079,254	\$	215,204,518	\$	155,972,533	\$ 50,588,808	\$	43,921,130	\$ 24,871,422	\$	1,350,637,665

15. Subsequent Events

Subsequent events were evaluated through August 22, 2013, the date the financial statements were available to be issued, to determine if such events should be recognized or disclosed in the 2012 financial statements.

In January 2013, the \$75 million line of credit facility with the Government Development Bank for Puerto Rico was amended to extend the maturity date to January 31, 2014.

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University of Puerto Rico

Notes to Financial Statements (continued) June 30, 2012

15. Subsequent Events (continued)

On April 7, 2013, Act No. 7 amended Act No. 2 of January 20, 1966, as amended, to revise the formula for the Commonwealth appropriations, an amount equal to 9.60% of the average total amount of annual general funds revenues collected under the laws of the Commonwealth in the two fiscal years immediately preceding the current fiscal year. Act No.7 is effective on July 1, 2013.

In addition, Act No. 7 of April 7, 2013 derogated Act No. 176 of November 2010, as amended by Act No. 46 of April 2011, in which the Commonwealth of Puerto Rico had committed to transfer 10% of the Additional Lottery's net annual income with a guaranteed minimum amount of \$30 million per academic year, for the creation of a Special Scholarship Fund for the University of Puerto Rico. The purpose of the fund was to provide financial aid to graduate and undergraduate students.

On January 26, 2013, Board of Trustees of the University approved Certification No. 41 (2012-2013) which derogated the stabilization fee established by the Board of Trustees of the University on June 30, 2010 to address the University's budgetary deficit issues. This stabilization fee was charged to all students in addition to tuition charges and other fees already in place in the University. The stabilization fee amounted to \$400 per student per semester. Board of Trustees Certification No. 41 is effective on July 1, 2013.

On April 30, 2013, Act No. 13 derogated Article 3 of Act No. 1 of 1966, as amended, and established a new Article 3 of Act No. 1 that, among other matters, defines the composition, faculties and duties of the Governing Board of the University of Puerto Rico (the "Governing Board"), the new governing body of the University. Act No. 13 substitutes the Board of Trustees of the University with the Governing Board composed of thirteen members, of which nine members are appointed by the Governor of Puerto Rico and confirmed by the Senate of Puerto Rico. The remaining members of the Governing Board consist of two tenured professors and two full-time students. The Secretary of the Department of Education of the Commonwealth becomes ex-officio member of the Governing Board.

16. The Hospital's Restatement

Subsequent to the issuance of the Hospital's 2011 financial statements, management of the Hospital identified several errors in such previously issued financial statements. During 2006, the Hospital entered into an agreement with an affiliate, in which it established that the affiliate will provide certain patient services under the Hospital's premises, and will pay the Hospital 30% of total collections received for such services. During the year ended June 30, 2012, the Hospital discovered that total service revenues recorded corresponding to this agreement were understated by \$1,038,875, from which \$468,117 corresponded to 2011 and \$570,758 to prior years.



Notes to Financial Statements (continued) June 30, 2012

16. The Hospital's Restatement (continued)

The Hospital accounted for the correction of this error as a prior year adjustment and restated the fiscal year 2011 financial statements as follows:

	As Previously Reported	As Restated
Statement of Financial Condition as of June 30, 2011:		
Due to related parties	\$ 42,041,174	\$ 41,002,299
Deficiency in unrestricted net assets	(59,248,675)	(58,209,800)
Statement of Activities and Changes in Unrestricted		
Net Assets for the Year Ended June 30, 2011:		
Net patient service revenue	\$ 47,408,444	\$ 47,876,561
Deficiency in unrestricted net assets, at beginning of year	(61,683,244)	(61,112,486)
Statement of Cash Flows for the Year Ended June 30, 2011:		
Cash flows from operating activities:		
Changes in unrestricted net assets	\$ 2,434,569	\$ 2,902,686
Decrease in accounts receivable	(569,861)	(649,122)
Decrease in accounts payable	(4,475,910)	(4,864,766)

Required Supplementary Information



University of Puerto Rico Schedules of Funding Progress (Unaudited)

Employees Retirement Plan

		Actuarial Accrued	T. 6 1 1			***
Actuarial Valuation Date	Actuarial Value of Assets (a)	Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered ((b – a) / c)
6/30/2012	\$ 1,039,441,000	\$ 2,617,989,147	\$ 1,578,548,147	39.7%	\$ 499,027,788	316.3%
6/30/2011	\$ 1,041,628,000	\$ 2,542,444,021	\$ 1,500,816,021	41.0%	\$ 510,706,620	293.9%
6/30/2010	\$ 1,028,918,000	\$ 2,436,913,244	\$ 1,407,995,244	42.2%	\$ 540,867,018	260.3%
6/30/2009	\$ 1,034,645,000	\$ 2,331,619,466	\$ 1,296,974,466	44.4%	\$ 570,122,184	227.5%
6/30/2008	\$ 1,024,987,000	\$ 2,223,219,684	\$ 1,198,232,684	46.1%	\$ 542,603,556	220.8%
6/30/2007	\$ 953,197,000	\$ 2,068,102,695	\$ 1,114,905,695	46.1%	\$ 513,486,180	217.1%

Postemployment Benefits Other Than Pensions Program

Actuarial Valuation Date	Actual value of Assets (a)	Actual Accrued Liability (AAL) (b)	UAAL (b - a)	Funded Ratio (a / b)
7/1/2011	\$ -	\$ 197,323,686 \$	(197,323,686)	0%
7/1/2009	\$ -	\$ 189,417,225 \$	(189,417,225)	0%
7/1/2007	\$ -	\$ 184,232,820 \$	(184,232,820)	0%

Other Financial Information



University of Puerto Rico Schedules of Changes in Sinking Fund Reserve (Unaudited)

	Bond Service Account	Total		
Additions:				
Transfer from Reserve Account	\$ 28,825	\$ -	\$	28,825
Transfer from unrestricted current funds	53,289,191	_		53,289,191
Interest earned on investments	 34,944	199,827		234,771
Total receipts	 53,352,960	199,827		53,552,787
Deductions:				
Payments of bond interest	26,281,245	_		26,281,245
Payments of bond principal	27,040,000	_		27,040,000
Net increase in fair value of investments	31,715	183,125		214,840
Transfer to Reserve Account	_	28,825		28,825
Total disbursements	53,352,960	211,950		53,564,910
Net increase for the year	_	(12,123)		(12,123)
Balances at beginning of year	 _	54,685,610		54,685,610
Balance at end of year	\$ _	\$ 54,673,487	\$	54,673,487

	 Bond Service Account	2011 Bond Reserve Account	Total
Additions:			
Transfer from Reserve Account	\$ 87,258	\$ _	\$ 87,258
Transfer from unrestricted current funds	54,676,678	_	54,676,678
Interest earned on investments	 136,071	555,368	691,439
Total receipts	54,900,007	555,368	55,455,375
Deductions:			
Payments of bond interest	33,335,995	_	33,335,995
Payments of bond principal	21,443,885	_	21,443,885
Net increase in fair value of investments	120,326	464,421	584,747
Transfer to Reserve Account	_	87,258	87,258
Total disbursements	54,900,206	551,679	55,451,885
Net increase for the year	(199)	3,689	3,490
Balances at beginning of year	199	54,681,921	54,682,120
Balance at end of year	\$ 	\$ 54,685,610	\$ 54,685,610



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees University of Puerto Rico

We have audited the financial statements of the business type activities and aggregate discretely presented component units of the University of Puerto Rico (the University) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 22, 2013. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of Servicios Médicos Universitarios, Inc. (the Hospital) and Desarrollos Universitarios Inc. (the Company), which comprise the University's discretely presented component units. The financial statements of the Hospital and the Company were audited by other auditors as described in our report on the University's financial statements. This report does not include results of other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by other auditors. The financial statements of the Hospital and the Company were not audited in accordance with *Government Auditing Standards*.

Internal control over financial reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 12-01 to be a material weakness.

Compliance and other matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

August 22, 2013

Stamp No. E88318 affixed to original of this report.

Single Audit Report



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Report of Independent Auditors on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program
and on Internal Control Over Compliance in Accordance
with OMB Circular A-133

Board of Trustees University of Puerto Rico

Compliance

We have audited the University of Puerto Rico (the University)'s compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2012. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.



As described in items 12-03 and 12-05 in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding activities allowed or unallowed, allowable costs/cost principles, period of availability, and procurement, suspension and debarment that are applicable to its CFDA No. 84.031 Higher Education Institutional Aid Program. In addition, the University did not comply with requirements regarding to the activities allowed or unallowed, allowable costs/cost principles, and procurement, suspension and debarment that are applicable to its CFDA No. 84.366 Mathematics and Science Partnerships Program. Compliance with such requirements is necessary, in our opinion, for the University to comply with requirements applicable to those programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the University did not comply, in all material respects, with the requirements referred to above that could have a direct and material effect on CFDA No. 84.031 Higher Education Institutional Aid Program and CFDA No. 84.366 Mathematics and Science Partnerships Program. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 12-02 as it relates to all major programs, 12-05 as it relates to the Research and Development Cluster (procurement, suspension and debarment), and 12-06 as it relates to the Student Financial Assistance Cluster. Also, in our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.



Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-02 through 12-06 to be material weaknesses.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

December 6, 2013

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Schedule of Expenditures of Federal Awards

			P.P.P.G.	D. CO. TVVD OVICE	PASS THROUGH	TOTAL PEDEDAL	
CFDA NO.	FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER		DIRECT AWARDS	PASS THROUGH ENTITY IDENTIFIED	ENTITY NOT IDENTIFIED	TOTAL FEDERAL AWARDS	
CIDITIO							
STUDENT FINANCE	IAL ASSISTANCE CLUSTER:						
UNITED STATES DEPA	RTMENT OF EDUCATION (ED)						
U.S. Department of Educa	tion (ED) Direct Programs:						
	84.007 FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	\$	1,975,580	s - s	- \$	1,975,580	
	84.033 FEDERAL WORK-STUDY PROGRAM		3,809,121	_	_	3,809,121	
	84.037 PERKINS LOAN CANCELLATIONS		8,462	_	_	8,462	
	84.063 FEDERAL PELL GRANT PROGRAM		174,072,736	_	_	174,072,736	
	84.268 FEDERAL DIRECT STUDENT LOANS		52,903,452	_	_	52,903,452	
	84.375 ACADEMIC COMPETITIVENESS GRANTS		(500)	_	_	(500)	
	84.376 NATIONAL SCIENCE AND MATHEMATICS ACCESS TO RETAIN TALENT (SMART) GRANTS		4,000	_	_	4.000	
TOTAL UNITED STATE	S DEPARTMENT OF EDUCATION (ED)		232,772,851	-	_	232,772,851	
INTER CTATEC DEDA	RTMENT OF HEALTH AND HUMAN SERVICES (HHS)						
U.S. Department of Healti	a and Human Services Direct Program: 93.925 SCHOLARSHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS		883,233			883,233	
	73.725 GOLOZI (KOLID) TOKI (IZI ZIZI KOLID) KOLID ZI KOLID ZIZI KO		003,233	_	_	663,233	
TOTAL UNITED STATE	S DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)		883,233	-	-	883,233	
TOTAL STUDENT FINA	NCIAL ASSISTANCE CLUSTER		233,656,084			233,656,084	
TOTAL STODENT TANA	TOTAL TROUBLE CEROTER	-	255,050,004			255,050,004	
RESEARCH AND D	EVELOPMENT CLUSTER:						
UNITED STATES DEPA	RTMENT OF AGRICULTURE (USDA)						
U.S. Department of Agrica	ulture (USDA) Direct Programs:						
	10.001 AGRICULTURAL RESEARCH BASIC AND APPLIED RESEARCH		28,744	_	_	28,744	
	10.200 GRANTS FOR AGRICULTURAL RESEARCH, SPECIAL RESEARCH GRANTS		576,467	_	_	576,467	
	10.202 COOPERATIVE FORESTRY RESEARCH		97,416	_	_	97,416	
	10.203 PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT		4,156,627	-	-	4,156,627	
	10.215 SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION		75,965	-	-	75,965	
	10.223 HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS		910,954	-	-	910,954	
	10.250 AGRICULTURAL AND RURAL ECONOMIC RESEARCH, COOPERATIVE AGREEMENTS AND COLLABORATIONS		38,209	-	-	38,209	
	10.308 RESIDENT INSTRUCTION GRANTS FOR INSULAR AREA ACTIVITIES		29,448			29,448	
	10.310 AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI)		61,466	_	_	61,466	
	10.479 FOOD SAFETY COOPERATIVE AGREEMENTS		29,601	_	_	29,601	
	10.500 COOPERATIVE EXTENSION SERVICE		5,653,087	_	_	5,653,087	
	10.652 FORESTRY RESEARCH		3,477	_	_	3,033,087	
			3,477 895	_	_	3,477 895	
	10.664 COOPERATIVE FORESTRY ASSISTANCE			_	_	50,509	
	10.901 RESOURCE CONSERVATION AND DEVELOPMENT 10.902 SOIL AND WATER CONSERVATION		50,509	_	_		
			(1,291)	_	_	(1,291)	
	10.903 SOIL SURVEY		31,762	_	_	31,762	
HCD	10.912 ENVIRONMENTAL QUALITY INCENTIVES PROGRAM		21,237	_	_	21,237	
	ulture (USDA) Pass Through From:						
Puerto Rico Departmer				105.550		125 550	
	10.223 HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS		-	125,559	_	125,559	
Rhode Island Universit	y 10.303 INTEGRATED PROGRAMS			31,586		31,586	
Cooperativa Agrocome			_	31,300	_	31,360	
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Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2012

CFDA NO.	FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	DIRECT AWARDS	PASS THROUGH ENTITY IDENTIFIED	PASS THROUGH ENTITY NOT IDENTIFIED	TOTAL FEDERAL AWARDS
	10.771 RURAL COOPERATIVE DEVELOPMENT GRANTS		26,397		26,397
National Fish and Wildlife Fo		_	20,397	_	20,397
National Lish and Whatige Le	10.902 SOIL AND WATER CONSERVATION	_	21,945	_	21.945
Kansas State University			=-,		
	10.500 COOPERATIVE EXTENSION SERVICE	_	11,364	_	11,364
University of Texas					
	10.500 COOPERATIVE EXTENSION SERVICE	-	50	_	50
Pass-through not identified					
	10.200 GRANTS FOR AGRICULTURAL RESEARCH, SPECIAL RESEARCH GRANTS	-	=	67,959	67,959
	10.202 COOPERATIVE FORESTRY RESEARCH	_	_	16,872	16,872
	10.223 HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS	_	_	60,110	60,110
	10.310 AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI)	_	_	30,728	30,728
	10.902 SOIL AND WATER CONSERVATION		_	37,473	37,473
TOTAL UNITED STATES DEF	PARTMENT OF AGRICULTURE (USDA)	11,764,573	216,901	213,142	12,194,616
LIMITED STATES DEDARTM	IENT OF COMMERCE (DOC)				
U.S. Department of Commerce (<u>ii</u>				
C.S. Department of Commerce (11.012 INTEGRATED OCEAN OBSERVING SYSTEM (IOOS)	625,538	_	_	625,538
	11.303 ECONOMIC DEVELOPMENT TECHNICAL ASSISTANCE	149,466			149,466
	11.417 SEA GRANT SUPPORT	1,515,809	_	_	1,515,809
	11.426 FINANCIAL ASSISTANCE FOR NATIONAL CENTERS FOR COASTAL OCEAN SCIENCE	902,581	_	_	902,581
	11.435 SOUTHEAST AREA MONITORING AND ASSESSMENT PROGRAM	86,527	_	_	86,527
	11.463 HABITAT CONSERVATION	(1,853)	_	_	(1,853)
	11.467 METEOROLOGIC AND HYDROLOGIC MODERNIZATION DEVELOPMENT	980,141	_	_	980,141
	11.468 APPLIED METEOROLOGICAL RESEARCH	55,340	-	=	55,340
	11.473 COASTAL SERVICES CENTER	437,532	_	_	437,532
	11.478 CENTER FOR SPONSORED COASTAL OCEAN RESEARCH_COASTAL OCEAN PROGRAM	142,924	_	_	142,924
	11.609 MEASUREMENT AND ENGINEERING RESEARCH AND STANDARDS	46,681	-	-	46,681
11.	UNKNOWN OTHER UNSPECIFIED RESEARCH AND DEVELOPMENT GRANTS AND CONTRACTS	33	-	-	33
U.S. Department of Commerce (CUNY	(DOC) Pass Through From:				
	11.481 EDUCATIONAL PARTNERSHIP PROGRAM	_	106,661	_	106,661
Howard University					
	11.481 EDUCATIONAL PARTNERSHIP PROGRAM	-	101,689	_	101,689
DRNA					
	11.419 COASTAL ZONE MANAGEMENT ADMINISTRATION AWARDS	-	51,869	=	51,869
	11.420 COASTAL ZONE MANAGEMENT ESTUARINE RESEARCH RESERVES	-	126,643	=	126,643
Miami University					
	11.432 NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) COOPERATIVE INSTITUTES	-	18,177	-	18,177
National Fish and Wildlife Fo	oundation				
	11.463 HABITAT CONSERVATION	_	19,801	-	19,801
University of Hawaii					
	11.432 NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) COOPERATIVE INSTITUTES	=	10,319	=	10,319
NOAA					
	11.426 FINANCIAL ASSISTANCE FOR NATIONAL CENTERS FOR COASTAL OCEAN SCIENCE	=	154	=	154
North Carolina University					
	11.432 NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) COOPERATIVE INSTITUTES	_	4,578	=	4,578
TOTAL UNITED STATES DEF	PARTMENT OF COMMERCE (DOC)	4,940,719	439,891	_	5,380,610

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Schedule of Expenditures of Federal Awards (continued)

70,055
70,055
70,055
384,059
1,090,710
734,284
800
219,654
2,499,562
35,963
36,597
64,483
30,333
(12)
167,364
(292)
31,574
(333)
25,583
147
45,655
102,334
2,502,789
26,903
1,175
49,906
2,580,773
17,216
17,216

Schedule of Expenditures of Federal Awards (continued)

		DIRECT	PASS THROUGH	PASS THROUGH ENTITY NOT	TOTAL FEDERAL
CFDA NO.	FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	AWARDS	ENTITY IDENTIFIED	IDENTIFIED	AWARDS
	L SCIENCE FOUNDATION (NSF)				
U.S. National Science Foundation		729,713			
	47.041 ENGINEERING GRANTS		=	=	729,713
	47.049 MATHEMATICAL AND PHYSICAL SCIENCES	969,583	=	=	969,583
	47.050 GEOSCIENCES	443,601 162,548	=	=	443,601
	47.070 COMPUTER AND INFORMATION SCIENCE AND ENGINEERING		=	=	162,548
	47.074 BIOLOGICAL SCIENCES	2,749,309	_		2,749,309
	47.076 EDUCATION AND HUMAN RESOURCES	5,046,575	=		5,046,575
	47.081 OFFICE OF EXPERIMENTAL PROGRAM TO STIMULATE COMPETITIVE RESEARCH	1,272,346	_		1,272,346
	47.082 TRANS-NSF RECOVERY ACT RESEARCH SUPPORT	1,875,794	_		1,875,794
	UNKNOWN OTHER UNSPECIFIED RESEARCH AND DEVELOPMENT GRANTS AND CONTRACTS	51,869	_	_	51,869
U.S. National Science Foundation	on (NSF) Pass Through From:				
University of Massachusetts					
	47.041 ENGINEERING GRANTS	_	167,883	-	167,883
Northeastern University					
	47.041 ENGINEERING GRANTS	_	11,917	-	11,917
	47.076 EDUCATION AND HUMAN RESOURCES	-	77,693	-	77,693
South Florida University					
	47.050 GEOSCIENCES	_	72,781	_	72,781
Synkera Tech					
	47.041 ENGINEERING GRANTS	_	51,346	_	51,346
Comisión para la Seguridad d	del Tránsito				
	47.076 EDUCATION AND HUMAN RESOURCES	-	62,370	-	62,370
Universidad Metropolitana					
	47.070 COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	-	39,495	=	39,495
Wisconsin University					
	47.041 ENGINEERING GRANTS	_	58,560	_	58,560
	47.049 MATHEMATICAL AND PHYSICAL SCIENCES	_	41,330	_	41,330
University of Texas El Paso					
	47.070 COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	_	37,610	_	37,610
National Science Foundation	- UMET				
	47.070 COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	_	24,474	_	24,474
Ponce School of Medicine					
	47.074 BIOLOGICAL SCIENCES	_	19,208	_	19,208
Texas University					
	47.070 COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	_	17,864	_	17,864
University of Columbia					
,	47.074 BIOLOGICAL SCIENCES	_	15,420	_	15,420
Georgia State University Rese					
,	47.076 EDUCATION AND HUMAN RESOURCES	_	14,710	_	14,710
University of Georgia Researc					11,710
	47.074 BIOLOGICAL SCIENCES	_	9,124	_	9,124
Pennsylvania State University					,,
1 emisyrvania siaie Oniversity	47.050 GEOSCIENCES		4,781		4,781
U.S. Civilian Research and De		_	.,,,,,,	_	4,761
o.o. Civilian Research and De	47.079 INTERNATIONAL SCIENCE AND ENGINEERING (OISE)		2.040		2,040
Washington State University	TION INTERNATIONAL SCIENCE AND ENGINEERING (ODE)	_	2,040	_	2,040
wasnington state University	47.041 ENGINEERING GRANTS		317		317
	47.041 ENGINEERING OKAN15	_	317	_	31/

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2012

CFDA NO. F	EDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	DIRECT AWARDS	PASS THROUGH ENTITY IDENTIFIED	PASS THROUGH ENTITY NOT IDENTIFIED	TOTAL FEDERAL AWARDS
Pass-through not identified					
	OLOGICAL SCIENCES	_	_	72,936	72,936
	DUCATION AND HUMAN RESOURCES	_	_	2,279	2,279
	FFICE OF EXPERIMENTAL PROGRAM TO STIMULATE COMPETITIVE RESEARCH	_	_	1,500,378	1,500,378
	RANS-NSF RECOVERY ACT RESEARCH SUPPORT	_	_	70,945	70,945
TOTAL UNITED STATES NATIONAL SCIEN		13,301,338	728,923	1,646,538	15,676,799
UNITED STATES ENVIRONMENTAL PRO	TECTION AGENCY (EPA)				
U.S. Environmental Protection Agency (EPA) F	ass Through From:				
Arizona State University					
66.509 SG	CIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM	_	31,180	-	31,180
TOTAL UNITED STATES ENVIRONMENTA	L PROTECTION AGENCY (EPA)		31,180	_	31,180
UNITED STATES NUCLEAR REGULATOR U.S. Nuclear Regulatory Commission (NRC) Di					
	S. NUCLEAR REGULATORY COMMISSION NUCLEAR	540			540
	OUCATION GRANT PROGRAM	540	_	_	540
	S. NUCLEAR REGULATORY COMMISSION SCHOLARSHIP AND	152,609			152,609
	ELLOWSHIP PROGRAM	132,009			132,009
TOTAL UNITED STATES NUCLEAR REGUL		153,149			153,149
UNITED STATES DEPARTMENT OF ENER U.S. Department of Energy (DOE) Direct Progr	ams:	547.692			
	TATE ENERGY PROGRAM	547,682	-		547,682
	FFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	855,998 53,023	-	-	855,998
	OSSIL ENERGY RESEARCH AND DEVELOPMENT	53,023	_	_	53,023
U.S. Department of Energy (DOE) Pass Throug					
The Puerto Rico Infrastructure Financing Au	•		400.425		100.100
	TATE ENERGY PROGRAM	-	190,127	_	190,127
Energy Affairs Administration	TATE ENERGY PROGRAM		70.452		70.452
		_	70,453	_	70,453
	NERGY EFFICIENCY AND RENEWABLE ENERGY INFORMATION DISSEMINATION, UTREACH, TRAINING AND TECHNICAL ANALYSIS/ASSISTANCE	-	7,989	_	7,989
Pass-through not identified					
	THER UNSPECIFIED RESEARCH AND DEVELOPMENT GRANTS AND CONTRACTS TATE ENERGY PROGRAM	-	-	231,655 100,000	231,655 100,000
TOTAL UNITED STATES DEPARTMENT OF		1,456,703	268,569	331,655	2,056,927
UNITED STATES DEPARTMENT OF EDUC	CATION (ED)				
U.S. Department of Education (ED) Pass Throw Ohio State University					
84.350 TI	RANSITION TO TEACHING	-	7,681	_	7,681
TOTAL UNITED STATES DEPARTMENT OF	EDUCATION (ED)		7,681	_	7,681
UNITED STATES SMITHSONIAN INSTITU	<u>TION</u>				
U.S. Smithsonian Institution Direct Program:					
	MITHSONIAN INSTITUTION FELLOWSHIP PROGRAM	80,143	-	-	80,143
TOTAL UNITED STATES SMITHSONIAN IN	STITUTION	80,143	_	_	80,143

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Schedule of Expenditures of Federal Awards (continued)

				PASS THROUGH	
CERT L NO	TENERAL CRANTON (BROCK AN OR CLASSED TENERAL CERTAINS)	DIRECT	PASS THROUGH	ENTITY NOT	TOTAL FEDERAL
CFDA NO.	FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	AWARDS	ENTITY IDENTIFIED	IDENTIFIED	AWARDS
LINITED STATES DED	ADDITION OF HEALTH AND WINANGED GIRLS				
	ARTMENT OF HEALTH AND HUMAN SERVICES (HHS)				
U.S. Department of Heal	th and Human Services (HHS) Direct Programs: 93.015 HIV PREVENTION PROGRAMS FOR WOMEN	116,134			116,134
		210,010	_	_	210,010
	93.067 GLOBAL AIDS 93.110 MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	84	_	_	210,010
	93.110 MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS 93.121 ORAL DISEASES AND DISORDERS RESEARCH	1,497,917	_	_	1,497,917
	93.127 OKAL DISEASES AND DISORDERS RESEARCH 93.127 EMERGENCY MEDICAL SERVICES FOR CHILDREN	209,644	_	_	209,644
	93.145 AIDS EDUCATION AND TRAINING CENTERS	(711)	_	_	209,044 (711)
	93.173 RESEARCH RELATED TO DEAFNESS AND COMMUNICATION DISORDER	75,889	_	_	75,889
	93.117 RESEARCH RELATED TO DEAFNESS AND COMMUNICATION DISORDER 93.217 FAMILY PLANNING SERVICES	2,988,654	_	_	2,988,654
	93.217 PAMILT PLANNING_SERVICES 93.236 GRANTS TO STATES TO SUPPORT ORAL HEALTH WORKFORCE ACTIVITIES	362,440	_	_	2,988,634 362,440
	93.242 MENTAL HEALTH RESEARCH GRANTS	3,947,713	_	_	3,947,713
		139,078	_	_	139,078
	93.243 SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	139,076	_	_	139,078
	OF REGIONAL AND NATIONAL SIGNIFICANCE 93.247 ADVANCED NURSING EDUCATION GRANT PROGRAM	351,264			251 264
	93.247 ADVANCED NORSING EDUCATION GRANT PROGRAM 93.249 PUBLIC HEALTH TRAINING CENTERS PROGRAM	444,576	_	_	351,264
		80,238	_	_	444,576
	93.262 OCCUPATIONAL SAFETY AND HEALTH PROGRAM	1,021,636	_	_	80,238
	93.273 ALCOHOL RESEARCH PROGRAMS	1,021,030	_	_	1,021,636
	93.276 DRUG-FREE COMMUNITIES SUPPORT PROGRAM GRANTS	715,690	_	_	104,884
	93.279 DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	180,232	_	_	715,690
	93.281 MENTAL HEALTH RESEARCH CAREER/SCIENTIST DEVELOPMENT AWARDS	34,462	_	_	180,232
	93.282 MENTAL HEALTH NATIONAL RESEARCH SERVICE AWARDS FOR RESEARCH TRAINING	626,789	_	_	34,462
	93.283 CENTERS FOR DISEASE CONTROL AND PREVENTION_INVESTIGATIONS	020,789	_	_	626,789
	AND TECHNICAL ASSISTANCE	94,002			0.4.000
	93.286 DISCOVERY AND APPLIED RESEARCH FOR TECHNOLOGICAL	94,002	_	_	94,002
	INNOVATIONS TO IMPROVE HUMAN HEALTH	2,456,251			2 454 254
	93.307 MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	43,617	_	_	2,456,251
	93.358 ADVANCED EDUCATION NURSING TRAINEESHIPS	(7,983)	_	_	43,617
	93.375 MINORITY BIOMEDICAL RESEARCH SUPPORT		_	_	(7,983)
	93.389 NATIONAL CENTER FOR RESEARCH RESOURCES	16,813,188 2,086,916	_	_	16,813,188
	93.397 CANCER CENTERS SUPPORT GRANTS	110,865	_	_	2,086,916
	93.398 CANCER RESEARCH MANPOWER	60,317	_	_	110,865
	ARRA 93.405 ARRA - PUBLIC HEALTH TRAINEESHIP PROGRAM	238,219	_	_	60,317
	ARRA 93.411 ARRA - EQUIPMENT TO ENHANCE TRAINING FOR HEALTH PROFESSIONALS	7,761	_	_	238,219
	93.591 FAMILY VIOLENCE PREVENTION AND SERVICES/GRANTS FOR BATTERED	7,761	_	_	7,761
	WOMEN'S SHELTERS_GRANTS STATE DOMESTIC VIOLENCE COALITIONS	521,869			521.000
	93.632 UNIVERSITY CENTERS FOR EXCELLENCE IN DEVELOPMENTAL	321,809	_	_	521,869
	DISABILITIES EDUCATION, RESEARCH AND SERVICE	3,149,342			2440242
	ARRA 93.701 ARRA - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	319,495	_	_	3,149,342
	93.837 CARDIOVASCULAR DISEASES RESEARCH	122,688	_	_	319,495
	93.847 DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	1,525,934	_	_	122,688
	93.853 EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	2.678.136	_	_	1,525,934
	93.855 ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	11,096,495	_	_	2,678,136
	93.859 BIOMEDICAL RESEARCH AND RESEARCH TRAINING	481,720	=	_	11,096,495
	93.865 CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	481,720 11,903	=	_	481,720
	93.866 AGING RESEARCH	1,736	_	_	11,903
	93.880 MINORITY ACCESS TO RESEARCH CAREERS	1,/36	_	-	1,736

Schedule of Expenditures of Federal Awards (continued)

		DIDDOM.	n	PASS THROUGH	mom., 555555.
CFDA NO.	FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	DIRECT AWARDS	PASS THROUGH ENTITY IDENTIFIED	ENTITY NOT IDENTIFIED	TOTAL FEDERAL AWARDS
				<u> </u>	
	93.884 GRANTS FOR PRIMARY CARE TRAINING AND ENHANCEMENT	431,970	-	_	431,970
	93.941 HIV DEMONSTRATION, RESEARCH, PUBLIC AND PROFESSIONAL EDUCATION PROJECTS	42,292	_	-	42,292
	93.964 PREVENTION AND PUBLIC HEALTH FUND (PPHF) PUBLIC HEALTH TRAINEESHIPS	66,204	_	_	66,204
	93.UNKNOWN OTHER UNSPECIFIED RESEARCH AND DEVELOPMENT GRANTS AND CONTRACTS	357,887	_	_	357,887
U.S. Department of Health	and Human Services (HHS) Pass Through From:				
Global Vaccine Inc.					
	93.855 ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	=	510,050	=	510,050
University of Florida					
	93.145 AIDS EDUCATION AND TRAINING CENTERS	=	594,384	=	594,384
University of South Flor	ida				
	93.145 AIDS EDUCATION AND TRAINING CENTERS	_	37,503	-	37,503
Northeastern University					
	93.143 NIEHS SUPERFUND HAZARDOUS SUBSTANCES_BASIC RESEARCH AND EDUCATION	_	669,957	-	669,957
Mcgee-Women's Resear	ch Institute				
	93.865 CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	-	544,130	-	544,130
Harvard School of Publ	ic Health				
	93.865 CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	-	352,788	-	352,788
The Wistar Institute					
	ARRA 93.701 ARRA - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	-	257,777	=	257,777
	93.855 ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	-	233,917	=	233,917
Resource Center for Sci					
	93.389 NATIONAL CENTER FOR RESEARCH RESOURCES	_	185,598	_	185,598
University of Rochester					
	93.242 MENTAL HEALTH RESEARCH GRANTS	_	20,438	_	20,438
	93.389 NATIONAL CENTER FOR RESEARCH RESOURCES	=	184,387	_	184,387
University of Kentucky			144.502		
	ARRA 93.701 ARRA - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	_	144,592	_	144,592
Rhode Island Hospital			124.075		
	93.279 DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	_	124,975	_	124,975
Harvard Medical Schoo			115 127		
	ARRA 93.701 ARRA - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	_	115,127	=	115,127
University of Duke	ADD ASSOCIATION OF THE STATE OF		123,146		100.116
	ARRA 93.701 ARRA - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	_	123,146	_	123,146
Westat, Inc.	03 250 PRICE AND A		10,382		10.202
	93.279 DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	_	47,094	_	10,382
	ARRA 93.701 ARRA - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	_	104,972	_	47,094
Ford Hotelinson Comm	93.865 CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	=	104,972	_	104,972
Fred Hutchinson Cance			102,704		102 704
I.l. II. Lin II.	93.855 ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	=	102,704	_	102,704
John Hopkins University	93.393 CANCER CAUSE AND PREVENTION RESEARCH		102,046		102.046
Comite Academy Addition		_	102,040	_	102,046
Service Against Addiction	93.243 SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF		115,833		115,833
		_	113,033	-	113,833
Now York University	REGIONAL AND NATIONAL SIGNIFICANCE				
New York University	93.121 ORAL DISEASES AND DISORDERS RESEARCH		59,342		59,342
	93.121 OKAL DISEASES AND DISORDERS RESEARCH 93.389 NATIONAL CENTER FOR RESEARCH RESOURCES	_	89,627	-	59,342 89,627
	73.307 INATIONAL CENTER FOR RESEARCH RESOURCES	_	03,027	_	89,627

Schedule of Expenditures of Federal Awards (continued)

CEDA NO	FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	DIRECT AWARDS	PASS THROUGH ENTITY IDENTIFIED	PASS THROUGH ENTITY NOT IDENTIFIED	TOTAL FEDERAL AWARDS
CFDA NO.	FEDERAL GRANTOR / FROGRAM OR CLOSTER TITLE / CFDA NUMBER	AWARDS	ENTITI IDENTIFIED	IDENTIFIED	AWARDS
Nanoprobes, Inc.	02.242 MENTEAL HEALTH DESEADON OR ANTE		_ 87,971		87,971
Junta de Planificación	93.242 MENTAL HEALTH RESEARCH GRANTS		_ 67,571	_	87,971
	93.630 DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS		_ 106,981	-	106,981
Universidad Central del Caribe			(110 775)		
	93.853 EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS		_ (119,775)	_	(119,775)
	93.859 BIOMEDICAL RESEARCH AND RESEARCH TRAINING		_ 70,982	-	70,982
University of Alabama	93.846 ARTHRITIS, MUSCULOSKELETAL AND SKIN DISEASES RESEARCH		_ 54,796		54,796
University of Pennsylvania	93.040 AKTIKITIS, MUSCOLOSKLETAL AND SKIN DISEASES KESEAKCI			_	54,790
University of 1 ennsylvania	93.361 NURSING RESEARCH		_ 62,128	_	62,128
The Mount Sinai School of Med			,		02,120
The Mount Sinui School of Med	93.110 MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS		_ 19,742	_	19,742
	93.184 DISABILITIES PREVENTION		_ 13,189		13,189
	93.389 NATIONAL CENTER FOR RESEARCH RESOURCES		_ 57,561	_	57,561
University of North Carolina at			_ 37,501	_	37,301
University of North Carolina at	·		_ 74,075		74.075
C . M. H	93.393 CANCER CAUSE AND PREVENTION RESEARCH		_ /4,0/3	_	74,075
Carnegie Melon University			_ 47,750		
	93.859 BIOMEDICAL RESEARCH AND RESEARCH TRAINING		_ 47,730	-	47,750
University of South Carolina			52.525		
	93.273 ALCOHOL RESEARCH PROGRAMS		_ 53,525	_	53,525
CPWR-The Center for Construc	-				
	93.262 OCCUPATIONAL SAFETY AND HEALTH PROGRAM		- 41,600	-	41,600
University of Pittsburgh					
	93.838 LUNG DISEASES RESEARCH		_ 31,826	-	31,826
M.D. Anderson Cancer Center					
	93.397 CANCER CENTERS SUPPORT GRANTS		_ 30,992	-	30,992
University of Missouri/Columbi	ia				
	93.242 MENTAL HEALTH RESEARCH GRANTS		_ 46,673	_	46,673
University of California					
	93.279 DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS		_ 24,393	_	24,393
Charles Drew University					
•	RA 93.701 ARRA - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT		_ 29,599	_	29,599
University of Indiana					. ,
Chivershy by Indiana	93.121 ORAL DISEASES AND DISORDERS RESEARCH		_ 12,596	_	12,596
University of Miami	3.121 OKIL DIDLING NAD DIDOKDEKO KISENKON				12,550
Craversity of Mann	93.279 DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS		_ 11.469		11,469
Institute for Clinical Research			_ 11,102	_	11,409
Institute for Cunicat Research I	93.855 ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH		_ 11,380		11,380
New York Medical College	95.855 ALLERG1, IMMUNOLOG1 AND TRANSPLANTATION RESEARCH		_ 11,500	_	11,380
New 10rk Medical College	02 110 MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED BROCKAMS		_ 12,826		12,826
	93.110 MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS		_ 12,620	_	12,826
The Miriam Hospital			0.041		
	93.279 DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS		_ 8,841	_	8,841
Hispanic Serving and Health P.			- c- :		
	93.283 CENTERS FOR DISEASE CONTROL AND PREVENTION_INVESTIGATIONS AND TECHNICAL ASSISTANCE		- 7,834	-	7,834
NYSDOH/WASDWORTH CEN					
	93.865 CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH		_ 7,571	-	7,571

Schedule of Expenditures of Federal Awards (continued)

CFDA NO.	FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	DIRECT AWARDS	PASS THROUGH ENTITY IDENTIFIED	PASS THROUGH ENTITY NOT IDENTIFIED	TOTAL FEDERAL AWARDS
Association of Schools of Pub	93.283 CENTERS FOR DISEASE CONTROL AND PREVENTION_INVESTIGATIONS AND TECHNICAL ASSISTANCE		1,968		1,968
Columbia University	73,203 CENTERS FOR DISEASE CONTROL AND TREVENTION_INVESTIGATIONS AND TECHNICAL ASSISTANCE	_	-,,	_	1,508
y	93.853 EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	=	520	=	520
Puerto Rico Department of H	ealth				
	93.069 PUBLIC HEALTH EMERGENCY PREPAREDNESS	-	579	=	579
	93.145 AIDS EDUCATION AND TRAINING CENTERS	_	300		300
	93.865 CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	-	900	-	900
	93.889 NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	-	47,464	_	47,464
	93.996 BIOTERRORISM TRAINING AND CURRICULUM DEVELOPMENT PROGRAM	-	17,476	=	17,476
National Institute of Health			(1.022)		
	93.389 NATIONAL CENTER FOR RESEARCH RESOURCES	-	(1,923)	_	(1,923)
Social & Scientific System, In			(1,026)		4.000
	.RRA 93.701 ARRA - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	-	(1,020)	_	(1,026)
The Brigham and Women's H	93.838 LUNG DISEASES RESEARCH		(9,100)		(9,100)
University of Chicago	23.030 EURO DISEASES RESEARCH		(7,100)		(5,100)
Oniversity of Chicago	93.853 EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	_	5,880	_	5,880
Pass-through not identified					3,000
	93.389 NATIONAL CENTER FOR RESEARCH RESOURCES	_	_	3,828	3,828
TOTAL UNITED STATES DEI	PARTMENT OF HEALTH AND HUMAN SERVICES (HHS)	55,817,447	5,600,332	3,828	61,421,607
UNITED STATES DEPARTM	ENT OF HOMELAND SECURITY (DHS)				
U.S. Department of Homeland S	ecurity (DHS) Direct Programs:				
	97.005 STATE AND LOCAL HOMELAND SECURITY NATIONAL TRAINING PROGRAM	12,251	-	_	12,251
	97.062 SCIENTIFIC LEADERSHIP AWARDS	88,092	=	_	88,092
U.S. Department of Homeland S University of Hawaii	ecurity (DHS) Pass Through From:				
	97.061 CENTERS FOR HOMELAND SECURITY	-	193,775	_	193,775
Stevens Institute of Technolog	y .				
	97.061 CENTERS FOR HOMELAND SECURITY	-	51,682	_	51,682
Oak Ridge Institute					
	97.062 SCIENTIFIC LEADERSHIP AWARDS		26,465		26,465
TOTAL UNITED STATES DEI	PARTMENT OF HOMELAND SECURITY (DHS)	100,343	271,922		372,265
UNITED STATES AGENCY I	OR INTERNATIONAL DEVELOPMENT				
	evelopment Pass Through From:				
Pass-through not identified					
	98.001 USAID FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS		=	16,452	16,452
TOTAL UNITED STATES AGE	ENCY FOR INTERNATIONAL DEVELOPMENT		_	16,452	16,452
TOTAL RESEARCH AND DEV	ELOPMENT CLUSTER	92,841,982	7,609,373	2,307,323	102,758,678
		· · · · · · · · · · · · · · · · · · ·			

Schedule of Expenditures of Federal Awards (continued)

				PASS THROUGH	
		DIRECT	PASS THROUGH	ENTITY NOT	TOTAL FEDERAL
CFDA NO.	FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	AWARDS	ENTITY IDENTIFIED	IDENTIFIED	AWARDS
TRIO CLUSTER:					
	RTMENT OF EDUCATION (ED)				
	tion (ED) Direct Programs:				
	84.042 TRIO STUDENT SUPPORT SERVICES	2,480,037	_	_	2,480,037
	84.044 TRIO_TALENT SEARCH	527,310	_	_	527,310
	84.047 TRIO_UPWARD BOUND	946,238	_	_	946,238
	84.217 TRIO_MCNAIR POST-BACCALAUREATE ACHIEVEMENT	281,135	_	_	281,135
TOTAL UNITED STATES	S DEPARTMENT OF EDUCATION (ED)	4,234,720	-	-	4,234,720
TOTAL TRIO CLUSTER		4,234,720	_	_	4,234,720
OTHER PROGRAM	S:				
	RTMENT OF AGRICULTURE (USDA)				
U.S. Department of Agricu	lture (USDA) Direct Programs:				
	10.025 PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	393,988	_	-	393,988
	10.443 OUTREACH AND ASSISTANCE FOR SOCIALLY DISADVANTAGED FARMERS AND RANCHERS	101,135	-	-	101,135
	10.558 CHILD AND ADULT CARE FOOD PROGRAM	13,881	-	-	13,881
	10.675 URBAN AND COMMUNITY FORESTRY PROGRAM	16,551	_	-	16,551
	10.680 FOREST HEALTH PROTECTION	16,666	_	-	16,666
	10.769 RURAL BUSINESS ENTERPRISE GRANTS	97,871	_	-	97,871
	10.773 RURAL BUSINESS OPPORTUNITY GRANTS	13,719	=		13,719
	10.962 COCHRAN FELLOWSHIP PROGRAM-INTERNATIONAL TRAINING_FOREIGN PARTICIPANT	26,400	_	-	26,400
	lture (USDA) Pass Through From:				
Consejo Asesor Foresta	ción Urbana y de Comunidades-Departamento Recursos Naturales y Ambientales				
	10.675 URBAN AND COMMUNITY FORESTRY PROGRAM	_	(42)	-	(42)
Puerto Rico Departmen					
	10.558 CHILD AND ADULT CARE FOOD PROGRAM	-	17,988	-	17,988
Puerto Rico Departmen					
	10.675 URBAN AND COMMUNITY FORESTRY PROGRAM	-	699	-	699
Pass-through not identij	fied				
	10.304 HOMELAND SECURITY_AGRICULTURAL	_	_	17,802	17,802
	10.773 RURAL BUSINESS OPPORTUNITY GRANTS		_	9,913	9,913
TOTAL UNITED STATES	DEPARTMENT OF AGRICULTURE (USDA)	680,211	18,645	27,715	726,571
UNITED STATES DEPA	RTMENT OF DEFENSE (DOD)				
U.S. Department of Defens	e Direct Programs:				
	12.000 ISSUE OF DEPARTMENT OF DEFENSE EXCESS EQUIPMENT	(8)	_	_	(8)
	12.109 PROTECTION CLEARING AND STRAIGHTENING CHANNELS	(12)	-	_	(12)
	12.609 SELECTED RESERVE EDUCATIONAL ASSISTANCE PROGRAM	7,495	=	=	7,495
	12.901 MATHEMATICAL SCIENCES GRANTS PROGRAM	17,266	=	=	17,266
U.S. Department of Defens					
Puerto Rico Departmen					
•	12.901 MATHEMATICAL SCIENCES GRANTS PROGRAM	_	550,461	_	550,461
TOTAL UNITED STATES	DEPARTMENT OF DEFENSE (DOD)	24,741	550,461	_	575,202
			,.51		2.2,202

Schedule of Expenditures of Federal Awards (continued)

CFDA NO. FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	DIRECT AWARDS	PASS THROUGH ENTITY IDENTIFIED	PASS THROUGH ENTITY NOT IDENTIFIED	TOTAL FEDERAL AWARDS
CEDANO. TEDENIE GRINION/INCOREM ON CHEGIER ITTEL/CEDITIONEER	AWARDS	ENTITI IDENTIFIED	DENTIFIED	AWARDS
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)				
U.S. Department of Housing and Urban Development (HUD) Direct Programs:				
ARRA 14.257 ARRA - HOMELESSNESS PREVENTION AND RAPID	81,373	_	_	81,373
RE-HOUSING PROGRAM (RECOVERY ACT FUNDED)				
14.262 HOMELESS PREVENTION AND RAPID RE-HOUSING PROGRAM TECHNICAL ASSISTANCE	5,000	_	_	5,000
14.511 COMMUNITY OUTREACH PARTNERSHIP CENTER PROGRAM	229	_	_	229
14.514 HISPANIC-SERVING INSTITUTIONS ASSISTING COMMUNITIES	507,255	_	_	507,255
U.S. Department of Housing and Urban Development (HUD) Pass Through From:				
Municipality of Humacao				
14.231 EMERGENCY SOLUTIONS GRANTS PROGRAM	_	57,152	_	57,152
TOTAL UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)	593,857	57,152	_	651,009
		,.		
UNITED STATES DEPARTMENT OF INTERIOR (DOI)				
U.S. Department of Interior (DOI) Direct Programs:				
15.608 FISH AND WILDLIFE MANAGEMENT ASSISTANCE	400	_	_	400
15.615 COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	1,360	_	_	1,360
TOTAL UNITED STATES DEPARTMENT OF INTERIOR (DOI)	1.760	_	_	1.760
				-,,
UNITED STATES DEPARTMENT OF JUSTICE (DOJ)				
U.S. Department of Justice (DOJ) Direct Programs:				
16.525 GRANTS TO REDUCE DOMESTIC VIOLENCE, DATING VIOLENCE,	286,903	_	_	286,903
SEXUAL ASSAULT, AND STALKING ON CAMPUS				
16.588 VIOLENCE AGAINST WOMEN FORMULA GRANTS	24,536	_	_	24,536
16.UNKNOWN OTHER UNSPECIFIED GRANTS AND CONTRACTS	93,395	_	_	93,395
U.S. Department of Justice (DOJ) Pass Through From:				,
Puerto Rico Department of Justice				
16.541 PART E DEVELOPING TESTING AND DEMONSTRATING	_	242,281	_	242.281
PROMISING NEW PROGRAMS				,
Pass-through not identified				
16.525 GRANTS TO REDUCE DOMESTIC VIOLENCE, DATING VIOLENCE,	_	_	17,691	17,691
SEXUAL ASSAULT, AND STALKING ON CAMPUS			.,	17,021
TOTAL UNITED STATES DEPARTMENT OF JUSTICE (DOJ)	404,834	242,281	17,691	664,806
TOTAL CRIES STATES DELIMINENT OF TESTICE (DOS)	404,034	242,201	17,021	004,000
UNITED STATES DEPARTMENT OF LABOR (DOL)				
U.S. Department of Labor (DOL) Direct Programs:				
17.259 WIA YOUTH ACTIVITIES	258,031	_	_	258,031
17.502 OCCUPATIONAL SAFETY AND HEALTH SUSAN HARWOOD TRAINING GRANTS	85,748	_	_	85,748
U.S. Department of Labor (DOL) Pass Through From:				05,710
Municipio Autónomo de Ponce-Área Desarrollo Laboral de Ponce (Formerly WIA)				
17.259 WIA YOUTH ACTIVITIES	_	39,867	_	39,867
TOTAL UNITED STATES DEPARTMENT OF LABOR (DOL)	343,779	39,867	_	383,646
	343,779	57,007		505,040
UNITED STATES DEPARTMENT OF TRANSPORTATION (DOT)				
U.S. Department of Transportation Direct Program:				
20.205 HIGHWAY PLANNING AND CONSTRUCTION	(37)			(37)
20.200 Indiana Indiana on Deconstruction	(37)	_	_	(37)

Schedule of Expenditures of Federal Awards (continued)

ত্ৰি তাৰ্বাহিন কৰ্মান কৰ্ম	CFDA NO.	FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	DIRECT AWARDS	PASS THROUGH ENTITY IDENTIFIED	PASS THROUGH ENTITY NOT IDENTIFIED	TOTAL FEDERAL AWARDS
Page	U.S. Donartment of Transpo	etation Pass Through From				
হান্ত নাম কাম কাম কাম কাম কাম কাম কাম কাম কাম ক						
ত্ৰি ত্ৰি চৰ্যাল্য নিৰ্যাণ	Comission para la Segura		_	200 246	_	200,246
### 1988 1987 1987 1987 1987 1987 1987 20 1	Pass-through not identifi			200,240		200,240
PATTER STATE SPEARMENT OF PRANSPORTED NO POTES 1972	1 ass in ough nor lacing		_	_	17.124	17,124
Section Account Continue Internation (ASA) Direct Programs	TOTAL UNITED STATES		(37)	200,246		217,333
Section Account Continue Internation (ASA) Direct Programs						
ASSOC ARRONAUTICS COUNT	UNITED STATES NATIO	NAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)				
INTERSTATES ANTIONAL REPOWNETT FOR THE HUMANTHES (NIBE)	U.S. National Aeronautics a	nd Space Administration (NASA) Direct Program:				
		43.002 AERONAUTICS	(207)	_	_	(207)
S. National Faultonines Information In	TOTAL UNITED STATES	NATIONAL AERONAUTICS AND SPACE AD (NASA)	(207)	-	_	(207)
S. 162 PROMOTION OF THE HUMANTHES, TEACHING AND LEARNING RESOURCES	UNITED STATES NATIO	NAL ENDOWMENT FOR THE HUMANITIES (NHE)				
AND CURRECULAI DEVELOPMENTS 4.00 A PROMISEIN SERVICES 1.5. National Endomenation for Humanities Resist Frongs Fronce 1.5. National Endomenation for Humanities Resist R	U.S. National Endowment for	or the Humanities Direct Programs:				
S. 10 INSTITUTE OF MUSEUM SERVICES 2.30 2.30 2.30 3.30		45.162 PROMOTION OF THE HUMANITIES, TEACHING AND LEARNING RESOURCES	28,283	_	_	28,283
		AND CURRICULUM DEVELOPMENT				
A		45.301 INSTITUTE OF MUSEUM SERVICES	23,981	=	-	23,981
1.00 1.00	U.S. National Endowment for	or the Humanities Pass Through From:				
1.00 1.00	Institute for Puerto Rican					
		45.024 PROMOTION OF THE ARTS GRANTS TO ORGANIZATIONS AND INDIVIDUALS			-	3,273
State Stat	TOTA LUNITED STATES	NATIONAL ENDOWMENT FOR THE HUMANITIES (NHE)	52,264	3,273		55,537
6.1.17 知収YVOKS AND DEPENDENTS EDUCATIONAL ASSISTANCE 30 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	UNITED STATES VETER	ANS AFFAIRS (VA)				
6.124 ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE 23	U.S. National Veteran Affai	rs Direct Programs:				
1,147		64.117 SURVIVORS AND DEPENDENTS EDUCATIONAL ASSISTANCE		=	-	300
NATEUNITED STATES VETERANS AFFAIRS (VA) 2.278		64.124 ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE	231	=	-	231
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA) Direct Programs: 66.513 GREATER RESEARCH OPPORTUNITIES (GRO) FELLOWSHIPS FOR UNDERGRADUATE 66.513 GREATER RESEARCH OPPORTUNITIES (GRO) FELLOWSHIPS FOR UNDERGRADUATE 7.913 7.93		64.125 VOCATIONAL AND EDUCATIONAL COUNSELING FOR SERVICEMEMBERS AND VETERANS	1,747	=	_	1,747
No. Servironmental Protection Agency (EPA) Direct Programs: 6.513 GREATER RESEARCH OPPORTUNITIES (GRO) FELLOWSHIPS FOR UNDERGRADUATE 7.913 7.913 7.915 7.9	TOTAL UNITED STATES	VETERANS AFFAIRS (VA)	2,278	_	_	2,278
66.513 GREATER RESEARCH OPPORTUNITIES (GRO) FELLOWSHIPS FOR UNDERGRADUATE ENVIRONMENTAL STUDY **TOTAL UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA)** **UNITED STATES DEPARTMENT OF EDUCATION (ED)** **U.S. Department of Education Direct Programs** **8.4.120 MINORITY SCIENCE AND ENGINEERING IMPROVEMENT** **8.4.120 MINORITY SCIENCE AND ENGINEERING IMPROVEMENT** **8.4.120 REHABILITATION LONG-TERM TRAINING** **8.4.120 SEAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS** **8.4.120 ASSISTIVE TECHNOLOGY** **8.4.24 ASSISTIVE TECHNOLOGY** **8.4.24 ASSISTIVE TECHNOLOGY** **8.4.25 CLEGE ACCESS CHALLENGE GRANT PROGRAM** **8.4.378 COLLEGE ACCESS CHALLENGE GRANT PROGRAM** **8.4.03 HIGHER EDUCATION_INSTITUTIONAL AID DIRECT PROGRAM** **8.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM PUERTO RICO DEPT. OF EDUCATION** **8.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **8.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **8.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **8.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **8.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **8.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **9.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **9.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **9.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **9.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **9.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **9.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **9.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **9.4.03 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE** **9.4.03 HIGHER EDUC	UNITED STATES ENVIR	ONMENTAL PROTECTION AGENCY (EPA)				
ENVIRONMENTAL STUDY TOTAL UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA) UNITED STATES DEPARTMENT OF EDUCATION (ED) U.S. Department of Education Direct Programs: 8 4.120 MINORITY SCIENCE AND ENGINEERING IMPROVEMENT 8 4.120 MINORITY SCIENCE AND ENGINEERIN	U.S. Environmental Protects	on Agency (EPA) Direct Programs:				
NOTAL UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA) 7,913		66.513 GREATER RESEARCH OPPORTUNITIES (GRO) FELLOWSHIPS FOR UNDERGRADUATE	7,913	_	_	7,913
UNITED STATES DEPARTMENT OF EDUCATION (ED) U.S. Department of Education Direct Programs: 84.120 MINORITY SCIENCE AND ENGINEERING IMPROVEMENT 384,715 - - 384,72 84.129 REHABILITATION LONG-TERM TRAINING 235,718 - - 235,7 84.186 SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS 1,053 - - 1,0 84.224 ASSISTIVE TECHNOLOGY 396,556 - - 396,55 84.378 COLLEGE ACCESS CHALLENGE GRANT PROGRAM 1,617,595 - - 1617,59 U.S. Department of Education Pass Through From 84.031 HIGHER EDUCATION_INSTITUTIONAL AID DIRECT PROGRAM 3,371,614 - - 3,371,6 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM PUERTO RICO DEPT. OF EDUCATION - 579 - 5 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE - 129,555 - 129,5 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH NOT IDENTIFIED - 100 6		ENVIRONMENTAL STUDY				
U.S. Department of Education Direct Programs: 84.120 MINORITY SCIENCE AND ENGINEERING IMPROVEMENT 84.129 REHABILITATION LONG-TERM TRAINING 235,718 84.129 REHABILITATION LONG-TERM TRAINING 235,718 84.186 SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS 1,053 84.224 ASSISTIVE TECHNOLOGY 396,556 84.378 COLLEGE ACCESS CHALLENGE GRANT PROGRAM 1,617,595 1.617,595 U.S. Department of Education Pass Through From: 84.031 HIGHER EDUCATION_INSTITUTIONAL AID DIRECT PROGRAM 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM PUERTO RICO DEPT. OF EDUCATION 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE 129,55 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH NOT IDENTIFIED 1600 660	TOTAL UNITED STATES	ENVIRONMENTAL PROTECTION AGENCY (EPA)	7,913	-		7,913
U.S. Department of Education Direct Programs: 84.120 MINORITY SCIENCE AND ENGINEERING IMPROVEMENT 84.129 REHABILITATION LONG-TERM TRAINING 235,718 84.129 REHABILITATION LONG-TERM TRAINING 235,718 84.186 SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS 1,053 84.224 ASSISTIVE TECHNOLOGY 396,556 84.378 COLLEGE ACCESS CHALLENGE GRANT PROGRAM 1,617,595 1.617,595 U.S. Department of Education Pass Through From: 84.031 HIGHER EDUCATION_INSTITUTIONAL AID DIRECT PROGRAM 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM PUERTO RICO DEPT. OF EDUCATION 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE 129,55 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH NOT IDENTIFIED 1600 660	UNITED STATES DEPAR	TMENT OF EDUCATION (ED)				
84.120 MINORITY SCIENCE AND ENGINEERING IMPROVEMENT 384,715 - - 384,72 84.129 REHABILITATION LONG-TERM TRAINING 235,718 - - 235,73 84.186 SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS 1,053 - - 1,0 84.224 ASSISTIVE TECHNOLOGY 396,556 - - 396,55 84.378 COLLEGE ACCESS CHALLENGE GRANT PROGRAM 1,617,595 - - 1,617,55 U.S. Department of Education Pass Through From: 84.031 HIGHER EDUCATION_INSTITUTIONAL AID DIRECT PROGRAM 3,371,614 - - 3,371,6 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM PUERTO RICCO DEPT. OF EDUCATION - 579 - 5 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE - 129,555 - 129,555 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH NOT IDENTIFIED - - 600 6						
84.186 SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS 1,053 - - 1,0 84.224 ASSISTIVE TECHNOLOGY 396,556 - - 396,5 84.378 COLLEGE ACCESS CHALLENGE GRANT PROGRAM 1,617,595 - - - 1,617,5 U.S. Department of Education Pass Through From: 84.031 HIGHER EDUCATION_INSTITUTIONAL AID DIRECT PROGRAM 3,371,614 - - 3,371,6 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM PUERTO RICO DEPT. OF EDUCATION - 579 - 5 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE - 129,555 - 129,5 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH NOT IDENTIFIED - - 600 6			384,715	_	_	384,715
84.224 ASSISTIVE TECHNOLOGY 396,556 - - 396,55 84.378 COLLEGE ACCESS CHALLENGE GRANT PROGRAM 1,617,595 - - - 1,617,5 U.S. Department of Education Pass Through From: 84.031 HIGHER EDUCATION_INSTITUTIONAL AID DIRECT PROGRAM 3,371,614 - 579 - 3,371,6 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM PUERTO RICO DEPT. OF EDUCATION - 579 - 55 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE - 129,555 - 129,5 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH NOT IDENTIFIED - - 600 6			235,718	_	_	235,718
84.378 COLLEGE ACCESS CHALLENGE GRANT PROGRAM 1.617,595 L. 1.617,595 L. 2 1.617,595 U.S. Department of Education Pass Through From: 84.031 HIGHER EDUCATION_INSTITUTIONAL AID DIRECT PROGRAM 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM PUERTO RICO DEPT. OF EDUCATION 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH NOT IDENTIFIED 129,55 129,55 139,56 140,75 150,75 1		84.186 SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	1,053	_	_	1,053
U.S. Department of Education Pass Through From: 84.031 HIGHER EDUCATION_INSTITUTIONAL AID DIRECT PROGRAM 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM PUERTO RICO DEPT. OF EDUCATION		84.224 ASSISTIVE TECHNOLOGY	396,556	_	_	396,556
84.031 HIGHER EDUCATION_INSTITUTIONAL AID DIRECT PROGRAM 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM PUERTO RICO DEPT. OF EDUCATION - 579 - 5 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE - 129,555 - 129,5 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH NOT IDENTIFIED - 600 6		84.378 COLLEGE ACCESS CHALLENGE GRANT PROGRAM	1,617,595	_	_	1,617,595
84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM PUERTO RICO DEPT. OF EDUCATION - 579 - 5 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE - 129,555 - 129,5 84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH NOT IDENTIFIED - 600 6	U.S. Department of Education	on Pass Through From:				
84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE - 129,555 - 129,555 - 129,555 - 600 - 700 -		84.031 HIGHER EDUCATION_INSTITUTIONAL AID DIRECT PROGRAM	3,371,614	-		3,371,614
84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH NOT IDENTIFIED – 600 6		$84.031~\mathrm{Higher}$ Education_institutional aid pass through from Puerto Rico dept. of Education	-	579	-	579
84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH NOT IDENTIFIED – 600 6		84.031 HIGHER EDUCATION_INSTITUTIONAL AID PASS THROUGH FROM MIAMI DADE COLLEGE	_	129,555	_	129,555
Subrotal U.S. Department of Education Program 84.031 3,371,614 130,134 600 3.502,3			=	=	600	600
	Subtotal U.S. Department of	Education Program 84.031	3,371,614	130,134	600	3,502,348

Schedule of Expenditures of Federal Awards (continued)

CFDA NO.	FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	DIRECT AWARDS	PASS THROUGH ENTITY IDENTIFIED	PASS THROUGH ENTITY NOT IDENTIFIED	TOTAL FEDERAL AWARDS
	$84.367\ IMPROVING TEACHER QUALITY STATE GRANTS PASS THROUGH FROM PUERTO RICO DEPT. OF EDUCATION$	-	916,607	-	916,607
	84.367 IMPROVING TEACHER QUALITY STATE GRANTS PASS THROUGH FROM CALIFORNIA UNIVERSITY	-	146,201	=	146,201
	84.367 IMPROVING TEACHER QUALITY STATE GRANTS PASS THROUGH FROM CONSEJO DE EDUCACION SUPERIOR DE PUERTO RICO	-	119,939	-	119,939
Subtotal U.S. Department of E	ducation Pass Through Program 84.367		1,182,747		1,182,747
Puerto Rico Department o	Education				
т ието кисо Бераттет ој	84.002 ADULT EDUCATION - BASIC GRANTS TO STATES	_	15,291	_	15,291
	84.010 TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES		1,287,106	_	1,287,106
	84.048 CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES		23,734		23,734
	84.243 TECH-PREP EDUCATION		19,940	_	19,940
	84.287 TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	_	238,479	_	238,479
	84.331 GRANTS TO STATES FOR WORKPLACE AND COMMUNITY TRANSITION TRAINING FOR INCARCERATED INDIVIDUALS	_	4,539	_	4,539
	84.336 TEACHER QUALITY PARTNERSHIP GRANTS		77,500	_	77,500
	84.366 MATHEMATICS AND SCIENCE PARTNERSHIPS	_	1,645,584	_	1,645,584
D d		_	1,043,304	_	1,043,364
Pass-through not identified	84.378 COLLEGE ACCESS CHALLENGE GRANT PROGRAM			191,623	191,623
TOTAL UNITED STATES D	EPARTMENT OF EDUCATION (ED)	6,007,251	4,625,054	192,223	10,824,528
		-,,	.,		,,
UNITED STATES DEPART	MENT OF HEALTH AND HUMAN SERVICES (HHS)				
	d Human Services (HHS) Direct Program:				
,	93.215 HANSEN'S DISEASE NATIONAL AMBULATORY CARE PROGRAM	64,003	_	_	64.003
U.S. Department of Health an	d Human Services (HHS) Pass Through From:				
. ,	93.575 CHILD CARE AND DEVELOPMENT BLOCK GRANT PASS THROUGH FROM ACUDEN	_	1,087,903	_	1,087,903
	93.575 CHILD CARE AND DEVELOPMENT BLOCK GRANT PASS THROUGH FROM ADMINISTRACION PARA EL CUIDADO Y EL DESARROLLO INTEGRAL DE LA NIÑEZ	-	122,144	-	122,144
	93.575 CHILD CARE AND DEVELOPMENT BLOCK GRANT PASS THROUGH FROM PUERTO RICO DEPARTMENT OF THE FAMILY	-	(273)	-	(273)
	93.575 CHILD CARE AND DEVELOPMENT BLOCK GRANT PASS THROUGH NOT IDENTIFIED	-	_	212,439	212,439
Subtotal U.S. Department of H	ealth and Human Services Pass Through Program 93.575	-	1,209,774	212,439	1,422,213
Puerto Rico Department oj	Education				
	ARRA 93.708 ARRA - HEAD START	-	4,800	_	4,800
Puerto Rico Department of	the Family				
	93.910 FAMILY AND COMMUNITY VIOLENCE PREVENTION PROGRAM	-	(1,080)	_	(1,080)
National Library of Medica	ine				
	93.879 MEDICAL LIBRARY ASSISTANCE	-	5,588	_	5,588
TOTAL UNITED STATES D	EPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)	64,003	1,219,082	212,439	1,495,524

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2012

CFDA NO.	FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE / CFDA NUMBER	DIRECT AWARDS	PASS THROUGH ENTITY IDENTIFIED	PASS THROUGH ENTITY NOT IDENTIFIED	TOTAL FEDERAL AWARDS
UNITED STATES DEPAR	RTMENT OF HOMELAND SECURITY (DHS)				
U.S. Department of Homela	and Security (DHS) Direct Program:				
	97.039 HAZARD MITIGATION GRANT	 20,930	-	_	20,930
TOTAL UNITED STATES	DEPARTMENT OF HOMELAND SECURITY (DHS)	 20,930	_	-	20,930
TOTAL OTHER PROGRA	MS	 8,203,577	6,956,061	467,192	15,626,830
TOTAL EXPENDITU	IRES OF FEDERAL AWARDS	\$ 338,936,363	\$ 14,565,434 \$	2,774,515 \$	356,276,312

See accompanying notes.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all Federal Awards Programs of the University of Puerto Rico (the University). The University's reporting entity is defined in the notes to the financial statements.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (Schedule or SEFA) is presented using the accrual basis of accounting.

3. Matching Costs

Matching costs, such as the nonfederal share of certain program costs, are not included in the accompanying Schedule.

4. Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying schedule, which is prepared on the basis of accounting explained in Note 2.

Office of Management and Budget (OMB) Circular A-133 requires that federal financial reports for claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared. The University prepares the federal financial reports and claims for reimbursements primarily based on information from the internal accounting records of the respective Campuses of the University.

5. Relationship to Financial Statements

Federal awards revenues and expenses are reported in the University's statement of revenues, expenses and changes in net assets in accordance with standards issued by the Government Accounting Standards Board (GASB) No. 35. Because the Schedule of Expenditures of Federal Awards presents only federal activities of the University, it is not intended to and does not present either the financial position, assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows of the University, as a whole.

Notes to Schedule of Expenditures of Federal Awards (continued)

6. Program Clusters

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, TRIO, Research and Development, and Student Financial Assistance were identified as clusters.

7. Loan Programs

The University administers the Federal Perkins Loan Program (CFDA No. 84.038). The University received no federal funds under this program for the fiscal year ended June 30, 2012. The outstanding loan balance of \$404,834 as of June 30, 2011 is considered current year federal expenditures.

During the fiscal year ended June 30, 2012, the University processed \$52,903,452 of new loans under the Federal Direct Student Loans Program (CFDA No. 84.268). Since this program is administered by a third-party, the new loans made in the fiscal year ended June 30, 2012, relating to this program are considered current year federal expenditures, whereas the outstanding loan balances are not. The new loans made in the fiscal year ended June 30, 2012, are reported in the Schedule of Expenditures of Federal Awards.

Schedule of Findings and Questioned Costs

June 30, 2012

Part I – Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued (unqualified, qualified, adverse, or disclaimer):	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	X Yes		No
Significant deficiency(ies) identified?	Yes	X	None reported
Noncompliance material to financial statements noted?	Yes	X	No
Federal Awards Section			
Internal control over major programs:			
Material weakness(es) identified?	X Yes		No
Significant deficiency(ies) identified?	Yes	X	None reported
Type of auditor's report issued on compliance for major programs: (unqualified, qualified, adverse, or disclaimer):			
Student Financial Assistance Cluster	Unqualified		
Mathematics and Science Partnerships Program	Adverse		
Research and Development Cluster	Unqualified		
Higher Education Institutional Aid Program	Adverse		
TRIO Cluster	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	_X Yes		No

Schedule of Findings and Questioned Costs (continued)

Part I – Summary of Auditor's Results (continued)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster				
Various	Student Financial Assistance Cluster				
Various	Research and Development Cluster				
Various	TRIO Cluster				
84.031	Higher Education Institutional Aid Program				
84.366	Mathematics and Science Partnerships Program				
Dollar threshold used to distinguish between and Type B programs:	Type A \$3,000,000				
Auditee qualified as low-risk auditee?	Yes <u>X</u> No				

Schedule of Findings and Questioned Costs (continued)

Part II – Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

Schedule of Findings and Questioned Costs (continued)

Part II – Financial Statement Findings Section (continued)

Finding Number: 12-01

Topic

Financial Statement Close Process

Category

Internal Control

Criteria

A fundamental element of a sound system of internal controls is an effective financial statement close process. Such a process is essential in enabling organizations to prepare timely and accurate financial statements. This process helps ensure that all financial transactions are properly recorded, appropriately supported, and subjected to supervisory review. The financial statement close process begins with accounting data recorded in the University's general ledger and culminates in the preparation of the University's financial statements, including identification and documentation of the relevant disclosures that are required under generally accepted accounting principles.

Condition

During our audit, we noted deficiencies in the University's financial statement close process, including the following:

- Multiple audit/post-closing entries that were not initially identified by the University's internal controls were required to properly record revenues and expense activity, accounts receivable activity, cash activity, prepaid expenses activity and certain liabilities. These entries were considered material to the financial statements.
- The compilation of financial data and reconciliation processes are not completed in a timely manner. The lack of procedures and controls in these areas result in inefficiencies during the financial statements preparation process.
- The accounting and financial reporting operations of certain units of the University, specifically the Medical Sciences Campus and the Mayagüez Campus, are not able to detect or prevent accounting errors effectively nor efficiently which results in multiple audit adjustments.

Schedule of Findings and Questioned Costs (continued)

Part II – Financial Statement Findings Section (continued)

Finding Number: 12-01 (continued)

Questioned Costs

Not applicable.

Cause

The lack of adequate controls during the implementation of the new accounting system has resulted in an ineffective and inefficient financial statements close process. In addition, the lack of integration between the units and the central administration finance and accounting functions has an adverse impact in the financial reporting of the University as a whole.

Effect

There were numerous post-closing and audit adjustments that were recorded by the University as noted above.

Recommendations

Management should improve the annual closing process, including more effective monitoring controls over financial information. All general ledger accounts should be supported by reconciliations, roll-forward schedules and other appropriate documentation which are timely reviewed at two levels, and evidenced by supervisory and signature approval. Journal entries should be supported by complete documentation and timely reviewed as well as reviewing the processing of journal entries at year end.

All accounting judgments and estimates should also be properly supported and reviewed. In reviewing and developing the closing process, the University should ensure that it has sufficient accounting personnel with the appropriate experience and training to effectively perform the financial statement close process. Additionally, there is a need for key accounting personnel to review the draft financial statements for correctness of accounting, presentation and disclosure prior to its presentation to the auditors. This may include holding internal training programs for the preparers and first level reviewers related to the financial statement close process.

The University should consider changing or reinforcing the organizational structure to improve monitoring controls over the accounting and financial reporting functions of units. The accounting and financial reporting responsibilities should be centralized and units should report directly, timely and effectively to the Central Administration Finance Director and Controller.

Schedule of Findings and Questioned Costs (continued)

Part II – Financial Statement Findings Section (continued)

Finding Number: 12-01 (continued)

Recommendations (continued)

An effective control environment requires that those in charge of governance monitor the accounting and financial reporting functions effectively. By implementing these recommendations the monitoring of the accounting and financial reporting activities of the University will be reinforced.

Management's Response and Planned Corrective Actions

The University of Puerto Rico concurs with this finding. Refer to separately issued corrective action plan.

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by OMB Circular A-133, Section .510(a) (for example, material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program.

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-02

Federal Program Information

All Major Programs

Category

Internal Control/Compliance

Compliance Requirement

General regulations of OMB Circular A-133

Criteria

OMB Circular A-133, Subpart C, Section .320, requires that the audit shall be completed and that the reporting package shall be submitted within the earlier of 30 days after the receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is approved by the cognizant or oversight agency.

Pursuant §____.310 (b) of OMB Circular A-133 related to financial statements, the auditee shall also prepare a schedule of federal expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements.

Condition

The Data Collection Form (DCF) and the Single Audit reporting package were not submitted within nine (9) months after the end of the audit period as required by OMB Circular A-133.

The University did not provide a complete compilation of the SEFA for the period covered by the auditee's financial statements in a timely manner. A complete SEFA was provided approximately twelve (12) months after the period covered by the auditee's financial statement.

Questioned Costs

Not applicable.

Context

Total federal expenditures for the University included on the SEFA were approximately \$356 million for the fiscal year ended June 30, 2012.

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-02 (Continued)

Cause

The University does not have procedures in place to ensure a timely completion of and compilation of the SEFA in accordance with §____.310 (b) of OMB Circular A-133.

Effect

The lack of appropriate procedures to ensure a complete compilation of the SEFA may cause material omissions of certain grant expenditures and also may cause delays in the audit process thus affecting future grant awards. In addition, the grantors and the Pass-through Agencies did not receive the audit results within the required timeframe.

Recommendation

We recommend that the University designate a process owner to ensure a complete compilation of the SEFA is timely prepared that will capture all federal awards expended during the period. The SEFA should be provided to the external auditors with sufficient time to complete and issue the reporting package within the required period.

Management's Response and Planned Corrective Actions

The University of Puerto Rico concurs with this finding. Refer to separately issued corrective action plan.

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03

Federal Program Information

Higher Education Institutional Aid Program (CFDA 84.031) Mathematics and Science Partnerships Program (CFDA 84.366) Research and Development Cluster (Various CFDA numbers)

Category

Internal Control/Compliance

Compliance Requirement

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability.

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The characteristics of internal control are presented in the context of the components of internal control discussed in Internal Control-Integrated Framework (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

OMB Circular A-21; Section H. Simplified method for small institutions; 10. Compensation for personal services. (a) General. Compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements. Such amounts include salaries, wages, and fringe benefits (see subsection f). These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements and for other work allocable as Facilities and Administrative (F&A) costs are determined and supported as provided below. Charges to sponsored agreements may include reasonable amounts for activities

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Criteria (continued)

contributing and intimately related to work under the agreements, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences. Incidental work (that in excess of normal for the individual), for which supplemental compensation is paid by an institution under institutional policy, need not be included in the payroll distribution systems described below, provided such work and compensation are separately identified and documented in the financial management system of the institution. (b) Payroll distribution. (1) General Principles. (a) The distribution of salaries and wages, whether treated as direct or F&A costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. Institutions may include in a residual category all activities that are not directly charged to sponsored agreements, and that need not be distributed to more than one activity for purposes of identifying F&A costs and the functions to which they are allocable. The components of the residual category are not required to be separately documented. (b) The apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods which will (1) be in accordance with Sections A.2 and C; (2) produce an equitable distribution of charges for employee's activities; and (3) distinguish the employees' direct activities from their F&A activities. (c) In the use of any methods for apportioning salaries, it is recognized that, in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate. (d) There is no single best method for documenting the distribution of charges for personal services. Methods for apportioning salaries and wages, however, must meet the criteria specified in subsection b.(2). Examples of acceptable methods are contained in subsection c. Other methods that meet the criteria specified in subsection b.(2) also shall be deemed acceptable, if a mutually satisfactory alternative agreement is reached. (2) Criteria for Acceptable Methods. (a) The payroll distribution system will be incorporated into the official records of the institution; (ii) reasonably reflect the activity for which the employee is compensated by the institution; and (iii) encompass both sponsored and all other activities on an integrated basis, but may include the use of subsidiary records. (Compensation for incidental work described in subsection a need not be included.) (b) The method must recognize the principle of

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Criteria (continued)

after the fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and F&A cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Confirmation by the employee is not a requirement for either direct or F&A cost activities if other responsible persons make appropriate confirmations. (c) The payroll distribution system will allow confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&A costs and the functions to which they are allocable. The activities chargeable to F&A cost categories or the major functions of the institution for employees whose salaries must be apportioned (see subsection b.(1)b)), if not initially identified as separate categories, may be subsequently distributed by any reasonable method mutually agreed to, including, but not limited to, suitably conducted surveys, statistical sampling procedures, or the application of negotiated fixed rates. (d) Practices vary among institutions and within institutions as to the activity constituting a full workload. Therefore, the payroll distribution system may reflect categories of activities expressed as a percentage distribution of total activities. (e) Direct and F&A charges may be made initially to sponsored agreements on the basis of estimates made before services are performed. When such estimates are used, significant changes in the corresponding work activity must be identified and entered into the payroll distribution system. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period. (f) The system will provide for independent internal evaluations to ensure the system's effectiveness and compliance with the above standards. (g) For systems which meet these standards, the institution will not be required to provide additional support or documentation for the effort actually performed.

Management of the University of Puerto Rico is responsible for establishing and maintaining adequate controls to ensure that all time and effort sheets are prepared and signed by a supervisory official.

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Condition - Higher Education Institutional Aid Program (CFDA 84.031)

We selected a sample of sixty (60) payroll transactions (out of a population of 2,893) related to employees that charged time to the Higher Education Institutional Aid program to test internal control and compliance over the activities allowed or unallowed, allowable costs/cost principles, and period of availability requirements. We noted the following exceptions for twenty nine (29) out of the sixty (60) transactions selected for testing as follows:

Exceptions and Instances of Noncompliace

- A Time and Effort Report was not available for our review.
- B Attendance sheet was not available for our review nor the Time and effort reports as required by the grant agreement for each employee that charges time to the program.
- C Salary Authorization Form (T002) was not available for our review.

Date	Amount	Project	Campus/Unit	Exception(s)
08/29/2011	\$59.92	841600100003	84	A
11/09/2011	\$43.20	201600440010	20	A
10/06/2011	\$657.50	601600200006	60	A
10/06/2011	\$908.75	601600200006	60	A
10/17/2011	\$1,817.50	831600080011	83	A
06/27/2012	\$100.32	201600460011	20	A
10/24/2011	\$93.27	851600100005	85	A
09/07/2011	\$39.37	841600100005	84	A
06/28/2012	\$6.33	831600080012	83	A

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Condition - Higher Education Institutional Aid Program (CFDA 84.031) (continued)

Date	Amount	Project	Campus/Unit	Exception(s)
10/18/2011	\$7.75	401609000010	40	A
11/15/2011	\$7.58	401609000010	40	A
09/28/2011	\$71.15	841600100003	84	A
11/14/2011	\$21.93	201600440010	30	A
06/13/2012	\$23.46	831600080008	83	A
10/28/2011	\$149.19	841600100003	84	A
09/14/2011	\$41.38	201600460011	20	A
07/28/2011	\$200.00	841600100003	84	A
09/15/2011	\$131.25	401609000010	40	A
7/14/2011	\$38.44	831600080010	83	A
1/27/2012	\$114.99	201600460011	20	A
8/31/2011	\$45.14	401609000010	40	A,B,C
4/27/2012	\$720.00	841600100005	84	A
9/28/2011	\$329.33	831600080011	83	A
8/12/2011	\$293.00	831600080011	83	A
9/30/2011	\$731.00	401609000010	40	A
5/25/2012	\$2,000.00	201600500011	20	A
10/28/2011	\$18.32	841600100005	84	A,C
8/12/2011	\$1,512.00	201600440010	20	A
10/14/2011	\$7.96	831600080012	83	A

Questioned Costs

\$ 10,190.03

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Condition – Mathematics and Science Partnerships Program (CFDA 84.366)

We selected a sample of sixty (60) payroll transactions (out of a population of 1,071) related to employees that charged time to the Mathematics and Science Partnerships program to test internal control and compliance over the activities allowed or unallowed, allowable costs/cost principles, and period of availability requirements. We noted the following exceptions for forty five (45) out of the sixty (60) transactions selected for testing, as follows:

Exceptions and Instances of Noncompliace

- A Time and Effort Report was not available for our review.
- B Expenditure was incurred after the period of availability, no extension was provided for our review.
- C Attendance sheet was not available for our review nor the Time and effort reports as required by the grant agreement for each employee that charges time to the program.

D Salary Authorization Form (T002) was not available for our review.

Date	Amount	Project	Campus/Unit	Exception(s)
7/14/2011	\$1,454.22	20160031001	20	A,C
7/29/2011	\$3.10	331600230201	33	A,C
7/29/2011	\$2.56	201600310010	20	A,B,C
8/5/2011	\$8.99	331600230101	33	С
9/8/2011	\$166.51	331600230101	33	В,С
9/8/2011	\$31.00	331600230201	33	A,C
9/21/2011	\$900.00	331600230201	33	A,C,D
9/21/2011	\$1,599.40	331600230201	33	A
10/7/2011	\$330.46	331600230301	33	С
10/7/2011	\$20.48	331600230301	33	A,C
10/7/2011	\$106.95	331600230401	33	A,C,D
10/14/2011	\$188.50	201600500011	20	A,C
10/21/2011	\$330.46	331600230301	33	A,C,D
10/21/2011	\$24.17	331600230201	33	С

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Condition – Mathematics and Science Partnerships Program (CFDA 84.366) (continued)

Date	Amount	Project	Campus/Unit	Exception(s)
10/21/2011	\$8.89	331600230101	33	A,C
11/4/2011	\$31.00	331600230201	33	A,C,D
11/4/2011	\$799.70	331600230201	33	A
11/4/2011	\$620.00	331600230101	33	A
11/17/2011	\$103.96	331600230201	33	A,C
11/23/2011	\$9,000.00	841600150003	84	A,B
11/23/2011	\$394.82	201600500011	20	A
12/2/2011	\$1,125.00	331600230101	33	С
12/15/2011	\$5.12	331600230301	33	С
12/16/2011	\$5.12	331600230301	33	С
12/16/2011	\$893.75	331600230401	33	С
12/16/2011	\$38.75	331600230401	33	A,C,D
12/20/2011	\$136.57	201600310010	20	A,C,D
2/8/2012	\$573.75	331600230101	33	A,C,D
2/8/2012	\$7.25	331600230201	33	A,C,D
2/13/2012	\$94.63	331600230101	33	A,C,D
2/13/2012	\$22.14	331600230301	33	С
2/14/2012	\$63.91	201600500011	20	С
2/28/2012	\$600.00	201600500011	20	С
2/28/2012	\$550.00	201600500011	20	A,C
3/7/2012	\$23.42	331600230401	33	C, E
3/14/2012	\$63.91	201600500011	20	С
3/20/2012	\$31.42	331600230201	33	A,C,D
3/28/2012	\$491.67	201600500011	20	С
3/28/2012	\$550.00	201600500011	20	A,C
4/27/2012	\$300.00	201600500011	20	A,C,D

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Condition – Mathematics and Science Partnerships Program (CFDA 84.366) (continued)

Date	Amount	Project	Campus/Unit	Exception(s)
4/27/2012	\$223.20	201600500011	20	A,C,D
5/4/2012	\$720.00	331600230301	33	С
5/14/2012	\$63.91	201600500011	20	С
6/30/2012	\$799.70	331600230201	33	В,С
6/30/2012	\$49.58	331600230201	33	A,B,C

Questioned Costs

\$23,557.97

Condition – Research and Development Cluster

We selected a sample of sixty (60) payroll transactions (out of a population of 112,404) related to employees that charged time to the Research and Development Cluster to test internal control and compliance over the activities allowed or unallowed, allowable costs/cost principles, and period of availability requirements. We noted the following exceptions for one (1) out of the sixty (60) transactions selected for testing, as follows:

Exceptions and Instances of Noncompliace

A Time and Effort Report was not available for our review.

Date	Amount	Project	Campus/Unit	Exception(s)
1/23/2011	\$190.47	311680013612	31	A

Questioned Costs

\$190.47

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Context

Total payroll expenditures for Higher Education Institutional Aid Program (CFDA 84.031), Mathematics and Science Partnerships Program (CFDA 84.366), and Research and Development Cluster amounted to \$1,786,116, \$626,298 and \$39,435,196, respectively, out of total program expenditures of \$3,502,348, \$1,645,584 and \$102,758,678, respectively.

Cause

Internal controls related to the employees of the Education Institutional Aid Program, the Mathematics and Science Partnerships Program and the Research and Development Cluster do not appear to be operating effectively in order to ensure that the University complies with the Activities Allowed or Unallowed, Allowable Costs/Allowable Principles, and Period of Availability requirement.

Effect

The University could be requesting reimbursement for and reporting unsupported or unallowable costs as federal expenditures. This may also lead to incorrect financial information presented in reports submitted to the federal government.

Recommendation

Management of the Higher Education Institutional Aid Program, the Mathematics and Science Partnerships Program and the Research and Development Cluster should implement formal review procedures that include appropriate controls to ensure that all time and effort reports are prepared and signed by a supervisory official and all time charged to specific grant programs are adequately supported.

Management's Response and Planned Corrective Actions

The University of Puerto Rico concurs with this finding. Refer to separately issued corrective action plan.

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-04

Federal Program Information

Higher Education Institutional Aid Program (CFDA 84.031) Research and Development Cluster (Various CFDA numbers)

Category

Internal Control

Compliance Requirement

Cash Management

Criteria

According to the 31 CFR 205 "Subpart B—Rules Applicable to Federal Assistance Programs Not Included in a Treasury-State Agreement": A State must minimize the time between the drawdown of federal funds from the federal government and their disbursement for federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

Management of the University of Puerto Rico is responsible for establishing and maintaining adequate controls to ensure the timing between the time funds are released and the transfers are made is in compliance with 31 CFR 205 Subpart B.

Condition- Higher Education Institutional Aid Program (CFDA 84.031)

During our testing to determine whether the University complied with the terms and conditions established in 31 CFR 205 "Subpart B—Rules Applicable to Federal Assistance Programs Not Included in a Treasury-State Agreement", we selected a sample of eleven (11) transactions (out of a population of 51) related to the Higher Education Institutional Aid Program to test internal controls and compliance with cash management requirements. We noted that seven (7) out of eleven (11) transactions selected for testing, the University did not comply with conditions established in 31 CFR 205 as follows:

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-04 (continued)

Condition- Higher Education Institutional Aid Program (CFDA 84.031) (continued)

Exceptions and Instances of Noncompliace

- A Receipt of federal funds occurred before the expenditure date.
- B Request to the Federal Government was not timely submitted.

Campus	Cash drawdown requested	Request date	Exception(s)	Questioned Costs
RCM	\$57,017.83	10/7/2011	В	N/A
UPRC	\$47,393.74	12/14/2011	В	N/A
UPRC	\$20,000.00	1/4/2012	В	N/A
RRP	\$56,887.56	4/30/2012	В	N/A
RCM	\$110,108.88	9/27/2012	В	N/A
UPRR	\$1,656.50	3/7/2012	В	N/A
UPRC	\$7,442.45	12/23/2011	A	N/A

Questioned Costs

Not applicable.

Condition- Research and Development Cluster

During our testing to determine whether the University complied with the terms and conditions established in 31 CFR 205 "Subpart B—Rules Applicable to Federal Assistance Programs Not Included in a Treasury-State Agreement", we selected a sample of twenty five (25) transactions (out of population of 1,518). We noted that sixteen (16) out of the twenty five (25) transactions selected for testing, the University did not comply with conditions established in 31 CFR 205 as follows:

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-04 (continued)

Condition- Research and Development Cluster (continued)

Exceptions and Instances of Noncompliace

A Request to the Federal Government was submitted late.

CFDA No.	Campus/Unit	Cash drawdown requested	Request date	Exception (s)	Questioned Costs
47.076	UPRR	\$62,100.00	7/15/2011	A	N/A
47.074	UPRR	\$3,353.00	10/3/2011	A	N/A
47.074	UPRR	\$4,229.62	10/3/2011	A	N/A
93.859	UPRR	\$60.54	10/24/2011	A	N/A
47.050	CID	\$83,592.82	7/30/2012	A	N/A
47.049	CID	\$22,012.20	12/28/2011	A	N/A
47.050	CID	\$8,432.21	4/18/2012	A	N/A
11.426	CID	\$14,709.13	10/11/2011	A	N/A
10.223	CID	\$4,001.22	4/3/2012	A	N/A
10.223	CID	\$9,939.71	11/16/2011	A	N/A
47.076	CID	\$29,078.04	7/30/2011	A	N/A
47.076	CID	\$12,763.09	9/17/2011	A	N/A
47.049	UPRC	\$2,477.97	10/6/2011	A	N/A
47.049	UPRC	\$18,433.39	3/6/2012	A	N/A
93.859	UPRH	\$119,201.81	1/31/2012	A	N/A
10.215	UPRU	\$51,384.93	6/1/2012	A	N/A

Questioned Costs

Not applicable.

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-04 (continued)

Context

Total drawdowns for the Higher Education Institutional Aid Program (CFDA 84.031) and the Research and Development Cluster were \$4,175,649 and \$112,438,402, respectively. Total expenditures for the Higher Education Institutional Aid Program (CFDA 84.031) and the Research and Development Cluster were \$3,502,348 and \$102,758,678, respectively.

Cause

The University of Puerto Rico does not have a manual that outlines policies and procedures that identify internal controls over the cash management requirement. Because of this, the institution is unable to minimize the timing between the time funds are released, and the transfers are made, to be as close as is administratively feasible.

Effect

Delays in requesting federal funds could affect cash flow demands and may cause program activities to be funded by other programs' funds or the University's operating funds.

Recommendation

The University should ensure that policies and procedures are enforced in order to comply with 31 CFR 205 Subpart B, and minimize the timing between the time funds are released and the transfers are made.

Management's Response

The funds received by the University, related to Research & Development (R&D) and Higher Education (HE) programs, are cost-reimbursement grants. This means that the program expenditures are incurred and paid by the University before the funds are requested. The programs are never funded by other federal programs funds. We understand that Title 31 CFR 205 applies only for projects paid in advance not by reimbursement, thus it is not applicable in this situation.

Auditor's Conclusion

As stated in our finding, management did not comply with 31 CFR 205 "Subpart B—Rules Applicable to Federal Assistance Programs Not Included in a Treasury-State Agreement", This requirement applies to all federal assistance programs not included in the Treasury State Agreement. Therefore, the finding remains as stated.

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-05

Federal Program Information

Higher Education Institutional Aid Program CFDA 84.031 Mathematics and Science Partnerships Program CFDA 84.366 Research and Development Cluster (Various CFDA numbers)

Category

Internal Control/Compliance

Compliance Requirement

Procurement, Suspension and Debarment

Criteria

OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The characteristics of internal control are presented in the context of the components of internal control discussed in Internal Control-Integrated Framework (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., sub-awards to subrecipients), irrespective of award amount, are considered covered transactions.

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-05 (continued)

Criteria (continued)

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (http://epls.arnet.gov).

Condition - Higher Education Institutional Aid Program (CFDA 84.031)

We selected a sample of four (4) transactions (out of a population of 12 transactions) to test compliance and internal control over the suspension and debarment requirements. We noted that for the four (4) transactions selected, the University did not review the EPLS data base, had not collected a certification from other party or added a clause or condition to the covered transaction. However, we checked the EPLS for all the transactions selected for testing and none of the vendors were suspended or debarred.

Campus/Unit	Document No.	Amount
UPRC	1217035	\$71,000.00
UPRC	1136418	\$37,049.00
UPRR	1053651	\$53,500.00
UPRA	1053652	\$26,164.20

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-05 (continued)

Condition – Mathematics and Science Partnerships Program (CFDA No.84.366)

We selected a total sample of 4 transactions (out of a population of 5) to test compliance and internal control over the suspension and debarment requirements. We noted that for the four (4) transactions selected, the University did not review the EPLS data base, had not collected a certification from other party or added a clause or condition to the covered transaction. However, we checked the EPLS for all the transactions selected for testing and none of the vendors were suspended or debarred.

Campus	Document No.	Amount
UPRM	1041264	\$28,321.65
UPRM	1075925	\$34,375.00
UPRM	1041838	\$32,967.00
UPRM	1345078	\$34,632.00

Condition – Research and Development Cluster

We selected a sample of thirty seven (37) transactions (out of a population of 181) to test compliance and internal control over the suspension and debarment requirements. We noted that twenty-eight (28) out of the thirty seven (37) transactions selected for testing, the University did not review the EPLS data base, had not collected a certification from other party or added a clause or condition to the covered transaction. However, we checked the EPLS for all the transactions selected for testing and none of the vendors were suspended or debarred.

Campus/Unit	Document No.	Amount
UPRP	1054052	\$30,900.00
RCM	1207924	\$60,000.00
RCM	1157725	\$41,140.00
RCM	1234095	\$50,580.00
RCM	1212045	\$32,440.00
RCM	1183205	\$164,686.72
CRCI	1156527	\$27,801.69

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-05 (continued)

Condition – Research and Development Cluster (continued)

Campus/Unit	Document No.	Amount
UPRM	1323264	\$29,112.50
RCM	1181329	\$96,500.00
AC	1179086	\$29,000.00
UPRR	1216242	\$46,905.00
UPRR	1206311	\$28,017.50
UPRM	1098421	\$25,090.00
UPRH	1266256	\$56,667.60
CRCI	1164398	\$47,156.50
AC	1101805	\$26,815.00
UPRM	1263410	\$99,743.00
UPRM	1263400	\$53,707.00
EEA	1340588	\$25,370.00
UPRC	1343214	\$200,000.00
RCM	1413920	\$136,831.64
RCM	1296894	\$49,880.00
RCM	1286812	\$66,519.67
RCM	1236943	\$35,340.55
UPRR	1062894	\$26,065.00
UPRR	1200502	\$200,000.00
AC	1248817	\$78,653.00
UPRH	1134919	\$42,960.00

Questioned CostsNot applicable

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-05 (continued)

Context

Total expenditures related to covered transactions equal to or in excess of \$25,000 for Higher Education Institutional Aid Program (CFDA 84.031), Mathematics and Science Partnership Program (CFDA 84.366) and Research and Development Cluster amounted to \$533,262, \$174,396 and \$45,260,234, respectively, out of a total of \$3,502,348, \$1,645,584 and \$102,758,678, respectively.

Cause

The University did not obtain or maintain the necessary documentation to support that contractors are not suspended or debarred or otherwise excluded.

Effect

The University may have entered into transactions with suspended or debarred vendors, which could lead to disallowance of Federal funds.

Recommendation

The University should establish internal controls to ensure they maintain adequate documentation to support contractors are in compliance with established Federal regulations related to procurement and suspension and debarment requirements. The University can accomplish this by: (a) Checking the EPLS; or (b) Collecting a certification from that person; or (c) Adding a clause or condition for the covered transaction within the contract established with the vendor.

Management's Response and Planned Corrective Actions

The University of Puerto Rico concurs with this finding. Refer to separately issued corrective action plan.

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-06

Federal Program Information

Student Financial Assistance Cluster (Various CFDA numbers)

Category

Internal Control/Compliance

Compliance Requirement

Special Tests and Provisions: Enrollment Reporting

Criteria

OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The characteristics of internal control are presented in the context of the components of internal control discussed in Internal Control-Integrated Framework (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

Under the Federal Family Education Loan (FFEL) and Direct Loan programs, schools must complete and return within 30 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by U.S Department of Education (ED) via National Student Loan Data System (NSLDS) (OMB No. 1845-0035). The institution determines how often it receives the Enrollment Reporting roster file with the default set at every two months, but the minimum is twice a year.

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-06 (continued)

Criteria (continued)

Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS web site. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. Unless the school expects to complete its next roster within 60 days, the school must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309).

34 CFR section 685.309 Administrative and fiscal control and fund accounting requirements for schools participating in the Direct Loan Program.

- (b) Student status confirmation reports. A school shall—
 - (1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who—
 - (i) Enrolled at that school but has ceased to be enrolled on at least a halftime basis;
 - (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (iii) Has changed his or her permanent address.
 - (3) The Secretary provides student status confirmation reports to a school at least semi-annually.
 - (4) The Secretary may provide the student status confirmation report in either paper or electronic format.
- (c) Record retention requirements. An institution shall follow the record retention and examination requirements in this part and in 34 CFR 668.24.
- (d) Accounting requirements. A school shall follow accounting requirements in 34 CFR 668.24(b).
- (e) Direct Loan Program bank account. Schools shall follow the procedures for maintaining funds established in 34 CFR 668.163.
- (f) Division of functions. Schools shall follow the procedures for division of functions in 34 CFR 668.16(c).

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-06 (continued)

Criteria (continued)

(g) Limit on use of funds. Except for funds paid to a school under section 452(b)(1) of the Act, funds received by a school under this part may be used only to make Direct Loans to eligible borrowers and may not be used or hypothecated for any other purpose.

Condition

We selected a sample of sixty (60) students (out of population of 4,464 students) that graduated, withdrew, dropped out, or enrolled but never attended classes during the audit period to test compliance and internal controls over the enrollment reporting requirement. We noted that twelve (12) out of the sixty (60) students selected for testing, were not in compliance with the requirement as follows:

Exceptions and Instances of Noncompliace

- A Status change was not reported to the NSLDS
- B Status change was not reported within 60 days
- C Incorrect status change reported to the NSLDS

Campus	Student ID	Status per Registry	Date reported per Registry	Status reported per NSLDS	Date per NSLDS	Exception(s)
UPRM	xxx-xx-0496	Graduated	6/15/2012	Graduated	_	A
UPRM	xxx-xx-9329	Graduated	7/15/2011	Withdrawal	8/26/2011	С
UPRM	xxx-xx-3388	Never attended	5/29/2012	Withdrawal	8/28/2012	В
UPRM	xxx-xx -6686	Graduated	6/15/2012	Graduated	_	A
RCM	xxx-xx -7774	Withdrawal	6/6/2012	Withdrawal	8/30/2012	В
RCM	xxx-xx -5017	Graduated	6/1/2012	Graduated	9/26/2012	В
UPRR	xxx-xx -7127	Graduated	6/8/2012	Graduated	10/2/2012	В
UPRM	xxx-xx -6585	Never Attended	5/29/2012	Withdrawal	8/28/2012	В
UPRM	xxx-xx -1988	Graduated	7/15/2011	Withdrawal	8/26/2011	С
RCM	xxx-xx -9381	Withdrawal	11/14/2011	_	_	A
UPRC	xxx-xx -3949	Graduated	6/11/2008	Graduated	7/23/2012	В
UPRH	xxx-xx -5255	Graduated	6/12/2012	Graduated	9/21/2012	В

Schedule of Findings and Questioned Costs (continued)

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-06 (continued)

Questioned Costs

Not applicable.

Context

Total direct loan expenditures for the University were \$52,903,452 for the year ended June 30, 2012.

Cause

Internal controls to ensure that the status change is updated timely to the NSLDS were not in place during the fiscal year under audit.

Effect

This condition prevents the University from reporting a student's status in a timely matter to the NSLDS, which can cause funds being awarded to individuals who are not entitled to receive student financial assistance.

Recommendation

We recommend that the University establish procedures to ensure that enrollment status changes are updated and accurately reported in a timely manner in the NSLDS database.

Management's Response and Planned Corrective Actions

The University of Puerto Rico concurs with this finding. Refer to separately issued corrective action plan.

Summary Schedule of Prior Audit Findings

June 30, 2012

Finding 11-03

CFDA Number

Name of Federal Program

Type of Compliance Requirement

Amount of Questioned Cost Contact Person Responsible for

Corrective Action Plan

Status

All Major programs

General Regulations of OMB Circular A-133

None

Finance Officer I

Finding repeated. See finding 12-02

Finding 11-04

CFDA Number Various CFDA Numbers

Name of Federal Program Research and Development Cluster

Type of Compliance Requirement Equipment and Real Property Management

Amount of Questioned Cost None

Contact Person Responsible for Finance Officer I

Corrective Action Plan Resolved

Status Corrective action taken during fiscal year 2012.

Finding 11-05

CFDA Number Various CFDA Numbers

Name of Federal Program Student Financial Assistance Cluster

Type of Compliance Requirement Enrollment Reporting

Amount of Questioned Cost None

Contact Person Responsible for Finance Officer I

Corrective Action Plan Finding repeated. See finding 12-06

Status

Summary Schedule of Prior Audit Findings (continued)

Finding 11-06

CFDA Number 84.031 & Various CFDA Numbers

Name of Federal Program Higher Education Institutional Assistance and the

Research and Development Cluster

Suspension and Debarment

Type of Compliance Requirement Amount of Questioned Cost

Amount of Questioned CostContact Person Responsible for
Finance Officer I

Corrective Action Plan Finding repeated. See finding 12-05

Status

Finding 11-07

CFDA Number Various CFDA Numbers

Name of Federal Program Research and Development Cluster

Type of Compliance Requirement Reporting **Amount of Questioned Cost** None

Contact Person Responsible for Finance Officer I

Corrective Action Plan Resolved

Status Corrective action taken during fiscal year 2012.

Finding 11-08

CFDA Number Various CFDA Numbers

Name of Federal Program

Student Financial Assistance Cluster

Type of Compliance Requirement

Disbursement to or on Behalf of Students

Amount of Questioned Cost None

Contact Person Responsible for Finance Officer I

Corrective Action Plan Resolved

Status Corrective action taken during fiscal year 2012.

Summary Schedule of Prior Audit Findings (continued)

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CFDA Number All Major Programs
Name of Federal Program
All Major Programs
All Major Programs
Other

Type of Compliance Requirement Other
Amount of Questioned Cost None
Contact Person Responsible for

Corrective Action Plan Finance Officer 1

Status Finding repeated. See Finding 12-02

Finding 10-03

CFDA NumberName of Federal Program
All Major Programs
All Major Programs

Type of Compliance Requirement
Amount of Questioned Cost
Contact Person Responsible for

Other
None

Corrective Action Plan Finance Officer 1

Status Finding repeated. See Finding 12-02

Finding 10-04

CFDA Number Various CFDA Numbers

Name of Federal Program

Research and Development Cluster

Type of Compliance Requirement

Allowable Costs/Cost principles

Amount of Questioned Cost \$885

Contact Person Responsible for Vice President of Research

Corrective Action Plan and Technology

Status Resolved

Summary Schedule of Prior Audit Findings (continued)

Finding 10-05

	C
CFDA Number	Various CFDA Numbers
Name of Federal Program	Research and Development Cluster
Type of Compliance Requirement	Equipment and Real Property Management
Amount of Questioned Cost	Could not be determined
Contact Person Responsible for	
Corrective Action Plan	Gloria I. Soto, Finance Officer 1
Status	Resolved

Finding 10-06

	Thidlig 10-00
CFDA Number	Various CFDA Numbers
Name of Federal Program	Research and Development Cluster
Type of Compliance Requirement	Matching, Level of Effort, Earmarking
Amount of Questioned Cost	Could not be determined
Contact Person Responsible for	
Corrective Action Plan	Gloria I. Soto, Finance Officer 1
Status	Resolved
Amount of Questioned Cost Contact Person Responsible for Corrective Action Plan	Could not be determined Gloria I. Soto, Finance Officer 1

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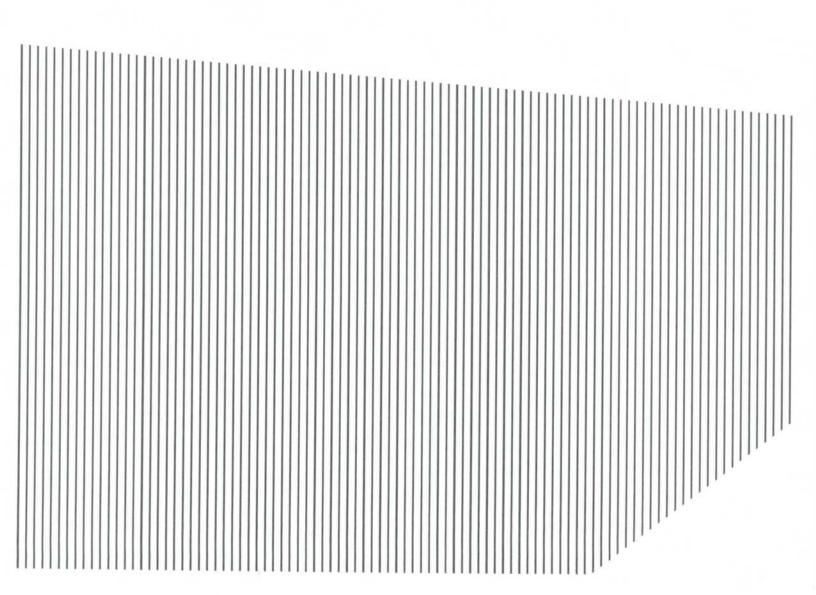
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Corrective Action Plan For the Fiscal Year 2012 Single Audit

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Corrective Action Plan

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section

Finding Number: 12-02

Program

All Major Programs

Category

Internal Control/Compliance

Compliance Requirement

General regulations of OMB Circular A-133

Condition

The Data Collection Form (DCF) and the Single Audit reporting package were not submitted within nine (9) months after the end of the audit period as required by OMB Circular A-133.

The University did not provide a complete compilation of the SEFA for the period covered by the auditee's financial statements in a timely manner. A complete SEFA was provided approximately twelve (12) months after the period covered by the auditee's financial statement.

Corrective Action Plan

Delay in the compilation of the SEFA is directly contingent upon the status of the Financial Statements audit process. The UPR submitted the SEFA on May 2013. Nevertheless, the Auditors required the SEFA reconciled with Financial Statement. The final Financial Statement was published on August 2013. As in previous years the delay was caused by the delay in the preparation and audit of the financial statements.

Nevertheless, the University is working to deliver the SEFA to auditors on/or before December 2013. So we can deliver the Single Audit Report on March 2014.

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-02 (continued)

Corrective Action Plan (continued)

The UPR's Board of Trustees approved unanimously in August 2011, Certification 7, 2011-12, a proposal submitted by the office of the VPRT, which called for the system-wide implementation of the following Oracle eBusiness Suite electronic modules for the entire University system: University Financial System (UFIS) (for completion), Cash Management, Grants and Projects, Human Resources Management System, and Payroll. Certification 7, 2011-12 has been revised (final revision has not been issued) to engage in a path that establishes the University's roadmap to a successful implementation of these modules.

Accordingly, the University has already begun implementation of Oracle eBusiness Suite R11.5 and the following Modules: Cash Management, Grants Management & Projects, Human Resources Management System & Payroll. The timetable for this implementation is 15 months once it is underway, which is estimated to start before the end of 2013.

This new Oracle version and new modules should improve the issuance of the financial statements. Also, will improve the compilation of the SEFA and, as a result, further allow us to issue in a timely fashion the Single Audit reporting package.

Implementation Date

The SEFA will be submitted to auditors on/or before December 2013.

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03

Programs

Higher Education Institutional Aid Program (CFDA 84.031) Mathematics and Science Partnerships Program (CFDA 84.366) Research and Development Cluster (Various CFDA Numbers)

Category

Internal Control/Compliance

Compliance Requirement

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability.

Condition - Higher Education Institutional Aid Program (CFDA 84.031)

We selected a sample of sixty (60) payroll transactions (out of a population of 2,893) related to employees that charged time to the Higher Education Institutional Aid program to test internal control and compliance over the activities allowed or unallowed, allowable costs/cost principles, and period of availability requirements. We noted the following exceptions for twenty nine (29) out of the sixty (60) transactions selected for testing as follows:

Exceptions and Instances of Noncompliance

- A Time and Effort Report was not available for our review.
- B Expenditure was incurred after the period of availability, no extension was provided for our review.
- C Attendance sheet was not available for our review nor the Time and effort reports as required by the grant agreement for each employee that charges time to the program.
- D Salary Authorization Form (T002) was not available for our review.

Date	Amount	Project	Campus/Unit	Exception(s)
08/29/2011	\$59.92	841600100003	84	A
11/09/2011	\$43.20	201600440010	20	A
10/06/2011	\$657.50	601600200006	60	A
10/06/2011	\$908.75	601600200006	60	A
10/17/2011	\$1,817.50	831600080011	83	A
06/27/2012	\$100.32	201600460011	20	A
10/24/2011	\$93.27	851600100005	85	A

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Condition - Higher Education Institutional Aid Program (CFDA 84.031) (continued)

Date	Amount	Project	Campus/Unit	Exception(s)
09/07/2011	\$39.37	841600100005	84	A
06/28/2012	\$6.33	831600080012	83	A
10/18/2011	\$7.75	401609000010	40	A
11/15/2011	\$7.58	401609000010	40	A
09/28/2011	\$71.15	841600100003	84	A
11/14/2011	\$21.93	201600440010	30	A
06/13/2012	\$23.46	831600080008	83	A
10/28/2011	\$149.19	841600100003	84	A
09/14/2011	\$41.38	201600460011	20	A
07/28/2011	\$200.00	841600100003	84	A
09/15/2011	\$131.25	401609000010	40	A
7/14/2011	\$38.44	831600080010	83	A
1/27/2012	\$114.99	201600460011	20	A
8/31/2011	\$45.14	401609000010	40	A,C,D
4/27/2012	\$720.00	841600100005	84	A
9/28/2011	\$329.33	831600080011	83	A
8/12/2011	\$293.00	831600080011	83	A
9/30/2011	\$731.00	401609000010	40	A
5/25/2012	\$2,000.00	201600500011	20	A
10/28/2011	\$18.32	841600100005	84	A,D
8/12/2011	\$1,512.00	201600440010	20	A
10/14/2011	\$7.96	831600080012	83	A

Questioned Costs

\$10,190.03

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Condition – Mathematics and Science Partnerships Program (CFDA 84.366)

We selected a sample of sixty (60) payroll transactions (out of a population of 1,071) related to employees that charged time to the Mathematics and Science Partnerships program to test internal control and compliance over the activities allowed or unallowed, allowable costs/cost principles, and period of availability requirements. We noted the following exceptions for forty five (45) out of the sixty (60) transactions selected for testing, as follows:

Exceptions and Instances of Noncompliance

- A Time and Effort Report was not available for our review.
- B Expenditure was incurred after the period of availability, no extension was provided for our review.
- C Attendance sheet was not available for our review nor the Time and effort reports as required by the grant agreement for each employee that charges time to the program.
- D Salary Authorization Form (T002) was not available for our review.

Date	Amount	Project	Campus/Unit	Exception(s)
7/14/2011	\$1,454.22	20160031001	20	A,C
7/29/2011	\$3.10	331600230201	33	A,C
7/29/2011	\$2.56	201600310010	20	A,B,C
8/5/2011	\$8.99	331600230101	33	С
9/8/2011	\$166.51	331600230101	33	В,С
9/8/2011	\$31.00	331600230201	33	A,C
9/21/2011	\$900.00	331600230201	33	A,C,D
9/21/2011	\$1,599.40	331600230201	33	A
10/7/2011	\$330.46	331600230301	33	С
10/7/2011	\$20.48	331600230301	33	A,C
10/7/2011	\$106.95	331600230401	33	A,C,D
10/14/2011	\$188.50	201600500011	20	A,C
10/21/2011	\$330.46	331600230301	33	A,C,D
10/21/2011	\$24.17	331600230201	33	С

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Finding Number: 12-03 (continued)

Condition – Mathematics and Science Partnerships Program (CFDA 84.366) (continued)

Date	Amount	Project	Campus/Unit	Exception(s)
10/21/2011	\$8.89	331600230101	33	A,C
11/4/2011	\$31.00	331600230201	33	A,C,D
11/4/2011	\$799.70	331600230201	33	A
11/4/2011	\$620.00	331600230101	33	A
11/17/2011	\$103.96	331600230201	33	A,C
11/23/2011	\$9,000.00	841600150003	84	A,B
11/23/2011	\$394.82	201600500011	20	A
12/2/2011	\$1,125.00	331600230101	33	С
12/15/2011	\$5.12	331600230301	33	С
12/16/2011	\$5.12	331600230301	33	С
12/16/2011	\$893.75	331600230401	33	С
12/16/2011	\$38.75	331600230401	33	A,C,D
12/20/2011	\$136.57	201600310010	20	A,C,D
2/8/2012	\$573.75	331600230101	33	A,C,D
2/8/2012	\$7.25	331600230201	33	A,C,D
2/13/2012	\$94.63	331600230101	33	A,C,D
2/13/2012	\$22.14	331600230301	33	С
2/14/2012	\$63.91	201600500011	20	С
2/28/2012	\$600.00	201600500011	20	С
2/28/2012	\$550.00	201600500011	20	A,C
3/7/2012	\$23.42	331600230401	33	C, E
3/14/2012	\$63.91	201600500011	20	С
3/20/2012	\$31.42	331600230201	33	A,C,D
3/28/2012	\$491.67	201600500011	20	С
3/28/2012	\$550.00	201600500011	20	A,C
4/27/2012	\$300.00	201600500011	20	A,C,D
4/27/2012	\$223.20	201600500011	20	A,C,D
5/4/2012	\$720.00	331600230301	33	С
5/14/2012	\$63.91	201600500011	20	С
6/30/2012	\$799.70	331600230201	33	В,С
6/30/2012	\$49.58	331600230201	33	A,B,C

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Questioned Costs

\$23,557.97

Condition – Research and Development Cluster

We selected a sample of sixty (60) payroll transactions (out of a population of 112,404) related to employees that charged time to the Research and Development Cluster to test internal control and compliance over the activities allowed or unallowed, allowable costs/cost principles, and period of availability requirements. We noted the following exceptions for one (1) out of the sixty (60) transactions selected for testing, as follows:

Exceptions and Instances of Noncompliance

A Time and Effort Report was not available for our review.

Date	Amount	Project	Campus/Unit	Exception(s)
1/23/2011	\$190.47	311680013612	31	A

Questioned Costs

\$190.47

Corrective Action Plan

In those cases where the Time and Effort Report was missing the University has taken the following steps to strengthen the system wide compliance with federal requirements regarding Time & Effort (T&E) Reports:

The University reaffirms its resolute commitment to continue implementation of a system-wide complaint Effort Report System (ERS). In this respect, the University will continue and enhance adhering to fundamental A21 standards with respect to a compliant ERS system. The University's compliance with these standards has become evident through the evaluation process with federal agencies. The fundamental A21 standards that the University will continue to follow are: an appropriate integrated payroll record and distribution system by means of its 125A form; an effort reporting method that recognizes the principle of after-the-fact confirmation,

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Corrective Action Plan (continued)

confirmed by responsible persons with suitable means of verification; making charges to awards subsequent to appropriate costs estimates and corresponding payroll charges to be included in a complete 125A form, and through the required independent internal evaluations. These measures should ensure the system effectiveness.

The means established to comply with these measures is the creation by the University Governing Board of the system-wide Office for Research Compliance Integrity (ORCI) under the Vice Presidency of Research and Technology (created by Certification 59, 2012-2013).

The new Director of the ORCI is bringing into the position his original vision for the creation of this unit and his ample academic and scientific expertise. The Compliance Officer for Financial and electronic Systems, will provide strength and expertise, with emphasis in Effort Reporting Coordination. The new Compliance Officer for Financial and Audit Affairs also yields significant value. A second Compliance Officer for Financial and Audit Affairs will be recruited, and additional personnel have been identified and will be responsible for matters such as Conflicts of Interest, EXPORT control, and Integrity. These personnel will assure compliance with all rules and policies regarding T&E Reporting.

During the last two years, a robust body of ERS Policies and Procedures has been generated. The resulting robust body of ERS policies and procedures can be accessed by the employees in the VPRT's website (http://acweb.upr.edu/vpit/researchd/policies.html#comp).

The ORCI now plays a major role in policy development and dissemination; education and training, monitoring, and follow-up on internal corrective action plans. A series of system-wide ERS Education and Training Workshops have been given and scheduled for this academic year. These efforts continue, and a new dimension in the ERS education and training module has been incorporated thanks to the knowledge gained throughout the interactions with federal agencies (NSF in particular).

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Corrective Action Plan (continued)

In the most recent workshop (October 4, 2013) the ORCI targeted all system-wide Directors of Human Resources, Directors of Finances, and Sponsored Programs Offices. In addition, key personnel having roles and responsibilities in the ERS system were also participants. The following topics were covered:

- (1) First session: Introduction, which entailed an open and transparent discussion of NSF's September 30, 2013 letter to the UPR;
- (2) Second session: Lessons from a Monitoring Process: the NSF Experience;
- (3) The UPR Effort Reporting System (ERS);
- (4) Recent Terms and Conditions in NSF Awards.

An important Conference-Workshop has also been scheduled for November 12, where a comprehensive presentation of our Handbook for Sponsored Programs Policies and Procedures will be offered.

Also, the University has been making strides in its firm commitment to the establishment of a consolidated-integrated electronic, web based system that shall permit a consolidated payroll distribution with related controls, and time and effort certifications. Certification 7, 2011-12 has been retaken to engage in a path that establishes the University's roadmap to a successful implementation of an electronic system that allows for a consolidated payroll distribution and related controls, time and effort certifications.

We are projecting to have in place a robust electronic ERS that replicates our current compliant procedures by the first semester of academic year 2014-2015. The schedule for implementation consists of the following phases:

- Phase 1. Development and Testing (October 2013 April 2014);
- Phase 2. Pilot Module Deployment at a research intensive campus or unit (Summer 2014);
- Phase 3. Extensive Education and Training of faculty and staff (Fall Semester 2014-2015);
- Phase 4. Official Go-Live Date (Spring Semester 2014-2015).

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-03 (continued)

Corrective Action Plan (continued)

During all phases, until the final Go-live date, the current ERS systems will run in parallel to assure institutional compliance. Furthermore, appropriate monitoring of progress will be undertaken to assure completion of all phases, and the corresponding adjustments in timelines when needed.

Regarding Exceptions where the Salary Authorization Form (T002) was not available for review, steps are already in place through the corresponding offices of Human Resources in order to obtain the Form or an explanation for its absence, given that the finding includes students for whom Form T002 is not required.

Regarding Exceptions (for MC Program) where the Time Sheet was not available, the corresponding Offices of Human Resources have also been contacted to provide the requires attendance document.

Implementation Date

These practices are being implemented effective immediately.

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-04

Programs

Higher Education Institutional Aid Program (CFDA 84.031) Research and Development Cluster (Various CFDA Numbers)

Category

Internal Control

Compliance Requirement

Cash Management

Condition- Higher Education Institutional Aid Program (CFDA 84.031)

During our testing to determine whether the University complied with the terms and conditions established in 31 CFR 205 "Subpart B—Rules Applicable to Federal Assistance Programs Not Included in a Treasury-State Agreement", we selected a sample of eleven (11) transactions (out of a population of 51) related to the Higher Education Institutional Aid Program to test compliance with cash management requirements. We noted that seven (7) out of eleven (11) transactions selected for testing, the University did not comply with conditions established in 31 CFR 205 as follows:

Exceptions and Instances of Noncompliance

- A Disbursement date occurred before the expenditure date.
- B Request to the Federal Government was not timely submitted.

G	Cash drawdown	B 43.4	T	Questioned
Campus	requested	Request date	Exception(s)	Costs
RCM	\$57,017.83	10/7/2011	В	N/A
UPRC	\$47,393.74	12/14/2011	В	N/A
UPRC	\$20,000.00	1/4/2012	В	N/A
RRP	\$56,887.56	4/30/2012	В	N/A
RCM	\$110,108.88	9/27/2012	В	N/A
UPRR	\$1,656.50	3/7/2012	В	N/A
UPRC	\$7,442.45	12/23/2011	A	N/A

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-04 (continued)

Questioned Costs

Not applicable.

Condition- Research and Development Cluster

During our testing to determine whether the University complied with the terms and conditions established in 31 CFR 205 "Subpart B—Rules Applicable to Federal Assistance Programs Not Included in a Treasury-State Agreement", we selected a sample of twenty five (25) transactions (out of population of 1,518). We noted that sixteen (16) out of the twenty five (25) transactions selected for testing, the University did not comply with conditions established in 31 CFR 205 as follows:

Exceptions and Instances of Noncompliance

A Request to the Federal Government was not timely submitted.

		Cash drawdown			Questioned
CFDA No.	Campus/Unit	requested	Request date	Exception(s)	Costs
47.076	UPRR	\$62,100.00	7/15/2011	A	N/A
47.074	UPRR	\$3,353.00	10/3/2011	A	N/A
47.074	UPRR	\$4,229.62	10/3/2011	A	N/A
93.859	UPRR	\$60.54	10/24/2011	A	N/A
47.05	CID	\$83,592.82	7/30/2012	A	N/A
47.049	CID	\$22,012.20	12/28/2011	A	N/A
47.05	CID	\$8,432.21	4/18/2012	A	N/A
11.426	CID	\$14,709.13	10/11/2011	A	N/A
10.223	CID	\$4,001.22	4/3/2012	A	N/A
10.223	CID	\$9,939.71	11/16/2011	A	N/A
47.076	CID	\$29,078.04	7/30/2011	A	N/A
47.076	CID	\$12,763.09	9/17/2011	A	N/A

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-04 (continued)

Condition- Research and Development Cluster (continued)

CFDA No.	Campus/Unit	Cash drawdown requested	Request date	Exception(s)	Questioned Costs
47.049	UPRC	\$2,477.97	10/6/2011	A	N/A
47.049	UPRC	\$18,433.39	3/6/2012	A	N/A
93.859	UPRH	\$119,201.81	1/31/2012	A	N/A
10.215	UPRU	\$51,384.93	6/1/2012	A	N/A

Questioned Costs

Not applicable.

Corrective Action Plan

Management does not accept this finding. The funds received by the University, related to Research & Development (R&D) and Higher Education (HE) programs, are cost-reimbursement grants. This means that the programs expenditures are incurred and paid by the University before the funds are requested. The programs are never funded by other federal programs funds.

We understand that Title 31 CFR 205 applies only for projects paid in advance not by reimbursement, thus it is not applicable in this situation.

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-05

Programs

Higher Education Institutional Aid Program - CFDA No.84.031 Mathematics and Science Partnerships Program - CFDA No. 84.366 Research and Development Cluster (Various CFDA Numbers)

Category

Internal Control/Compliance

Compliance Requirement

Procurement, Suspension and Debarment

Condition - Higher Education Institutional Aid Program (CFDA 84.031)

We selected a sample of four (4) transactions (out of a population of 12 transactions) to test compliance and internal control over the suspension and debarment requirements. We noted that for the four (4) transactions selected, the University did not review the EPLS data base, had not collected a certification from other party or added a clause or condition to the covered transaction. However, we checked the EPLS for all the transactions selected for testing and none of the vendors were suspended or debarred.

Campus/Unit	Document No.	Amount
UPRC	1217035	\$71,000.00
UPRC	1136418	\$37,049.00
UPRR	1053651	\$53,500.00
UPRA	1053652	\$26,164.20

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-05 (continued)

Condition – Mathematics and Science Partnerships Program (CFDA No.84.366)

We selected a total sample of 4 transactions (out of a population of 5) to test compliance and internal control over the suspension and debarment requirements. We noted that for the four (4) transactions selected, the University did not review the EPLS data base, had not collected a certification from other party or added a clause or condition to the covered transaction. However, we checked the EPLS for all the transactions selected for testing and none of the vendors were suspended or debarred.

Campus	Document No.	Amount
UPRM	1041264	\$28,321.65
UPRM	1075925	\$34,375.00
UPRM	1041838	\$32,967.00
UPRM	1345078	\$34,632.00

Condition – Research and Development Cluster

We selected a sample of thirty seven (37) transactions (out of a population of 181) to test compliance and internal control over the suspension and debarment requirements. We noted that twenty-eight (28) out of the thirty seven (37) transactions selected for testing, the University did not review the EPLS data base, had not collected a certification from other party or added a clause or condition to the covered transaction. However, we checked the EPLS for all the transactions selected for testing and none of the vendors were suspended or debarred.

Campus/Unit	Document No.	Amount	
UPRP	1054052	\$30,900.00	
RCM	1207924	\$60,000.00	
RCM	1157725	\$41,140.00	
RCM	1234095	\$50,580.00	
RCM	1212045	\$32,440.00	
RCM	1183205	\$164,686.72	
CRCI	1156527	\$27,801.69	

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-05 (continued)

Condition – Research and Development Cluster (continued)

Campus/Unit	Document No.	Amount
UPRM	1323264	\$29,112.50
RCM	1181329	\$96,500.00
AC	1179086	\$29,000.00
UPRR	1216242	\$46,905.00
UPRR	1206311	\$28,017.50
UPRM	1098421	\$25,090.00
UPRH	1266256	\$56,667.60
CRCI	1164398	\$47,156.50
AC	1101805	\$26,815.00
UPRM	1263410	\$99,743.00
UPRM	1263400	\$53,707.00
EEA	1340588	\$25,370.00
UPRC	1343214	\$200,000.00
RCM	1413920	\$136,831.64
RCM	1296894	\$49,880.00
RCM	1286812	\$66,519.67
RCM	1236943	\$35,340.55
UPRR	1062894	\$26,065.00
UPRR	1200502	\$200,000.00
AC	1248817	\$78,653.00
UPRH	1134919	\$42,960.00

Questioned Costs

Not applicable

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-05 (continued)

Corrective Action Plan

On June 19, 2013 the Central Finance Office issued Circular 13-22 to the University's Offices of Finance and Planning. This Circular requested that for any purchase or contract for the amount of \$25,000 or a higher amount these officers have to verify if the vendor or contractor is included in SAM as excluded or debarred. For sub-grantees, SAM should be checked regardless of the amount. The Circular also requires these officers to include the evidence that the vendor, contractor or sub grantee is not in SAM as suspended or debarred in the corresponding files. A training program is being designed to assure that all purchase officers and Planning Offices are knowledgeable of this requirement. We expect the effect of this Circular and training will be for the fiscal year 2013-2014.

Implementation Date

These practices are being implemented effective immediately.

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-06

Program

Student Financial Assistance Cluster (Various CFDA Numbers)

Category

Internal Control/Compliance

Compliance Requirement

Special Tests and Provisions: Enrollment Reporting

Condition

We selected a sample of sixty (60) students (out of population of 4,464 students) that graduated, withdrew, dropped out, or enrolled but never attended classes during the audit period to test compliance and internal controls over the enrollment reporting requirement. We noted that twelve (12) out of the sixty (60) students selected for testing, were not in compliance with the requirement as follows:

Exceptions and Instances of Noncompliance

- A Status change was not reported to the NSLDS
- B Status change was not reported within 60 days
- C Incorrect status change reported to the NSLDS

Campus	Student ID	Status per Registry	Date reported per Registry	Status reported per NSLDS	Date per NSLDS	Exception(s)
UPRM	xxx-xx-0496	Graduated	6/15/2012	Graduated	-	A
UPRM	xxx-xx-9329	Graduated	7/15/2011	Withdrawal	8/26/2011	С
UPRM	xxx-xx-3388	Never attended	5/29/2012	Withdrawal	8/28/2012	В
UPRM	xxx-xx -6686	Graduated	6/15/2012	Graduated	-	A
RCM	xxx-xx -7774	Withdrawal	6/6/2012	Withdrawal	8/30/2012	В
RCM	xxx-xx -5017	Graduated	6/1/2012	Graduated	9/26/2012	В
UPRR	xxx-xx -7127	Graduated	6/8/2012	Graduated	10/2/2012	В

Corrective Action Plan (continued)

For the Fiscal Year 2012 Single Audit

Part III – Federal Award Findings and Questioned Costs Section (continued)

Finding Number: 12-06 (continued)

Condition (continued)

Campus	Student ID	Status per Registry	Date reported per Registry	Status reported per NSLDS	Date per NSLDS	Exception(s)
UPRM	xxx-xx -6585	Never Attended	5/29/2012	Withdrawal	8/28/2012	В
UPRM	xxx-xx -1988	Graduated	7/15/2011	Withdrawal	8/26/2011	С
RCM	xxx-xx -9381	Withdrawal	11/14/2011		-	A
UPRC	xxx-xx -3949	Graduated	6/11/2008	Graduated	7/23/2012	В
UPRH	xxx-xx -5255	Graduated	6/12/2012	Graduated	9/21/2012	В

Questioned Costs

Not applicable.

Corrective Action Plan

The University is preparing written instructions to the Registry Officers to ensure they report the students' status change on time. Follow-up will be given by the Central Administration in order to assure correctness on such reporting procedures.

Implementation Date

This practice will be implemented immediately.