

**UNIVERSITY
OF MIAMI**



FINANCIAL STATEMENTS

Fiscal years ended MAY 31, 2009 and 2008

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
University of Miami

We have audited the accompanying statements of financial position of the University of Miami (the University) as of May 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of May 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Fort Lauderdale, Florida
August 28, 2009

UNIVERSITY OF MIAMI
STATEMENTS OF FINANCIAL POSITION
As of May 31, 2009 and May 31, 2008
(in millions)

Assets	May 2009	May 2008
Cash and cash equivalents	\$ 126.7	\$ 144.4
Accounts and loans receivable	337.4	265.9
Contributions receivable	101.1	101.6
Other assets	52.0	54.5
Investments	713.7	1,204.0
Property and equipment	1,431.6	1,312.2
Trusts held by others	48.6	50.9
Intangible assets	101.2	103.9
Total Assets	\$ 2,912.3	\$ 3,237.4
Liabilities		
Accounts payable and accrued expenses	\$ 147.2	\$ 161.3
Deferred revenues and other deposits	80.5	76.8
Accrued postretirement benefit cost	255.4	123.1
Other liabilities	117.7	123.5
Actuarial liability of annuities payable	7.8	10.9
Reserves for medical self-insurance	65.4	57.4
Government advances for student loans	22.7	22.9
Bonds and notes payable	900.6	890.5
Total Liabilities	1,597.3	1,466.4
Net Assets		
Unrestricted:		
Operations, programs, facilities expansion, and student loans	(138.4)	217.1
Invested in facilities	718.7	600.5
Endowment and similar funds	208.3	419.2
Total unrestricted net assets	788.6	1,236.8
Temporarily restricted:		
Gifts for programs and facilities expansion	36.9	52.4
Contributions (pledges) and trusts	94.8	101.6
Life income and annuity funds	9.5	12.3
Endowment and similar funds	29.1	29.2
Total temporarily restricted net assets	170.3	195.5
Permanently restricted:		
Contributions (pledges) and trusts	54.9	50.9
Endowment and similar funds	301.2	287.8
Total permanently restricted net assets	356.1	338.7
Total Net Assets	1,315.0	1,771.0
Total Liabilities and Net Assets	\$ 2,912.3	\$ 3,237.4

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF MIAMI
STATEMENTS OF ACTIVITIES
For the years ended May 31, 2009 and 2008
(in millions)

	May 2009	May 2008
Changes in unrestricted net assets		
Operating activities		
Operating revenues		
Tuition and fees, net	\$ 369.5	\$ 357.7
Grants and contracts	467.0	462.6
Medical professional practice	372.6	337.7
Hospitals and clinics	623.3	428.6
Gifts and trusts	69.2	67.9
Net assets released from restrictions	17.3	18.0
Endowment spending distribution	34.7	31.9
Investment return	7.3	24.1
Auxiliary enterprises, net	99.5	92.3
Other sources	31.2	30.4
Total operating revenues	2,091.6	1,851.2
Operating expenses		
Instruction	451.8	415.6
Research	202.8	195.5
Public service	154.2	145.9
Patient care	928.0	695.9
Auxiliary enterprises	141.0	128.8
Academic support	127.3	127.8
Student services	44.4	42.5
Institutional support	92.0	94.2
Total operating expenses	2,141.5	1,846.2
Change in unrestricted net assets from operating activities	(49.9)	5.0
Non-Operating activities		
Endowment, annuity and other investment return	(306.4)	(56.0)
Gifts and trusts	6.1	7.0
Net loss on sale, disposal, and exchange of property and equipment	(1.1)	(2.2)
Other sources	(.3)	(.2)
Net assets released from restrictions	16.3	4.4
Transfer to permanently restricted net assets	(1.1)	-
Change in unrestricted net assets from non-operating activities	(286.5)	(47.0)
Minimum pension liability	-	14.9
Pension related changes other than net periodic benefit cost	(111.8)	-
Cumulative effect of change in accounting principle	-	(38.9)
Decrease in unrestricted net assets	(448.2)	(66.0)
Changes in temporarily restricted net assets		
Endowment, annuity and other investment return	(3.0)	(.2)
Gifts and trusts	13.4	22.6
Changes in value of annuities payable and trusts held by others	(2.0)	(1.4)
Net assets released from restrictions	(33.6)	(22.4)
Transfer to permanently restricted net assets	-	(2.8)
Decrease in temporarily restricted net assets	(25.2)	(4.2)
Changes in permanently restricted net assets		
Endowment, annuity and other investment return	2.3	(.2)
Gifts and trusts	14.0	19.8
Transfer from unrestricted and temporarily restricted net assets	1.1	2.8
Increase in permanently restricted net assets	17.4	22.4
Decrease in total net assets	(456.0)	(47.8)
Net Assets		
Beginning of year	1,771.0	1,818.8
End of year	\$ 1,315.0	\$ 1,771.0

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF MIAMI
STATEMENTS OF CASH FLOWS
For the years ended May 31, 2009 and 2008
(in millions)

	<i>May</i> 2009	<i>May</i> 2008
Cash flows from operating activities		
Decrease in total net assets	\$ (456.0)	\$ (47.8)
Adjustments to reconcile decrease in total net assets to net cash (used in) provided by operating activities		
Cumulative effect of change in accounting principle	-	38.9
Net realized and unrealized losses on investments and other assets	289.7	35.8
Gifts and trusts	(26.6)	(37.1)
Depreciation and amortization	110.2	92.5
Provision for doubtful accounts	81.0	66.2
Net loss on sale, disposal, and exchange of property and equipment	1.1	2.2
Present value adjustment on annuities payable and trusts held by others	2.0	1.4
Amortization of bond premiums	(1.0)	(3.1)
Change in operating assets and liabilities		
Increase in		
Accounts and loans receivable	(139.5)	(129.6)
Other assets	(5.2)	(14.9)
Increase (decrease) in		
Accounts payable and accrued expenses	(14.1)	25.5
Deferred revenues, annuities payable and other liabilities	(3.1)	(32.8)
Accrued postretirement benefit cost	132.3	41.5
Reserves for medical self-insurance	8.0	(5.3)
Government advances for student loans	(.2)	(1.3)
Net cash (used in) provided by operating activities	(21.4)	32.1
Cash flows from investing activities		
Purchases of investments	(169.5)	(325.9)
Proceeds from the sales and maturities of investments and sales of other assets	375.2	402.1
Capital expenditures for property and equipment	(223.4)	(211.6)
Payment for acquisition of net assets of acquired operations	-	(278.5)
Student and shared appreciation mortgage loans:		
New loans made	(19.9)	(77.1)
Principal collected	6.9	59.2
Net cash used in investing activities	(30.7)	(431.8)
Cash flows from financing activities		
Gifts for plant expansion and endowment	23.3	30.0
Proceeds from the issuance of debt	55.0	604.1
Payments to retire or defease bonds and notes payable	(43.9)	(323.7)
Net cash provided by financing activities	34.4	310.4
Cash and cash equivalents		
Net decrease	(17.7)	(89.3)
Beginning of year	144.4	233.7
End of year	\$ 126.7	\$ 144.4

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF MIAMI
Notes To Financial Statements
May 31, 2009 and 2008

1. ORGANIZATION

The University of Miami (the University) is a private not-for-profit institution located in South Florida. Founded in 1925, the University owns and operates educational and research facilities as well as a health care system. Its mission is to educate and nurture students, to create knowledge through innovative research programs, and to provide service to our community and beyond by pursuing excellence in health care.

These financial statements include the accounts of all entities in which the University has a significant financial interest, and over which the University has control, including its hospitals and clinics. All significant intercompany accounts and transactions have been eliminated in the preparation of these statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

Basis of Presentation

The financial statements of the University, including its hospitals and clinics, have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations.

The three net asset categories as reflected in the accompanying financial statements are as follows:

- **Unrestricted** - Net assets which are free of donor-imposed restrictions. It includes the University's investment in property and equipment and amounts designated by management for support of operations, programs, and facilities expansion. The University has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the University and, therefore, the University's policy is to record these net assets as unrestricted. This category includes all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets. It also includes realized and unrealized gains on endowment and other long-term investments, even though the University's policy is to reinvest such earnings for future growth and to use these earnings in accordance with donor stipulations as to the original gift corpus.

Unrestricted non-operating activities reflect transactions of a long-term investment or capital nature including net realized and unrealized investment gains not used to support current operations as well as contributions to be used for facilities and equipment.

- **Temporarily Restricted** - Net assets whose use by the University is limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or removed by actions of the University pursuant to those stipulations. These net assets are available for program purposes, i.e., education, research, public service, and scholarships, as well as for buildings and equipment.
- **Permanently Restricted** - Net assets whose use by the University is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University. These net assets are invested in perpetuity, the income from which is expended for program purposes, i.e., education, research, public service, and scholarships.

Use of Estimates

The preparation of these financial statements requires management of the University to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Income Taxes

The University is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

UNIVERSITY OF MIAMI
Notes To Financial Statements
May 31, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Continued)

Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 6 for fair value measurements.

The University's investments include various types of investment securities which are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

Revenue Recognition

Tuition and fees revenue is reported in the fiscal year in which educational programs are primarily conducted. Scholarships and fellowships awarded to students for tuition, fees, and room and board are based upon need and merit, and are netted against tuition and fees, and auxiliary enterprises revenue in the statements of activities as follows (in millions):

	2009	2008
Scholarships and fellowships:		
Institutionally funded	\$ 130.1	\$ 122.7
Externally funded - gifts and grants	10.0	9.6
Total amount netted against tuition and fees revenue	\$ 140.1	\$ 132.3
Amount netted against auxiliary enterprises revenue	\$ 10.5	\$ 9.2

Gifts of cash, property and marketable securities are recorded as revenue when received. Unconditional pledges (note 4) are recognized as revenue based on the estimated present value of the future cash flows, net of allowances, when the commitment is received. Pledges made and collected in the same reporting period are recorded when received in the appropriate net asset category. Conditional pledges are recorded as revenue only when donor stipulations are substantially met.

Grants and contracts revenue is recognized as expenses are incurred.

Medical professional practice, and hospitals and clinics revenue (patient care revenue) are recorded net of contractual adjustments, discounts and allowances, and include amounts estimated by management to be paid by third-party governmental and private payors.

Revenue received before it is earned is deferred.

Annuities Payable and Trusts Held by Others

Certain gift annuities, charitable lead and remainder annuity trust agreements have been entered into with donors. Assets held under these agreements are valued at either fair value or the present value of expected cash flows. These assets are included in trusts held by others on the statements of financial position, except for gift annuities which are included in investments. Gift annuities included in investments totaled \$17.2 and \$22.8 million at May 31, 2009 and 2008, respectively. Generally, revenue from gift annuities and trusts is recognized at the date the agreements are established net of liabilities for the present value of the estimated future payments to donors and/or other beneficiaries.

UNIVERSITY OF MIAMI
Notes To Financial Statements
May 31, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Continued)

Annuities Payable and Trusts Held by Others (continued)

The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

The University is also the beneficiary of certain perpetual trusts which are also included in trusts held by others on the statements of financial position. The present values of the estimated future cash receipts from the trusts or the fair value of the assets held in the trust are recognized as assets and gift and trust revenue as of the date the University is notified of the establishment of the trust. Distributions from the trusts are recorded as gift and trust revenue, and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

Medical School

Faculty physicians, in addition to teaching and conducting research, engage in the practice of medicine, which generates patient care revenue. Revenues and expenses, including compensation and administrative operations from the practice of medicine, are reflected as University revenues and expenses. The net assets of patient care activities are designated for medical school programs.

The University and the Public Health Trust of Miami-Dade County, Florida (PHT), owner and operator of Jackson Memorial Hospital (JMH), have entered into an affiliation agreement related to their independent missions within the designated land and facilities that comprise the Jackson Memorial Medical Center. Pursuant to that agreement, the PHT provides clinical facilities for the teaching of the University's medical students. Medical education of its students is the sole responsibility of the University. In addition, the University has agreed to permit its faculty to apply for privileges at JMH to train and supervise JMH house staff (interns, residents, and fellows) and to treat hospital patients in their capacity as members of JMH's attending medical staff. All such treatment and training is the sole responsibility of the PHT in its capacity as the legal owner and operator of the Jackson Health System's public hospitals and clinics and its statutory teaching hospital (JMH). The affiliation agreement provides the terms for the mutual reimbursement of services provided.

Insurance

The University manages property and liability risks through a combination of commercial insurance policies and self-insurance.

The University is self-insured for medical professional liability and hospital liability and maintains commercial excess loss coverage within specified limits. Provisions for medical professional liability claims and related costs are based on several factors, including an annual actuarial study using a discount rate of 3% and 5% as of May 31, 2009 and 2008, respectively.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Depreciation is not recorded on land and art objects. Leasehold improvements are amortized over the lesser of the lease term or the useful life.

Facilities and Administrative Cost Recovery

The Federal government reimburses the University for facilities and administrative costs incurred in connection with research grants and contracts based on predetermined rates through 2011. Facilities and administrative cost recovery from government and private sources included in grant and contract revenues totaled \$60.1 and \$56.5 million during the years ended May 31, 2009 and 2008, respectively.

UNIVERSITY OF MIAMI
Notes To Financial Statements
May 31, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Continued)

Facilities Expenses

Facilities related expenses have been allocated across applicable functional expense categories in the statements of activities based on space usage (in millions):

	2009	2008
Depreciation and amortization	\$ 110.2	\$ 92.5
Interest	39.3	26.2
Operations and maintenance	118.0	116.0
Total	<u>\$ 267.5</u>	<u>\$ 234.7</u>

Accounting Change due to New Pronouncements and Impact of Future Accounting Standards

In fiscal year 2008, the University adopted the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans, an amendment of FASB Statements Nos. 87, 88, 106 and 132(R)* (SFAS 158). The effect of the adoption of SFAS 158 for fiscal year 2008 is discussed in note 11. The provision of SFAS 158 that requires measurement of the defined benefit plan's assets and obligations as of the end of the fiscal year was effective for the University's fiscal year ended May 31, 2009. The effect of adopting the measurement provision of SFAS 158 totaled \$6.0 million, and is included in the statement of activities as part of pension related changes other than net periodic benefit cost.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The University adopted SFAS 159 on June 1, 2008 and did not elect the fair value option provisions for any of its financial assets and financial liabilities. However, consistent with SFAS 124, *Accounting for Certain Investments held by Not-for-Profit Organizations*, the University measures its investments pursuant to the policies included in notes 2 and 6.

In April 2009, the FASB issued SFAS 164 *Not-for-profit entities: Mergers and Acquisitions* (SFAS 164). SFAS 164 provides guidance for determining whether a combination of not-for-profit entities is a merger or an acquisition. SFAS 164 requires the application of the carryover method in accounting for a merger and the acquisition method in accounting for an acquisition, and provides guidance on determining which of the combining entities is the acquirer. The standard requires disclosure of information to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition. SFAS 164 also amends SFAS 142, *Goodwill and Other Intangible Assets*, to make its provisions fully applicable to not-for-profit entities. Management is currently assessing the impact the adoption of this standard will have on the financial statements, but is aware that goodwill will no longer be amortized, and that goodwill will be tested at least annually for impairment. SFAS 164 is applicable for acquisitions after December 15, 2009, with the other provisions being effective for the University's fiscal year beginning June 1, 2010. Early adoption is prohibited.

Impairment of Long-Lived Assets

SFAS 144 *Accounting for Impairment or Disposal of Long-Lived Assets*, requires that long-lived assets to be held by an entity, including intangible assets, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No asset impairments were recorded by the University in 2009 or 2008.

UNIVERSITY OF MIAMI
Notes To Financial Statements
May 31, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Continued)

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform with the current years' presentation.

3. ACCOUNTS AND LOANS RECEIVABLE

At May 31, accounts and loans receivable consist of the following (in millions):

	2009	2008
Accounts and loans receivable, net:		
Patient care	\$ 172.8	\$ 141.4
Grants, contracts and other	87.4	58.6
Shared appreciation mortgages	41.5	27.2
Student	5.0	3.9
Student loans, net	30.7	34.8
Total	\$ 337.4	\$ 265.9

Accounts and loans receivable, and student loans receivable are net of allowances for doubtful accounts of \$86.7 and \$.9 million, respectively, for 2009 and \$57.0 and \$.6 million, respectively, for 2008.

Shared appreciation mortgages were provided as part of a program to attract and retain excellent faculty and senior administrators through home mortgage financing assistance. Shared appreciation notes amounting to \$44.0 million (net of \$2.5 million allowance for doubtful accounts) and \$27.2 million at May 31, 2009 and 2008, respectively, from University faculty and senior administrators are collateralized by second mortgages on residential properties. The program was suspended effective December 31, 2008 with limited exceptions.

Student loans are made primarily pursuant to federal programs and availability of funding. The related receivables have significant government restrictions as to marketability, interest rates, and repayment terms. Their fair value is not readily determinable.

4. CONTRIBUTIONS RECEIVABLE (PLEDGES)

Unconditional pledges are recorded at the present value of their future cash flows using a discount rate commensurate with the risk involved. They are expected to be realized in the following periods at May 31, (in millions):

	2009	2008
In one year or less	\$ 28.8	\$ 31.9
Between one year and five years	59.1	39.5
More than five years	53.6	71.0
	141.5	142.4
Discount of \$28.8 and allowance of \$11.6 for 2009 and \$30.4 and \$10.4 for 2008, respectively	(40.4)	(40.8)
Total	\$ 101.1	\$ 101.6

UNIVERSITY OF MIAMI
Notes To Financial Statements
May 31, 2009 and 2008

5. INVESTMENTS

Investments at May 31 consist of the following (in millions):

	2009	2008
Short term investments	\$ 44.0	\$ 131.7
U.S. government and agency obligations	7.4	6.6
Corporate bonds	.6	.4
Publicly traded stocks	52.5	177.4
Mutual funds:		
Equities	31.5	112.8
Fixed Income	54.5	91.2
Balanced	6.4	8.2
Limited partnerships:		
Equities	185.4	301.4
Fixed income	93.8	97.5
Private equity	37.6	40.0
Other	181.7	212.1
Other investments	18.3	24.7
Total fair value	\$ 713.7	\$ 1,204.0
Total cost	\$ 753.0	\$ 1,080.7

Short term investments consist primarily of commercial paper with maturities in excess of three months. Included in investments at May 31, 2009 is \$23.4 million of unspent project funds related to the issuance of the 2008 and 2007 bonds. Amounts included in limited partnerships, other, represent alternative investments with readily determinable market values. The majority of investments are combined in investment pools with each individual account subscribing to or disposing of shares on the basis of the fair value per share. At May 31, 2009 and 2008, the primary investment pool fair value amounted to \$616.0 and \$1,010.4 million, with a cost basis of \$651.8 and \$892.2 million, respectively. The primary investment pool is managed by multiple investment managers with asset allocation per the University's investment policy. The total net unrealized loss on investments for the year ended May 31, 2009 and 2008 was \$160.4 and \$79.6 million, respectively.

The University's endowment spending distribution policy is to distribute five percent of the three-year moving average fair market value of the endowment investment pool. This policy is designed to protect the purchasing power of the endowment and to minimize the effect of capital market fluctuations on operating budgets.

The components of total investment return as reflected in the statements of activities are as follows (in millions):

	2009	2008
Operating:		
Endowment spending distribution	\$ 34.7	\$ 31.9
Investment return	7.3	24.1
Total operating investment return	42.0	56.0
Non-Operating:		
Unrestricted		
Endowment interest and dividend income, realized and unrealized (losses) gains, net of endowment spending distribution	(218.5)	(45.0)
Other net realized and unrealized losses	(87.9)	(11.0)
Total unrestricted non-operating investment return	(306.4)	(56.0)
Temporarily restricted investment return	(3.0)	(.2)
Permanently restricted investment return	2.3	(.2)
Total non-operating investment return	(307.1)	(56.4)
Total investment return	\$ (265.1)	\$ (.4)

UNIVERSITY OF MIAMI
Notes To Financial Statements
May 31, 2009 and 2008

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, patient, student and other receivables, accounts payable and accrued expenses approximate fair value due to the short maturity of these financial instruments. The carrying amounts of notes payable with variable interest rates approximate their fair value since the variable rates reflect current market rates for notes with similar maturities and credit quality. The fair value of bonds payable with fixed interest rates is based on rates assumed to be currently available for bond issues with similar terms and average maturities. The estimated fair value of these bonds payable at May 31, 2009 and 2008 approximated \$811.6 and \$822.6 million, respectively. The carrying amounts of these bonds payable at May 31, 2009 and 2008 approximated \$823.5 and \$846.8 million, respectively.

Valuation of Investments

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157) which is effective for the University's fiscal year beginning June 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The new standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

In determining fair value, the University uses various methods including market, income and cost approaches. Based on these approaches, the University often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable (Level 1), market corroborated (Level 2), or generally unobservable inputs (Level 3). The University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The standard establishes fair value hierarchies based on the observability of the inputs used in the valuation techniques. This fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets carried at fair value are classified and disclosed in one of the following three categories:

Level 1 — Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuations for assets traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets.

Level 3 — Valuations for assets that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets.

For the fiscal year ended May 31, 2009, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

UNIVERSITY OF MIAMI
Notes To Financial Statements
May 31, 2009 and 2008

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Derivative Instruments

The fair value of the derivative instruments was provided by valuation experts. Certain derivatives with limited market activity are valued using externally developed models that consider unobservable market parameters.

Variable Rate Swap Agreement

The University entered into a \$20.0 million interest rate swap agreement in fiscal 2005 to manage the market risk associated with outstanding variable-rate debt. Parties to the interest rate swap agreement are subject to market risk for changes in interest rates as well as risk of credit loss in the event of nonperformance by the counterparty. The University deals only with high quality counterparties that meet rating criteria for financial stability and creditworthiness. The estimated cumulative fair value loss of the swap agreement was \$1.9 and \$1.1 million for the years ended May 31, 2009 and 2008, respectively. Changes in the fair value, which for fiscal 2009 and 2008 amounted to an unrealized loss of \$.8 and \$.4 million, respectively, are recorded as non-operating activities in the statements of activities.

Investments measured at fair value on a recurring basis are as follows (in millions):

	May 31, 2009			
	Total	Level 1	Level 2	Level 3
Short term investments	\$ 44.0	\$ -	\$ 44.0	\$ -
U.S. government and agency obligations	7.4	2.4	5.0	-
Corporate bonds	.6	-	.6	-
Publicly traded stocks	52.5	52.5	-	-
Mutual funds	92.4	-	86.0	6.4
Limited partnerships	498.5	-	306.1	192.4
Other investments	18.3	18.8	(.5)	-
Total	\$ 713.7	\$ 73.7	\$ 441.2	\$ 198.8

The changes in Level 3 investments measured at fair value on a recurring basis are summarized as follows (in millions):

	Total	Mutual funds	Limited partnerships
Balance, May 31, 2008	\$ 212.4	\$ 8.2	\$ 204.2
Purchases, sales, issuances and settlements, net	19.6	(.1)	19.7
Net income reinvested	5.1	.2	4.9
Total net gains (losses) included in changes in net assets			
Realized	1.2	(.1)	1.3
Unrealized	(39.5)	(1.8)	(37.7)
Balance, May 31, 2009	\$ 198.8	\$ 6.4	\$ 192.4

The total Level 3 unrealized losses for the period relating to those investments still held at May 31, 2009 total \$39.5 million and are part of investment return in the statement of activities.

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7. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation and amortization at May 31 consist of the following (in millions):

	Useful Lives	2009	2008
Land	-	\$ 91.2	\$ 80.0
Land improvements	20 years	74.6	63.6
Buildings and building improvements	8 to 50 years	1,359.0	1,168.2
Leasehold improvements	1 to 50 years	35.1	22.5
Construction in progress	-	93.6	164.5
Moveable equipment	3 to 20 years	457.7	423.1
Library materials	12 years	105.1	101.3
Art objects	-	49.1	46.1
		<u>2,265.4</u>	<u>2,069.3</u>
Accumulated depreciation and amortization		(833.8)	(757.1)
Total		<u>\$ 1,431.6</u>	<u>\$ 1,312.2</u>

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned through the temporary investment of project borrowings. Net interest expense of \$3.2 and \$3.8 million was capitalized for the years ended May 31, 2009 and 2008, respectively.

8. ACQUISITION OF UNIVERSITY OF MIAMI HOSPITAL

On December 1, 2007, the University acquired certain assets and liabilities of Cedars Healthcare Group, LTD. The acquisition, a general acute care hospital, was accounted for under the purchase method of accounting in accordance with Accounting Principles Board (APB) Opinion No. 16 *Business Combinations*, as applied to not-for-profit organizations. The acquisition was financed through the issuance of bonds. The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of purchase (in millions):

Prepaid expenses and inventory	\$ 14.5
Property and equipment	161.3
Intangible assets	105.2
Total assets acquired	<u>281.0</u>
Accounts payable and accrued expenses	1.9
Other liabilities	.6
Total liabilities assumed	<u>2.5</u>
Net assets acquired	<u>\$ 278.5</u>

The intangible assets recorded as part of the transaction are amortized as required by APB Opinion No. 17 *Intangible Assets* as applied to not-for-profit organizations, as follows (in millions):

	Useful Life	2009	2008
Amortized intangible assets			
Goodwill at gross carrying value	40 years	\$ 104.1	\$ 104.1
Accumulated Amortization		(4.0)	(1.3)
Indefinite lived intangible assets		1.1	1.1
Total		<u>\$ 101.2</u>	<u>\$ 103.9</u>

The results of operations of the University of Miami Hospital have been included in the University's financial statements from the date of acquisition.

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9. ENDOWMENT

In August 2008, the FASB issued FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Florida has not yet enacted a version of UPMIFA. Should the State of Florida enact a version of UPMIFA in a future period, the Board of Trustees of the University (the Board) will need to interpret the relevant law. Based on this interpretation, FSP 117-1 could require significant reclassifications of some portion of donor-restricted endowment funds, from unrestricted to temporarily restricted net assets. FSP 117-1 also requires additional disclosures about an organization's endowment funds, whether or not the organization is subject to UPMIFA. The disclosure requirements of FSP 117-1 are effective for the University's fiscal year ended May 31, 2009, as follows:

Interpretation of Relevant Law

As discussed above, the State of Florida has not enacted UPMIFA. The Board has interpreted the current law, Uniform Management of Institutional Funds Act (UMIFA) as requiring preservation of the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated where the donor has stipulated that the principal is to be maintained in perpetuity with only the income from the gift to be expended, (b) the original value of subsequent similar type gifts, and (c) accumulations to the fund made in accordance with the direction of the applicable donor gift instrument. Endowments are classified as temporarily restricted where the donor has stipulated that the principal of the gift may be released from inviolability to permit all or part of the principal to be expended, and as unrestricted endowments where the Board, rather than a donor, decides to retain and invest the principal with only the income available to be expended. The Board has the right at any time to expend the principal of unrestricted endowments.

Spending Policy

The University's endowment spending distribution policy in support of its programs distributes five percent of the three-year moving average of the fair market value of the endowment investment pool. New endowments must be received prior to December 31 in order to activate the spending distribution for the next fiscal year. In addition, no distribution is made from an endowment until its funding reaches, by December 31, the level stipulated by policy. Further, endowments to establish Chairs and Professorships have an additional delay of one year before distributions are made.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies to protect the purchasing power of the endowment and to minimize the effect of capital market fluctuations on operating budgets.

Under the investment policy, as approved by the Board, the intent is to achieve a rate of return equal to or greater than the respective benchmark, while assuming a moderate level of risk. To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve its long-term return objectives within prudent risk constraints. The current long-term return objective is to return 9.5%, net of investment fees. Actual returns in any given year may vary from this amount.

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9. ENDOWMENT, continued

Endowment net assets consist of the following (in millions):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
As of May 31, 2008:				
Donor restricted endowment funds	\$ 248.0	\$ 29.2	\$ 287.8	\$ 565.0
Quasi endowment funds	171.2	-	-	171.2
Total	<u>\$ 419.2</u>	<u>\$ 29.2</u>	<u>\$ 287.8</u>	<u>\$ 736.2</u>
As of May 31, 2009:				
Donor restricted endowment funds	\$ 83.9	\$ 29.1	\$ 301.2	\$ 414.2
Quasi endowment funds	124.4	-	-	124.4
Total	<u>\$ 208.3</u>	<u>\$ 29.1</u>	<u>\$ 301.2</u>	<u>\$ 538.6</u>

Donor restricted endowment funds included in unrestricted endowment net assets represents the unappropriated appreciation of endowment funds, net of deficiencies in the market value of certain endowment related assets which fell below the donor required level to retain funds in perpetuity. At May 31, 2009 and 2008, this deficiency amounted to \$28.4 and \$.1 million, respectively, and resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions, as well as continued appropriations for certain programs that was deemed prudent.

Quasi endowment funds are resources segregated for long term investment and include gains and losses on unrestricted investments, and other resources designated by the Board of Trustees for future programs and operations.

Changes in endowment net assets for the fiscal years ended May 31, 2009 and 2008 consist of (in millions):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, May 31, 2007	\$ 450.5	\$ 29.1	\$ 261.7	\$ 741.3
Investment return				
Investment income	12.4	-	-	12.4
Net depreciation (realized and unrealized)	(25.5)	-	-	(25.5)
Total investment return	(13.1)	-	-	(13.1)
Gifts and trusts	-	.4	26.0	26.4
Endowment spending distribution for programs	(31.9)	-	-	(31.9)
Transfers:				
To create quasi endowment funds	9.0	-	-	9.0
Other	4.7	(.3)	.1	4.5
Balance, May 31, 2008	<u>419.2</u>	<u>29.2</u>	<u>287.8</u>	<u>736.2</u>
Investment return				
Investment income	12.9	-	-	12.9
Net depreciation (realized and unrealized)	(196.7)	-	-	(196.7)
Total investment return	(183.8)	-	-	(183.8)
Gifts and Trusts	-	.2	12.3	12.5
Endowment spending distribution for programs	(34.7)	-	-	(34.7)
Transfers:				
To create quasi endowment funds	3.5	-	-	3.5
Other	4.1	(.3)	1.1	4.9
Balance, May 31, 2009	<u>\$ 208.3</u>	<u>\$ 29.1</u>	<u>\$ 301.2</u>	<u>\$ 538.6</u>

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10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The University has two non-contributory retirement plans, the Faculty Retirement Plan and the Employee Retirement Plan. These two plans closed to new participants on May 31, 2007. On June 1, 2007 a new retirement plan was established, the Retirement Savings Plan.

The University also sponsors an unfunded, defined benefit postretirement health plan that covers all full-time and part-time regular employees who elect coverage and satisfy the plan's eligibility requirements when they retire. The plan is contributory with retiree contributions established as a percentage of the total cost for retiree health care and for the health care of their dependents. The University pays all benefits on a current basis.

The Retirement Savings Plan (Savings Plan) is a defined contribution plan in which the University makes an automatic core contribution of 5% of pay with a dollar-for-dollar match on voluntary contributions up to an additional 5% of pay. Participation is limited to faculty and staff hired on or after June 1, 2007 or who elected, prior to June 1, 2007, to transfer to this plan from the Faculty Retirement Plan or from the Employee Retirement Plan. Core and matching contributions to the Savings Plan for 2009 and 2008 were \$18.2 and \$11.7 million, respectively.

The Retirement Savings Plan II (Savings Plan II) is a defined contribution plan the University established, effective January 1, 2008, that covers substantially all employees of the University of Miami Hospital (UMH). The plan is available to employees who meet certain eligibility requirements and requires that UMH match certain percentages of participants' contributions up to certain maximum levels. Core and matching contributions to the Savings Plan II were approximately \$2.9 and \$1.2 million for the year ended May 31, 2009, and the six-month period ended May 31, 2008, respectively.

Faculty Retirement Plan (Faculty Plan) is a defined contribution plan for eligible faculty hired between September 30, 1977 and May 31, 2007, and certain faculty hired on or before September 30, 1977, who ceased participation in the Employee Plan. Under the terms of the Faculty Plan, the University makes contributions to individual retirement accounts for each eligible faculty member. Payment from the retirement account commences when the faculty member has separated from service and elects to begin distributions in accordance with plan provisions. In April 2006, the Board of Trustees of the University voted to close the Faculty Plan to new employees effective June 1, 2007, and to allow existing participants a one-time choice to either remain in the existing plan or cease participation in the Faculty Plan and begin participating in the Savings Plan on June 1, 2007.

Contributions to the Faculty Plan are based upon a combination of compensation, tenure status, length of service, and other factors and are funded as accrued. These contributions were \$25.2 and \$24.5 million in 2009 and 2008, respectively. In addition to the above noted plans, there are deferred compensation arrangements for certain employees, principally clinical faculty, the liability for which is included in other liabilities.

The Employee Retirement Plan (Employee Plan) is a defined benefit plan primarily for full-time non-faculty employees hired before June 1, 2007. Employee Plan assets are held by a Trustee. The benefits are based on years of service and the employee's compensation during the last five years of employment. The Employee Plan also provides an alternative benefit through a cash balance benefit formula determined each year based on compensation and investment earnings. Similar to the Faculty Plan, in April 2006, the Board of Trustees of the University voted to close the Employee Plan to new employees effective June 1, 2007, and to allow existing participants a one-time choice to either remain in the existing plan or to freeze their benefits in the Employee Plan and begin participating in the Savings Plan on June 1, 2007. In accordance with SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, the University recognized a net curtailment loss of \$.3 million in 2008.

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10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The University expects to contribute \$46.2 million to the Employee Plan and \$.2 million to its postretirement health plan during the fiscal year ending May 31, 2010.

The following table summarizes the allocation of the assets available for plan benefits for the Employee Plan at May 31:

Asset category	Pension Benefits	
	2009	2008
Equity securities	37.0%	39.0%
Fixed income	30.0%	33.0%
Other investments	33.0%	28.0%
Totals	100.0%	100.0%

The weighted average target asset allocation for the Employee Plan is 34.0% equity securities, 35.0% fixed income, and 31.0% other investments. The investment policy and strategy, as established by the University, is to provide for growth of capital with a moderate level of volatility by investing assets based on the target allocations noted above.

The University reallocates its investments periodically to meet the above target allocations. The University also reviews its investment policy periodically to determine if the policy or allocations require change.

The following benefit payments, which reflect expected future service, are expected to be paid, for the fiscal years ending May 31 (in millions):

	Pension Benefits	Postretirement Benefits
2010	\$ 29.2	\$.2
2011	30.3	.2
2012	31.6	.2
2013	33.1	.2
2014	34.6	.2
2015-2019	204.4	1.3

The measurement date for the Employee Plan is May 31 for fiscal 2009 and February 28 for fiscal 2008, and for the postretirement health benefit plan is May 31, 2009 and 2008.

At May 31, 2009, the proposed Employee Plan amendment was approved by the Internal Revenue Service which enables the plan to offer lump sum distribution options to participants who retired on or after January 1, 2001 and met the Rule of 70.

At May 31, 2009 and 2008, the accumulated benefit obligation of the Employee Plan was \$587.6 and \$575.1 million, respectively, \$212.1 and \$81.9 million, respectively, in excess of Employee Plan assets.

The following weighted-average assumptions were used for the above calculations:

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Discount rate for benefit obligation	6.65%	6.50%	6.65%	5.75%
Discount rate for net periodic benefit cost	6.50%	5.75%	5.75%	5.75%
Expected return on Employee Plan assets	8.50%	8.50%	N/A	N/A
Rate of compensation increase	4.20%	4.45%	N/A	N/A

To develop the expected long-term rate of return for the Employee Plan, the University considered the historical returns of the major market indicators relating to the target asset allocation, as well as the current economic and financial market conditions.

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10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The tables that follow provide a reconciliation of the changes in the plans' projected benefit obligations, fair value of assets and funded status (in millions):

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$ 613.7	\$ 626.9	\$ 2.6	\$ 2.4
Effect of eliminating early measurement date	5.7	-	-	-
Service cost – benefits attributed to employee service during period	15.6	16.3	.2	.2
Interest costs accrued to measure benefit obligation at present value	41.0	36.6	.2	.1
Plan participant contributions	-	-	.6	.7
Actuarial (gain) loss	(14.5)	(45.2)	.3	.4
Benefits paid	(33.6)	(20.9)	(.9)	(1.1)
Change in plan provisions	-	-	-	(.3)
Acquisitions	-	-	-	.2
Benefit obligation at end of year	627.9	613.7	3.0	2.6
Change in Plan Assets				
Employee Plan assets at fair value at beginning of year	493.2	504.4	-	-
Effect of eliminating early measurement date	1.5	-	-	-
Investment return on Employee Plan assets	(87.9)	11.5	-	-
Benefits paid	(33.6)	(20.9)	(.9)	(1.1)
Employer contributions	3.9	-	.3	.4
Plan participant contributions	-	-	.6	.7
Employee Plan expenses	(1.6)	(1.8)	-	-
Employee Plan assets at fair value at end of year	375.5	493.2	-	-
Funded status				
Accrued postretirement benefit cost recognized on the statement of financial position	\$ (252.4)	\$ (120.5)	\$ (3.0)	\$ (2.6)
Amounts recognized in unrestricted net assets consist of:				
Net actuarial loss (gain)	\$ 232.7	\$ 126.8	\$ (1.2)	\$ (1.5)
Prior service cost (credit)	1.9	2.3	(1.0)	(1.1)
Transition obligation	-	-	.5	.6
	\$ 234.6	\$ 129.1	\$ (1.7)	\$ (2.0)

The following table provides the components of net periodic pension cost for the plans (in millions):

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Service cost:				
Benefits attributed to employee service during periods	\$ 15.6	\$ 16.3	\$.2	\$.2
Administrative expenses	1.2	1.3	-	-
Total	16.8	17.6	.2	.2
Interest costs accrued to measure benefit obligation at present value	41.0	36.6	.2	.1
Expected return on Employee Plan assets	(40.9)	(41.8)	-	-
Amortization of prior service cost/(credit) - includes changes in pension formula and cost of Employee Plan amendments	.4	.4	(.1)	-
Amortization of transition obligation	-	-	.1	-
Recognized net actuarial loss (gain)	7.0	7.6	-	(.1)
One-time curtailment cost	-	.3	-	-
Net periodic benefit cost	\$ 24.3	\$ 20.7	\$.4	\$.2

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10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The net actuarial (gain) loss, prior service cost (credit), and transition amount expected to be recognized in net periodic benefit cost over the next fiscal year are as follows (in millions):

	Pension Benefits	Postretirement Benefits
Net actuarial loss (gain)	\$ 15.4	\$ (.1)
Prior service cost (credit)	.3	(.1)
Transition obligation	-	.1

A 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2009. The rate is assumed to decrease 1% per year until reaching the ultimate 5.5% in 2013. Assumed health care cost trend rates have an effect on the amounts reported for the health care plan. A 1% change in assumed health care cost trend rates would have the following effect (in millions):

	1% Increase	1% Decrease
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	\$.1	\$ (.1)
Effect on the health care component of the accumulated postretirement benefit obligation	.3	(.3)

11. CHANGE IN ACCOUNTING PRINCIPLE

On May 31, 2008, the University adopted SFAS 158 (see note 2 Accounting Change). The incremental effects of applying the recognition provisions of SFAS 158 on the University's financial position as of May 31, 2008 follow (in millions):

	Before application of SFAS 158	Adjustments	After application of SFAS 158
Prepaid pension and intangible asset	\$ 10.8	\$ (10.8)	\$ -
Postretirement and postemployment benefit obligation	(95.0)	(28.1)	(123.1)
Total net assets	1,809.9	(38.9)	1,771.0

12. BONDS AND NOTES PAYABLE

Bonds and notes payable at May 31 consist of the following (in millions):

	Series	Final Maturity	2009 Interest Rate	2009	2008
Miami-Dade County, Florida	2007A to				
Educational Facilities Authority	2008B	2015 to 2038	4.00% to 6.10%	\$ 789.2	\$ 811.5
Notes payable to banks and others	-	2010 to 2035	Variable	77.1	43.7
Par amount of bonds and notes payable				866.3	855.2
Net unamortized premium				34.3	35.3
Total				\$ 900.6	\$ 890.5

In April, 2008, the University issued \$293.0 million of Series 2008A, and \$40.3 million of Series 2008B Revenue Bonds through the Miami-Dade County, Florida Educational Facilities Authority (MDCFEFA). The proceeds of the bonds were used to acquire a general acute care hospital, the University of Miami Hospital, and to fund renovation projects.

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12. BONDS AND NOTES PAYABLE (Continued)

The annual maturities for bonds and notes payable at May 31, 2009 are as follows (in millions):

2010	\$ 77.3
2011	16.9
2012	18.8
2013	19.7
2014	20.8
Thereafter	712.8
Total	<u>\$ 866.3</u>

On December 18, 2008, the University entered into a line of credit arrangement which carries a maximum possible balance of \$100.0 million. The loan has a variable interest rate equal to the LIBOR Daily Floating Rate plus 0.75% per annum. As of May 31, 2009, the University had drawn down \$55.0 million of the loan balance. The loan must be repaid by December 17, 2009.

Total interest paid on all bonds and notes was \$42.1 and \$32.0 million for the years ended May 31, 2009 and 2008, respectively.

13. GIFTS AND TRUSTS

The University's Advancement Office (Advancement) reports total gifts and trusts based on the Management Reporting Standards issued by the Council for Advancement and Support of Education (CASE). Gifts, trusts, and pledges (gifts and trusts) reported for financial statement purposes are recorded on the accrual basis.

The table that follows summarizes gifts and trusts received for the years ended May 31, 2009 and 2008, reported in the statements of activities as well as the CASE standards as reported by Advancement (in millions):

	2009	2008
Unrestricted gifts and trusts in support of programs	\$ 69.2	\$ 67.9
Unrestricted gifts and trusts for plant expansion	6.1	7.0
Temporarily restricted gifts and trusts for programs and plant expansion	13.4	22.6
Permanently restricted endowment gifts and trusts	14.0	19.8
Total gifts and trusts, per statements of activities	<u>102.7</u>	<u>117.3</u>
Increases (decreases) to reflect gifts and trusts per CASE standards:		
Pledges, net	.5	7.3
Non-government grants, included in grants and contracts revenue	50.0	50.1
Differences in valuation/recording:		
Funds held in trust by others	(4.6)	19.1
Annuity	.5	.8
Timing	4.5	7.8
Other	-	(1.9)
Total gifts and trusts as reported by Advancement	<u>\$ 153.6</u>	<u>\$ 200.5</u>

14. COMMITMENTS AND CONTINGENCIES

The University had contractual obligations of approximately \$57.1 million at May 31, 2009 for various construction projects and purchases of equipment. The University has also entered into professional service agreements with Hospital Corporation of America, Inc. (HCA, Inc) and various HCA, Inc. affiliates. Future minimum commitments under these agreements range from \$17.3 to \$24.3 million per year over the next seven years, totaling \$148.4 million. In addition, the University is obligated under certain investment fund

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14. COMMITMENTS AND CONTINGENCIES (Continued)

agreements to periodically advance additional funding up to specified levels. At May 31, 2009, the University had future investment funding commitments of \$60.4 million.

In February 2008, the University entered into a five year Innovation Incentive Funding Agreement with the State of Florida (the State), Office of Tourism, Trade and Economic Development. The agreement creates the Miami Institute for Human Genomics (the Institute) and a program and infrastructure that supports and benefits its operations. The agreement calls for the State to fund \$80.0 million with a University pledge for \$100.0 million towards the financial support of the Institute. As of May 31, 2009, the University has received \$43.4 million from the State (\$4.4 million of which was deferred at May 31, 2009) and has spent \$45.3 million in matching funds.

The University, in its normal operations, is a defendant in various legal actions. Additionally, amounts received and expended under various federal and state programs are subject to audit by governmental agencies. Management is of the opinion that the outcome of these matters would not have a material effect on the University's financial position or results of operations.

The University leases certain real property. These leases are classified as operating leases and have lease terms ranging up to seventy five years. Total lease expense for the years ended May 31, 2009 and 2008 was \$20.1 and \$16.1 million, respectively.

Future minimum lease payments under noncancelable operating leases at May 31, 2009 are as follows (in millions):

2010	\$	5.5
2011		4.8
2012		3.8
2013		3.3
2014		3.1
Thereafter		256.6
Total	\$	<u>277.1</u>