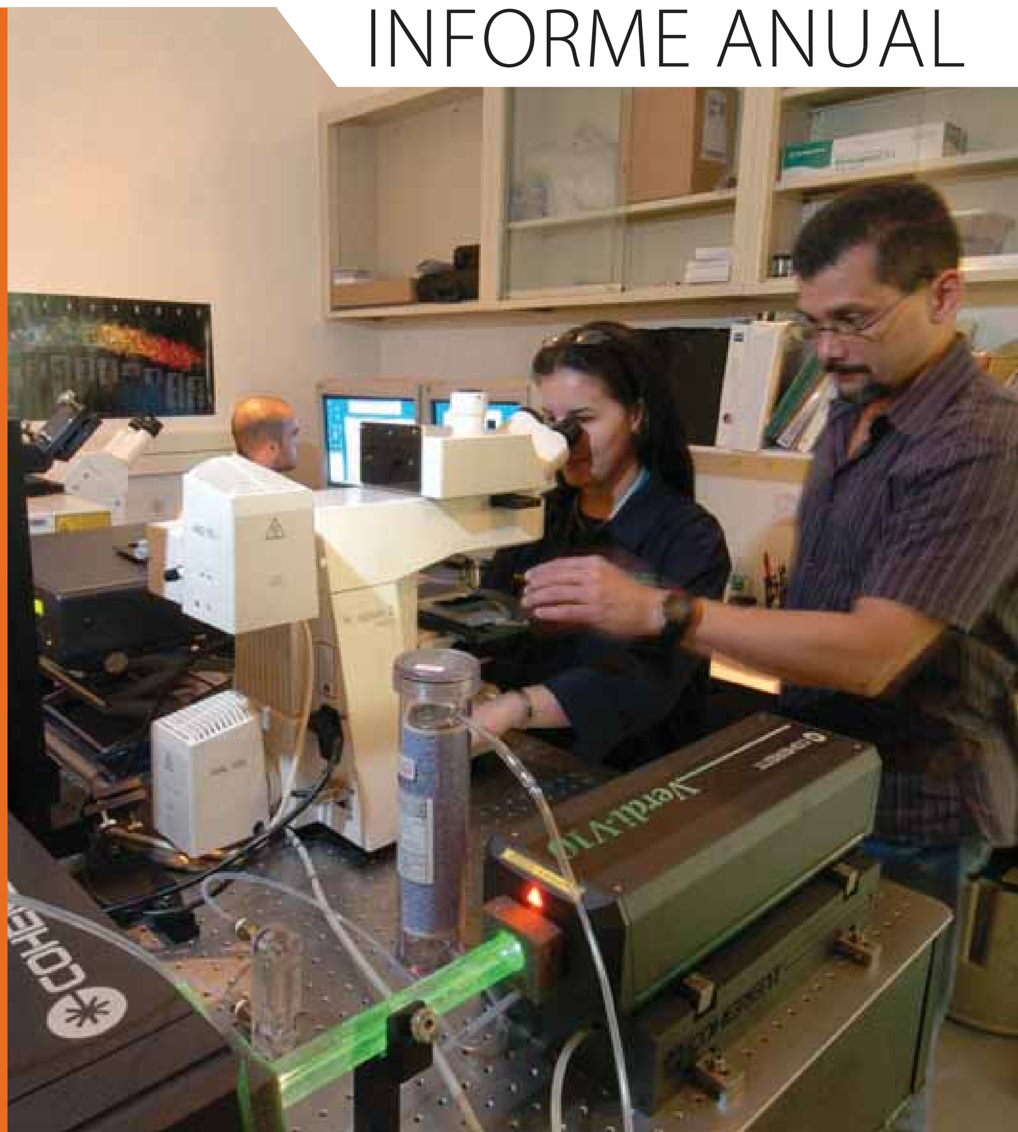
UNIVERSIDAD DE PUERTO RICO

UPR

UNIVERSIDAD DE PUERTO RICO
INFORME ANUAL

2006-07



Contenido

LA UNIVERSIDAD QUE PUERTO RICO NECESITA.......... 3

I. VÍNCULO SOSTENIDO CON EL ESTUDIANTADO 5

II. CULTURAS ACADÉMICAS DE ACTUALIZACIÓN, EXPERIMENTACIÓN Y RENOVACIÓN.......... 7

III. INVESTIGACIÓN Y LABOR CREATIVA COMPETITIVAS.......... 9

IV. CULTURA DE EVALUACIÓN Y AVALÚO INSTITUCIONAL 11

V. ACTUALIZACIÓN TECNOLÓGICA.......... 17

VI. EFICIENCIA Y BELLEZA EN LOS ESPACIOS NATURALES Y EDIFICADOS.......... 19

VII. VOCACIÓN POR UN MUNDO GLOBAL 21

VIII. OPTIMIZACIÓN ADMINISTRATIVA Y GERENCIAL.......... 22

IX. IDENTIDAD INSTITUCIONAL FORTALECIDA 23

X. LIDERATO EN INVERSIÓN COMUNITARIA Y GESTIÓN CULTURAL 24

La Universidad que Puerto Rico necesita

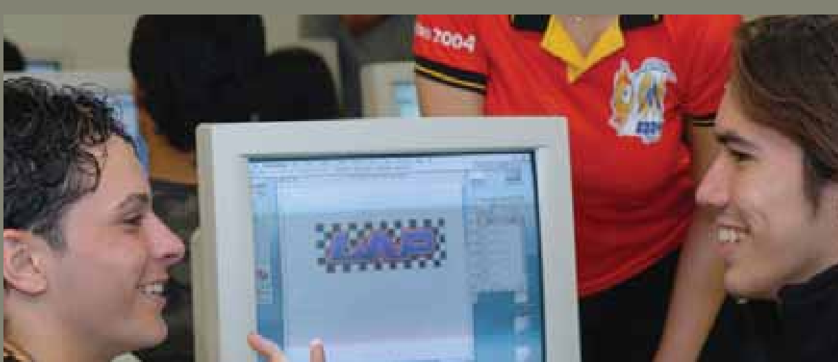
Este informe presenta a los foros a quienes compete su evaluación, a la comunidad universitaria y a la comunidad en general, los principios, estrategias y cumplimientos en la gestión de dirección de la Universidad de Puerto Rico durante el año académico 2006-2007. Aspira a comunicar y documentar cómo plantea la Universidad su crecimiento y sus responsabilidades y cómo se articula dicho proyecto en la programación y administración de la institución. Este Informe se elabora de acuerdo a los parámetros de evaluación definidos por la agenda de desarrollo universitario, Diez para la Década, adoptada en la Certificación Núm. 123 (2005-2006) de la Junta de Síndicos

El Informe Anual 2006-2007 resalta el vínculo tanto conceptual como pragmático entre la visión institucional consignada en Diez para la Década y los propósitos amplios del país, en el contexto de la globalización y de la sociedad del conocimiento. En primer lugar, la agenda de planificación y desarrollo representa un pacto de la Universidad con el desarrollo integral de Puerto Rico en función de un modelo social que se asienta sobre la producción de conocimiento y tecnología, y sobre una atención particular a la calidad y equidad en la vida de los ciudadanos.

En segundo lugar, la agenda refuerza los compromisos universitarios con el uso racional y programático de los recursos fiscales de la Universidad con cargo a una mayor eficiencia administrativa, con un ejercicio presupuestario más autónomo por parte de las unidades con arreglo a sus necesidades programáticas y con procesos de evaluación y rendición de cuentas constantes y finalmente, con plataformas informáticas de conectividad inteligente y sistemática.

En tercer lugar, la agenda propone un horizonte de aspiraciones para las generaciones de profesionales que egresan de la Universidad de Puerto Rico en función de una capacitación de primer orden, con programas actualizados certificados por agencias acreditadoras en y fuera de Puerto Rico, de rango académico y profesional, según sea el caso con las instalaciones físicas más idóneas y atemperadas a las necesidades de docencia y de investigación y a los índices deseables de diseño y construcción.

Es la agenda que apoya nuestra convicción acendrada y respaldada por las acciones y sensibilidades de los universitarios: la Universidad de Puerto Rico es la universidad que Puerto Rico necesita no sólo para su presente sino para su futuro.



I. VÍNCULO SOSTENIDO CON EL ESTUDIANTADO

Meta

La Universidad dispensa al estudiante, desde el momento de su reclutamiento hasta su conversión en egresado, la mejor calidad de servicios, programas académicos y ambientes para su desarrollo integral. Propicia así el fortalecimiento de su identidad como universitario estimulando su integración, su participación, y su vinculación sostenida con la institución como uno de los ejes de crecimiento institucional.

Admisiones

El proceso de admisiones del año académico fue sumamente exitoso. Se admitió a 14,338 nuevos alumnos. De ellos 60.1% son féminas. El 60.6%, son egresados de las escuelas superiores públicas del país.

Esta captación es la mayor de la Universidad desde 1998. Representa un 16.9% más que al año pasado, manteniendo los altos estándares académicos de la Universidad sin aumentar la actual capacidad de admisión de los programas académicos. Así se maximiza el nivel de ocupación de la Universidad.

El perfil de los admitidos es excelente. El promedio de escuela superior de la clase entrante es 3.51. Aproximadamente uno de cada diez se graduó con 4.00; uno de cada cinco con más de 3.90. En las pruebas de aptitud verbal y matemática del College Board, obtuvieron puntuaciones promedios de 546 y 567, respectivamente; 95 y 101 puntos sobre el promedio obtenido por todos los estudiantes de Puerto Rico que tomaron la prueba en octubre de 2006.

El éxito de esta temporada de admisiones refleja varios factores: Primero, el creciente interés por los programas de la Universidad de Puerto Rico, evidenciado en un aumento en el número de solicitudes de admisión: 3.3% más que en el pasado año.

Segundo, la conveniencia y facilidad de uso de la nueva plataforma electrónica inaugurada este año. Abierta en septiembre de 2006, para el 15 de junio de 2007

había recibido 690,655 visitas. El 16% de todas las solicitudes de admisión recibidas fue sometido por vía electrónica; un aumento de 303% sobre el 2006.

Tercero, la interacción positiva de la Universidad con sus solicitantes. Por ejemplo, en lugar de una carta de denegación, los candidatos que no fueron admitidos al programa de su primera selección recibieron una invitación a explorar otros programas a los que sí cualificaban. Con el apoyo tecnológico adecuado, la institución pudo brindar el máximo acceso que permiten sus recursos y sólo se vio precisada a enviar 257 cartas de denegación – es decir, 98.6% de los solicitantes bien fueron admitidos a los programas que solicitaron o recibieron alternativas de ubicación.

Cuarto, la expansión de los programas de traslado. Los estudiantes cursan sus primeros dos años en un recinto cercano a su hogar y luego se trasladan a otro para completar el grado.

Quinto, la creciente presencia de la Universidad de Puerto rico en las escuelas públicas y privadas del país desde la capacitación de los maestros en ciencias y matemáticas, hasta la enseñanza de las nociones básicas de nanotecnología.

Otras iniciativas en el área de admisiones incluyen:

• La actualización del Manual de Admisiones 2007, incluyendo la Solicitud de Admisión.

• En la Iniciativa Bilingüe, se autorizó un proyecto piloto para permitir administrar la prueba ACT a los solicitantes; se desarrollaron nuevas estrategias de promoción con la ayuda de la Administración de Asuntos Federal y ASPIRA, y se rediseñó el material promocional.

• La conclusión del borrador del Manual de Estudios Graduados de la Universidad de Puerto Rico.

• La División de Admisiones adelantó la fecha para contestar la admisión a la Universidad al 31 de marzo, convirtiendo todo el proceso en una admisión temprana.

• Se reconceptualizó el proceso para determinar cupos, incluyendo los conceptos cupo ajustado e índice mínimo por programa.

En lo relativo a servicios estudiantiles, se enfatizó el tema de la seguridad en los recintos. Se elaboró un plan para que cada unidad establezca su un protocolo de seguridad.

Otra área prioritaria fue la transición del egresado al mundo de empleos. Para ello se organizó un taller para los Coordinadores de Empleo de las unidades se presentaron las Metas y Objetivos de Diez para la Década que guardan relación con los servicios de empleo. Además se presentaron los estándares profesionales y las mejores prácticas. Se preparó y distribuyó el Directorio de las Oficinas de Desarrollo Profesional y Colocaciones. La Vice Presidencia en Asuntos Estudiantiles canalizó a las unidades las ofertas de empleo, oportunidades de internados y otras oportunidades educativas para nuestros estudiantes.

La División de Asistencia Económica, en colaboración con las unidades, llevó a cabo una campaña para promover el uso del FAFSA electrónico y del depósito directo del pago de beca.

Se ofrecieron orientaciones a los Directores de Asistencia Económica de las unidades y se colaboró para la implantación del programado para la otorgación de las becas SMART y ACG.

II. CULTURAS ACADÉMICAS DE ACTUALIZACIÓN, EXPERIMENTACIÓN Y RENOVACIÓN

Meta

El sistema y las unidades fomentan culturas académicas que atemperen sus ofertas curriculares, modalidades de enseñanza-aprendizaje e investigación a los mejores desarrollos en los diferentes campos del conocimiento y provean protocolos ágiles y flexibles para la evaluación, renovación y avalúo académico.

Enmarcados en una visión de la Universidad de Puerto Rico como centro de alta y creciente calidad académica; en tanto líder en el país y líder regional en la educación superior, se delinean los siguientes objetivos de orden académico:

1. Fortalecimiento de la cultura de evaluación en todos los niveles de la programación académica. La generalización de la cultura de evaluación debe proveer horizontes deseables de comportamiento y producción académicos.

2. Puesta al día de la oferta académica existente y la inserción de nuevos programas, en función de la investigación institucional, del ambiente externo y la incorporación de estándares de excelencia establecidos para las disciplinas, tecnologías y profesiones.

3. Acreditaciones institucionales, profesionales y especializadas en los programas susceptibles a ello.

4. Reconocimiento externo de los servicios que ofrecemos a través de nuestros museos, bibliotecas, servicios de consejería y de registraduría.

5. Acreditación expedita de las dos disciplinas en las que tenemos la mayor cantidad de estudiantes y programas, estos son Educación y Administración de Empresas.

6. Excelencia académica de los programas de estudio mediante su creación y evaluación desde los estándares de la entidad de acreditación profesional y/o institucional pertinentes.

7. Impulso a la investigación institucional en función de la toma de decisiones y la planificación más idónea.

El fin comprehensivo es que los recursos humanos, materiales y financieros de nuestra institución estén al servicio de la mejor y más competitiva formación, de nuestros estudiantes. La agenda impulsa una cultura de investigación fortalecida; el respaldo a la producción competitiva de conocimientos y tecnologías; ampliar la contribución al desarrollo integral del país mediante una intervención más efectiva en las comunidades; impulsar la internacionalización de nuestros estudiantes y sus docentes; y dotar de mejor tecnología y facilidades estructurales a los recintos.

Se trata de formar al estudiante del Siglo XXI y de la Universidad que se apresta con todas sus energías a potenciarlo, a capacitar a las promociones universitarias con calidad internacional. Una de las gestiones más apremiantes en la consecución de este proceso es alcanzar la acreditación académica y profesional de todos nuestros programas.

Logros de la UPR en capacitación:

• La Universidad de Puerto Rico confirió en el año académico 2005-2006, 74 grados doctorales (Ph.D.) en ciencias y tecnología. Es más del doble de los doctorados conferidos en dichos campos en 2001-2002; treinta y dos. (32). Se confirieron también 413 grados de Maestría (M.S.) en ciencias y tecnología.

• En los últimos cinco años (2001-2006), la Universidad ha conferido 240 grados doctorales y 1,921 de Maestría en Ciencias y Tecnología. Dentro de la jurisdicción de Estados Unidos, la Universidad de Puerto Rico contribuye con el 16% de todos los grados conferidos a personas de ascendencia hispana en dichos campos. De 2001 a 2006, la UPR ha conferido 19,098 grados en ciencias y tecnología que abarcan programas subgraduados y graduados.

• El programa Graduado de Ciencias Biomédicas de la Escuela de Medicina del Recinto de Ciencias Médicas, tiene el número más alto de estudiantes graduados en su historia, noventa y cuatro.

• Se fortalecieron programas novedosos de grados conjuntos: MD/JD, MD/Ph.D. (Mayo Clinic-UPR), y maestría post-doctoral en investigación clínica.

• La Facultad de Ingeniería del Recinto Universitario de Mayagüez ocupó el lugar número nueve en la jurisdicción de Estados Unidos en grados conferidos; el primer lugar graduando hispanos en el campo de la ingeniería y el segundo lugar graduando mujeres ingenieros.

• El 33% de los graduados de la Escuela de Medicina de la Universidad de Puerto Rico fueron aceptados por hospitales universitarios en Estados Unidos para realizar sus residencias médicas.

• Red de Ingeniería:
Se fortaleció el consorcio para estimular mayor integración académica e investigativa al crear vínculos entre recintos universitarios con fortalezas en las ciencias y en las ingenierías. Comprende los recintos de Mayagüez, Humacao, Bayamón, Ponce, Arecibo y Cayey.

• Residencias Médicas ofrece 35 programas acreditados de la Escuela de Medicina en diferentes especialidades y sub-especialidades médicas, muchas de ellas únicas en Puerto Rico. El total de residentes en entrenamiento es de 386. Son los únicos programas que forman los especialistas médicos para Puerto Rico.

Cónsono con el objetivo de estimular la obtención del grado terminal en la disciplina por los miembros de la facultad, la Junta de Síndicos aprobó la Certificación Núm. 72 (2006-2007) sobre la Política para la Concesión de Becas Presidenciales para Estudios Doctorales y Postdoctorales de la UPR. La misma renovó el Programa en armonía con las metas y objetivos de Diez para la Década. El propósito es brindar estímulo y apoyo a profesores e investigadores en la obtención de grados terminales y post-doctorales que, consecuentemente contribuirán al desarrollo de líneas de investigación en sus respectivas disciplinas, y al fortalecimiento de la facultad universitaria para exceder los indicadores de excelencia de las agencias acreditadoras que evalúan el desempeño institucional. El Programa de Becas Presidenciales para Estudios Doctorales y Postdoctorales de la Universidad de Puerto Rico duplicó las ayudas económicas concedidas. Para este año se otorgaron veinticinco becas, para un monto de $339,630. Durante los años 2002 - 2003 al 2006 – 2007, la Universidad ha otorgado 132 becas, para un total de $1, 442,730.00.

Tres programas académicos actualizados 2004-2007 merecen mención especial como ejemplos exitosos de programas extramuros con atención a necesidades puntuales:

1. Maestría en Administración de Empresas – General (MBA) en extensión en Abbott Laboratorios, Barceloneta (2006-2007)

2. Componente Medular de la Maestría en Administración de Empresas – General, (MBA) en extensión (UnEx) en UPR en Humacao (2006-2007)

3. Certificado Post-Bachillerato de Maestro Bibliotecario – a distancia (2006-2007)

III. INVESTIGACIÓN Y LABOR CREATIVA COMPETITIVAS

Meta

El sistema y las unidades respaldan con recursos, apoyos técnicos y administrativos y equipamientos la generación de conocimientos y tecnologías en función de parámetros crecientes de competitividad tanto en la dimensión básica como aplicada; en las ciencias naturales como en las humanas, y conciertan para ello acuerdos de cooperación intra-sistémicos, y con otras universidades, centros de investigación, gobiernos e industria.

La universidad del siglo XXI será de investigación o no será universidad. Por eso le incumbe a la institución elevar la competitividad de la producción investigativa; generar investigaciones de frontera desde los parámetros que muestran universidades de escala parecida a la nuestra; articular una alianza con el sistema educativo público para fortalecer la enseñanza y formación de los estudiantes puertorriqueños en ciencias y matemáticas; y configurar la infraestructura sistémica correspondiente para que adelante los propósitos y proyectos de investigación

El año marcó importantes adelantos en la consolidación de una cultura de investigación y el aumento en las investigaciones e iniciativas resultantes. Entre éstos se destacan:

• El trabajo con el Fideicomiso de Ciencia, Tecnología e Investigación para impulsar el establecimiento en Puerto Rico de instalaciones y de investigadores de talento de calidad mundial.

• Se inició la construcción de los laboratorios de investigación básica asociados al Centro Comprensivo de Investigaciones de Cáncer. Los mismos estarán localizados en el Edificio Biomédico I en el Recinto de Ciencias Médicas. El área proveerá 40,000 pies cuadrados para las actividades de investigación.

• Se inició la construcción de la Planta Piloto de Bioprocesos en el Parque Industrial Guanajibo de Mayagüez. La Planta consistirá de un edificio de aproximadamente 30,000 pies cuadrados y conllevará una inversión de $12.5 millones ($5 millones del Fondo de Centenario de la Universidad de Puerto Rico y $5 millones de PRIDCO y $2.5 millones de la EDA (Economic Development Administration).

• Se inició la construcción del Edificio de Ciencias Moleculares. El edificio albergará investigadores trabajando en las áreas de biología molecular, química biológica, neurociencias, estudio de proteínas y química farmacéutica. Serviría de punto focal para atraer investigadores competitivos en estas áreas a Puerto Rico.

• Se completó la ampliación de las oficinas y el Laboratorio Bio-Óptico del programa NOAA-CRESS en la Isla de Magueyes en Mayagüez.

• Se terminó la construcción del edificio de Ciencias Naturales (Física, Biología, Matemáticas) en Cayey.

• Se inició el proyecto del Pabellón para el Jardín Experimental de Plantas Medicinales y Venenosas en el Jardín Botánico Sur. Promoverá la investigación científica y educacional de productos naturales como medicina alternativa.

• Se finalizó la rehabilitación de las instalaciones para de animales en el Instituto de Neurobiología. Esta remodelación se sufragó con fondos de los Institutos Nacionales de la Salud y una aportación institucional.

• Se obtuvo un donativo federal para desarrollar infraestructura de investigación que estimule las investigaciones colaborativas en las ciencias biomédicas. El programa, conocido como Research Centers in Minority Institutions (RCMI), recibirá $13.4 millones durante los próximos cinco anos de los Institutos Nacionales de la Salud.

• El total de fondos externos para la investigación en el 2006-2007 ascendió a $85 millones.

• Se aprobó por la Junta de Síndicos, mediante la Certificación número 45 de 2006-2007, la Política de Conducta Responsable en la Investigación.

• La producción científica de Puerto Rico alcanzó un total de 629 trabajos en el 2006, aportando la Universidad de Puerto Rico 616 (97%) de los mismos.

• Se otorgaron cuatro nuevas patentes, lo que aumentó el número de patentes otorgadas a la Universidad de Puerto a treinta y tres (33). Se sometieron nueve solicitudes de patentes a la Oficina de Patentes y Registro de Marcas de los Estados Unidos (USPTO por sus siglas en inglés) y se negociaron dos Acuerdos de Licencias con compañías privadas. Se continuó con la promoción y divulgación de la Política Institucional sobre Patentes, Invenciones y su Comercialización. Se firmó una Licencia Exclusiva con la Compañía SOLAIR para dos patentes relacionadas con el aire acondicionado solar.

• El Recinto de Ciencias Médicas reclutó exitosamente tres investigadores de alto renombre y competitividad científica: el Dr. Walter Frontera, Decano de la Escuela de Medicina, previamente profesor en la Escuela de Medicina de la Universidad de Harvard; el Dr. José F. Cordero, Decano de la Escuela de Salud Pública, previamente Director de una de las Divisiones de los Centros para la Prevención de Enfermedades (CDC pos sus siglas en inglés) y el Dr. Gregory Quirk, investigador RO1 en el área de las neurociencias.

IV. CULTURA DE EVALUACIÓN Y AVALÚO INSTITUCIONAL

Meta

La Universidad de Puerto Rico promueve una cultura de evaluación y avalúo de su articulación organizativa, de sus operaciones y actividades académicas, administrativas y gerenciales que potencia los mejores desempeños institucionales; dinámicas informadas y deliberadas de renovación y prácticas de de auditabilidad con respecto de la comunidad interna y externa, y permite calibrar el cumplimiento de los propósitos de la Institución tal y como lo consignan los rectores en sus documentos y la Agenda para la Planificación.

La Universidad adelantó significativamente en la política de adelantar la acreditación externa de todos los programas académicos y de servicios susceptibles de ello. La tabla resume el estado de progreso y sus proyecciones al final del año:

Estado de Situación Proyecto de Acreditaciones:
Universidad de Puerto Rico
Vicepresidencia en Asuntos Académicos
Fechas visitas Agencias Acreditadoras Programas Académicos

Programas Académicos	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Programas Preparación de Maestros- *National Council for Accreditation of Teacher Education* (NCATE)					
UPR en Aguadilla			✓	✓	
UPR en Arecibo		✓ 2 do sem.			
UPR en Bayamón			✓	✓	
UPR Cayey			✓		
UPR en Humacao				✓	
UPR en Ponce	✓ 2do sem.		✓	✓	
UPR en Utuado		✓ 1 er. sem.			
RUM			✓		

Programas de Administración de Empresas-*Association to Advance Collegiate Schools of Business* y *Association of Collegiate Business Schools and Programs (AACSB y ACBSP)*					
UPR en Aguadilla			✓		
UPR en Arecibo			✓		
UPR en Bayamón			✓		
UPR en Carolina			✓		
UPR en Cayey			✓		
UPR en Humacao			✓		
UPR en Ponce			✓		
UPR en Utuado			✓		
RUM (AACSB)			✓		
RRP (AACSB)			AACSB determina la fecha		
Programas de Sistemas de Oficina- *Association of Collegiate Business Schools and Programs* (ACBSP)					
UPR en Aguadilla					✓
UPR en Arecibo				✓	
UPR en Bayamón				✓	
UPR en Carolina			✓		
UPR en Cayey				✓	
UPR en Humacao			✓		
UPR en Ponce				✓	
UPR en Utuado				✓	
RUM					✓
RRP			✓		
Certificación Programas de Química por *American Chemical Society* (ACS)					
UPR en Cayey		✓			
UPR en Humacao			✓		
Programas de cómputos y sistemas de información: ABET- CAC- *Computing Accreditation Commision*					
UPR en Aguadilla				✓	
UPR en Arecibo			✓		
UPR en Bayamón					
UPR en Ponce				✓	✓
RUM				✓	
RRP			✓	✓	
Programas Académicos	**2007-2008**	**2008-2009**	**2009-2010**	**2010-2011**	**2011-2012**
			Ciencias de Cómputos	Sistemas de Información	
Programas de Tecnologías en Ingeniería ABET-TAC – *Technology Accreditation Commision*					
UPR en Aguadilla				✓	
UPR en Arecibo				✓	
UPR en Bayamón			✓		
UPR en Humacao		✓			
UPR en Ponce			✓		

Fechas visitas Agencias Acreditadoras a Servicios

Servicios	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Bibliotecas- *Association of Colleges and Research Libraries* (ACRL)					
UPR en Aguadilla	✓				
UPR en Arecibo	✓				
UPR en Bayamón		✓			
UPR en Carolina	✓				
UPR en Cayey		✓			
UPR en Humacao		✓			
UPR en Ponce		✓			
UPR en Utuado		✓			
RUM	✓				
RRP Biblioteca de Derecho	✓				
RRP Arquitectura		✓			
RRP Sistema de Bibliotecas		✓			
Recinto de Ciencias Médicas		✓			
Estación Experimental Agrícola		✓			
Acreditación Centros de Consejería por *International Association of Counseling Services* (IACS)					
UPR en Aguadilla				✓	
UPR en Arecibo				✓	
UPR en Bayamón				✓	
UPR en Cayey				✓	
UPR en Humacao		✓			
UPR en Ponce			✓		
UPR en Utuado					✓
RUM		✓			
RRP		✓			
Recinto de Ciencias Médicas			✓		
Museos - *American Association of Museums* (AAM)					
RRP-Museo de Historia Antropología y Arte		✓			
Cayey- Dr. Pío López Martínez			✓		
Servicios	**2007-2008**	**2008-2009**	**2009-2010**	**2010-2011**	**2011-2012**
RCM-Museo de Farmacia			✓ *		
RUM- Museo de Entomología			✓ *		
RUM- MUSA			✓ *		
Administración Central *Jardín Botánico*			✓ *		

- Estos museos van a ser sometidos primero a un MAP (Museum Assessment Program).

Todas las unidades del Sistema ostentan la reacreditación de la Middle States Association. Las unidades institucionales de Arecibo, Carolina, Humacao y Río Piedras reafirmaron su acreditación hasta el 2010.

Los programas de formación de maestros recibieron una atención particular. El énfasis de Universidad por lograr la mejor capacitación para los futuros maestros de Puerto Rico se constata mediante los resultados de las pruebas federales. Colocan consistentemente a nuestros estudiantes de educación, en los primeros lugares de aprovechamiento.

La iniciativa por lograr la acreditación externa de todos los promueve aún más este esfuerzo de capacitación magisterial, que incluye también el respaldo al programa de AlaCima, para apuntalar la calidad de los maestros de ciencias y matemáticas en las escuelas superiores del país. Al finalizar el año académico, todos los programas de formación de maestros de los recintos y colegios de la Universidad de Puerto Rico, excepto el de Río Piedras que cuenta ya con la acreditación, adelantan las gestiones conducentes con el Concilio Nacional para la Acreditación de Programas de Formación de Maestros para sus respectivas acreditaciones.

• Seis (6) de las siete (7) unidades institucionales con programas de preparación de maestros sometieron los Informes de Precondiciones, convirtiéndose en programas pre-candidatos para la acreditación. De éstas, los programas de Ponce, Cayey y Mayagüez, recibieron la aprobación de sus Informes, y como unidades candidatas recibirán sus visitas de las juntas evaluadoras durante el 2008. La UPR en Ponce, primera unidad en ser reconocida como candidata, fue seleccionada para realizar una visita simulada, experiencia que será desarrollada bajo el asesoramiento de la VPAA y con lo participación de los coordinadores de acreditación de todas las unidades. La Universidad de Puerto Rico cuenta con las primeras Board of Examiners certificadas por el National Council for Accreditation of Teacher Education (NCATE) en Puerto Rico.

La Vice Presidencia en Asuntos Académicos organizó tres grupos sistémicos adicionales compuestos por los programas de ciencias de cómputos y sistemas de información, tecnologías en ingeniería y sistemas de oficina, con el propósito de apoyar los esfuerzos dirigidos a la acreditación profesional. Los programas de ciencias de cómputos y sistemas de información se acreditarán por ABET-CAC y los de tecnologías en ingeniería por ABET-TAC. En el caso de los programas de sistemas de oficina, la acreditación será por la Association of Collegiate Business Schools and Programs (ACBSP).

En el cuadro mayor, del total de 472 programa académicos de la UPR, 283 son susceptibles a acreditación. Ciento quince están ya acreditados, 164 están en el proceso de acreditación. Estos datos indican que 41 programas iniciaron este año el proceso de acreditación y que solamente un total de 4 no lo han iniciado.

Los diez (10) programas de sistemas de oficina de las siguientes unidades: UPR Aguadilla, UPR Arecibo, UPR Bayamón, UPR Carolina, UPR Cayey, UPR Humacao, RUM, UPR Ponce. RRP, UPR Utuado sometieron su carta de intención para la acreditación por la Association of Collegiate Business Schools and Programs (ACBSP). Recibieron su certificado oficial de candidatura el 28 de junio de 2007.

Reconocimiento externo de los servicios que ofrecen los museos, las bibliotecas, y servicios de consejería y de registraduría.

Cinco bibliotecas de las catorce (14) prepararon su autoestudio y fueron evaluadas por consultores de ACRL. Los informes de la evaluación externa se recibirán el primer semestre del próximo año académico. La bibliotecas evaluadas fueron las de: UPR Aguadilla, UPR Arecibo, UPR Carolina, Derecho y la del RUM.

Tres centros de consejería, DCODE de RRP y DIDIE de Humacao sometieron su autoestudio para la acreditación por la International Association of Counseling Services (IACS). Ambos centros recibirán la visita de acreditación el próximo año académico.

Dos museos, el Museo de Historia, Antropología y Arte de RRP y el Museo Dr. Pío López de Cayey, someterán su carta de intención para acreditación a la American Association of Museums (AAM).

De la evaluación de revistas se desprende que de las 26 revistas de Puerto Rico que han logrado sobrepasar el 75% de los criterios de calidad de LATINDEX, el 50%, pertenece a la UPR. De éstas, 9, o el 69% son del Recinto de Río Piedras, 3 o el 23% son del Recinto Universitario de Mayagüez y 1 o el 8% del Recinto de Ciencias Médicas.

Acreditación de los programas de Administración de Empresas

La Facultad de Administración de Empresas del RUM recibió la notificación de que su solicitud de elegibilidad había sido aceptada por la AACSB. El Decano Robert Scherer de Cleveland State University fue designado como su mentor para facilitar el proceso de acreditación.

Los ocho (8) programas de administración de empresas de las siguientes unidades: UPR Aguadilla, UPR Arecibo, UPR Bayamón, UPR Carolina, UPR Cayey, UPR Humacao, UPR Ponce y UPR Utuado sometieron su carta de intención para la acreditación por la Association of Collegiate Business Schools and Programs (ACBSP). Los programas recibieron su certificado oficial de candidatura el 28 de junio de 2007.

Otras iniciativas:

En el 2006, comenzó la implantación de la iniciativa de Auditoría de la Oferta Académica que recoge y revisa toda la historia y datos vitales de los ofrecimientos académicos activos y en moratoria. El esfuerzo culminó en la institucionalización del Registro de la Oferta Académica de la Universidad de Puerto Rico, que sirve como: (1) el estándar institucional u hoja de cotejo para verificar toda la información a divulgarse con relación a la oferta de la UPR; (2) referencia para la investigación y avalúo institucional del desarrollo y estado de dicha oferta.

Como parte del proyecto de Inventario de la Oferta Académica, la Vicepresidencia intensificó los esfuerzos ya en progreso para promover la puesta en moratoria de los grados inactivos y un avalúo continuo de la efectividad de la oferta y de los indicadores del ambiente externo para identificar aquellos programas que ya no adelantan la misión de la Universidad. Al final del año académico, los esfuerzos se han traducido en un total de 62 moratorias entre el año 2000 y el presente, que comprenden 47 (76%) grados asociados, 13 (21%) bachilleratos, y 2 maestrías (3%).

La Junta de Síndicos emitió su Certificación Núm. 43 (2006-2007), Reglamento para la Evaluación de Programas Académicos en la Universidad de Puerto Rico, que deroga completamente la Certificación 93-113, y reemplaza el antiguo concepto de “revisión curricular” por uno de evaluación y rendición de cuentas continuas sobre el estado de la oferta académica, como fundamento para una toma de decisiones informada sobre las acciones que procedan para asegurar su excelencia y continua puesta al día. Este reglamento, y la Certificación Núm. 80 (2005-2006), adelantan el cumplimiento de los objetivos dirigidos a institucionalizar una Cultura de Evaluación y Avalúo Institucional, mediante la investigación y el auto estudio periódico como base para generar las transformaciones académicas que sean necesarias.

V. ACTUALIZACIÓN TECNOLÓGICA

Meta

El sistema y las unidades establecen y mantienen una universidad actualizada tecnológicamente de manera que se optimizan sus funciones de docencia-aprendizaje, investigación, servicio, creación y administración al promoverse las colaboraciones y enlaces productivos, la agilidad administrativa, el acceso a las fuentes de información académica e institucional y la comunicación al exterior, al interior y entre las unidades sistémicas.

La actualización tecnológica de la Universidad va encaminada a agilizar los procesos educativos y administrativos para ponerlos a la altura de una universidad de siglo XXI, ser apoyo indispensable a la cultura de investigación y adelantar mediante la aplicación de las técnicas más adelantadas los procesos requeridos para implantar la cultura de evaluación.

Correspondiendo a la prioridad asignada a los servicios estudiantiles, se puso especial énfasis en agilizar mediante la tecnología la atención a este sector. La Vice Presidencia en Asuntos Estudiantiles revisó la información en la solicitud de admisión electrónica, y rediseñó y actualizó la información en la página de estudiantes en el portal de la Universidad. Con la colaboración de las Oficinas de Admisiones de las unidades se realizó una actividad en varios centros comerciales para incentivar el uso de la solicitud de admisión en línea.

La Oficina de Admisiones y el Centro de Cómputos desarrollaron una aplicación para que los registradores de escuela superior sometan electrónicamente el promedio de los solicitantes. Además se desarrolló una aplicación para mejorar el proceso de reconsideraciones.

En lo relativo a la implantación del Proyecto PATSI, se establecieron nuevas fechas para iniciar el uso en vivo de los sistemas financiero y estudiantil. Logros concretos en este esfuerzo fueron:

1. Completar las visitas a todas las unidades del sistema para comunicar el plan de implantación del proyecto PATSI, esto como parte del programa de comunicación.

2. Contratar a la firma FusionWorks para comenzar el proceso de transferencia de conocimientos del sistema Oracle al personal universitario, colaborar en el adiestramiento al personal universitario y apoyar al trabajo de la firma de consultores Exeter Group.

3. La selección de las unidades piloto para comenzar con la implantación del componente de asistencia económica: UPR Humacao y UPR Carolina.

4. Comenzar las pruebas del año 2007-2008 para asistencia económica.

5. Revisar la estructura para tener gerentes de proyecto trabajando directamente con cada módulo y reportándose al Director de Proyectos.

6. Completar los manuales de usuario del módulo financiero.

Otros logros hacia la meta de actualización tecnológica incluyen:

• Proveer el apoyo técnico y la infraestructura necesaria para la implantación institucional del correo electrónico a estudiantes y ex alumnos bajo el dominio upr.edu bajo la plataforma de Google Apps.

• Realizar las mejoras en las páginas cibernéticas de la Universidad de Puerto Rico en Aguadilla y Bayamón.

• Modernizar la infraestructura de la red local en Humacao, Ponce, Utuado, Bayamón y Ciencias Médicas

• La instalación de un sistema de Circuito Cerrado de videos de interés para los lugares más concurridos en la UPR en Cayey.

• La implantación en colaboración con la Vicepresidencia de Estudiantes del registro en línea de promedios para las Escuelas Superiores (GPA)y el Sistema de Reservaciones Administrativas para Candidatos a Ingreso a UPR.

• La implantación del Pago de Matrícula en Línea en la UPR-Cayey y el Recinto de Ciencias Médicas

• El Recinto de Río Piedras efectuó un proyecto piloto exitoso de aplicaciones VNet y VClass y VMail para apoyar educación a distancia

• En la Administración Central se completó exitosamente un proyecto piloto de Voz sobre IP en el “High Performance Computing Facility (HPCf)”.

• Conlcuir la revisión de la Política Institucional para el Uso Aceptable de los Recursos de la Tecnología de Información

• La implantación de un programa institucional de orientación sobre la utilización correcta de tecnología mediante la emisión de boletines electrónicos mensuales conocido como “OSI Trivia”

• La Oficina de Sistemas de Información de Administración Central actualizó el Plan de Contingencia ante Emergencias y los Procedimientos de Desalojo, y los Procedimientos para la Administración de Tecnología Informática

VI. EFICIENCIA Y BELLEZA EN LOS ESPACIOS NATURALES Y EDIFICADOS

Meta

El sistema y las unidades crean y conservan, dentro del marco normativo de las políticas institucionales sobre espacios naturales y edificados, los ambientes más idóneos y propicios para la docencia, la investigación, el servicio y la gestión cultural, y propician el mejoramiento sustantivo en la calidad de vida de la comunidad universitaria mediante prácticas ambientales óptimas y la integración del arte a sus espacios.

Al igual que los procesos de acreditación, el programa de mejoras permanentes de la Universidad de Puerto Rico representa una inversión institucional que beneficia al estudiante, al docente y al investigador, proveyendo la infraestructura requerida para el apoyo a las disciplinas y actividades propias de ellas, y ayudando así al desarrollo del capital social del país.

Los proyectos de mejoras permanentes en todas las unidades del sistema universitario suman $445 millones el mayor programa de construcciones institucionales en Puerto Rico. El esfuerzo fue galardonado por el Colegio de Arquitectos de Puerto Rico, por su visión y coherencia en la transformación de sus estructuras. Algunos proyectos fueron inaugurados en los primeros meses del año, entre ellos: el Edificio de Ciencias de la Universidad de Puerto Rico en Cayey; el de Administración de Empresas en el Recinto Universitario de Mayagüez, y la nueva Biblioteca Electrónica en Utuado. Pronto se inaugurará el de Administración de Empresas y de Sistemas de Oficina en Humacao.

Otros inician construcción, como el Edificio de Ciencias Moleculares, frente a la Estación Cupey del Tren Urbano, que albergará una de las instalaciones de investigación científica más avanzadas del mundo. El edificio es un apoyo de primer orden a la investigación científica para beneficio de la humanidad, especialmente en el área de biotecnología, así como una plataforma de respaldo al desarrollo económico del país que se orienta hacia la producción de los llamados bienes de la inteligencia.

En Mayagüez se adelanta la construcción de un nuevo Museo y en Río Piedras se restaura la Verja Histórica que rodea el recinto. Este proyecto, en el que se invierten $750,000, incluye la restauración de este patrimonio arquitectónico de la Universidad. La restauración de la verja forma parte de una serie de trabajos de rehabilitación del Cuadrángulo Histórico del Recinto de Río Piedras que se inició con la restauración del Teatro.

El Jardín Botánico que sirve como laboratorio, parque y reserva de plantas y animales, será objeto de una actualización que ya ha recibido elogios de la comunidad internacional. El proyecto fue incluido en la prestigiosa Trienal de Diseño del Museo Cooper-Hewitt de Nueva York.

De manera innovadora se han procurado alianzas con fundaciones, la industria y otros centros de investigación y universidades que se aprestan a colaborar con la Universidad en la mejor configuración de sus espacios y edificaciones. Un buen ejemplo de este desarrollo conjunto es el Edificio de Ciencias en Cayey a un costo de $23.5 millones y con diseño de Rodolfo Fernández. El edificio de 53,280 pies cuadrados alberga 30 laboratorios de biología y química, 24 oficinas para la facultad, oficinas administrativas, salones de clase, un anfiteatro y espacios de apoyo técnico. El equipo para los laboratorios es financiado con fondos obtenidos por el Recinto mediante propuestas a los Institutos Nacionales de Salud de los Estados Unidos. Este nuevo edificio le permite a Cayey incorporarse a la red de estudios de ingeniería que ofrece la Universidad de Puerto Rico.

La vinculación entre estructuras idóneas y la programación académica se confirma en otro proceso institucional clave. La Biblioteca de Utuado se levanta en momentos en que la Universidad de Puerto Rico encamina la acreditación de todas sus bibliotecas por la American Academic Libraries Association. Con esta nueva sede, Utuado se convierte en un modelo de cómo se articulan las bibliotecas universitarias en el escenario de la sociedad del conocimiento. Su conectividad de punta es la primera etapa hacia un recinto totalmente inalámbrico.

La visión comprehensiva del diseño y construcción de mejoras permanentes en la Universidad asegura que en su implantación se atiendan integradamente las necesidades de todos los sectores de la comunidad universitaria. Un aspecto que ha recibido particular atención es dotar a los miembros de la facultad de espacios adecuados para cumplir con su tarea de docencia e investigación. La meta es que al concluir el ciclo de mejoras en curso, todo profesor tenga una oficina individual, dotada con la debida tecnología.

VII. VOCACIÓN POR UN MUNDO GLOBAL

Meta

La universidad de Puerto Rico participa en la difusión global del conocimiento, incentiva colaboraciones, intercambios, exposición y divulgación de la producción universitaria para sus docentes e investigadores; propiciará experiencias de vida y estudio para sus alumnos en centros de estudio y de investigación internacionales.

Se adelantó en estrategias multidireccionales para ampliar la dimensión y aumentar los componentes internacionales de la Universidad; elementos esenciales en una universidad contemporánea en la época de la globalización. En general se pueden distinguir tres líneas de acción: aumentar la presencia internacional en la Universidad, tanto en el cuerpo estudiantil como en la plantilla de recursos docentes y de investigación; aumentar la presencia de la Universidad en el exterior; y, tercero, promover que el mayor número de estudiantes posibles incorpore un semestre o un año de estudios en el exterior.

Para adelantar en estas líneas, se realizaron visitas de reclutamiento a estudiantes de América Central y el Caribe para que realicen estudios de bachillerato en la Universidad de Puerto Rico. Además, se realizaron gestiones tanto a nivel central como de los recintos para concretar nuevos convenios académicos con universidades en el extranjero

Entre los resultados obtenidos merecen destacarse la firma de 21 nuevos convenio, para un total de 165 convenios vigentes con universidades de primer orden en el ámbito internacional. Se participó, además, en dos consorcios que dan acceso a más de 150 universidades en Estados Unidos y más de 60 en el resto del Mundo.

Se otorgaron 169 becas Santander a estudiantes de intercambio a España, y se gestionaron Becas Pell a todos los estudiantes de intercambio que llenaban los requisitos. En el Recinto de Ciencias Médicas se otorgaron diez becas de verano para estudiantes del Recinto. Además se logró ubicar estudiantes en internados de investigación en verano.

Participaron 179 estudiantes en intercambios con España y unos 150 estudiaron en otros destinos

VIII. OPTIMIZACIÓN ADMINISTRATIVA Y GERENCIAL

Meta

El sistema y las unidades proveen las condiciones para dotar de mayor autoridad y responsabilidad a los departamentos, facultades y escuelas mediante la revisión y simplificación de la reglamentación universitaria y de los procedimientos administrativos y el profesionalismo creciente de los cuadros administrativos de carrera. Maximizan esfuerzos por ampliar las bases y la solidez de la financiación universitaria.

La consecución de las metas de una universidad del siglo XXI requiere adoptar para su funcionamiento adoptará las mejores prácticas administrativas y gerenciales para. Requiere normas y procedimientos cónsonos con la fluidez y eficacia necesarios para cumplir su misión, y en armonía con las condiciones y las exigencias de su entorno. Uno de los pasos tomados en esta dirección fue la creación del marco conceptual que permita la revisión de la estructura de compensación de forma que responda a la realidad del mercado laboral actual y, muy especialmente, que facilite el reclutamiento de recursos humanos idóneos para el desarrollo de propuestas competitivas de investigación.

En términos de la imperiosa actualización tecnológica en curso, se completaron las herramientas relacionadas con flujogramas de procesos, estructuras de trabajo, beneficios marginales y los valores en el área de transacciones, necesarios para comenzar la implantación de PATSI en el área de Recursos Humanos.

Otros logros significativos en el área de recursos humanos son:

• La negociación del nuevo esquema del Plan Médico Universitario.

• Los adiestramientos ofrecidos al personal en posiciones gerenciales y de supervisión Proyecto (CEMI) – Sistema de Capacitación para la Excelencia y Mejoramiento Integrado.

• La ratificación del Plan de Confianza para el Sistema Universitario.

• Como parte de los esfuerzos para contener gastos y generar economías, el establecimiento del sistema para la valuación, control y monitoreo de nombramientos temporeros en el Sistema Universitario.

IX. IDENTIDAD INSTITUCIONAL FORTALECIDA

Meta

La Universidad de Puerto Rico propende, en sus gestiones intramuros y en sus comportamientos públicos, al fortalecimiento de la identidad y prestigio institucional divulgando sus desempeños en Puerto Rico y fuera de éste, generando una vinculación efectiva con sus exalumnos y estimulando una cultura de filantropía en función de una universidad de excelencia.

La Universidad mantuvo y amplió sus esfuerzos por fortalecer su presencia y percepción pública para ampliar el reconocimiento de su obra en general y, en específico, para aumentar el apoyo económico que recibe de la comunidad, de sus ex alumnos y de instituciones privadas. El desarrollo de esta cultura de filantropía en apoyo a ella, promete la eventual consecución de una potente, tercera vía de ingresos recurrentes.

Por consiguiente, se dio atención al diseño de material de campañas de recaudación y a la elaboración de un calendario integrado de actividades. Se continuó con los envíos de cartas del Presidente y del Cuerpo de Rectores a los ex alumnos, además de iniciarse otras modalidades de contacto personal como llamadas telefónicas

Los resultados fueron positivos. Los recaudos de la campaña anual totalizaron $297,252. Además, se realizaron 22 actividades especiales para complementar la campaña anual, que generaron $134,219 adicionales; lo que arroja un total de $431,471.

Cuatro recintos incorporaron con éxito nuevas estrategias de recaudación de donativos mayores o major gifts. En conjunto levantaron $1,212,308.

A junio 2007 el Fondo Dotal ascendía a $62.5 millones, comparado con un total de $24.2 en el 2000.

Otra iniciativa digna de destacarse es la decisión de un grupo de los miembros de la Junta de Síndicos de donar al Fondo Dotal las dietas recibidas. Aunque el total es un modesto $7,478. Es un gesto de identificación y apoyo simbólico a la cultura de filantropía.

La Cena de Honor de 2006, cuyos gastos fueron todos cubiertos por donativos privados, recaudó $390,000.

Para adelantar el programa de pareos corporativos se logró incorporar una tercera compañía farmacéutica a las dos originales. Se impactó a 650 ex alumnos, de los cuales 263 hicieron donativos individuales que, pareados por sus compañías, ascendieron a un total de $66,583.

X. LIDERATO EN INVERSIÓN COMUNITARIA Y GESTIÓN CULTURAL

Meta La Universidad de Puerto Rico se vincula de manera efectiva con sus comunidades de entorno, con el país, con las comunidades puertorriqueñas en Estados Unidos y en otros países a través de la integración curricular de temáticas comunitarias, las investigaciones con proyección social, la asistencia en la formulación de la política pública, el servicio a las comunidades y la gestión cultural y estética dentro de un marco de revaloración democrática, sustento ético, aprecio a la diversidad y la valoración de la cultura puertorriqueña.

La Universidad logra su mejor inserción directa y liderato en las gestiones de la comunidad cuando combina su potencial académico con la apertura para servir y atender las necesidades de la comunidad. El especial cuidado y esmero en la restauración y redimensionamiento del Teatro de la Universidad el pasado año demuestra esa combinación. Por un lado, dota a la institución de unas instalaciones de primer orden para sus programas de drama y música, y de una sala magna excepcional. Simultáneamente, devuelve al país, enaltecido, su primera plaza de las artes de la representación.

En esa dirección, el proyecto emblemático del año fue el nuevo Marco de Desarrollo Físico y Programático del Jardín Botánico diseñado por la firma Field Operations. El proyecto fue seleccionado para formar parte de la famosa trienal de diseño que auspicia el prestigioso Cooper-Hewitt National Design Museum de Nueva York. La Trienal, bajo el tema Design Life Now, presenta los diseños más innovadores realizados en los Estados Unidos a través de los pasados tres años en toda una gama de campos. Este año enfatizó la transformación de formas y materiales mediante el diseño, en la creación de espacios, superficies y, desde luego, jardines. Fue precisamente el proceso de transformación que conlleva el desarrollo de un Jardín Botánico como el de la Universidad de Puerto Rico, lo que le valió a su Plan de Desarrollo Físico y Programático el gran reconocimiento que conlleva ser parte de esta importantísima exhibición.

La enorme maqueta interpretativa del Jardín Botánico de la UPR, que resalta la belleza y el valor científico del Jardín, ocupó un lugar prominentemente justo en la exhibición, añadiendo reconocimiento y prestigio a la Universidad y a Puerto Rico.

Otro adelanto importante fue la cesión por la Universidad al Fideicomiso de Conservación de Puerto Rico del uso de los terrenos y estructuras correspondientes al primer acueducto de San Juan, ubicado en el Jardín Botánico. Con él se pone en marcha el proyecto de restauración del acueducto histórico de San Juan, Se trenzan así muchas líneas de la misión institucional de la Universidad de Puerto Rico. Entre otras, la restauración del Acueducto: (1) preserva y recontextualiza una de las principales obras de ingeniería civil de nuestro Siglo XIX; (2) invita a la investigación sobre ese trascendental período en el desarrollo tecnológico y científico, económico, urbano, y cívico-social de Puerto Rico; (3) crea un espacio inigualable, en el medio de la ciudad capital, para el cultivo de la sensibilidad ciudadana por nuestros recursos hídricos y nuestro ambiente natural; y (4) enriquece aún más al Jardín como espacio de esparcimiento y recreación interpretativa para nuestra comunidad.

UNIVERSIDAD DE PUERTO RICO

UNIVERSIDAD DE PUERTO RICO

AUDITED FINANCIAL STATEMENTS

University of Puerto Rico
Year Ended June 30, 2007
With Report of Independent Auditors

University of Puerto Rico

Audited Financial Statements

Years Ended June 30, 2007 and 2006

Contents

Report of Independent Auditors	1
Management's Discussion and Analysis	3
Audited Financial Statements	
Statements of Net Assets	14
Statements of Revenues, Expenses and Changes in Net Assets	16
Statements of Cash Flows	17
Balance Sheets – Discretely Presented Component Unit (Servicios Médicos Universitarios, Inc.)	19
Statements of Operations and Deficiency in Unrestricted Net Assets-Discretely Presented Component Unit (Servicios Médicos Universitarios, Inc.)	20
Statements of Cash Flows - Discretely Presented Component Unit (Servicios Médicos Universitarios, Inc.)	21
Statements of Financial Position - Discretely Presented Component Unit (Desarrollos Universitarios, Inc.)	22
Statements of Activities and Changes in Net Assets (Deficiency in Net Assets) - Discretely Presented Component Unit (Desarrollos Universitarios, Inc.)	23
Statements of Cash Flows - Discretely Presented Component Unit (Desarrollos Universitarios, Inc.)	24
Notes to Financial Statements	25
Required Supplementary Information	
Schedule of Funding Progress of the University of Puerto Rico Retirement System	55
Other Financial Information	
Schedules of Changes in Sinking Fund Reserve	56
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*	57

ERNST & YOUNG

Ernst & Young LLP
1000 Scotiabank Plaza
273 Ponce de León Avenue
San Juan, Puerto Rico 00917

Phone: (787) 759 - 8212
Fax: (787) 753 - 0808
Fax: (787) 753 - 0813
www.ey.com

Report of Independent Auditors

Board of Trustees
University of Puerto Rico

We have audited the accompanying 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, 2007 and 2006, which collectively comprise the University's financial statements, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions 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 ended June 30, 2007 and 2006 and March 31, 2007 and 2006, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us. The Hospital's report included an explanatory paragraph stating that it has experienced recurring losses since it commenced operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. 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 and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Puerto Rico and the aggregate discretely presented component units of the University of Puerto Rico as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows thereon for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 13 to the financial statements, the Hospital has experienced recurring losses since it commenced operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 29, 2008, 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 audits.

Management's Discussion and Analysis and the Schedule of Funding Progress of the University of Puerto Rico Retirement System, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University of Puerto Rico financial statements. The schedule of changes in sinking fund reserves included in page 56 is presented for purposes of additional analysis and is not a required part of the financial statements. Such schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst + Young LLP

April 29, 2008

Stamp No. 2328011
affixed to
original of
this report.

Introduction

The following discussion presents an overview of the financial position and financial activities of the University of Puerto Rico (the University) for the years ended June 30, 2007 and 2006. This discussion and analysis was prepared by University management and should be read in conjunction with the financial statements and notes thereto, which follow.

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.

Financial Highlights

The financial position of the University remains strong at June 30, 2007, with total assets of $1,483,229,447 total liabilities of $1,056,509,575 and net assets of $426,719,873. The University's net assets increased $40,590,712 during the year ended June 30, 2007, when compared to $78,475,171 during the year ended June 30, 2006 and to $6,892,002 during the year ended June 30, 2005. These increases are 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, 2007, 2006 and 2005 follow:

Condensed Statements of Net Assets

	June 30		
	2007	**2006**	**2005**
Assets			
Current assets	**$ 344,095,972**	$ 341,443,766	$ 277,300,121
Noncurrent assets:			
Due from Commonwealth of Puerto Rico	**84,232,509**	56,000,001	71,570,127
Capital	**796,685,602**	659,326,528	629,903,127
Other	**258,215,364**	81,705,901	69,972,192
Total assets	**1,483,229,447**	1,138,476,196	1,048,745,567
Liabilities			
Current liabilities	**133,037,509**	199,479,385	188,106,410
Noncurrent liabilities	**923,472,066**	552,867,652	552,985,169
Total liabilities	**1,056,509,575**	752,347,037	741,091,579
Net assets			
Invested in capital assets net of related debt	**231,026,259**	207,167,597	183,741,045
Restricted:			
Nonexpendable	**62,406,256**	52,247,594	45,310,063
Expendable	**120,847,524**	113,179,703	85,968,022
Unrestricted	**12,439,834**	13,534,265	(7,365,142)
Total net assets	**$ 426,719,873**	$ 386,129,159	$ 307,653,988

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended June 30		
	2007	**2006**	**2005**
Operating revenues			
Tuition and fees (net of scholarship)	$ 49,269,042	$ 51,115,866	$ 36,951,309
Grants and contracts	148,409,147	133,858,642	142,165,395
Patient services	48,669,981	49,667,252	43,589,157
Other operating revenues	39,919,317	45,743,758	38,852,582
Total operating revenues	286,267,487	280,385,518	261,558,443
Operating expenses	1,266,523,365	1,196,233,066	1,182,072,684
Operating loss	(980,255,878)	(915,847,548)	(920,514,241)
Nonoperating revenues and expenses			
State appropriations	896,492,596	854,981,674	796,568,502
Other nonoperating revenues and expenses, including interest on indebness	104,908,125	125,315,363	112,106,915
Net nonoperating revenues	1,001,400,721	980,297,037	908,675,417
Income (loss) before other revenues	21,144,843	64,449,489	(11,838,824)
Capital appropriations	12,607,556	10,160,608	12,323,593
Addition to permanent endowment	6,838,313	3,865,074	6,407,233
Total increase in net assets	$ 40,590,712	$ 78,475,171	$ 6,892,002

Using the Financial Statements

The University's financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34.* The financial statement presentation required by GASB Statements No. 34 and 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Analysis of Financial Position and Changes in Financial Position

Statements of Net Asset

The statements of net assets present the assets, liabilities and net assets of the University as of June 30, 2007 and 2006. 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 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 by and expenses are recognized when others provide the service to the University, regardless of when cash is exchanged.

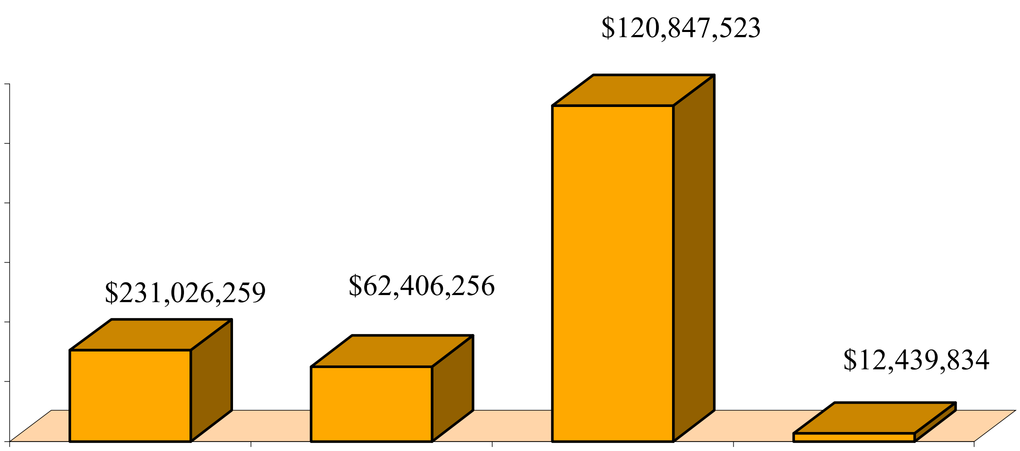
Assets included in the statements of net assets are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, short-term investments and accounts receivable. Of these amounts, cash and cash equivalents, investments and accounts receivable comprise approximately 14%, 35% and 46%, respectively, of current assets and 70% of noncurrent assets are capital assets as of June 30, 2007. As of June 30, 2006, these amounts comprise approximately 26%, 29% and 42% of current assets and 83% of noncurrent assets are capital assets. As of June 30, 2005, these amounts comprise approximately 9.4%, 25% and 57% of current assets and 93% of noncurrent assets are capital assets.

University's cash, cash equivalents and investments increased from $170,383,000 at June 30, 2005 to $239,586,325 at June 30, 2006 and increased to $414,403,362 at June 30, 2007. The increase in investments at fair value is because the University invested a portion of the cash received from the bond issuance. Currents accounts receivable increased from $142,189,307 to $144,925,202 and increased to $159,522,765 for the same periods. The increase in accounts receivable between June 30, 2006 and 2007, is mainly due to increase in slot machines revenue allocations from the Commonwealth of Puerto Rico.

Current liabilities consist primarily of accounts payable and accrued liabilities and the current portion of long-term debt. Accounts payable and accrued liabilities increased from $84,849,240 to $85,079,562 between June 30, 2006 and 2007. Non-current liabilities consist primarily of bonded indebtedness. Long-term debt increases from $371,470,852 to $656,019,072 between June 30, 2007 and 2006. The increase is due to new bonds issued in December 2006.

Net assets represent the residual interest in the University's assets after liabilities are deducted and net assets are classified into one of four categories as shown on the following illustration:

Table 1 - Net Assets - June 30, 2007



Invested in Capital Assets	$	231,026,259
Restricted Nonexpendable		62,406,256
Restricted Expendable		120,847,523
Unrestricted		12,439,834

Net assets invested in capital assets, net of related debt amounting to $231,026,259 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, amounting to $62,406,256, 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, amounting to $120,847,523, 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 amounting to $12,439,834 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

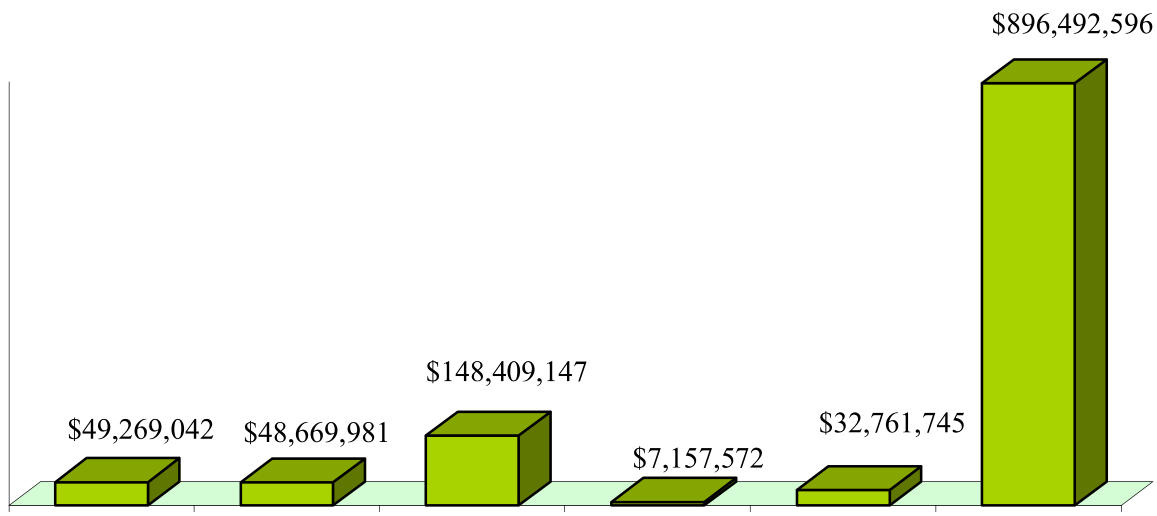
Changes in total University net assets as presented in the statements of net assets are based on the activity presented in the statements of revenues, expenses and changes in net assets. The purpose of these statements are to present the revenues earned by the University, both operating and nonoperating, and the expenses paid and accrued by the University and any other revenues, expenses, gains and losses received or spent by the University.

Generally, operating revenues are received for providing 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.

Approximately 89% 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.

The following illustration presents the major sources of the University revenues (both operating and nonoperating) for the year ended June 30, 2007:

Table 2 - Revenues - Year Ended June 30, 2007

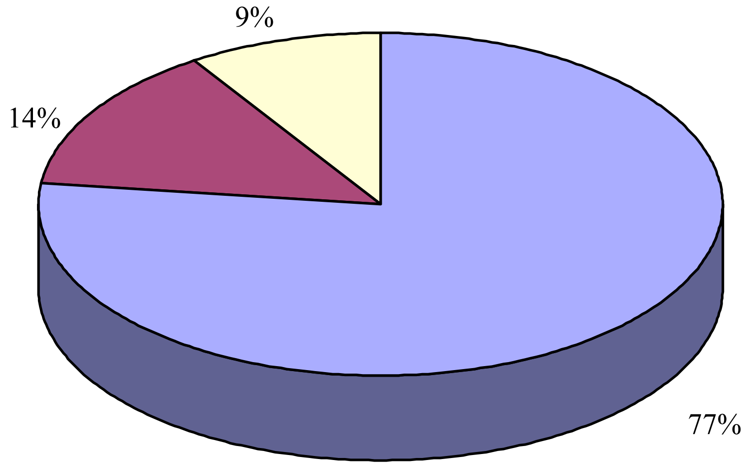


Operating and Nonoperating Revenues

Tuitions & Fees (net of scholarship)	$	49,269,042
Patient services		48,669,981
State and Federal Grants & Contracts		148,409,147
Auxiliary Enterprises		7,157,572
Other Operating Revenues		32,761,745
State Appropriations		896,492,596

Federal Grants represent 77% of the University grants revenues. The following illustration presents the grants revenues of the University of Puerto Rico:

Table 3 - Anaysis of Grants Revenues
Year Ended June 30, 2007

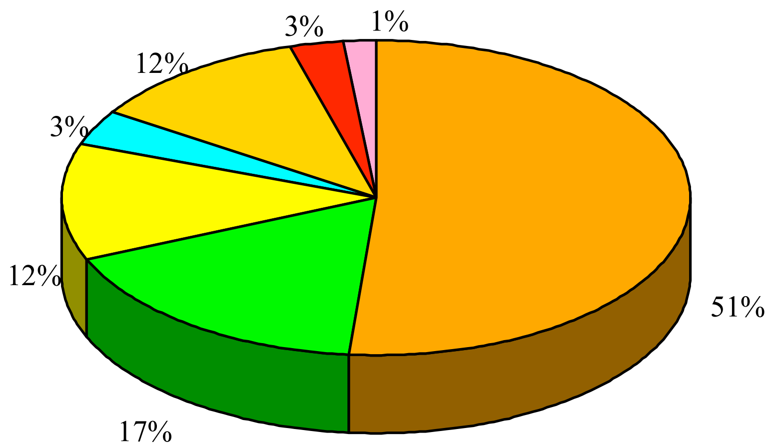


Federal	$	125,667,791	77%
Commonwealth		22,741,356	14%
Other		14,753,879	9%

University expenses are presented using natural expense classifications. Salaries and benefits represent 67% of the University's operating expenses.

The following illustration presents the major University operating expenses, using natural classification for the year ended June 30, 2007:

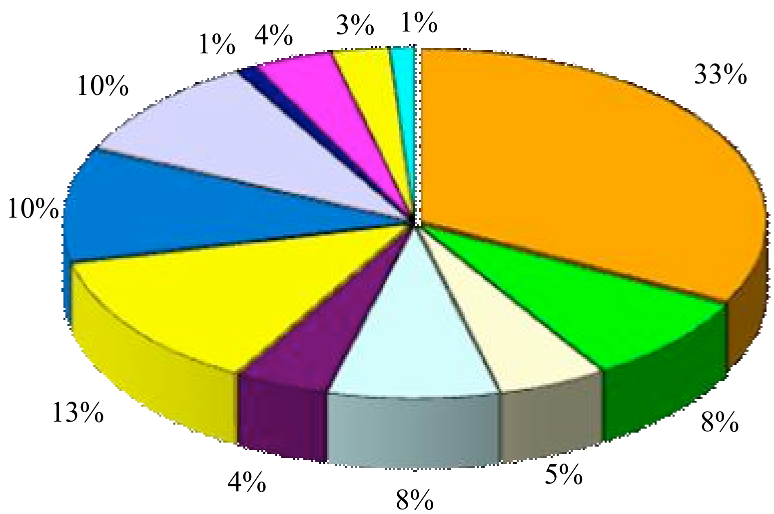
Table 4 - Operating Expenses



Salaries	$	652,018,299	51%
Benefits		218,195,408	17%
Scholarship and others services		150,573,298	12%
Utilites		44,530,281	3%
Supplies and others services		149,551,732	12%
Depreciation		33,774,910	3%
Others Expenditures		17,879,437	1%

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, 2007:

Table 5 - Expenses by Function



Instruction	$ 414,325,677	33%
Research	105,401,003	8%
Public Service	63,920,992	5%
Academic Support	101,008,992	8%
Student Services	54,467,642	4%
Institutional Support	164,648,897	13%
Operation and Maintenance of Plant	134,230,580	10%
Scholarships and Fellowships	122,671,693	10%
Auxiliary Enterprises	11,473,059	1%
Patient service	46,102,702	4%
Depreciation	33,774,910	3%
Other	14,496,756	1%

For the year ended June 30, 2007, the University reported an operating loss of $(980,255,878). After adding nonoperating revenues and expenses, primarily state appropriations and Federal Pell Grant, the total increase in net assets for the year amounted to $40,590,712.

Statements of Cash Flow

The Statements of Cash Flows present information related to cash flows of the University by the following categories: operating activities, noncapital financing activities, capital and related financing activities and investing activities.

Increases in cash and cash equivalents from noncapital financing activities were due primarily to the receipt of state appropriations. This increase was offset by decreases in cash and cash equivalents from investing activities resulting from purchases of short-term investments, decreases in cash and cash equivalents used for capital and related financing activities and cash used in operating activities. Cash and cash equivalents decrease from capital and related financing activities was due primarily to purchases of capital assets and payments of principal and interest on debt. The decrease in cash and cash equivalents from operating activities is consistent with the University's operating loss.

Capital Assets and Debt Administration

Significant capital assets additions for the year ended June 30, 2007 and 2006, consist 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.

During fiscal year 2007, the University issued bond $546,150,000 to refund a portion of Revenue Bonds and finance costs of projects included in the Capital Improvements Programs.

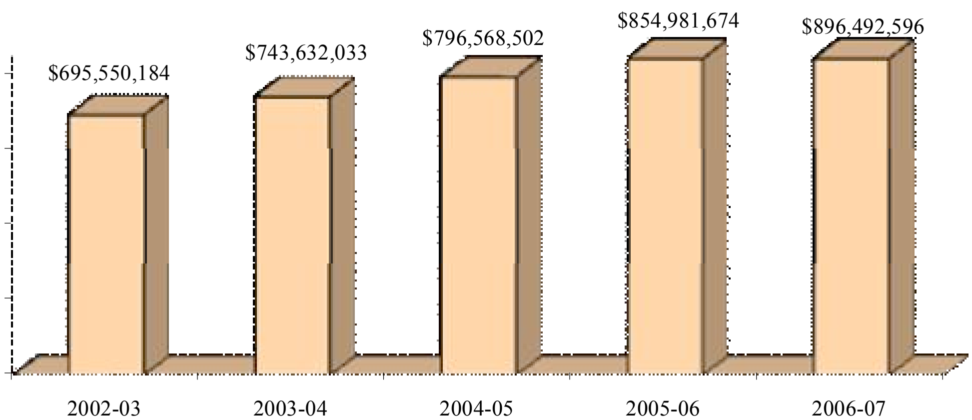
In addition, during the year ended June 30, 2007, the University recorded as capital lease the building, furniture and equipment of the Plaza Universitaria Project. Assets under the capital lease agreement amounted to approximately $99 million.

Economic Outlook

The economy of Puerto Rico must be analyzed as a region within the U.S. economy, since it is part of the U.S. monetary and banking system, as well as within its territorial boundaries. The main drive of the Puerto Rican economy is a huge external sector closely tied to the flow of merchandise, tourists, and capital between Puerto Rico and the Mainland. Thus, historically, the real growth rates of the Puerto Rico economy have closely followed those of the U.S. economy. In fiscal year 2007, real GDP of Puerto Rico economy continued to expand at rate of 3.6%. The overall expansion of the economy of Puerto Rico was negatively affected by a decline in the U.S. real GDP growth rate.

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

Table 6 - Commonwealth Appropriations



The University administration is not aware of any currently known facts, decisions or conditions that are expected to have a significant effect on the University's financial position or results of operation during fiscal year 2007 beyond those unknown variations having a global effect on virtually all types of business operations. While the University's overall financial position is strong, various factors influence the University's ultimate financial success.

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 Finance Director. The executive offices of the University are located at 1187 Flamboyan Street, Jardín Botánico Sur, San Juan, Puerto Rico 00926.

University of Puerto Rico
Statements of Net Assets

	June 30 2007	June 30 2006
Assets		
Current assets:		
Cash and cash equivalents	$ **49,595,830**	$ 89,824,861
Investments at fair value	**64,851,571**	58,431,799
Investments with bond trustees at fair value	**58,233,345**	39,116,255
Accounts receivable (less allowances for doubtful accounts of $106,514,050 and $112,752,800 for 2007 and 2006, respectively)	**159,522,765**	144,925,202
Inventories	**4,882,571**	6,397,837
Prepaid expenses and other assets	**7,009,890**	2,747,812
Total current assets	**344,095,972**	341,443,766
Noncurrent assets:		
Restricted cash and cash equivalents	**4,544,892**	1,299,879
Investments at fair value	**237,177,724**	50,913,531
Due from Commonwealth of Puerto Rico	**84,232,509**	56,000,001
Prepaid expenses and other assets	**13,772,652**	27,023,624
Notes receivable, net	**2,720,096**	2,468,867
Capital assets (net accumulated depreciation of $411,324,335 and $384,397,167 for 2007 and 2006, respectively)	**796,685,602**	659,326,528
Total noncurrent assets	**1,139,133,475**	797,032,430
Total assets	**1,483,229,447**	1,138,476,196
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	**85,079,562**	84,849,240
Current portion of long-term debt	**19,760,000**	90,624,037
Obligation under capital lease, current portion	**2,178,105**	–
Other current liabilities	**26,019,842**	24,006,108
Total current liabilities	**133,037,509**	199,479,385
Noncurrent liabilities:		
Long-term debt, net of current portion	**656,019,072**	371,470,852
Obligation under capital lease, noncurrent portion	**68,597,825**	–
Other long-term liabilities	**198,855,169**	181,396,800
Total noncurrent liabilities	**923,472,066**	552,867,652
Total liabilities	**1,056,509,575**	752,347,037

(Continues)

University of Puerto Rico
Statements of Net Assets (continued)

	June 30	
	2007	**2006**
Net assets		
Invested in capital assets, net of related debt	**231,026,259**	207,167,597
Restricted, nonexpendable:		
Scholarship and fellowships	**39,560,872**	30,028,944
Research	**19,080,230**	18,541,039
Other	**3,765,154**	3,677,611
Restricted, expendable:		
Research	**20,946,073**	23,325,933
Loans	**7,685,906**	7,866,623
Capital projects	**24,791,044**	35,235,157
Debt service	**56,233,963**	37,557,804
Other	**11,190,537**	9,194,186
Unrestricted	**12,439,834**	13,534,265
Total net assets	**$ 426,719,872**	$ 386,129,159

See accompanying notes.

University of Puerto Rico
Statements of Revenues, Expenses and Changes in Net Assets

	June 30 2007	June 30 2006
Revenues		
Operating revenues:		
Tuitions and fees (net of scholarship allowances of $37,277,970 and $36,576,974 for 2007 and 2006, respectively)	**$ 49,269,042**	$ 51,115,866
Net hospital patient services and other	**48,669,981**	49,667,252
Federal grants and contracts	**125,667,791**	117,372,972
Commonwealth grants and contracts (net of allowances of $4,985,386 and $6,423,178 for 2007 and 2006, respectively)	**22,741,356**	16,485,670
Nongovermental grants and contracts	**14,753,879**	14,203,931
Sales and services of educational departments	**4,316,666**	6,812,491
Auxiliary enterprises (net of scholarship allowances of $162,750 and $181,659 for 2007 and 2006, respectively)	**7,157,572**	6,808,430
Other operating revenues	**13,691,200**	17,918,906
Total operating revenues	**286,267,487**	280,385,518
Expenses		
Salaries:		
Faculty	**377,460,983**	358,229,060
Exempt staff	**272,900,601**	260,520,104
Nonexempt wages	**1,656,715**	2,408,761
Benefits	**218,195,408**	208,781,874
Scholarship and fellowship	**150,573,298**	137,445,350
Utilities	**44,530,281**	44,166,848
Supplies and other services	**149,551,732**	128,758,460
Depreciation	**33,774,910**	29,216,968
Other expenses	**17,879,437**	26,705,641
Total operating expenses	**1,266,523,365**	1,196,233,066
Operating loss	**(980,255,878)**	(915,847,548)
Nonoperating revenues (expenses):		
Commonwealth appropriations	**896,492,596**	854,981,674
Federal Pell Grant program	**109,492,991**	106,572,086
Gifts	**6,461,769**	5,438,676
Net investment income	**9,116,461**	5,802,197
Interest on indebtedness	**(20,812,346)**	(11,813,450)
Other nonoperating revenues	**649,250**	19,315,854
Net nonoperating revenues	**1,001,400,721**	980,297,037
Income before other revenues	**21,144,843**	64,449,489
Capital appropriations	**12,607,556**	10,160,608
Additions to term and permanent endowment	**6,838,313**	3,865,074
Increase in net assets	**40,590,712**	78,475,171
Net Assets		
Beginning of year	**386,129,159**	307,653,988
End of year	**$ 426,719,871**	$ 386,129,159

See accompanying notes.

University of Puerto Rico
Statements of Cash Flows

	Year Ended June 30 2007	2006
Cash flows from operating activities		
Tuition and fees	**$ 49,253,880**	$ 49,889,882
Grants and contracts	**157,423,396**	165,314,646
Pell grants	**109,492,991**	106,572,086
Patient services	**48,669,981**	49,667,252
Auxiliary enterprises	**6,857,754**	6,472,420
Sales and services educational depatrments	**4,358,816**	3,666,463
Payments to suppliers and vendors	**(63,480,929)**	(133,018,328)
Payments to employees	**(651,271,784)**	(621,731,261)
Payments for utilities	**(44,044,748)**	(44,268,477)
Payments for benefits	**(140,576,178)**	(207,579,734)
Payments for scholarships and fellowships	**(150,677,612)**	(137,406,365)
New loans issued to students	**(1,297,397)**	(1,215,509)
Student loan repayments	**1,046,166**	1,225,385
Other payments	**(30,361,913)**	(6,879,415)
Net cash used in operating activities	**(704,607,577)**	(769,290,954)
Cash flows from noncapital financing activities		
Commonwealth appropriations	**896,492,595**	854,981,674
Endowment gifts	**6,838,313**	3,865,074
Gifts and grants for other than capital purposes	**7,111,019**	24,754,529
Net cash provided by noncapital financing activities	**910,441,927**	883,601,277
Cash flows from capital and related financing activities		
Capital appropriations	**12,607,555**	10,160,608
Additions of capital assets	**(172,561,024)**	(62,738,861)
Principal paid on indebtness	**(292,474,805)**	(19,210,000)
Interest paid on capital indebtness	**(20,812,346)**	(11,813,450)
Deposit with trustee	**(19,117,090)**	(23,109)
Capital lease	**(70,775,930)**	–
Proceeds from capital debt	**503,882,775**	32,692,605
Net cash used in capital and related financing activities	**(59,250,866)**	(50,932,206)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	**36,058,961**	34,860,593
Purchase of investments	**(228,742,925)**	(48,488,221)
Interest on investments	**9,116,461**	5,802,197
Net cash used in investing activities	**(183,567,503)**	(7,825,431)
Net change in cash and cash equivalents	**(36,984,018)**	55,552,686
Cash and cash equivalents:		
Beginning of period	**91,124,740**	35,572,054
End of period	**$ 54,140,722**	$ 91,124,740

(Continues)

	Year Ended June 30	
	2007	**2006**
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	**$ (980,255,878)**	$ (915,847,548)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	**33,774,910**	29,216,968
Reduction of capital assets	**1,427,039**	4,098,492
Amortization on bond premium, discount and future appreciated principal	**2,276,213**	2,450,202
Changes in assets and liabilities, net:		
Grants and contracts receivables	**66,662,920**	119,406,397
Prepaid expenses, inventories and other	**10,504,164**	(3,947,991)
Accounts payable, accrued liabilities and capital lease	**70,755,022**	(16,402,736)
Accrued salaries and wages and other liabilities	**90,248,033**	11,735,262
Net cash used in operating activities	**$ (704,607,577)**	$ (769,290,954)

See accompanying notes.

Discretely Presented Component Unit
Servicios Médicos Universitarios, Inc.
(A Not-for Profit Organization)
Balance Sheets

	June 30	
	2007	**2006**
Assets		
Current assets:		
Cash	**$ 32,062**	$ 580,620
Patient accounts receivable, net of allowance for doubtful accounts of $41,822,363 in 2007 and $33,333,901 in 2006	**14,367,224**	14,000,380
Accounts receivable - other	**275,841**	182,043
Inventories of supplies	**1,556,395**	1,820,927
Prepaid expenses	**252,272**	717,755
Total current assets	**16,483,794**	17,301,725
Property and equipment, net	**3,660,070**	3,867,915
Total assets	**$ 20,143,864**	$ 21,169,640
Liabilities and deficiency in unrestricted net assets		
Current liabilities:		
Current portion of long term debt	**$ 15,367,611**	$ 15,367,611
Current portion of capital lease obligations	**–**	278,984
Accounts payable	**22,788,522**	19,467,543
Accrued interest	**4,767,455**	3,681,155
Estimated third-party payor settlements-medicare	**1,047,750**	1,825,260
Accrued payroll taxes and employee benefits	**1,460,488**	1,128,678
Accrued expenses	**1,717,360**	2,058,496
Total current liabilities	**47,149,186**	43,807,727
Long-term debt, net of current portion	**1,632,389**	1,632,389
Due to related party	**34,896,147**	31,372,171
Accrued claim losses	**480,000**	–
Total liabilities	**84,157,722**	76,812,287
Deficiency in unrestricted net assets	**(64,013,858)**	(55,642,647)
Total liabilities and deficiency in unrestricted net assets	**$ 20,143,864**	$ 21,169,640

See accompanying notes.

Statements of Operations and Deficiency in Unrestricted Net Assets

	Year Ended June 30 2007	Year Ended June 30 2006
Unrestriced revenues and other support		
Net patient service revenue	**$ 39,888,022**	$ 37,319,625
Other revenue	**1,705,766**	1,671,181
Total revenues and other support	**41,593,788**	38,990,806
Expenses		
Salaries and benefits	**17,379,152**	18,549,982
Contracted services	**3,238,090**	2,229,824
Professional services	**1,123,287**	1,135,842
Supplies	**12,853,696**	12,574,931
Utilities	**2,509,198**	2,194,597
Interest	**1,254,105**	1,200,213
Provision for bad debs	**8,434,671**	5,290,454
Provision for claim losses	**480,000**	–
Depreciation and amortization	**865,812**	757,957
Other	**1,826,988**	2,143,487
Total expenses	**49,964,999**	46,077,287
Excess of expenses over revenue before extraordinary gain	**(8,371,211)**	(7,086,481)
Extraordinary gain	**–**	2,869,272
Change in unrestricted net assets	**(8,371,211)**	(4,217,209)
Deficiency in unrestricted net assets, at beginning of year	**(55,642,647)**	(51,425,438)
Deficiency in unrestricted net assets, at end of year	**$ (64,013,858)**	$ (55,642,647)

See accompanying notes.

Discretely Presented Component Unit
Servicios Médicos Universitarios, Inc.
(A Not-for-Profit Organization)
Statements of Cash Flows

	Year Ended June 30	
	2007	**2006**
Cash flows from operating activities		
Change in unrestricted net assets	$ **(8,371,211)**	$ (4,217,209)
Adjustments to reconcile change in unrestricted net assets to net cash (used in) operating activities:		
Depreciation and amortization	**865,812**	757,957
Provision for bad debts	**8,434,671**	5,290,454
Provision for claim losses	**480,000**	
Extraordinary gain	**–**	(2,869,272)
(Increase) in patient accounts receivable	**(8,801,514)**	(7,877,102)
Decrease (increase) in inventory of supplies	**264,532**	14,124
Decrease in prepaid expenses	**465,483**	150,769
Decrease (increase) in accounts receivable-other	**(292,386)**	6,743
Increase in accounts payable	**3,041,995**	611,726
Increase in estimated third-party payor settlements-Medicare	**(777,510)**	370,867
Increase in accrued expenses, payroll taxes and employee benefits	**1,563,238**	205,200
Increase in accrued interest	**1,086,300**	918,903
Total adjustments	**6,330,621**	(2,419,631)
Net cash used in operating activities	**(2,040,590)**	(6,636,840)
Cash flows from investing actitivies		
Purchase of property and equipment	**(657,968)**	(1,342,625)
Cash flows from financing activities		
Payments on long-term debt and capital lease obligations	**–**	–
Net advances from University of Puerto Rico and other related parties	**2,150,000**	7,583,076
Net cash provided by financing activities	**2,150,000**	7,583,076
Net decrease in cash	**(548,558)**	(396,389)
Cash and cash equivalents, at beginning of year	**580,620**	977,009
Cash and cash equivalents, at end of year	$ **32,062**	$ 580,620
Supplemental disclosures of cash flows information		
Cash paid for interest	$ **78,762**	$ 116,693

See accompanying notes.

Discretely Presented Component Unit
Desarrollos Universitarios, Inc.
(A Not-for-Profit Organization)
Statements of Financial Position

	Year Ended March 31	
	2007	**2006**
Assets		
Current assets:		
Cash	**$ 2,013,630**	$ 2,433,407
Restricted cash	**65,805**	
Restricted funds held by trustee	**10,369,384**	14,466,518
Net investment in direct financing lease	**71,030,863**	–
Due from the University of Puerto Rico	**1,558,351**	–
Prepaid expenses	**95,579**	94,992
Project in process	**–**	94,383,247
Bond issuance costs, net of accumulated amortization of $451,765 and $371,161	**2,337,459**	2,418,063
Other assets	**60,224**	–
Total assets	**$ 87,531,295**	$ 113,796,227
Liabilities and deficiency in net assets		
Liabilities:		
Construction contract, project management fee and other payables, including retaineage of $1,448,317 and $2,154,231	**$ 2,539,396**	$ 3,244,985
Accrued interest payable	**1,066,245**	1,083,933
Accrued expenses	**823,207**	404,636
Unearned student dormitories rental income	**6,970**	–
Student dormitories security deposits	**29,345**	–
Unearned revenue	**–**	25,598,183
Bonds payable, net of discount of $320,850 and $343,692	**82,344,150**	83,736,308
Total liabilities	**86,809,313**	114,068,045
Contingencies		
Net assets	**721,982**	(271,818)
Total liabilities and net assets	**$ 87,531,295**	$ 113,796,227

See accompanying notes.

Discretely Presented Component Unit
Desarrollos Universitarios, Inc.
(A Not-for-Profit Organization)
Statements of Activities and Changes in Net Assets

	Year Ended March 31	
	2007	**20006**
Revenues:		
Income from investment in direct financing lease	**$ 2,353,057**	$ –
Fixed management fee	**379,000**	–
Reimbursable expenditures fee	**1,209,366**	–
Total revenues	**3,941,423**	–
Expenses:		
Project operation and maintenance	**1,045,402**	–
General and administrative	**138,678**	(174,361)
Total expenses	**1,184,080**	(174,361)
Other income (expenses):		
Interest and other financing, related expenses	**(2,120,625)**	–
Interest income	**357,082**	–
Total other expenses	**(1,763,543)**	–
Change in unrestricted net assets	**993,800**	174,361
Deficiency in unrestricted net assets at beginning of year	**(271,818)**	(97,457)
Unrestricted net assets (deficiency) at end of year	**$ 721,982**	$ (271,818)

See accompanying notes.

	Year Ended March 31 2007	2006
Cash flows from operating activities		
Excess of expenses over revenues	**$ 993,800**	$ (174,361)
Adjustments to reconcile excess of expenses over revenues to net cash used in operating activities:		
Bond discount amortization	**22,842**	24,323
Amortization of bond issuance cost	**80,604**	80,770
Changes in operating assets and liabilities:		
Increase in restricted cash	**(65,805)**	–
Principal collected from direct financing lease	**497,453**	–
Net increase in due from University of Puerto Rico	**(1,558,351)**	–
Increase in project in process	**(4,915,102)**	(13,627,824)
Increase in prepaid expenses	**(587)**	(89,717)
Increase in other assets	**(60,224)**	–
Increase (decrease) in construction contract, project management fee and other payables	**(705,589)**	167,786
Decrease in accrued interest payable	**(17,688)**	(13,600)
Increase in accrued expenses	**418,571**	292,672
Increase in unearned student dormitories rental income	**6,970**	–
Increase in student dormitories security deposits	**29,345**	–
Increase in unearned revenue	**2,171,850**	5,701,614
Net cash used in operating activities	**(3,101,911)**	(7,638,337)
Cash flows from investing activities		
Net proceeds from release of restricted funds held by trustee	**4,097,134**	11,228,942
Cash flows from financing activities		
Principal payments on bonds payable	**(1,415,000)**	(1,360,000)
Net change in cash	**(419,777)**	2,230,605
Cash at beginning of year	**2,433,407**	202,802
Cash at end of year	**$ 2,013,630**	$ 2,433,407

See accompanying notes.

1. Reporting Entity and Summary of Significant Accounting Policies

A. Reporting Entity

The University of Puerto Rico (the University) is a public corporation of the Commonwealth of Puerto Rico (the Commonwealth) governed by a thirteen-member Board of Trustees, of which ten are appointed by the Governor of Puerto Rico and confirmed by the Senate of Puerto Rico. The remaining members of the Board consist of one full-time student and two tenured professors. The Governor appointed the original members for terms from four to eight years. Upon expiration of their terms, the new members will be appointed for a period of six years. The terms for the student and professors are for one year.

The University is exempt from the payment of taxes on its revenues and properties. The University is a 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 proceeding 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:

Servicios Médicos Universitarios, Inc.

Servicios Médicos Universitarios, Inc. (the Hospital) is legally separated 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 care 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.

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

Desarrollos Universitarios, Inc.

Desarrollos Universitarios, Inc. (the Company) is a legally separated 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 of Puerto Rico (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 is being 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 2006 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

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. 34. 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 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.

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

C. Reclassification

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 in the statements of net assets. 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.

Donated investments are recorded at their fair value at the date of donation. (Investments of the Deferred Compensation Plan are valued at fair value in order to measure the current liability attributable to plan participants.)

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

Restricted funds of Desarrollos Universitarios, Inc. held by trustee at March 31, 2007 and 2006, consist of money market funds and zero coupon bonds purchased with remaining maturities of six months or less.

G. Capital Assets

All capital expenses 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 is recorded using the straight-line method over the estimated useful lives of the assets, generally 25 to 50 years for buildings and infrastructure, 5 to 20 years for equipment and library materials, 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 capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

H. Inventories

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

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

I. Classification of Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred 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.

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 managements or the Board of Trustees, they are available for use, at the discretion of the governing board, to meet current expenses for any purpose. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, and capital programs.

J. Scholarship Allowances and Student Financial Aid

Student tuition and fees, and certain other revenues from students, are expected 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 Pell grants and other federal, 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.

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

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.

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 market 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. During the years ended June 30, 2007 and 2006, the cost of the excess of 90 days of the accumulated sick leave was $10,208,075 and $9,343,356, respectively.

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

N. Net Patient Service Revenue (Discretely Presented Component Unit)

Servicios Médicos Universitarios, Inc has agreements with third-party payers that provide for payments to 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.

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 no exchange transactions, such as gifts and contributions, Federal Pell Grants and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, 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. Gifts and Pledges

Pledges of financial support from organizations and individuals representing and unconditional promise to give are recognized in the financial statements once all eligibility requirements, including time requirements, have been met. In the absence of such promise, 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 No 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.

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

Q. 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.

2. Deposits

All the operating cash of the University is pooled into one bank account. Cash balances by funds represent the cash that is allocated to each fund of the University.

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 Government Development Bank for Puerto Rico (GDB) and the Economic Development Bank for Puerto Rico (EDB), collateralize the uninsured deposits with securities that are pledged with the Department of the Treasury.

No collateral is required to be maintained for deposits at the GDB and EDB, both public corporations of the Commonwealth of Puerto Rico.

As of June 30, 2007 and 2006, the carrying value of cash and cash equivalents amounted to approximately $54,140,722 and $91,124,740, respectively, and the cash deposited in the banks amounted to $62,648,245 and $46,923,165, respectively.

3. Investments

The University's investments held at June 30, 2007 and 2006, are summarized in the following table:

	2007	2006
Certficates of deposit	**$ 5,909,686**	$ 7,334,530
Goverment agency securities	**260,888,675**	57,482,454
Corporate bonds and preferred stock	**15,249,929**	14,859,225
Common stock and convertibles	**19,927,139**	16,789,941
Mutual Bond Funds	**58,287,211**	51,995,435
	$ 360,262,640	$ 148,461,585

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.

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 on non-U.S. income securities investments are held by the University.

Credit Risk

Issuer credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2007, the University's credit quality distribution for securities was as follows:

	Carrying Value	Quality Rating		
		AAA-A	Unrated	No Risk
Government agency securities	$ 260,888,675	$ –	$ –	$ 260,888,675
Corporate Bonds and preferred stocks	15,249,929	15,249,929	–	–
Common Stocks and Convertibles	19,927,139	19,927,139	–	–
Mutual Bond Funds	58,287,211	–	58,287,211	–
	$ 354,352,954	$ 35,177,068	$ 58,287,211	$ 260,888,675

3. Investments (continued)

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 to market interest rates. As of June 30, 2007, the weighted average maturity by investment type in each fund follows:

Investment Type	Maturities	Amount
Corporate Bonds	25/Apr/10 - 17/May/40	$ 2,571,611
Corporate Bonds	2/Jul/08 - 15/May/44	982,894
Corporate Bonds	2/Jul/08 - 15/May/44	5,313,610
Corporate Bonds	2/Jul/08 - 15/May/44	118,319
Corporate Bonds	2/Jul/08 - 15/May/44	308,250
Corporate Bonds	2/Jul/08 - 15/May/44	5,940,600
Corporate Bonds	15/Mar/12 - 15/Oct/30	14,646
		$ 15,249,930

4. Accounts Receivable

Accounts receivable as of June 30 are as follows:

	2007	2006
Commonwealth of Puerto Rico appropriations grants and contracts	**$ 81,504,832**	$ 102,699,218
Other goverment agencies	**55,967,383**	15,213,636
Due from Federal government	**22,329,643**	28,415,065
Due from medical plans	**60,044,847**	52,613,163
Due from Servicios Médicos Universitarios, Inc.	**33,296,756**	31,246,756
Other	**12,893,354**	27,490,164
	266,036,815	257,678,002
Less allowance for doubtful accounts	**(106,514,050)**	(112,752,800)
Accounts receivable, net	**$ 159,522,765**	$ 144,925,202

4. Accounts Receivable (continued)

On September 7, 2004, the legislature of Puerto Rico approved a resolution 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, 2007, the University has received $29,695,382 from this amount. The remaining balance is going to be received as follows:

Fiscal Year	Amount
2007-2008	$ 8,155,254
2008-2009	7,570,127
2009-2010	7,570,127
2010-2011	7,570,127
2011-2012	8,000,000
2012-2013	8,000,000
2013-2014	1,719,493
	$ 48,585,128

5. Capital Assets

Changes in capital assets for the year ended June 30, 2007 and 2006, are as follows:

	2007				
	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ 33,534,290	$ –	$ 8,626,738	$ –	$ 42,161,028
Construction - in progress	138,489,823	52,364,572	(91,876,089)	(993,033)	97,985,273
	172,024,113	52,364,572	(83,249,351)	(993,033)	140,146,301
Other capital assets:					
Land improvements	30,855,329	–	738,313	–	31,593,642
Building, fixed equipment, improvements and infraestructure	638,398,067	2,249,147	82,303,525	(26,500)	722,924,239
Equipment and library materials	202,446,186	18,649,056	207,513	(7,255,248)	214,047,507
Building and equipment under capital lease	–	99,298,249	–	–	99,298,249
	871,699,582	120,196,452	83,249,351	(7,281,748)	1,067,863,637
Less accumulated drepreciation for:					
Land improvements	(12,518,386)	(1,124,949)	–	17,090	(13,626,245)
Buildings, fixed equipment, improvements and infraestructure	(225,160,046)	(15,783,169)	–	10,372	(240,932,843)
Equipment and library materials	(146,718,735)	(15,004,950)	–	6,820,280	(154,903,405)
Building and equipment under capital lease	–	(1,861,842)	–		(1,861,842)
	(384,397,167)	(33,774,910)	–	6,847,742	(411,324,335)
Other capital assets, net of acumulated depreciation	487,302,415	86,421,542	83,249,351	(434,006)	656,539,302
Capital assets, net	$ 659,326,528	$ 138,786,114	$ –	$ (1,427,039)	$ 796,685,603

5. Capital Assets (continued)

	2006				
	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ 32,965,504	$ –	$ 568,786	$ –	$ 33,534,290
Construction - in progress	150,438,460	47,705,565	(58,027,164)	(1,627,038)	138,489,823
	183,403,964	47,705,565	(57,458,378)	(1,627,038)	172,024,113
Other capital assets:					
Land improvements	30,514,724	–	340,605	–	30,855,329
Building, fixed equipment, improvements and infraestructure	581,946,394	–	56,451,673	–	638,398,067
Equipment and library materials	196,938,459	14,277,003	666,100	(9,435,376)	202,446,186
	809,399,577	14,277,003	57,458,378	(9,435,376)	871,699,582
Less accumulated drepreciation for:					
Land improvements	(11,463,481)	(1,054,905)	–	–	(12,518,386)
Buildings, fixed equipment, improvements and infraestructure	(210,719,487)	(14,440,559)	–	–	(225,160,046)
Equipment and library materials	(140,717,446)	(13,721,505)	–	7,720,216	(146,718,735)
	(362,900,414)	(29,216,969)	–	7,720,216	(384,397,167)
Other capital assets, net of acumulated depreciation	446,499,163	(14,939,966)	57,458,378	(1,715,160)	487,302,415
Capital assets, net	$ 629,903,127	$ 32,765,599	$ –	$ (3,342,198)	$ 659,326,528

Project in Process – Discretely Presented Component Unit

Project in process of Desarrollos Universitarios, Inc. at March 31, 2007 and 2006, consist of:

	2007	2006
Construction, professional services and project management	**$ 84,480,930**	$ 81,537,381
Interest capitalized, net of interest and dividends earned from restricted funds of $10,202,733 and $9,945,138	**14,817,419**	12,845,866
Subtotal	**99,298,349**	94,383,247
Less transferred to the University at inception of lease	**99,298,349**	–
Total	**$ –**	$ 94,383,247

6. Lines of Credit

As of June 30, 2007, the University has available one line of credit agreement with GDB for the total authorized amounts of $60,000,000. This line of credit is guaranteed by the Commonwealth of Puerto Rico. As of June 30, 2007, the University had $20,271,404 outstanding under this line of credit.

7. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2007 and 2006, are as follows:

2007

	Beginning Balance	Additions	Reductions	Other	Ending Balance	Less Due Within One Year	Noncurrent Liabilities
Long-term debt:							
Notes payable	$ 79,645,174	$ 23,209,527	$ (82,583,297)	$ –	$ 20,271,404	$ –	$ 20,271,404
Bonds payable	382,449,715	546,150,000	(320,048,872)	46,956,825	655,507,668	19,760,000	635,747,668
Total long-term	$ 462,094,889	$ 569,359,527	$ (402,632,169)	$ 46,956,825	$ 675,779,072	$ 19,760,000	$ 656,019,072
Other long-term liabilities:							
Deferred compensation payable	$ 51,995,435	$ 6,291,776	$ –	$ –	$ 58,287,211	$ –	$ 58,287,211
Claims liability	18,332,300	4,828,126	(1,100,141)	–	22,060,285	1,100,000	20,960,285
Compensated absences	135,075,173	9,452,342	–	–	144,527,515	24,919,842	119,607,673
Capital lease obligation	–	99,298,349	(28,522,419)	–	70,775,930	2,178,105	68,597,825
Total other long-term liabilities	$ 205,402,908	$ 119,870,593	$ (29,622,560)	$ –	$ 295,650,941	$ 28,197,947	$ 267,452,994

2006

	Beginning Balance	Additions	Reductions	Other	Ending Balance	Less Due Within One Year	Noncurrent Liabilities
Long-term debt:							
Notes payable	$ 47,962,569	$ 31,682,605	$ –	$ –	$ 79,645,174	$ 71,414,037	$ 8,231,137
Bonds payable	398,199,513	1,010,000	(19,210,000)	2,450,202	382,449,715	19,210,000	363,239,715
Total long-term	$ 446,162,082	$ 32,692,605	$ (19,210,000)	$ 2,450,202	$ 462,094,889	$ 90,624,037	$ 371,470,852
Other long-term liabilities:							
Deferred compensation payable	$ 45,575,300	$ 6,420,135	$ –	$ –	$ 51,995,435	$ –	$ 51,995,435
Claims liability	20,260,000	–	(1,927,700)	–	18,332,300	1,500,000	16,832,300
Compensated absences	127,832,345	7,242,828	–	–	135,075,173	22,506,108	112,569,065
Total other long-terms liabilities	$ 193,667,645	$ 13,662,963	$ (1,927,700)	$ –	$ 205,402,908	$ 24,006,108	$ 181,396,800

Bonds payable are further disclosed in Note 8-A.

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, 2007:

Series	Balance as of June 30, 2007	Anual Interest Rate (%)	Due Date
C - Serial	$ 639,000	3.00%	1972-2011
D - Serial	833,000	3.75%	1972-2011
F - Term	9,950,000	5.50%	2012
M - Serial	4,940,000	4.35-5.45%	1996-2009
N - Serial	9,840,000	4.35-5.45%	1996-2008
N - Capital Appreciation Serial Bonds	51,980,000	5.65-5.75%	2009-2013
O - Serial	11,215,000	4.5-3.75%	2001-2020
P - Serial	238,860,000	5.00%	2010-2026
P - Term	47,645,000	5.00%	2027-2030
Q - Serial	127,230,000	5.00%	2008-2026
Q - Term	132,415,000	5.00%	2027-2036
	635,547,000		
Less unamortized bond discount	(6,473)		
Plus unaccreted premium	35,310,342		
Less future appreciated principal	(10,339,329)		
Deferred loss on refunding	(5,003,872)		
	$ 655,507,668		

Capital Appreciation Serial Bonds interest accrues semi-annually and is added to the principal.

B. Debt Service Requirement

At June 30, 2007, bonds payable require payments of principal and interest as follows:

Fiscal Year	Principal	Interest	Total
2008	$ 19,760,000	$ 29,308,028	$ 49,068,028
2009	21,455,000	28,217,053	49,672,053
2010	20,825,000	27,647,555	48,472,555
2011	27,652,000	27,127,880	54,779,880
2012	27,040,000	26,281,245	53,321,245
2013 to 2017	107,990,000	117,467,000	225,457,000
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	7,786,000	68,596,000
	$ 635,547,000	$ 441,478,261	$ 1,077,025,261

Capital Appreciation Serial Bonds interest accrues semi-annually and is added to the principal.

8. Bonds Payable (continued)

C. Issuance of University System Revenue Bonds and University System Revenue Refunding Bonds

In December 2006, the University issued $286,505,000 University System Revenue Refunding Bonds, Series P and $259,645,000 University System Revenue Bonds, Series Q, totaling $546,150,000.

The University System Revenue bonds were issued principally to repay the line of credit of the Government Development Bank of $82,583,296 and make a deposit to the Construction Fund of $168,271,793 for the Capital Improvement Program.

The University System Revenue Refunding Bonds were issued to advance refund and defease the University´s outstanding University System Revenue Bonds and the University System Revenue Refunding Bonds consisting of Series M and Series O of $136,350,000 and $163,935,000, respectively. This refunding resulted in an economic gain of approximately $2 million.

The proceeds of University System Revenue Refunding Bonds, Series P, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds mature or are called.

8. Bonds Payable (continued)

D. Pledged Revenues

The bonds are general obligations of the University and are collateralized by the pledge of, and a first charge 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. The revenues pledged were as follows for the years ended June 30, 2007 and 2006:

Pledged Revenues:	**2007**	**2006**
Tuition and other fees collected	**$ 72,973,464**	$ 73,478,387
Student fees collected	**6,160,271**	6,458,828
Rental and other charges received for the right of use and occupancy of the facilities in the University system	**1,241,694**	1,292,336
Bookstore receipts (gross sales less cost of books and supplies sold)	**810,127**	1,039,252
Interest on investment of University funds, excluding funds invested pursuant to Article VI of the Trust Agreement	**4,665,763**	2,794,159
Funds paid to the University in respect to overhead allowance on federal research projects	**18,981,291**	15,271,829
Other income	**27,788,421**	28,234,976
	$ 132,621,031	$ 128,569,767

Interest earned on investments in the sinking fund reserve account amounted to approximately $1,766,873 and $1,239,134 for the years ended June 30, 2007 and 2006, respectively.

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

The funds for retirement of indebtedness consist of a sinking fund which includes three separate accounts designated 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:

8. Bonds Payable (continued)

D. Pledged Revenues (continued)

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.

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.

E. 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 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.

8. Bonds Payable (continued)

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

Bonds payable at March 31, 2007 and 2006, consist of:

Description	Interest Rate	Maturity	2006 Face Amount	2007 Face Amount
Serial Bonds	5.00%	July 1, 2006	$ 1,415,000	$ –
Serial Bonds	4.00%	July 1, 2007	1,485,000	1,485,000
Serial Bonds	5.00%	July 1, 2008	1,545,000	1,545,000
Serial Bonds	4.13%	July 1, 2009	1,620,000	1,620,000
Serial Bonds	4.25%	July 1, 2010	1,685,000	1,685,000
Serial Bonds	5.63%	July 1, 2011	1,760,000	1,760,000
Serial Bonds	5.63%	July 1, 2012	1,860,000	1,860,000
Serial Bonds	5.63%	July 1, 2013	1,960,000	1,960,000
Serial Bonds	5.63%	July 1, 2014	2,075,000	2,075,000
Serial Bonds	5.63%	July 1, 2015	2,190,000	2,190,000
Serial Bonds	5.63%	July 1, 2016	2,315,000	2,315,000
Serial Bonds	5.63%	July 1, 2017	2,445,000	2,445,000
Serial Bonds	5.63%	July 1, 2018	2,580,000	2,580,000
Serial Bonds	5.63%	July 1, 2019	2,725,000	2,725,000
Serial Bonds	5.00%	July 1, 2020	2,880,000	2,880,000
Serial Bonds	5.00%	July 1, 2021	3,020,000	3,020,000
Serial Bonds	5.00%	July 1, 2033	50,520,000	50,520,000
			$ 84,080,000	$ 82,665,000

8. Bonds Payable (continued)

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

Interest on the bonds is payable each January 1 and July 1, commencing on July 1, 2001, Bonds maturing after July 1, 2010 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, 2022	$ 3,175,000
July 1, 2023	3,330,000
July 1, 2024	3,500,000
July 1, 2025	3,675,000
July 1, 2026	3,855,000
July 1, 2027	4,050,000
July 1, 2028	4,255,000
July 1, 2029	4,465,000
July 1, 2030	4,690,000
July 1, 2031	4,925,000
July 1, 2032	5,170,000
July 1, 2033	5,430,000
	$ 50,520,000

9. Obligations under Capital Leases

In October, 2006, the University entered into a capital lease agreement with Desarrollos Universitarios, Inc. a nonprofit corporation and 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, 2007 on this capital lease is $70,775,930.

During fiscal year 2007, $32,045,799 was applied to the obligation under capital lease, of which $3,523,380 represented interest and $28,522,419 represented principal, including the application of $27,770,032 to the principal balance previously recognized as prepaid expense. The interest rate as of June 30, 2007, was 6.6%. The carry values of assets held under capital lease net of accumulated depreciation was $97,436,407.

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

Minimun Lease Payments

Year	Amount
2008	$ 5,701,625
2009	5,699,375
2010	5,697,550
2011	5,700,938
2012	5,701,938
2013 to 2017	28,503,813
2018 to 2022	28,497,687
2023 to 2027	28,495,000
2028 to 2032	28,502,750
2033	5,701,500
Total minimun lease payments	148,202,176
Less amount representing interest	(77,426,246)
Present value of net minimun lease payments	$ 70,775,930

10. Commitments and Contingent Liabilities

A. Insurance

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. Through January 1993, the University was insured 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. Because actual claims liabilities depend upon such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in the claims liability amount in fiscal years 2007 and 2006 were:

	2007	2006
Claims payable - July 1	**$ 18,332,300**	$ 20,260,000
Incurred claims and changes in estimates	**34,279,088**	27,377,998
Payments for claims and adjustments expenses	**(30,551,103)**	(29,305,698)
Claims payable - June 30	**$ 22,060,285**	$ 18,332,300

The University continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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. The resolution of certain previously identified questioned costs has not occurred. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the University expects such amounts, if any, to be immaterial.

10. Commitments and Contingent Liabilities (continued)

C. Discretely Presented Component Units

Servicios Médicos Universitarios, Inc. (the Hospital) is a non-for-profit corporation organized to operate and administer healthcare unit locate in Carolina. This facility was acquired by the University and includes land, building and medical equipment.

The Hospital entered into a loan agreement (the Agreement) with the Government Development Bank of Puerto Rico (GDB) for an aggregate principal amount not to exceed $17,000,000. As part of the Agreement, the University (the Guarantor) agreed to guaranty payment obligations.

On July 18, 2001, the Board of Trustees approved to amend the Working Capital Loan to $15,367,611 and to decrease the Improvement Loan to $1,632,389. The amendment was effective on August 1, 2001. In addition, the Guarantor will pay GDB, on the first day of July and January of each year, the balance of interest due and outstanding by the Hospital.

Scheduled principal repayments of the long-term debt for the next five years and thereafter are as follows:

Fiscal Year	Amount
2008	$ 15,367,611
2009	–
2010	–
2011	–
2012	–
Thereafter	1,632,389
	$ 17,000,000

10. Commitments and Contingent Liabilities (continued)

C. Discretely Presented Component Units (continued)

Desarrollos Universitarios, Inc. (the Company) was incorporated on January 22, 1997. The Company is a non-for-profit corporation, with the sole purpose of developing, constructing and operating academic, residential, administrative, office, commercial and maintenance facilities (Plaza Universitaria) 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 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.

On December 21, 2000, the University entered into a lease agreement with the Company in which the University agreed to pay directly to a trustee for the account of the Company, the basic lease payments (denominated into components of principal and interest) on or before the twenty-fifth (25) day of each month. As of June 30, 2007 and 2006, the University had paid in advance a total of $32,045,797 and $27,023,624 respectively, for these purposes and such amounts have been recorded in the accompanying statements of net assets as prepaid expenses and other assets.

10. Commitments and Contingent Liabilities (continued)

C. Discretely Presented Component Units (continued)

Future minimum annual lease payments under this agreement at June 30, 2007 are: $5,701,000 in 2007; $5,701,000 in 2008; $5,700,000 in 2009; $5,698,000 in 2010, $5,700,000 in 2011 and $126,828,000 thereafter.

In October 2003, 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 allegation 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

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 taxes.

The system issues stand-alone audited financial statements and can be obtained from the systems administrative offices.

11. University of Puerto Rico Retirement System (continued)

Effective July 1, 2006, the System changed its method of amortizing the unfunded actuarial liability from the "Level Dollar Amount" method to the "Level Percentage of Payroll" method. The newly adopted method is an accepted method of amortizing the unfunded actuarial liability of defined benefit plans. The change has been accounted for prospectively in the financial statements.

Funding Policy and Annual Pension Cost

Contribution rates:	
University	11.1%
Plan members	7%
Annual pension cost	$57,737,197
Contributions made	$78,310,774
Actuarial valuation date	6/30/2007
Actuarial cost method	Entry age Normal (traditional)
Amortization method	Level percentage of payroll
Remaining amortization period	30 years constant (open basis)
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases*	5%
*Includes inflation at	3.50%
Postretirement benefit increases	3% every two (2) years

Year Ending	Annual Pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	$ 57,737,197	$ 78,310,774	135.6%	$ (13,772,652)
6/30/2006	$ 56,160,455	$ 73,658,083	131.2%	$ 6,800,925
6/30/2005	$ 84,657,964	$ 69,291,395	81.8%	$ 24,298,553

12. Post-Retirement Benefits

In addition to the pension benefits described in Note 11, the University provides post-retirement health care benefits for its retired employees. Substantially all of the employees may become eligible for this benefit if they reach normal retirement age while working for the University. Health care benefits are provided through insurance companies whose premiums are paid by the retiree and by the University up to maximum of $125 per month for each retiree. The cost of providing such benefits are recognized when paid. During the years ended June 30, 2007, the payments of health care benefits amounted to $8,196.843.

13. Going Concern - Discretely Presented Component Unit

Since the Hospital commenced operations, it has experienced significant operating losses having an accumulated net assets deficiency of approximately $64,013,858 at June 30, 2007. 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 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 are 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 of the Hospital, the Department of Health has been unable to pay for such services. As shown in the accompanying financial statements, the Hospital has accumulated losses for uncollectible accounts receivable in the approximate amount of $41,822,363.

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 in the accumulated deficit at June 30, 2007.

The Hospital's management with the assistance of the University of Puerto Rico's administration continues implementing a management plan toward its operational activities as well as the Hospital's ability to get cash to comply with its current obligations.

Among the matters included in such management plan are the following:

- Extension of the medical privileges in the Hospital to faculty members within the Hospital's primary and secondary market area.

- Development of new business within the Hospital's building, for example space rentals for physicians and others.

- Marketing of the Ob-Gyn and pediatrics services.

- Marketing of the ophthalmology services, including a new physician that has a specialization in cornea diagnosis and treatment.

13. Going Concern - Discretely Presented Component Unit (continued)

- More aggressive negotiation with medical insurance companies and restructuring the billing and collection department, in order to reduce to a minimum, denied reimbursement for service provided, to increase the reimbursement rates.

Among the alternatives, the Hospital has to deal with its fiscal difficulties and has publicly discussing the possibility to sell the Hospital's facilities.

The Hospital's financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or the amounts and classifications of liabilities that might be necessary, should the Hospital be unable to continue as a going concern or in the event of any disposition of the Hospital's assets through a sale or by other means.

14. Functional Information

The University's operating expenses by functional classification during the years ended June 30 2007 and 2006 were as follows:

2007							
Functional classification	Salaries and benefits	Supplies and other services	Scholarship and felowship	Utilities	Depreciation	Other Expenditures	Total
Instruction	$ 383,324,453	$ 18,945,647	$ 10,846,926	$ 1,126,143	$ –	$ 82,508	$ 414,325,677
Research	66,284,908	21,338,866	11,755,699	1,026,227	–	4,995,303	105,401,003
Public service	49,857,343	11,488,554	2,153,249	395,646	–	26,200	63,920,992
Academic support	79,270,040	17,460,444	4,118,524	123,684	–	36,300	101,008,992
Student service	43,680,136	9,838,406	924,629	461	–	24,010	54,467,642
Institutional support	120,318,861	41,876,263	507,043	1,762,543	–	184,187	164,648,897
Oper & Maintenance	77,452,882	16,516,950	16,569	39,970,471	–	273,708	134,230,580
Student Aid	2,161,073	612,771	119,897,505	344	–	–	122,671,693
Independent Operation	–	462	–	–	–	–	462
Patient Service	43,117,786	2,623,561	282,541	63,117	–	15,697	46,102,702
Auxiliary Enterprises	4,746,225	5,326,439	70,613	61,645	–	1,268,137	11,473,059
Depreciation	–	–	–	–	33,774,910	–	33,774,910
Other	–	–	–	–	–	14,496,756	14,496,756
	$ 870,213,707	$ 146,028,363	$ 150,573,298	$ 44,530,281	$ 33,774,910	$ 21,402,806	$ 1,266,523,365

14. Functional Information (continued)

	2006						
Functional classification	Salaries and benefits	Supplies and other services	Scholarship and felowship	Utilities	Depreciation	Other Expenditures	Total
Instruction	$ 349,135,141	$ 17,398,624	$ 11,766,910	$ 1,242,283	$ –	$ 366,534	$ 379,909,491
Research	65,931,577	20,600,117	9,640,336	1,088,837	–	4,150,261	101,411,128
Public service	46,091,816	10,280,808	2,718,761	392,811	–	113,743	59,597,939
Academic support	72,406,400	15,577,465	4,103,987	178,180	–	41,003	92,307,035
Student service	38,224,811	7,877,351	800,066	3,033	–	49,010	46,954,271
Institutional support	137,387,606	33,821,148	480,933	4,403,522	–	3,953,874	180,047,083
Oper & Maintenance	69,969,838	14,679,025	20,959	36,380,394	–	129,441	121,179,657
Student Aid	1,694,176	641,111	107,615,009	583	–	–	109,950,879
Independent Operation	–	58,206	–	–	–	–	58,206
Patient Service	44,117,250	2,487,040	221,631	93,088	–	13	46,919,022
Auxiliary Enterprises	4,981,184	5,337,565	76,758	384,118	–	23,695	10,803,320
Depreciation	–	–	–	–	29,216,968	–	29,216,968
Other	–	–	–	–	–	17,878,067	17,878,067
	$ 829,939,799	$ 128,758,460	$ 137,445,350	$ 44,166,848	$ 29,216,968	$ 26,705,641	$ 1,196,233,066

15. Significant New Accounting Pronouncements

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions*. This Statement improves the relevance and usefulness of financial reporting by (a)requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b)providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. This statement will be effective as follows:

The requirements of this Statement are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999:

- Governments that were phase 1 governments for the purpose of implementation of Statement 34—those with annual revenues of $100 million or more—are required to implement this Statement in financial statements for periods beginning after December 15, 2007.

- Governments that were phase 2 governments for the purpose of implementation of Statement 34—those with total annual revenues of $10 million or more but less than $100 million—are required to implement this Statement in financial statements for periods beginning after December 15, 2007.

15. Significant New Accounting Pronouncements (continued)

- Governments that were phase 3 governments for the purpose of implementation of Statement 34—those with total annual revenues of less than $10 million—are required to implement this Statement in financial statements for periods beginning after December 15, 2008.

Earlier application of this Statement is encouraged. All component units should implement the requirements of this Statement no later than the same year as their primary government.

The University is currently evaluating the impact of this statement.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* This Statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. Such transactions are likely to comprise the sale of delinquent taxes, certain mortgages, student loans, or future revenues such as those arising from tobacco settlement agreements.

In addition to clarifying guidance on accounting for sales and pledges of receivables and future revenues, the Statement:

- Requires enhanced disclosures pertaining to future revenues that have been pledged or sold,
- Provides guidance on sales of receivables and future revenues within the same financial reporting entity,
- Provides guidance on recognizing other assets and liabilities arising from the sale of specific receivables or future revenues.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

In November 2006, the GASB recently issued Statement No. 49, *Pollution Remediation Obligations.* The Statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the Statement, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and a government has little or no discretion to avoid fixing the problem,
- A government has violated a pollution prevention-related permit or license,

15. Significant New Accounting Pronouncements (continued)

- A regulator has identified (or evidence indicates a regulator will do so) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean up,
- A government is named in a lawsuit (or evidence indicates that it will be) to compel it to address the pollution,
- A government begins to clean up pollution or conducts related remediation activities (or the government legally obligates itself to do so).

Liabilities and expenses would be estimated using an "expected cash flows" measurement technique, which will be employed for the first time by governments. Statement 49 also would require governments to disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements.

Statement 49 will be effective for financial statements for periods beginning after December 15, 2007.

In May 2007, the GASB recently issued Statement No. 50, *Pension Disclosures,* which more closely aligns current pension disclosure requirements for governments with those that governments are beginning to implement for retiree health insurance and other post-employment benefits.

Specifically, Statement 50 amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 27, *Accounting for Pensions by State and Local Governmental Employers,* by requiring:

- Disclosure in the notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan—in other words, the degree to which the actuarial accrued liabilities for benefits are covered by assets that have been set aside to pay the benefits—as of the most recent actuarial valuation date.
- Governments that use the aggregate actuarial cost method to disclose the funded status and present a multi-year schedule of funding progress using the entry age actuarial cost method as a surrogate; these governments previously were not required to provide this information.
- Disclosure by governments participating in multi-employer cost-sharing pension plans of how the contractually required contribution rate is determined.

The provisions of Statement 50 generally are effective for periods beginning after June 15, 2007, with early implementation encouraged. The requirements relating to governments using the aggregate actuarial cost method are effective for financial statements and required supplementary information that contains information from actuarial valuations as of June 15, 2007, or later.

15. Significant New Accounting Pronouncements (continued)

In June 2007, the GASB recently issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* to provide guidance regarding how to identify, account for, and report intangible assets.

The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks.

Statement 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

Statement 51 provides additional guidance that specifically addresses the unique nature of intangible assets, including:

- Requiring that an intangible asset be recognized in the statement of net assets only if it is considered identifiable
- Establishing a specified-conditions approach to recognizing intangible assets that are internally generated (for example, patents and copyrights)
- Providing guidance on recognizing internally generated computer software
- Establishing specific guidance for the amortization of intangible assets.

The requirements Statement 51 are effective for financial statements for periods beginning after June 15, 2009. The GASB made significant changes to the transition provisions, based on constituent response to the proposed version of the standards, to make it easier for governments to implement.

Required Supplementary Information

University of Puerto Rico
Schedule of Funding Progress

Employees Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Excess of Assets over AAL (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	Excess as a Percentage of Covered ((b – a) / c)
6/30/2005	$ 820,501,000	$ 1,848,175,710	$ 1,027,674,710	44%	$ 460,956,060	222.90%
6/30/2006	$ 869,211,000	$ 1,930,131,983	$ 1,060,920,983	45%	$ 484,886,628	218.80%
6/30/2007	$ 933,197,000	$ 2,068,102,695	$ 1,114,905,695	45%	$ 513,486,180	217.10%

Other Financial Information

University of Puerto Rico
Schedules of Changes in Sinking Fund Reserve

	2007		
	Bond Service Account	**Bond Reserve Account**	**Total**
Additions:			
Transfer from Reserve Account	**$ 9,562,744**	**$ 16,589,826**	**$ 26,152,570**
Transfer from unrestricted current funds	**30,331,662**	**–**	**30,331,662**
Net increase in fair marker value of investments	**1,481,868**	**734,124**	**2,215,992**
Interest Earned on Investments	**258,731**	**1,508,142**	**1,766,873**
Total receipts	**41,635,005**	**18,832,092**	**60,467,097**
Deductions:			
Payments of bond interest	**14,760,000**	**1,385,961**	**16,145,961**
Payments of bond principal	**25,230,881**	**–**	**25,230,881**
Transfer to Reserve Account	**1,642,113**	**1,861,855**	**3,503,968**
Total disbursements	**41,632,994**	**3,247,816**	**44,880,810**
Net increase/(decrease) for the year	**2,011**	**15,584,276**	**15,586,287**
Balances at beginning of year	**(1,154)**	**39,213,113**	**39,211,959**
Balance at end of year	**$ 857**	**$ 54,797,389**	**$ 54,798,246**

	2006		
	Bond Service Account	**Bond Reserve Account**	**Total**
Additions:			
Transfer from Reserve Account	$ 1,422,983	$ –	$ 1,422,983
Transfer from unrestricted current funds	36,280,868	–	36,280,868
Net increase in fair marker value of investments	22,995	577,364	600,359
Interest Earned on Investments	336,180	902,954	1,239,134
Total receipts	38,063,026	1,480,318	39,543,344
Deductions:			
Payments of bond interest	19,864,180	–	19,864,180
Payments of bond principal	18,200,000	–	18,200,000
Transfer to Reserve Account	–	1,422,983	1,422,983
Total disbursements	38,064,180	1,422,983	39,487,163
Net increase/(decrease) for the year	(1,154)	57,335	56,181
Balances at beginning of year	–	39,155,778	39,155,778
Balance at end of year	$ (1,154)	$ 39,213,113	$ 39,211,959

ERNST & YOUNG

Ernst & Young LLP
1000 Scotiabank Plaza
273 Ponce de León Avenue
San Juan, Puerto Rico 00917

Phone: (787) 759-8212
Fax: (787) 753-0808
Fax: (787) 753-0813
www.ey.com

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

Board of Trustees
University of Puerto Rico

We have audited the accompanying 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, 2007 and 2006, which collectively comprise the University's financial statements, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions 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 ended June 30, 2007 and 2006, and March 31, 2007 and 2006, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us. The Hospital's report included an explanatory paragraph stating that it has experienced recurring losses since it commenced operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. 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.

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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

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

April 29, 2008

Stamp No. 2328012
affixed to
original of
this report.