Carnegie Mellon

Annual Report Fiscal Year 1998 1999

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On the Cover

The Purnell Center for the Arts, Carnegie Mellon's newest building, contains state-of-the-art performance, production and teaching facilities for the School of Drama, including a television studio suite, studio theater and the 430-seat Philip Chosky Theater. The center also houses the three-story Regina Gouger Miller Gallery. The Purnell Center and Miller Gallery were funded by gifts from alumni and friends of the university.

Photo by Herb Ferguson

From the President

For Carnegie Mellon, it's hard to believe 100 years have gone by so quickly. Since its founding in 1900, the university has been busy climbing the ladder of American higher education. The speed with which it has emerged among the world's finest institutions of higher education is nothing short of amazing.

From its genesis as Carnegie Technical Schools to its maturation into the degree-granting Carnegie Institute of Technology in 1912, Carnegie Mellon has embraced and profited from change.

Created from the merger in 1967 of the Carnegie Institute of Technology and the Mellon Institute of Research, Carnegie Mellon University is little more than 30 years old. Yet in those three decades it has claimed a position among the best research universities in the world, a rapid and remarkable ascent by any measure.

It finds itself today competing with long-established and well-endowed institutions—the very best universities—for outstanding undergraduate and graduate students, top-notch faculty, and government and corporate support of its research activities. Carnegie Mellon is among the smallest of these elite institutions and it does not have, nor has it ever had, the advantage of a huge endowment to provide resources to fund initiatives or take advantage of emerging opportunities.

Jared L. Cohon

What has enabled this university to overcome these disadvantages and emerge as a powerful player on the national higher education landscape?

I can think of three qualities that are part of the Carnegie Mellon culture, three qualities central to the university's swift evolution into a world-renowned educational and research institution: Competitiveness, collaboration and a strategic focus.

A former provost once described Carnegie Mellon as a "striving" university, always trying to do better, to get ahead. Key to understanding the university is to recognize the competitive fire that burns here. It seems like no one is ever satisfied with what's been accomplished. There's always a feeling that we can do better. This competitive energy is borne of the university's relatively short history. In just 100 years, the institution has changed its name three times, each time changing its mission and direction and taking another step up toward its present position. Unfettered by hundreds of years of tradition, Carnegie Mellon has been able to convert that competitive fire into swift, meaningful changes that have markedly improved and advanced the institution.

Because it has faced the reality of limited resources, Carnegie Mellon has looked for ways to stretch them and maximize their impact. No university in the nation works across traditional academic boundaries better than Carnegie Mellon. For many years, the faculty have collaborated on research and educational projects that have had a far-reaching impact. On the Carnegie Mellon campus computer scientists work regularly with artists, the business school hooks up with the engineering college, and psychologists work with robotics and artificial intelligence researchers to produce major advances. More than 80 research centers bring together creative minds from various fields to work on today's complex, cross-disciplinary problems.

The late Richard M. Cyert, president of the university from 1972-1990, preached the gospel of comparative advantage. He pushed and prodded his colleagues to find intellectual niches where the university could excel. He advocated putting resources into those niches to achieve excellence. This legacy of strategic planning lives on today.

The university has embarked on implementing a new strategic plan that will guide its actions in the early part of the next century. For the past two years, faculty, senior administrators, staff and students have contributed to the development of the plan, which was formally approved by the Board of Trustees in May 1998.

We have earmarked $5 million to "seed" the work of 14 task forces that will lead implementation of our strategic plan over the next few years. From the hundreds of ideas and directions proposed, we have identified four major priorities:

- Broadening and enriching educational programs across the campus. We're creating, for example, more multidisciplinary and community-based courses and providing more opportunities for undergraduate research and on- and off-campus internships

- Achieving diversity in all parts of the university. A newly formed Diversity Action Council, which includes campus and off-campus representatives, will identify new initiatives aimed at achieving more diversity in the student body, the faculty and staff. This council will also monitor our progress toward achieving our diversity goals.

- Pursuing promising interdisciplinary research and educational programs in areas of leadership. Building on our strengths, we're pursuing new initiatives in biotechnology and health policy, information and communication technology, environmental research and education, and fine arts and the humanities.

- Leveraging Carnegie Mellon's global impact to support the economic, social and cultural success of southwestern Pennsylvania. Recognizing that our university's future success is linked to that of the Pittsburgh region, one of our top priorities is increasing the university's interaction with the organizations and people of Pittsburgh. In particular, our technology transfer efforts can continue to be an important contributor to economic development in the region.

These strategic initiatives will propel Carnegie Mellon into its second century. As it celebrates its centennial in the year 2000, the university will pause briefly to consider its history of achievement. Briefly because this is an institution that has always looked forward in pursuit of its dreams.

Its dreams for the second century are even more ambitious than those of its first.

Jared L. Cohon
President, Carnegie Mellon University
October 1, 1999

Financial Highlights

Financial Highlights of Fiscal Year 1999

- Operating revenues and expenses were balanced with a small operating surplus
- Total assets at year-end increased to $1.54 billion with net assets increasing by 5.4% to $1.16 billion
- The endowment fund increased by 10.0% to $719.3 million, net of investment return, gifts and income distributed to operations
- Contributions totaled $48.4 million
- Capital expenditures were $68.3 million

Review of the Balance Sheet Highlights

Fiscal year 1999 was a year of continued growth for Carnegie Mellon. Total assets at June 30, 1999 were $1.54 billion, 11.6% higher than June 30, 1998. Investments, which are composed primarily of the endowment, capital investment reserves and temporarily restricted gifts, have grown by 8.9% to $908.1 million. Cash and cash equivalents increased significantly, resulting from debt issued that will be expended in fiscal year 2000 for major capital projects. Land, buildings and equipment, net increased by $29.8 million to $400.5 million. Pledges receivable, discounted to present value of future cash flows, amounted to $57.4 million.

Long-term debt, which represents 71.3% of total liabilities, was $271.5 million at June 30, 1999. The $86.1 million increase in debt reflects the issuance of $88 million in bonds, issuance of notes and reduction of other debt. Net assets increased by $58.8 million or 5.4% in fiscal year 1999, and unrestricted net assets increased by $20.9 million or 3.7%. The increase in net assets resulted principally from non-operating activities, including net gains on investments. Contributions and net tuition also increased, but were offset by operating expenses.

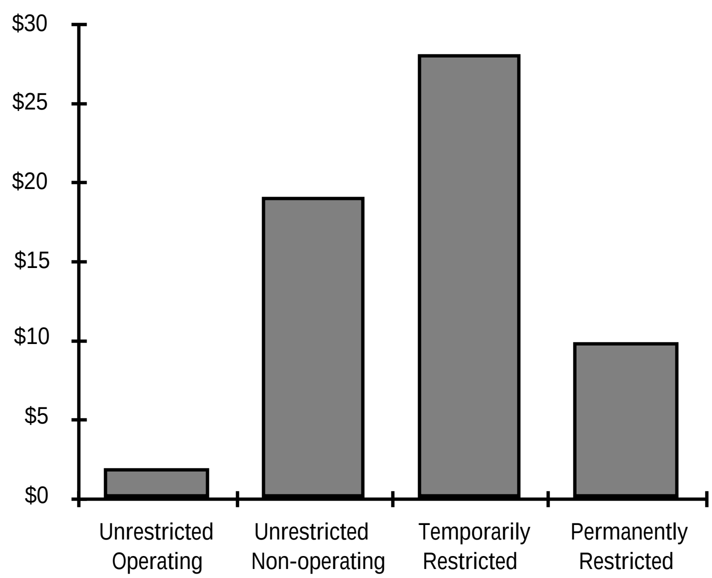
Endowment: The earnings from the endowment provide Carnegie Mellon with institutional resources that are applied to a wide variety of activities and programs, ranging from the university's general operations to specific purposes, such as programs, scholarships and professorships.

The Investment Committee of the Board of Trustees directs the management of the endowment. The Investment Committee determines investment objectives and strategies and appoints investment management firms to implement the committee's strategies. The key tenets of the committee's endowment investment strategy are: (a) maintain a high allocation to asset types with high expected returns; and (b) diversify the endowment broadly across different asset types with moderate and low correlations to control volatility.

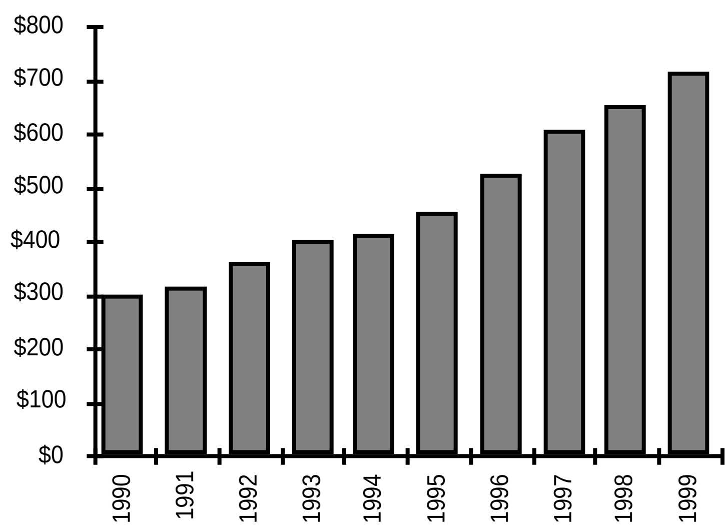
The market value of the endowment grew from $653.9 million to $719.3 million during fiscal year 1999. This growth included gifts and other additions of $23.0 million, along with investment return of $75.1 million. These additions were offset by $32.7 million in income distributed for operating purposes. Of the $32.7 million distributed, 38% was used for professorships and 20% for scholarships. The endowment's total investment return of 11.9% (net of fees) for the year reflects the diverse returns of the capital markets during this period. The rate of net earnings distributed to fund university operating expenses was 4.8% of average endowment market value for the year.

Carnegie Mellon evaluates the endowment's risk and returns relative to market indices and other major institutional funds. The Trust Universe Comparison Service (TUCS), compiled by Wilshire Associates, provides a broad universe of major funds for performance evaluation. The endowment's risk, as measured by standard deviation of returns, has remained consistently low in the TUCS survey during recent years. The endowment's relative return in the TUCS survey has fluctuated significantly in recent years. During the one year ended June 30, 1999, the endowment's return ranked in the 37th percentile in TUCS, for example, 37% of the funds earned higher returns than the endowment. The median return for TUCS for fiscal year 1999 was 11.3%.

Change in Net Assets - Fiscal Year 1999



Endowment Market Value at June 30



Additions to Buildings and Equipment: Gross additions to capital assets were valued at $72 million, including gifts in kind of $3.7 million resulting in cash expenditures for capital assets of $68.3 million. These additions are offset by $42.2 million in depreciation and disposals, resulting in a net increase in capital assets of $29.8 million. Capital expansion and investments in the renewal of our physical plant are accomplished through a combination of prudent debt financing, aggressive fund raising and funding from operations. This year $18.2 million was spent on the construction of the Purnell Center for the Performing Arts, which was completed this fall. Expenditures for movable equipment totaled $21.7 million in fiscal year 1999. Expenditures for the addition to the School of Computer Science totaled $13.1 million.

Long-term Debt: External debt outstanding at June 30, 1999 was $271.5 million. Carnegie Mellon issued $88 million of new tax-exempt bonds in fiscal year 1999. These bonds mature in 2033. Of the total debt issued, $55.7 million was drawn down in fiscal year 1999 to fund capital expenditures related to new buildings, additions, renovations and capital equipment as noted above. The remaining funds will support major capital investments scheduled for fiscal year 2000.

Management forecasts that current revenues will be sufficient to pay principal and interest on Carnegie Mellon's existing outstanding debt.

Review of Operating Highlights

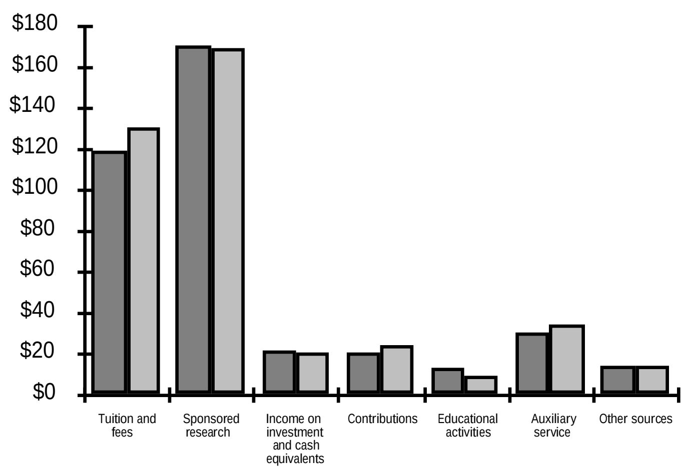
Carnegie Mellon's core operations evidenced strong financial performance during fiscal year 1999. The primary operating activities are teaching, research and related support services. Primary sources of operating revenue include tuition, sponsored research, income distributed from the endowment and gifts and grants.

Total operating revenue and support for 1999 were $431.4 million, an increase of 3.6% from 1998. Operating expenses in fiscal year 1999 were $429.6 million, resulting in an increase in unrestricted net assets from operations of $1.8 million.

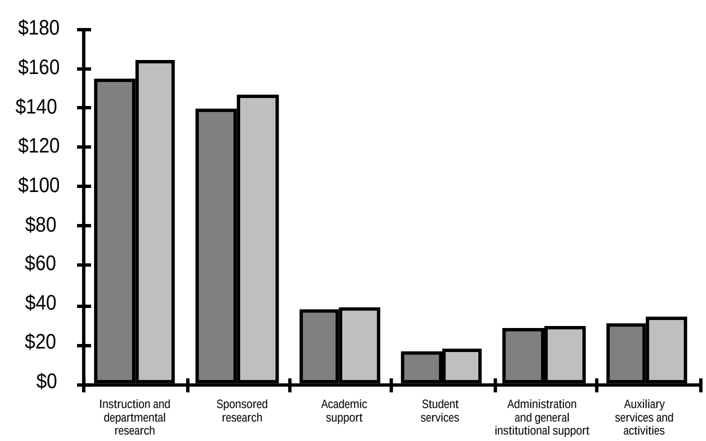
Revenues: The mission-specific operating revenues of net tuition and sponsored research had an increase of 10.4% and a decrease of 1.3%, respectively. Net tuition includes undergraduate and graduate tuition and fees offset by internally and externally funded financial aid. Growth in net tuition was the result of increasing enrollment, a 4.9% increase in the tuition rate and controlling growth in financial aid to 5.0%. Increasing enrollment was achieved through planned growth in selected areas and continued improvement in student retention rates. Demand for both undergraduate and graduate programs remained strong in fiscal year 1999, resulting in more selective admissions and continued strength in our students' academic qualifications.

Sponsored research includes direct and indirect cost recoveries on government and industry sponsored research. (See Note H, Sponsored Research, to the Financial Statements). The $2.2 million decrease in spon-

Distribution of Operating Revenues - Fiscal Years 1998 and 1999



Distribution of Operating Expenses - Fiscal Years 1998 and 1999



sored research reflects the changing priorities of our funding agencies, reduced suppport for indirect costs and differing performance across our colleges, schools and institutions. The university has identified four important strategic educational and research thrusts in its strategic plan: information and communication technology; environmental science, engineering and policy; biotechnology and health policy; and fine arts and humanities. These will represent areas of future growth.

Unrestricted contributions, included in operating revenues, were $23.9 million. Unrestricted contributions include fund-raising gifts and grants for operating purposes.

Expenses: Operating expenses increased by 5.6%, going from $406.7 million in 1998 to $429.6 million in 1999. Growth in expenditures was planned in accordance with institutional priorities. The principal factors leading to increasing expenses include: continued investments in our academic programs, facilities, sponsored research and infrastructure in accordance with our strategic plan.

In summary, Carnegie Mellon's financial performance was strong in fiscal year 1999. We remain committed to working within our budgetary limitations and maintaining a balanced operating position. There continue to be significant pressures on expenses relating to programmatic initiatives and the operation and upkeep of our new buildings.

Progress on Administrative Initiatives

Year 2000: Carnegie Mellon has modified and tested mission-critical data systems and embedded software that are affected by Year 2000. In addition to necessary modifications to systems and software controlled by the university, an inventory of key supplier readiness has been prepared, and contingency plans have been established for those suppliers whose Year 2000 readiness is at risk. The status of the university's Year 2000 plan and milestones is available on the Internet at http://www.as.cmu.edu/year2000/year2000.htm.

Financial Management Project: The university is nearing completion of implementing a Web-based Oracle suite of financial applications. Training has been provided to more than 750 campus users. Systems integration testing will be completed in October, and the system will go live November 1, 1999. The system will provide significant opportunities for process improvements and management reporting. Detailed information relating to the project is available on the Internet at http://www.as.cmu.edu/~fmp/.

Centennial Campaign: The university is well poised to reach its capital campaign goal of $350 million prior to the campaign conclusion in November 2000. More than $306 million in gifts and pledges, or 87% of the goal, has been raised through June 30, 1999. The campaign's focus on increasing endowed professorships, scholarships and fellowships is significant in terms of providing long-term financial flexibility for the university. Fund-raising results have also contributed significantly to the university's ability to expand and improve its physical infrastructure. The campaign has been successful in significantly expanding our donor base and the level of giving for previous donors.

Financial Outlook: We will continue to exercise a disciplined budget process, investing in focused and strategic opportunities that improve our competitive position. Our research base is strong, and we have developed exceptional capabilities for taking our research results into the marketplace. Demand for our academic programs continues to grow. Carnegie Mellon strengthened its financial position in fiscal year 1999 through operations, investment activity and fund raising. With this foundation and our strategic plan as a guide for the future, our outlook for 2000 and beyond remains positive.

Jeffrey W. Bolton
Chief Financial Officer
October 1, 1999

Facts & Figures

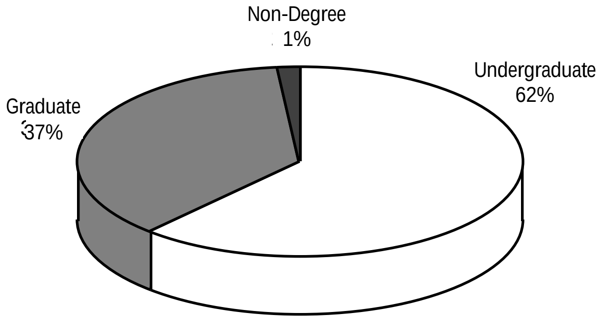
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
$ in millions										
Sponsored Research	$123	$128	$137	$147	$151	$152	$165	$166	$170	$168

	1996	1997	1998	1999
Attendance Costs				
Undergraduate Tuition	$18,600	$19,400	$20,275	$21,275
Room and Board	5,900	6,080	6,225	6,555
Financial Highlights:				
$ in millions				
Operating revenue by category				
Tuition and fees, net	$100	$109	$118	$130
Sponsored research	165	166	170	168
Income on investments and cash equivalents	17	20	21	19
Contributions	31	17	23	24
Educational activities	10	15	12	9
Auxiliary services	29	29	30	34
Other sources	17	16	14	14
Net assets released from restrictions	24	24	28	33
Total	$393	$396	$416	$431
Operating expenses by category				
Instruction and departmental research	$136	$143	$155	$167
Sponsored research	133	127	139	143
Academic support	35	37	38	39
Student services	14	16	16	17
Administration and institutional support	27	25	28	29
Auxiliary services and activities	30	30	30	33
Provision for the present value of annuities	0	(1)	1	1
Total	$375	$377	$407	$429

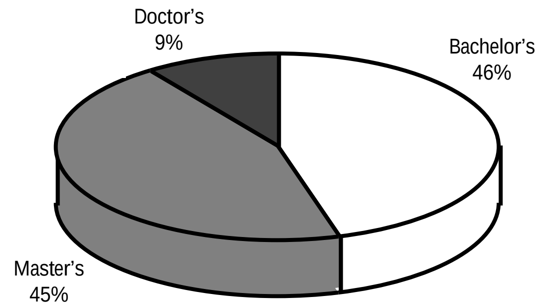
	1996	1997	1998	1999
Undergraduate Admissions				
Applications	10,291	13,314	13,115	13,202
Acceptances	5,608	6,218	5,650	5,598
Matriculations	1,237	1,384	1,270	1,308
Enrollment				
Undergraduate	4,572	4,823	4,876	5,050
Graduate	2,660	2,809	2,894	3,013
Non-Degree	135	126	142	122
Total Enrollment	7,367	7,758	7,912	8,185

Selected Charts:

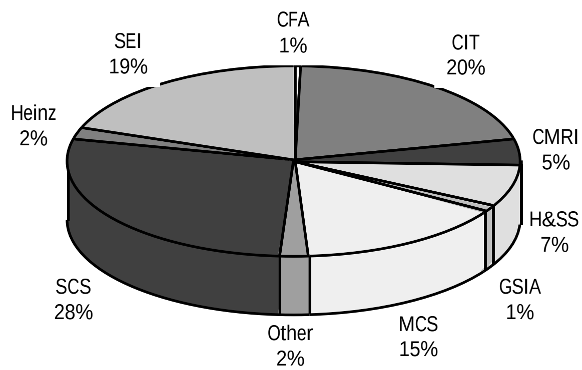
Fall 1998 Enrollment Headcount by Class
(Total = 8,185)



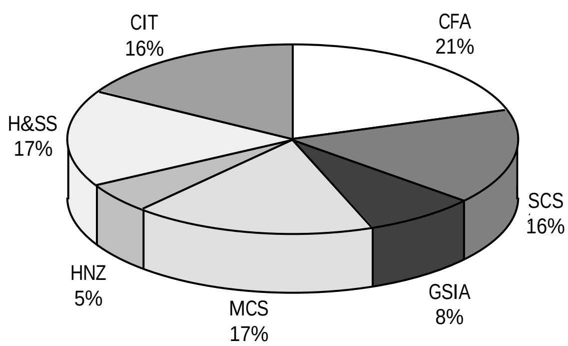
Degrees Granted
(Total = 2,149)



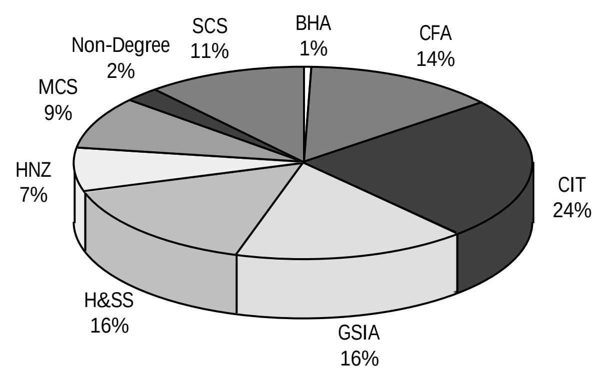
Research Revenue by Academic and Research Units
(Total Dollars = $168 million)



Academic Faculty by College
(Total = 1,207)



Fall 1998 Enrollment Headcount by College/School
(Total = 8,185)



Audited Consolidated Financial Statements

To the Board of Trustees
Carnegie Mellon University and Subsidiaries
Pittsburgh, Pennsylvania

We have audited the accompanying consolidated statements of financial position of Carnegie Mellon University and subsidiaries as of June 30, 1999 and 1998, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the university's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Carnegie Mellon University and subsidiaries as of June 30, 1999 and 1998, and the changes in their net assets and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Pittsburgh, Pennsylvania
October 1, 1999

Consolidated Statements of Financial Position

June 30, 1999 and 1998
($ in Thousands)

	1999	*1998*
Assets		
Cash and cash equivalents	$ 84,608	$ 39,739
Accrued interest and dividends	5,826	4,734
Accounts receivable, net (Note F)	53,123	36,509
Inventories, at cost	1,888	2,075
Prepaid and deferred charges	1,959	1,683
Pledges receivable (Note E)	57,413	62,052
Loans receivable (Note G)	15,072	14,370
Investments (Note C)	908,105	834,061
Other assets	9,571	12,734
Land, buildings and equipment, net (Note I)	400,545	370,765
Total assets	**$ 1,538,110**	**$ 1,378,722**
Liabilities		
Accounts payable and other liabilities	$ 44,886	$ 40,044
Deposits held in custody for others	1,159	3,628
Deferred revenue	32,554	21,329
Federal loan programs	14,822	13,879
Present value of future annuities payable	15,820	15,924
Long-term debt (Note J)	271,468	185,339
Total liabilities	**380,709**	**280,143**
Net assets		
Unrestricted	40,566	26,934
Designated for plant activities	132,439	119,098
Unrestricted endowment (Note D)	251,979	233,056
Net investment in plant	163,809	188,835
Total unrestricted net assets	**588,793**	**567,923**
Instructional and research programs	16,658	16,246
Scholarships and fellowships	4,242	3,451
Student loan funds	1,058	1,054
Pledges receivable	39,738	41,703
Temporarily restricted endowment (Note D)	2,950	2,950
Accumulated endowment gains (Note D)	259,016	224,917
Life income funds	11,057	11,624
Contributed for plant activities	7,036	11,665
Total temporarily restricted net assets	**341,755**	**313,610**
Permanent endowment (Note D)	205,375	192,996
Pledges receivable	17,675	20,349
Life income and other funds	3,803	3,701
Total permanently restricted net assets	**226,853**	**217,046**
Total net assets	**1,157,401**	**1,098,579**
Total liabilities and net assets	**$ 1,538,110**	**$ 1,378,722**

See notes to consolidated financial statements.

Consolidated Statements of Activities

For the Years Ended June 30, 1999 and 1998
($ in Thousands)

	1999	*1998*
Changes in unrestricted net assets:		
Operating revenue and support:		
Tuition and fees, net of financial aid	$130,390	$118,071
Sponsored research (Note H)	168,104	170,324
Income on investments and cash equivalents	19,365	21,208
Contributions (Note E)	23,879	23,209
Educational activities	8,817	12,068
Auxiliary services	34,167	30,284
Other sources	13,265	13,456
Net assets released from restrictions	33,452	27,677
Total operating revenue and support	**431,439**	**416,297**
Operating expenses:		
Instruction and departmental research	167,069	154,765
Sponsored research	143,311	138,805
Academic support	38,671	37,615
Student services	16,860	16,048
Administration and institutional support	29,436	27,976
Auxiliary services and activities	33,597	30,689
Provision for the present value of annuities	651	775
Total operating expenses	**429,595**	**406,673**
Increase in unrestricted net assets from operations	**1,844**	**9,624**
Nonoperating activities:		
Net realized gains on investments	18,526	26,101
Unrealized (depreciation)/appreciation on investments	1,827	(13,947)
Other sources	(1,327)	0
Increase in unrestricted nonoperating activities	**19,026**	**12,154**
Increase in unrestricted net assets	**20,870**	**21,778**
Changes in temporarily restricted net assets:		
Contributions and increase in pledges receivable (Note E)	15,865	29,494
Income on investments	13,184	11,705
Net realized gains on investments	28,327	40,000
Unrealized (depreciation)/appreciation on investments	3,964	(19,655)
Other sources	257	508
Net assets released from restrictions	(33,452)	(27,677)
Increase in temporarily restricted activities	**28,145**	**34,375**
Changes in permanently restricted net assets:		
Contributions and increase in pledges receivable (Note E)	8,696	16,387
Investment income and gains reinvested	1,111	293
Increase in permanently restricted net assets	**9,807**	**16,680**
Increase in net assets	**$ 58,822**	**$ 72,833**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the Years Ended June 30, 1999 and 1998
($ in Thousands)

	1999	*1998*
Cash flows from operating activities:		
Increase in net assets	$ 58,822	$ 72,833
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Realized gains on sales of investments	(46,853)	(66,101)
Unrealized (appreciation)/depreciation on investments	(5,791)	33,602
Depreciation	40,325	40,270
Gifts in kind	(3,740)	(4,721)
Loss on equipment dispositions	1,810	1,558
Contributions for land, buildings, equipment and permanent endowment	(14,971)	(36,240)
(Increase)/decrease in accrued interest and dividends	(1,092)	4,345
(Increase)/decrease in accounts receivable	(16,614)	15,214
Decrease in inventories	187	692
Increase in prepaid and deferred charges	(276)	(798)
(Increase)/decrease in pledges receivable	4,639	(9,683)
(Increase)/decrease in other assets	3,600	(5,341)
Increase in accounts payable and other liabilities	4,842	3,901
Increase/(decrease) in students and other deposits	(2,469)	582
Increase in deposits held in custody for others	943	271
Increase in deferred revenue	11,225	660
Change in present value of annuities	(103)	1,622
Other, net	0	(266)
Net cash provided by operating activities	**34,484**	**52,400**
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	1,705,749	1,640,602
Purchases of investments	(1,727,587)	(1,662,462)
Purchases of land, buildings and equipment	(68,274)	(55,985)
Proceeds from sale of equipment	99	249
Disbursements of loans to students	(5,301)	(2,754)
Repayments of loans from students	4,599	1,816
Net cash used for investing activities	**(90,715)**	**(78,534)**
Cash flows from financing activities:		
Proceeds from issuance of indebtedness	88,950	0
Repayments of principal of indebtedness	(2,821)	(382)
Contributions for land, buildings, equipment and permanent endowment	14,971	36,240
Net cash provided by financing activities	**101,100**	**35,858**
Net increase in cash and cash equivalents	**44,869**	**9,724**
Cash and cash equivalents at beginning of year	**39,739**	**30,015**
Cash and cash equivalents at end of year	**$ 84,608**	**$ 39,739**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

($ in Thousands)
June 30, 1999 and 1998

Note A—Carnegie Mellon

Carnegie Mellon University (Carnegie Mellon) is a private, not-for-profit educational and research institution. Carnegie Mellon grants approximately 2,200 bachelor's, master's and doctor's degrees each year. (Approximately 92% of undergraduate students are from the United States. International students comprise 8% of undergraduate, 37% of master's and 52% of Ph.D. students.)

A substantial portion of Carnegie Mellon's revenues is from sponsored research under federal, state, industrial and other contracts.

Note B—Summary of Significant Accounting Policies

Basis of Accounting and Reporting

The accompanying consolidated financial statements have been prepared on the accrual basis.

The consolidated financial statements of Carnegie Mellon include the accounts of the university and its wholly owned subsidiaries. The accounts of the wholly owned subsidiaries are not significant; intercompany transactions have been eliminated in consolidation.

Carnegie Mellon's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets — Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets — Net assets subject to donor-imposed or legal stipulations that may or will be met either by actions of Carnegie Mellon and/or the passage of time.

Permanently restricted net assets — Net assets subject to donor-imposed stipulations that the assets be maintained permanently. Generally, the donors of these assets permit Carnegie Mellon to use all or part of the income earned on the related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions between applicable classes of net assets.

Income and realized net gains and losses on investments are reported as follows:

- As changes in permanently restricted net assets if so restricted by the donor;
- As changes in temporarily restricted net assets if the terms of the gift or relevant state law impose restrictions on the use of the income or gains and losses; and
- As changes in unrestricted net assets in all other cases.

The federal loan program fund balance and certain benefits reserves are classified as liabilities.

Equity securities with readily determinable fair values and all debt securities are measured at fair value with gains and losses reported in the statement of activities.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to Carnegie Mellon, the internal operating accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified into funds that are in accordance with activities or objectives specified. These financial statements, however, have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions.

Contributions with Restrictions Met in the Same Year

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a release of restriction is made to unrestricted net assets to reflect the satisfaction or expiration of such restrictions.

Contributions for Plant Activities
Donors' contributions to fund construction projects are classified as temporarily restricted net assets until the facility is placed in service. At that time, the temporarily restricted net assets are released from restriction and replenish unrestricted net asset balances designated for plant activities.

Operations
Revenues received and expenses incurred in conducting the programs and services of Carnegie Mellon are presented in the financial statements as operating activities. Nonoperating results include realized and unrealized gains and losses due to investment results. Unusual expenses and additions are also recorded as nonoperating. In addition, net assets released from donor restrictions for buildings are released into nonoperating activities when the building is put into service.

Cash Equivalents
Cash equivalents include U.S. treasury obligations, commercial paper and corporate notes with maturities of three months or less, except that such instruments purchased with endowment and annuity and life income assets on deposit with bond trustees are classified as investments.

Investments
Debt and equity securities held by Carnegie Mellon are carried at market values as established by the major securities markets. Diversified, nonliquid holdings are carried at market values based upon financial information provided by the portfolio managers. Investments received as a gift are reflected as contributions at their fair market value at the date of the gift.

Endowment
Investment policy for endowment assets is the responsibility of the Investment Committee of the Board of Trustees. Substantially all endowment assets are managed by outside investment managers and held in custody by an outside trustee.

Endowment net assets classified as unrestricted include Carnegie Mellon funds and unrestricted gifts from donors, and any accumulated income and appreciation thereon, which is intended to remain in the endowment for the long-term support of Carnegie Mellon activities but may be expended under Trustee authorization.

Temporarily restricted endowment net assets include certain expendable gifts, and any retained income and appreciation thereon, that are restricted by the donor to a specific purpose. When the temporary restrictions on these funds have been met, the gifts ordinarily remain in the endowment to continue supporting the same activities as those specified by the donors, however, by Trustee designation, the funds are reclassified to unrestricted endowment net assets. This classification also includes all expendable, accumulated appreciation of $259 million on permanent endowment assets. The Trustees of Carnegie Mellon must authorize release of endowment gains from temporarily restricted to unrestricted net assets according to Pennsylvania law.

Permanently restricted endowment net assets include those assets that must be invested in perpetuity to provide a permanent source of income.

All endowment funds participate in a Carnegie Mellon investment pool. The investment pool provides income to its respective participants. Such income is used for the specific purpose prescribed by the donor or, if the purpose was not prescribed by the donor, the income is deemed unrestricted and used for general purposes. New endowment funds or additions to existing funds are assigned shares in the investment pool based upon the per share market value at the end of the previous quarter. Income distributions from the investment pool are based upon the earnings per share of the pool and the number of shares held by each participant at the beginning of the quarter. Income distributions from the investment pool are based upon the "total return concept." The annual income distributed from the investment pool includes interest and dividends and could include a portion of the accumulated capital gains. Any capital gains not distributed currently are reinvested in the investment pool and are available for distribution from the endowment assets in future years.

Land, Buildings and Equipment
Land, buildings and equipment are recorded at cost at the date of acquisition or, if acquired by gift, at the estimated fair market value as of the date of the gift. Additions to plant assets are capitalized while scheduled maintenance and minor renovations are charged to operations. Plant assets are reflected net of accumulated depreciation calculated on a straight-line basis over the estimated economic lives. In addition, depreciation and operation and maintenance of plant expenses are allocated either directly or based on square footage to the functional expense categories.

Reclassifications
Certain 1998 amounts have been reclassified to conform with the 1999 presentation.

Fair Value
For all debt instruments, fair value approximates book value.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

New Accounting Standards
In June 1998, SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" was issued. SFAS No. 133 (as amended by SFAS No. 137) is effective for fiscal first quarters of fiscal years beginning after June 15, 2000. The university has not yet determined the effect of this standard on its financial reporting.

Note C—Investments

Investments by major category at June 30, 1999 and 1998 follow ($ in thousands):

$ in thousands	*1999*	*1998*
Cash equivalents	$ 32,610	$ 25,797
Fixed income	371,248	347,994
Common stock	397,246	390,389
Other investments	107,001	69,881
Total	$ 908,105	$ 834,061

Approximately 71% of fixed income securities are U.S. investment grade and high yield bonds, asset backed securities and United States Treasury and Agency obligations at June 30, 1999. At June 30, 1998 approximately 75% of fixed income securities were of the same nature. The remaining 29% of fixed income securities, at June 30, 1999, included non-U.S. investment grade and high yield bonds while the remaining 25% of fixed income securities, at June 30, 1998, included non-U.S. investment grade and high yield bonds.

Common stock investments are comprised of approximately 62% domestic equities and 38% international and emerging market equities at June 30, 1999. At June 30, 1998 approximately 65% of common stock investments consisted of domestic equities. While the remaining 35% included international and emerging market equities.

The allocation to each major category represents the actual allocation of all investment pools on a combined basis. Each investment pool maintains a unique investment strategy. Actual allocations on a combined basis should not be interpreted as investment allocation policy for a particular investment pool.

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 1999 and 1998:

		1999		
$ in thousands	*Unrestricted*	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Dividends and interest	$19,365	$13,184	$1,111	$ 33,660
Net realized gains on sale of securities	18,526	28,327	0	46,853
Unrealized appreciation	1,827	3,964	0	5,791
Total return on investments	$39,718	$45,475	$1,111	$ 86,304

		1998		
$ in thousands	*Unrestricted*	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Dividends and interest	$21,208	$11,705	$293	$ 33,206
Net realized gains on sale of securities	26,101	40,000	0	66,101
Unrealized appreciation/(depreciation)	(13,947)	(19,655)	0	(33,602)
Total return on investments	$33,362	$32,050	$293	$ 65,705

In the management of the investments, Carnegie Mellon and certain of its outside investment managers purchase and sell derivative instruments. Derivatives are used to manage interest rate, foreign currency and market positions.

Carnegie Mellon's international equity and fixed income portfolios maintain market benchmarks, for performance evaluation and risk control purposes, that are unhedged with respect to foreign currencies. Unhedged benchmarks reflect the full impact of foreign currency fluctuations stemming from the benchmarks' foreign currency positions. Investment managers of these international portfolios have the discretion to manage the portfolios' foreign currencies, relative to the currency exposures in their unhedged benchmarks, to protect the portfolios from potential foreign currency losses and to benefit from potential foreign currency gains. Carnegie Mellon's investment managers understand that they are assuming active management risks to the extent that they assume foreign currency exposures that differ from the foreign currency exposures in their relevant market benchmarks (as documented in the formal investment guidelines for each manager). Carnegie Mellon had foreign exchange contracts totaling $82.4 million and $177.1 million at June 30, 1999 and 1998, respectively.

Put and call options on the S&P 500 Index are utilized to hedge domestic equity market positions. The options provide a floor and cap on market fluctuations on a portion of the domestic common stock portfolio. The notional value of each group of the option contracts totaled $66.9 million and $105.1 million, at June 30, 1999 and 1998, respectively.

Investment managers purchase and sell interest rate futures to control the risk of fluctuations in market interest rates, relative to portfolio benchmarks, on the university's fixed income investments. At June 30, 1999 and 1998, the notional value of interest rate futures was ($19.1 million) and ($74.1 million), respectively. (Parentheses denote net short positions.)

Certain domestic equity investment managers purchase S&P 500 futures contracts to obtain cost efficient exposure to the S&P 500 Index when the S&P 500 Index is the portfolio benchmark. At June 30, 1999 and 1998, the notional value of S&P 500 futures contracts was $36.6 million and $30.3 million, respectively.

Gains or losses from derivative instruments are reported as realized and unrealized gains or losses in the statement of activities. The market value of all derivative instruments is included in the market value of the investments of which they were intended to hedge.

Note D—Endowment

The following table provides a summary of the changes in value of the endowment assets excluding pledges for the years ended June 30, 1999 and 1998:

$ in thousands	*1999*	*1998*
Beginning of year endowment value	$653,919	$608,300
Gifts and other additions:		
Contributions (excluding pledges)	12,180	23,062
Terminated life income trusts and income and gains reinvested	1,111	293
Other transfers	9,665	13
Subtotal	22,956	23,368
Investment income:		
Interest and dividends	21,073	17,153
Realized gain on sale of securities	44,207	66,346
Unrealized appreciation/(depreciation)	9,873	(33,044)
Subtotal	75,153	50,455
Income distributed for operating purposes:		
Cash and accrued interest and dividends	21,073	17,153
Accumulated realized gain on sale of securities	11,635	11,051
Subtotal	32,708	28,204
End of year endowment value	$719,320	$653,919

Endowment net assets are classified as follows:

$ in thousands	*June 30, 1999*	*June 30, 1998*
Unrestricted	$251,979	$233,056
Temporarily restricted	261,966	227,867
Permanently restricted	205,375	192,996
Total	$719,320	$653,919

The endowment's total investment return of 11.9% (net of fees) for the year reflects the diverse returns of the capital markets during this period. (Refer to Financial Highlights of Fiscal Year 1999, page 6, for a discussion of investment results and strategy.)

Carnegie Mellon maintains a total return spending policy. Endowment income distributions can consist of dividend and interest income and a withdrawal of accumulated capital gains when necessary. The main objective of the total return spending policy is to separate spending policy from investment policy. Separating spending policy from investment policy permits asset allocation decisions to be made independently of the need for current income.

The rate of net income distributed for 1999 was 4.8% as compared to 4.5% in 1998.

Note E—Contributions and Pledges Receivable

Contribution revenue includes gifts, unconditional pledges to give and grants. Contributions are recorded in the appropriate net asset category based upon the intent of the donor or grantor. Contributions for the years ended June 30, 1999 and 1998 follow:

$ in thousands	*1999*			
	Gifts	*Fund Raising Pledges*	*Grants*	*Total*
Unrestricted	$17,187		$ 6,692	$23,879
Temporarily restricted	14,383	$(1,964)	3,446	15,865
Permanently restricted	12,303	(3,607)		8,696
Total	$43,873	$(5,571)	$10,138	$48,440

$ in thousands	*1998*			
	Gifts	*Fund Raising Pledges*	*Grants*	*Total*
Unrestricted	$18,680		$ 4,529	$23,209
Temporarily restricted	10,712	$ 14,726	4,056	29,494
Permanently restricted	21,430	(5,043)		16,387
Total	$50,822	$ 9,683	$ 8,585	$69,090

Pledges and outside trusts as of June 30, 1999 and 1998 are discounted to the present value of future cash flows and are due as follows:

$ in thousands	*1999*			
	Discount Rate	*Temporarily Restricted*	*Permanently Restricted*	*Total*
In one year or less	5.3%	$11,136	$ 6,698	$17,834
Between one year and five years	5.8%	6,920	5,798	12,718
More than five years	6.1%	23,007	6,034	29,041
Present value of pledges		41,063	18,530	59,593
Less allowance for unfulfilled pledges		(1,325)	(855)	(2,180)
Pledges receivable, net of allowance		$39,738	$17,675	$57,413

$ in thousands	*1998*			
	Discount Rate	*Temporarily Restricted*	*Permanently Restricted*	*Total*
In one year or less	5.5%	$10,652	$ 6,383	$17,035
Between one year and five years	5.5%	10,266	7,792	18,058
More than five years	5.8%	22,448	7,223	29,671
Present value of pledges		43,366	21,398	64,764
Less allowance for unfulfilled pledges		(1,663)	(1,049)	(2,712)
Pledges receivable, net of allowance		$41,703	$20,349	$62,052

The pledges receivable as of June 30, 1999 and 1998, net of allowances, is intended for the endowment in the amounts of $17.7 and $31.0 million, respectively, capital projects in the amounts of $14.8 and $18.4 million, respectively and other donor restricted purposes in the amounts of $24.9 and $12.6 million, respectively.

For the years ended June 30, 1999 and 1998, Carnegie Mellon received $3.7 million and $4.7 million gifts in kind that were recorded as contributions and other sources in the statement of activities.

Conditional promises of gifts depend on the occurrence of a specific and uncertain event. These types of gifts are held in trusts not controlled by Carnegie Mellon and are not recorded in the financial statements. As of June 30, 1999, the discounted value of the conditional gifts are as follows ($ in thousands):

Unrestricted	$ 9,697
Scholarships	3,097
Total	$12,794

Note F—Accounts Receivable

Accounts receivable at June 30, 1999 and 1998 consist of the following:

$ in thousands	*1999*	*1998*
Research grants and contracts:		
Federal	$38,024	$14,663
Non-federal	10,165	12,146
Subtotal	48,189	26,809
Student accounts:		
Current	4,664	4,913
Delinquent	1,471	1,360
Subtotal	6,135	6,273
Reserve for doubtful accounts	(1,835)	(1,794)
Subtotal	4,300	4,479
Other	634	5,221
Total	$53,123	$36,509

Note G—Loans Receivable

Student loans receivable of $16.2 million and $15.5 million are stated gross of allowances for doubtful accounts of $1.1 million at June 30, 1999 and 1998.

Note H—Sponsored Research

Direct research revenues represent reimbursement of costs incurred in direct support of research projects. Such revenue is recognized when the direct costs are incurred, and is recorded in unrestricted net assets. In addition, research grants and contracts normally provide for the recovery of indirect costs supporting the research effort.

Indirect research revenue is recorded at rates established in advance by Carnegie Mellon through negotiations with the United States Government and other sponsors. The recovery of indirect costs is recorded in unrestricted net assets.

The major components of sponsored research revenue for the years ended June 30, 1999 and 1998 are as follows:

$ in thousands	*1999*	*1998*
Federal		
Direct research revenue	$ 96,564	$103,113
Indirect research revenue	26,195	28,961
Subtotal - Federal	122,759	132,074
State, industrial and other		
Direct research revenue	35,092	28,388
Indirect research revenue	10,253	9,862
Subtotal - state, industrial and other	45,345	38,250
Total sponsored research revenue	$168,104	$170,324

Note I—Land, Buildings and Equipment

Land, buildings and equipment (net) at June 30, 1999 and 1998 consist of the following:

$ in thousands	*1999*	*1998*
Buildings	$395,864	$383,303
Utilities and building related assets	48,446	44,963
Moveable equipment	313,162	316,226
Subtotal	757,472	744,492
Accumulated depreciation	(418,085)	(400,866)
Subtotal	339,387	343,626
Land	7,996	7,996
Construction in progress	52,694	19,143
Subsidiary buildings and equipment - net	468	0
Total - Net	$400,545	$370,765

Carnegie Mellon included $1.2 million in buildings in 1999 and 1998 which represents the present value of minimum lease payments under a capital lease arrangement.

Note J—Long-Term Debt

Long-term debt consists of the following bond issues and mortgages:

$ in thousands	Interest %	June 30, 1999	June 30, 1998
Dormitory bonds/mortgage notes	2.75 - 3.50	$ 3,771	$ 3,985
Pennsylvania Higher Education Facilities Authority, Variable Rate Refunding Bonds, Series 1995	Variable	176,800	176,800
Allegheny County Higher Education Building Authority, Variable Rate University Revenue Bonds, Series 1998	Variable	88,000	0
URA Loan	4.00	628	3,265
REC Lease	7.50	1,319	1,289
Other	Variable	950	0
Total		$271,468	$185,339

The dormitory bonds and mortgage notes, issued between 1957 and 1982, mature in aggregate amounts with $227 thousand due in the year ending June 30, 2000 and lesser amounts thereafter to 2024. Interest rates are fixed and range from 2.75% through 3.5%. Facilities of Carnegie Mellon and the revenues thereon are pledged as collateral on the dormitory bonds and mortgage notes. Certain indentures related to these borrowings further provide, among other provisions, that Carnegie Mellon deposit in a collateral fund securities having a market value of at least $129.1 thousand. As of June 30, 1999, securities with a market value of approximately $162.7 thousand were deposited.

On November 1, 1995, Carnegie Mellon issued through the Pennsylvania Higher Education Facilities Authority $176.8 million of Carnegie Mellon University Variable Rate Revenue Refunding Bonds, Series 1995 (the “1995 Bonds”). The proceeds of the 1995 Bonds were used to repay the Washington County Higher Education Pooled Equipment Leasing program debt and the Pennsylvania Higher Education Facilities Authority Variable Rate Option Revenue Bonds, First Series of 1985. The $176.8 million debt issue consists of $50 million Series 1995A due 2025, $50 million Series 1995B due 2027, $50 million Series 1995C due 2029, and $26.8 million Series 1995D due 2030. The 1995 Bonds have certain financial covenants consistent with similar types of financing arrangements. The 1995 Bonds structured as multiple mode obligations currently bear interest at a variable market rate determined daily by the bonds’ remarketing agent. Interest was charged at rates ranging from 1.4% to 5.0% during the year. Interest expense for the years ended June 30, 1999 and 1998 totaled $5.6 million and $6.9 million, respectively.

Interest paid for the years ended June 30, 1999 and 1998 totaled $7.2 million and $6.9 million, respectively. In 1999, approximately $.9 million in interest was capitalized.

On December 30, 1998, Carnegie Mellon issued through the Allegheny County Higher Education Building Authority $88.0 million of Carnegie Mellon University Variable Rate Revenue Bonds, Series 1998 (“the 1998 Bonds”). The proceeds of the 1998 Bonds will be used to fund capital projects in progress and planned over the next fiscal year. The 1998 Bonds are due December 2033.

The 1998 Bonds structured as multiple mode obligations currently bear interest at a variable market rate determined daily by the bonds’ remarketing agent. Interest was charged at rates ranging from 1.4% to 4.7% during the year.

On July 15, 1995, Carnegie Mellon and the Urban Redevelopment Authority of Pittsburgh (the “URA”) entered into a capital lease. The lease is for the land and buildings that are known as the Robotics Engineering Consortium (REC). The lease term is for seven years. The present value of the minimum lease payments is $1.2 million. The interest rate on the lease is 7.5% and concludes in 2002. Contract and grant revenues will support the payments on this lease.

On October 23, 1996, Carnegie Mellon and the URA entered into two loan agreements in the total amount of $4.5 million. The interest rate on the loans is 4%. The repayment amounts are due in varying amounts concluding in 2000. The proceeds of the loans were used for construction and renovation costs of the Robotics Engineering Consortium. There are certain restrictive covenants of the loans with which Carnegie Mellon was in compliance as of June 30, 1999. One of the covenants is that the URA has a perfect security interest in all assets of the CMU/NASA REC, including all lease-hold improvements, subordinated only to existing security interests in equipment and machinery. Strategy 21 State funds and contract and grant revenues will be used to pay these loans.

Aggregate long-term debt maturities for each of the five years ending June 30 are ($ in thousands):

2000	$ 1,319
2001	670
2002	210
2003	1,565
2004	179
Thereafter	267,525

Note K—Commitments and Contingencies

On November 1, 1995, Carnegie Mellon executed a guaranty whereby it guarantees the payment of principal and interest due on $19.3 million RIDC Regional Growth Fund Revenue Refunding Bonds (Carnegie Mellon University Software Engineering Institute Facility), Series 1995, issued through the Pennsylvania Higher Educational Facilities Authority. These bonds were issued to refinance a prior debt issue used for construction of a building in accordance with the research contract for the Software Engineering Institute. The amount outstanding on June 30, 1999 was $14.4 million.

The university has entered into operating leases, the schedule of future payments on which is ($ in thousands):

2000	$ 3,253
2001	3,253
2002	3,253
2003	3,253
2004	3,253
Thereafter	2,982

Lease expense for the year ending June 30, 1999 and 1998 was $12.4 million and $10.8 million, respectively.

Carnegie Mellon is a defendant in a number of legal actions seeking damages and other relief. While the final outcome of each action cannot be determined at this time, legal counsel and management are of the opinion that the liability, if any, in these legal actions will not have a material effect on Carnegie Mellon's financial statements.

Carnegie Mellon and its affiliates receive significant financial assistance from the federal government, including the sponsorship of federal research projects. Research grants and contracts normally provide for the recovery of direct and indirect costs.

Entitlement to the recovery of the applicable direct and related indirect costs is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants and Carnegie Mellon's indirect cost rate are subject to financial and compliance reviews and audits by the grantors. In management's opinion, the likelihood of an adverse material outcome upon its financial position from those reviews and audits is remote.

Note L—Pension and Other Retirement Plans

In fiscal year 1999 Carnegie Mellon adopted Statement of Financial Accounting Standards No. 132 — "Employer's Disclosures about Pensions and Other Postretirement Benefits."

Carnegie Mellon has various pension and retirement programs covering substantially all of its employees. The two principal pension programs are TIAA-CREF, a defined contribution plan, and the SEIU National Industry Pension Fund, a multi-employer plan. Annual contributions are made to the plans equal to amounts accrued for pension expense. Such plans are fully funded on a current basis. Pension expense for the years ended June 30, 1999 and 1998, totaled $13.6 million and $12.4 million, respectively.

Carnegie Mellon provides certain health care benefits for eligible retired employees. The following table sets forth the health care plan's funded status at June 30, 1999 and 1998 ($ in thousands):

Fiscal year ended June 30 ($ in thousands)	*1999*	*1998*
Benefit obligation	$4,794	$3,901
Unrecognized amounts, primarily transition obligation	3,607	3,831
Benefit obligation and funded status before "rabbi" trust at June 30	$8,401	$7,732
Liability in the Statements of Financial Position	$4,919	$3,991

Weighted-average assumptions as of June 30	*1999*	*1998*
Discount rate	7.50%	6.75%

For measurement purposes, an 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease gradually to 5% for 2002 and remain at that level thereafter.

Fiscal year ended June 30 ($ in thousands)	*1999*	*1998*
Benefit cost	$966	$858
Employer contribution	332	338
Plan participants' contributions	7	7
Benefits paid	339	345

In conjunction with an agreement made with the federal government, the university has established a "rabbi" trust, which is available to general creditors, only in the event of insolvency. The expected return on plan assets for 1999 and 1998 was 8.75% and was used in determining the benefit cost.

Assets in the trust to fund FAS 106 costs and other post-employment benefits are $5.0 and $0.8 million, respectively at June 30, 1999 and $3.5 and $1.0 million, respectively at June 30, 1998. These assets are reflected as investments in the accompanying Statements of Financial Position.

Total contributions for years ended June 30, 1999 and 1998 to fund the FAS 106 liability, including payments into the trust, totaled $1.3 and $3.7 million, respectively.

Administration and Board

Administration

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Vice Provost for Research Computing

Theodore Willke
Director and Chief Operating Officer, Carnegie Mellon Research Institute

Vacant
Vice President for Development

* Alumnus(a)

Type of university: Private, coeducational, granting about 2,200 bachelor's, master's and doctor's degrees each year.

Number of colleges and schools: Seven—the Carnegie Institute of Technology (engineering); the College of Fine Arts; the College of Humanities and Social Sciences (liberal arts and professional studies); the Graduate School of Industrial Administration (business); the H. John Heinz III School of Public Policy and Management; the Mellon College of Science; the School of Computer Science.

Physical size: 103-acre main campus; 80 campus and outlying buildings.

Location: Five miles east of downtown Pittsburgh, bordered by 500-acre Schenley Park and three culturally active residential neighborhoods.

Number of students: 5,000 undergraduates; 1,971 master's and 1,042 doctoral students.

Number of faculty: 1,000 full-time and 207 part-time academic faculty; and 50 administrative faculty.

Athletics: Team name is "the Tartans"; NCAA Division III classification; founding member of the University Athletic Association; 17 varsity sports; 40 intramural sports.

Number of alumni: 52,176

Computers: There are thousands of high-powered computer workstations and personal computers on campus; all student rooms and apartments and all academic and research facilities are linked to the university's Andrew computing network.

History: Founded in 1900 by industrialist and philanthropist Andrew Carnegie as a technical school for working class Pittsburgh; became Carnegie Institute of Technology, or "Tech," in 1912; merged with the Mellon Institute of Research in 1967 to become Carnegie Mellon University.

Founder's motto: "My Heart Is in the Work," as inscribed by founder Andrew Carnegie in his "contract" to the city of Pittsburgh written in 1900.

For more insight into our vision for the future of Carnegie Mellon . . .

Please visit our Internet World Wide Web home page at:

http://www.cmu.edu/

The complete financial report and supplemental information on Carnegie Mellon's financial services can be found at the following address:

http://www.as.cmu.edu/~fsg/Welcome.html

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