

**UNIVERSITY
OF MIAMI**



FINANCIAL STATEMENTS

Fiscal years ended MAY 31, 2010 and 2009



McGladrey & Pullen, LLP
Certified Public Accountants
201 Alhambra Circle Suite 810
Coral Gables, FL
O 305.442.8801 F 305.442.7478
www.mcgladrey.com

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, 2010 and 2009, 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, 2010 and 2009, 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 27, 2010

UNIVERSITY OF MIAMI
STATEMENTS OF FINANCIAL POSITION
As of May 31, 2010 and 2009
(in millions)

Assets	May 2010	May 2009
Cash and cash equivalents	\$ 119.0	\$ 126.7
Accounts and loans receivable	359.0	337.4
Contributions receivable	99.0	101.1
Other assets	52.1	52.0
Investments	766.3	713.7
Property and equipment	1,434.4	1,431.6
Trusts held by others	52.0	48.6
Intangible assets	100.3	101.2
Total Assets	\$ 2,982.1	\$ 2,912.3
Liabilities		
Accounts payable and accrued expenses	\$ 160.7	\$ 147.2
Deferred revenues and other deposits	70.5	80.5
Accrued postretirement benefit cost	310.9	255.4
Other liabilities	125.3	117.7
Actuarial liability of annuities payable	8.5	7.8
Reserves for medical self-insurance	80.8	65.4
Government advances for student loans	23.0	22.7
Bonds and notes payable	844.3	900.6
Total Liabilities	1,624.0	1,597.3
Net Assets		
Unrestricted	830.0	788.6
Temporarily restricted	154.4	170.3
Permanently restricted	373.7	356.1
Total Net Assets	1,358.1	1,315.0
Total Liabilities and Net Assets	\$ 2,982.1	\$ 2,912.3

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

UNIVERSITY OF MIAMI
STATEMENTS OF ACTIVITIES
For the years ended May 31, 2010 and 2009
(in millions)

	May 2010	May 2009
Changes in unrestricted net assets		
Operating activities		
Operating revenues		
Tuition and fees, net	\$ 392.3	\$ 369.5
Grants and contracts	473.8	467.0
Medical professional practice	403.6	372.6
Hospitals and clinics	693.0	623.3
Gifts and trusts	58.5	69.2
Net assets released from restrictions	33.0	17.3
Endowment spending distribution	32.7	34.7
Investment return	6.1	7.3
Auxiliary enterprises, net	96.8	99.5
Other sources	26.6	31.2
Total operating revenues	2,216.4	2,091.6
Operating expenses		
Instruction	445.7	448.7
Research	208.8	202.5
Public service	168.8	154.2
Patient care	965.0	927.9
Auxiliary enterprises	138.4	141.3
Academic support	131.9	130.3
Student services	44.1	44.4
Institutional support	101.2	92.2
Total operating expenses	2,203.9	2,141.5
Change in unrestricted net assets from operating activities	12.5	(49.9)
Non-Operating activities		
Endowment, annuity and other investment return	66.8	(306.4)
Gifts and trusts	8.3	6.1
Net loss on sale, disposal, and exchange of property and equipment	(1.7)	(1.1)
Other sources	-	(.3)
Net assets released from restrictions	9.2	16.3
Transfer to permanently restricted net assets	(.4)	(1.1)
Change in unrestricted net assets from non-operating activities	82.2	(286.5)
Postretirement benefits related changes other than net periodic benefit cost	(53.3)	(111.8)
Increase (decrease) in unrestricted net assets	41.4	(448.2)
Changes in temporarily restricted net assets		
Endowment, annuity and other investment return	1.5	(3.0)
Gifts and trusts	26.6	13.4
Changes in value of annuities payable and trusts held by others	(1.1)	(2.0)
Net assets released from restrictions	(42.2)	(33.6)
Transfer to permanently restricted net assets	(.7)	-
Decrease in temporarily restricted net assets	(15.9)	(25.2)
Changes in permanently restricted net assets		
Endowment, annuity and other investment return	4.4	2.3
Gifts and trusts	12.1	14.0
Transfer from unrestricted and temporarily restricted net assets	1.1	1.1
Increase in permanently restricted net assets	17.6	17.4
Increase (decrease) in total net assets	43.1	(456.0)
Net Assets		
Beginning of year	1,315.0	1,771.0
End of year	\$ 1,358.1	\$ 1,315.0

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

UNIVERSITY OF MIAMI
STATEMENTS OF CASH FLOWS
For the years ended May 31, 2010 and 2009
(in millions)

	May 2010	May 2009
Cash flows from operating activities		
Increase (decrease) in total net assets	\$ 43.1	\$ (456.0)
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by (used in) operating activities		
Net realized and unrealized (gains) losses on investments and other assets	(102.2)	289.7
Gifts and trusts	(50.0)	(26.6)
Depreciation and amortization	124.5	110.2
Provision for doubtful accounts	97.1	81.0
Net loss on sale, disposal, and exchange of property and equipment	1.7	1.1
Present value adjustment on annuities payable and trusts held by others	1.1	2.0
Amortization of bond premiums	(2.4)	(1.0)
Change in operating assets and liabilities		
Increase in		
Accounts and loans receivable	(110.2)	(139.5)
Goodwill	(1.7)	-
Other assets	(.5)	(5.2)
Increase (decrease) in		
Accounts payable and accrued expenses	13.5	(14.1)
Deferred revenues, annuities payable and other liabilities	(3.3)	(3.1)
Accrued postretirement benefit cost	55.5	132.3
Reserves for medical self-insurance	15.4	8.0
Government advances for student loans	.3	(.2)
Net cash provided by (used in) operating activities	81.9	(21.4)
Cash flows from investing activities		
Purchases of investments	(195.1)	(169.5)
Proceeds from the sales and maturities of investments and sales of other assets	253.3	375.2
Capital expenditures for property and equipment	(119.5)	(223.4)
Student and shared appreciation mortgage loans:		
New loans made	(13.3)	(19.9)
Principal collected	4.8	6.9
Net cash used in investing activities	(69.8)	(30.7)
Cash flows from financing activities		
Gifts for plant expansion and endowment	34.1	23.3
Proceeds from the issuance of debt	45.4	55.0
Payments to retire bonds and notes payable	(99.3)	(43.9)
Net cash (used in) provided by financing activities	(19.8)	34.4
Cash and cash equivalents		
Net decrease	(7.7)	(17.7)
Beginning of year	126.7	144.4
End of year	\$ 119.0	\$ 126.7

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

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

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, 2010 and 2009**

**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 5 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):

	2010	2009
Scholarships and fellowships:		
Institutionally funded	\$ 133.4	\$ 130.1
Externally funded - gifts and grants	10.5	10.0
Total amount netted against tuition and fees revenue	<u>\$ 143.9</u>	<u>\$ 140.1</u>
Amount netted against auxiliary enterprises revenue	<u>\$ 10.3</u>	<u>\$ 10.5</u>

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 fair value based on either the present value of expected cash flows or the value of the University's share of the underlying assets. 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 \$17.3 and \$17.2 million at May 31, 2010 and 2009, 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, 2010 and 2009**

**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 fair value of the trusts, which are based on either the present value of the estimated future cash receipts 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 fair value.

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% as of May 31, 2010 and 2009.

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 \$65.7 and \$60.1 million during the years ended May 31, 2010 and 2009, respectively.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

**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):

	2010	2009
Depreciation and amortization	\$ 124.5	\$ 110.2
Interest	38.3	39.3
Operations and maintenance	110.8	118.0
Total	\$ 273.6	\$ 267.5

Accounting Change due to New Pronouncements

In July 2009, the Financial Accounting Standards Board (FASB) issued the FASB Accounting Standards Codification (ASC) as the single source of authoritative non-governmental GAAP. The Codification is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards were superseded as described in ASC 105 (formerly Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Codification and the Hierarchy of Generally Accepted Accounting Principles*). All other accounting literature not included in the Codification is non-authoritative. The University adopted FASB Codification for the fiscal year ended May 31, 2010.

In March 2008, the FASB issued ASC 815-10 (formerly SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of SFAS No. 133*). The standard amends and expands the disclosure requirements of SFAS No. 133 with the intent to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The University adopted this standard for the fiscal year ended May 31, 2010.

In December 2008, the FASB issued ASC 715 (formerly SFAS No. 132(R)-1 *Employers' Disclosures about Pensions and Other Postretirement Benefits - an amendment of FASB Statement No. 132*). This standard provides guidance on an employer's disclosures about plan assets of a defined benefit pension and other postretirement benefits. The University adopted this standard for the fiscal year ended May 31, 2010.

In April 2009, the FASB issued ASC 820 (formerly Staff Position 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*). The standard expands disclosures and requires that for major categories of debt and equity securities, the fair value hierarchy table be determined on the basis of the nature and risks of the investments. The University adopted this standard for the fiscal year ended May 31, 2010.

In May 2009, the FASB issued ASC 855-10 (formerly SFAS No. 165, *Subsequent Events*), further updated in February 2010 through Update No. 2010-09 – *Subsequent Events – Amendments to Certain Recognition and Disclosure Requirements*. The standard as amended establishes accounting recognition and disclosure requirements of events that occur after the statement of financial position date but prior to the issuance of financial statements. The University has evaluated subsequent events through August 27, 2010 noting no impact on the University's financial statements.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

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

Accounting Change due to New Pronouncements (Continued)

In September 2009, the FASB issued ASC 740 (Update No. 2009-06, *Income Taxes - Implementation Guidance on Accounting Standards for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities: An Interpretation of SFAS No. 109*). The standard provides practical implementation guidance on uncertain tax positions taken by an entity. The University adopted this standard for the fiscal year ended May 31, 2010. The University's management analyzed its tax positions and determined that no income tax adjustment related to the adoption of this standard is necessary.

Impairment of Long-Lived Assets

ASC 360 (formerly SFAS No. 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 fiscal years 2010 or 2009.

Reclassifications

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

3. ACCOUNTS AND LOANS RECEIVABLE

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

	2010	2009
Accounts and loans receivable, net:		
Patient care	\$ 192.6	\$ 172.8
Grants, contracts and other	80.8	87.4
Shared appreciation mortgages	50.6	41.5
Student	5.6	5.0
Student loans, net	29.4	30.7
Total	\$ 359.0	\$ 337.4

Accounts and loans receivable, and student loans receivable are net of allowances for doubtful accounts of \$113.7 and \$1.1 million, respectively, for 2010 and \$86.7 and \$.9 million, respectively, for 2009.

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 \$53.1 million and \$44.0 million (net of \$2.5 million allowance for doubtful accounts) at May 31, 2010 and 2009, 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.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

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):

	2010	2009
In one year or less	\$ 28.5	\$ 28.8
Between one year and five years	58.5	59.1
More than five years	41.1	53.6
	<u>128.1</u>	<u>141.5</u>
Discount of \$18.6 and allowance of \$10.5 for 2010 and \$28.8 and \$11.6 for 2009, respectively	(29.1)	(40.4)
Total	<u>\$ 99.0</u>	<u>\$ 101.1</u>

5. INVESTMENTS

The fair market value of investments at May 31, 2010 and 2009 amounted to \$766.3 and \$713.7 million, with a cost basis of \$739.0 and \$753.0 million, respectively. Short term investments consist primarily of commercial paper with maturities in excess of three months. Amounts included in limited partnerships and limited liability companies, other, represent alternative investments which are valued at the net asset value of the entities as determined by the fund. 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, 2010 and 2009, the fair value of the University's primary investment pool (the Growth Pool) amounted to \$695.2 and \$616.0 million, with a cost basis of \$668.5 and \$651.8 million, respectively. The Growth Pool is managed by multiple investment managers with asset allocation per the University's investment policy. The total net unrealized gain (loss) on investments for the year ended May 31, 2010 and 2009 was \$65.3 and (\$160.4) million, respectively.

Fair Value of Investments

FASB ASC 820 (formerly SFAS No. 157, *Fair Value Measurement*), provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for investments measured at fair value:

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. Inputs to the valuation methodologies include unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 — Valuations for assets traded in less active dealer or broker markets. Inputs to the valuation methodologies include quoted prices from third party pricing services for identical or similar assets in active and/or inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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. Inputs to the valuation methodologies incorporate certain assumptions and projections in determining the fair value assigned to such assets.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

5. INVESTMENTS (Continued)

Fair Value of Investments (continued)

The asset or liability's fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at May 31, 2010.

The valuation methodologies used for other investment instruments measured at fair value consisted of:

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 \$2.8 and \$1.9 million for the years ended May 31, 2010 and 2009, respectively and is included in other investments in the table below. Changes in the fair value, which for fiscal 2010 and 2009 amounted to an unrealized loss of \$.9 and \$.8 million, respectively, are recorded as non-operating activities in the statements of activities.

The following tables set forth by level, within the fair value hierarchy, the University's investments at fair value (in millions):

	At May 31, 2010			
	Total	Level 1	Level 2	Level 3
Short term investments	\$ 18.7	\$ -	\$ 18.7	\$ -
Debt securities:				
US Treasury & other government agencies	5.0	5.0	-	-
US and political subdivisions of the states	5.1	-	5.1	-
Publicly traded stocks:				
Large-mid cap	50.0	50.0	-	-
Small cap	19.3	19.3	-	-
Mutual funds:				
Equities:				
Emerging markets	6.1	-	6.1	-
International	1.6	-	1.6	-
Large-mid cap	6.9	-	6.9	-
Small cap	18.9	-	18.9	-
Fixed Income	61.7	-	61.7	-
Balanced	12.0	-	4.6	7.4
Limited partnerships and limited liability companies:				
Equities:				
Emerging markets	18.1	-	18.1	-
International	128.8	-	128.8	-
Large-mid cap	76.5	-	76.5	-
Fixed income	86.6	-	37.0	49.6
Private equity	45.6	-	-	45.6
Other:				
Event arbitrage	66.3	-	-	66.3
Long-short composite	81.6	-	48.1	33.5
Real assets related securities	26.8	-	25.1	1.7
Real estate	16.9	-	-	16.9
Other investments	13.8	13.5	.3	-
Total	<u>\$ 766.3</u>	<u>\$ 87.8</u>	<u>\$ 457.5</u>	<u>\$ 221.0</u>

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

5. INVESTMENTS (Continued)

	At 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:				
Equities	26.2	-	26.2	-
Fixed Income	54.5	-	54.5	-
Balanced	11.7	-	5.3	6.4
Limited partnerships and limited liability companies:				
Equities	185.4	-	185.4	-
Fixed income	93.8	-	52.3	41.5
Private equity	37.6	-	-	37.6
Other	181.7	-	68.4	113.3
Other investments	18.3	18.8	(.5)	-
Total	\$ 713.7	\$ 73.7	\$ 441.2	\$ 198.8

The following tables set forth a summary of changes in the fair value of the University's level 3 investments.

For the year ended May 31, 2010 (in millions):

	May 31, 2009	Purchases, sales, issuances and settlements, net	Net Income Reinvested	Total net gains (losses) included in changes in net assets		Transfers in and/or out of level 3	May 31, 2010
				Realized	Unrealized		
Mutual funds - balanced	\$ 6.4	(.1)	.3	-	.8	-	\$ 7.4
Limited partnerships and limited liability companies:							
Fixed income	41.5	-	1.8	-	6.3	-	49.6
Private equity	37.6	1.9	.3	2.8	3.0	-	45.6
Other:							
Event arbitrage	52.5	-	.3	1.4	12.1	-	66.3
Long-short composite	41.7	(12.2)	(.5)	4.0	.1	.4	33.5
Real assets related securities	2.4	(.5)	-	(.3)	.1	-	1.7
Real estate	16.7	2.0	.4	.2	(2.4)	-	16.9
Total	\$ 198.8	\$ (8.9)	\$ 2.6	\$ 8.1	\$ 20.0	\$.4	\$ 221.0

For the year ended May 31, 2009 (in millions):

	May 31, 2008	Purchases, sales, issuances and settlements, net	Net Income Reinvested	Total net gains (losses) included in changes in net assets		Transfers in and/or out of level 3	May 31, 2009
				Realized	Unrealized		
Mutual funds	\$ 8.2	(.1)	.2	(.1)	(1.8)	-	\$ 6.4
Limited partnerships and limited liability companies	204.2	19.7	4.9	1.3	(37.7)	-	192.4
Total	\$ 212.4	\$ 19.6	\$ 5.1	\$ 1.2	\$ (39.5)	\$ -	\$ 198.8

The total Level 3 unrealized gains (losses) for the periods relating to those investments still held at May 31, 2010 and 2009 total \$20.0 and (\$39.5) million, respectively, and are reflected as part of investment return in the statement of activities.

The University is obligated under certain investment fund agreements to periodically advance additional funding up to specified levels. At May 31, 2010, the University had future investment funding commitments of \$50.5 million.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

5. INVESTMENTS (Continued)

Investment Return

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):

	2010	2009
Operating:		
Endowment spending distribution	\$ 32.7	\$ 34.7
Investment return	6.1	7.3
Total operating investment return	38.8	42.0
Non-Operating:		
Unrestricted		
Endowment interest and dividend income, realized and unrealized gains (losses), net of endowment spending distribution	54.4	(218.5)
Other net realized and unrealized gains (losses)	12.4	(87.9)
Total unrestricted non-operating investment return	66.8	(306.4)
Temporarily restricted investment return	1.5	(3.0)
Permanently restricted investment return	4.4	2.3
Total non-operating investment return	72.7	(307.1)
Total investment return	\$ 111.5	\$ (265.1)

6. FAIR VALUE OF FINANCIAL INSTRUMENTS OTHER THAN INVESTMENTS

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, 2010 and 2009 approximated \$795.1 and \$811.6 million, respectively. The carrying amounts of these bonds payable at May 31, 2010 and 2009 approximated \$799.7 and \$823.5 million, respectively.

7. PROPERTY AND EQUIPMENT

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

	Useful Lives	2010	2009
Land	-	\$ 91.0	\$ 91.2
Land improvements	20 years	77.3	74.6
Buildings and building improvements	8 to 50 years	1,477.0	1,359.0
Leasehold improvements	1 to 50 years	32.6	35.1
Construction in progress	-	27.5	93.6
Moveable equipment	3 to 20 years	498.3	457.7
Library materials	12 years	108.6	105.1
Art objects	-	49.7	49.1
		2,362.0	2,265.4
Accumulated depreciation and amortization		(927.6)	(833.8)
Total		\$ 1,434.4	\$ 1,431.6

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

7. PROPERTY AND EQUIPMENT (Continued)

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 \$1.7 and \$3.2 million was capitalized for the years ended May 31, 2010 and 2009, respectively.

8. INTANGIBLE ASSETS

On December 1, 2007, the University acquired certain assets and liabilities of a general acute care hospital. As part of the transaction, intangible assets were recorded amounting to \$105.2 million. In addition, the University acquired a physician practice and recorded \$1.7 million as an intangible asset for the year ended May 31, 2010.

Intangible assets recorded are as follows (in millions):

	Useful Life	2010	2009
Amortized intangible assets			
Goodwill at gross carrying value	40 years	\$ 105.8	\$ 104.1
Accumulated Amortization		(6.6)	(4.0)
Indefinite lived intangible assets		1.1	1.1
Total		<u>\$ 100.3</u>	<u>\$ 101.2</u>

9. ENDOWMENT

In August 2008, the FASB issued ASC 958-205-50 (formerly 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*). This standard 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, this standard could require significant reclassifications of some portion of donor-restricted endowment funds, from unrestricted to temporarily restricted net assets. This standard also requires additional disclosures about an organization's endowment funds, whether or not the organization is subject to UPMIFA. The disclosure requirements of this standard are reflected below.

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.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

9. ENDOWMENT (Continued)

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 Growth Pool policy for the University's primary investment pool (the Growth Pool), 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 earn a return of at least the Consumer Price Index plus 5%, net of fees. Actual returns in any given year may vary from this amount.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>
As of May 31, 2010:				
Donor restricted endowment funds	\$ 128.6	\$ 29.3	\$ 312.7	\$ 470.6
Quasi endowment funds	147.6	-	-	147.6
Total	<u>\$ 276.2</u>	<u>\$ 29.3</u>	<u>\$ 312.7</u>	<u>\$ 618.2</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, 2010 and 2009, this deficiency amounted to \$14.1 and \$28.4 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.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009

9. ENDOWMENT (Continued)

Changes in endowment net assets for the fiscal years ended May 31, 2010 and 2009 consist of (in millions):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, May 31, 2008	\$ 419.2	\$ 29.2	\$ 287.8	\$ 736.2
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	208.3	29.1	301.2	538.6
Investment return				
Investment income	5.5	-	(.3)	5.2
Net appreciation (realized and unrealized)	81.5	-	-	81.5
Total investment return	87.0	-	(.3)	86.7
Gifts and Trusts	-	.1	10.7	10.8
Endowment spending distribution for programs	(32.7)	-	-	(32.7)
Transfers to create quasi endowment funds	9.4	-	-	9.4
Other	4.2	.1	1.1	5.4
Balance, May 31, 2010	\$ 276.2	\$ 29.3	\$ 312.7	\$ 618.2

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 2010 and 2009 were \$27.7 and \$18.2 million, respectively.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

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 \$3.9 and \$2.9 million for the years ended May 31, 2010 and 2009, 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.

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 \$25.5 and \$25.2 million for the year ended May 31, 2010 and 2009, 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.

At May 31, 2009, a 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.

The measurement date for the Employee Plan and postretirement health benefit plan is May 31 for fiscal years 2010 and 2009.

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
2011	\$ 32.7	\$.2
2012	33.2	.2
2013	35.6	.2
2014	36.1	.2
2015	38.5	.2
2016-2020	224.5	1.2

The University expects to contribute \$30.8 million to the Employee Plan and \$.2 million to its postretirement health plan during the fiscal year ending May 31, 2011.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009

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	
	2010	2009	2010	2009
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$ 627.9	\$ 613.7	\$ 3.0	\$ 2.6
Effect of eliminating early measurement date	-	5.7	-	-
Service cost – benefits attributed to employee service during period and administrative expenses	17.3	16.8	.2	.2
Interest costs accrued to measure benefit obligation at present value	41.5	41.0	.2	.2
Plan participant contributions	-	-	.6	.6
Actuarial loss (gain)	112.2	(14.1)	.2	.3
Benefits paid and administrative expenses	(34.9)	(35.2)	(.8)	(.9)
Change in plan provisions	(8.1)	-	-	-
Benefit obligation at end of year	755.9	627.9	3.4	3.0
Change in Plan Assets				
Employee Plan assets at fair value at beginning of year	375.5	493.2	-	-
Effect of eliminating early measurement date	-	1.5	-	-
Investment return on Employee Plan assets	66.1	(87.9)	-	-
Benefits paid and Employee Plan expenses	(34.9)	(35.2)	(.8)	(.9)
Employer contributions	41.7	3.9	.2	.3
Plan participant contributions	-	-	.6	.6
Employee Plan assets at fair value at end of year	448.4	375.5	-	-
Funded status				
Accrued postretirement benefit cost recognized on the statement of financial position	\$ (307.5)	\$ (252.4)	\$ (3.4)	\$ (3.0)
Amounts recognized in unrestricted net assets consist of:				
Net actuarial loss (gain)	\$ 293.3	\$ 232.7	\$ (1.0)	\$ (1.2)
Prior service (credit) cost	(5.7)	1.9	(.9)	(1.0)
Transition obligation	-	-	.3	.5
	\$ 287.6	\$ 234.6	\$ (1.6)	\$ (1.7)

At May 31, 2010 and 2009, the accumulated benefit obligation of the Employee Plan was \$703.4 and \$587.6 million, respectively, \$254.9 and \$212.1 million, respectively, in excess of Employee Plan assets.

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

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Service cost:				
Benefits attributed to employee service during periods and administrative expenses	\$ 17.3	\$ 16.8	\$.2	\$.2
Total	17.3	16.8	.2	.2
Interest costs accrued to measure benefit obligation at present value	41.5	41.0	.2	.2
Expected return on Employee Plan assets	(31.2)	(40.9)	-	-
Amortization of prior service cost/(credit) - includes changes in pension formula and cost of Employee Plan amendments	(.6)	.4	(.1)	(.1)
Amortization of transition obligation	-	-	.1	.1
Recognized net actuarial loss	16.8	7.0	-	-
Net periodic benefit cost	\$ 43.8	\$ 24.3	\$.4	\$.4

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

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)	\$ 20.5	\$ (.1)
Prior service cost (credit)	(.6)	(.1)
Transition obligation	-	.1

A 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2010. The rate is assumed to decrease 1% per year until reaching the ultimate 5.5% in 2014. 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	.5	(.4)

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

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Discount rate for benefit obligation	5.65%	6.65%	5.65%	6.65%
Discount rate for net periodic benefit cost	6.65%	6.50%	6.65%	5.75%
Expected return on Employee Plan assets	8.25%	8.50%	N/A	N/A
Rate of compensation increase	4.20%	4.20%	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.

Employee Plan Assets

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 its target allocations. The weighted average target allocations for plan assets of the Employee Plan is 34.0% equity securities, 35.0% fixed income, and 31.0% other investments. The University reallocates its investments periodically to meet the target allocations. The University also reviews its investment policy periodically to determine if the policy or allocations require change. Equity securities include investments in large-mid cap and small-cap companies primarily located in the United States, as well as international companies. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Other types of investments include investments in hedge funds and private equity funds that follow several different strategies.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Employee Plan Assets (Continued)

The Employee Plan's investments, by level, within the fair value hierarchy are as follows (in millions):

	At May 31, 2010			
	Total	Level 1	Level 2	Level 3
Common stocks:				
Large-mid cap	\$ 21.3	\$ 21.3	\$ -	\$ -
Small cap	15.8	15.8	-	-
Registered mutual funds:				
Equities - emerging markets	3.1	-	3.1	-
Fixed Income	70.0	-	70.0	-
Unregistered limited partnerships and limited liability companies:				
Equities - emerging markets	9.1	-	9.1	-
- international	7.5	-	7.5	-
- large-mid cap	46.3	-	46.3	-
- private equity	18.1	-	-	18.1
Other - event arbitrage	28.3	-	-	28.3
- long-short composite	19.9	-	10.6	9.3
- real estate	10.3	-	-	10.3
Money market accounts	.7	.7	-	-
Common collective trusts:				
Equities - international	9.9	-	9.9	-
Real assets related securities	12.7	-	12.7	-
103-12 Investment entities:				
Equities - international	38.6	-	38.6	-
- small cap	14.9	-	14.9	-
Fixed income	81.7	-	72.6	9.1
Other investments:				
Private equity	3.8	-	-	3.8
Long-short composite	22.8	-	13.4	9.4
Fixed income	9.9	-	-	9.9
Real assets related securities	1.1	-	-	1.1
Total	\$ 445.8	\$ 37.8	\$ 308.7	\$ 99.3

	At May 31, 2009			
	Total	Level 1	Level 2	Level 3
Common stocks	\$ 28.7	\$ 28.7	\$ -	\$ -
Registered mutual funds	37.9	-	37.9	-
Unregistered limited partnerships, limited liability companies :				
Private equity	65.3	-	51.5	13.8
Event arbitrage	22.5	-	-	22.5
Real estate	10.2	-	-	10.2
Other	21.1	-	10.1	11.0
Money market accounts	9.5	9.5	-	-
Common collective trusts	11.5	-	11.5	-
103-12 Investment entities	132.3	-	124.9	7.4
Other investments:				
Equities & private equities	3.1	-	-	3.1
Real estate	1.6	-	-	1.6
Other	32.7	-	12.4	20.3
Total	\$ 376.4	\$ 38.2	\$ 248.3	\$ 89.9

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Employee Plan Assets (Continued)

The following tables set forth a summary of changes in the fair value of the Employee Plan's Level 3 investments.

For the year ended May 31, 2010 (in millions):

	May 31, 2009	Purchases, sales, issuances and settlements, net	Total net gains (losses) included in changes in net assets		Transfers in and/or out of level 3	May 31, 2010
			Realized	Unrealized		
Unregistered limited partnerships and limited liability companies:						
Private equity	\$ 13.8	2.2	1.0	1.1	-	\$ 18.1
Other:						
Event arbitrage	22.5	1.4	1.7	2.7	-	28.3
Long-short composite	11.0	(3.2)	1.3	.2	-	9.3
Real estate	10.2	1.2	.1	(1.2)	-	10.3
103-12 Investment entities:						
Fixed income	7.4	.6	-	1.1	-	9.1
Other investments:						
Private equity	3.1	(.3)	-	1.0	-	3.8
Long-short composite	11.7	(3.0)	.8	(.2)	.1	9.4
Fixed income	8.6	-	-	1.3	-	9.9
Real assets related securities	1.6	(.3)	(.5)	.3	-	1.1
Total	<u>\$ 89.9</u>	<u>\$ (1.4)</u>	<u>\$ 4.4</u>	<u>\$ 6.3</u>	<u>\$.1</u>	<u>\$ 99.3</u>

For the year ended May 31, 2009 (in millions):

	May 31, 2008	Purchases, sales, issuances and settlements, net	Total net gains (losses) included in changes in net assets		May 31, 2009
			Realized	Unrealized	
Unregistered limited partnerships and limited liability companies	\$ 59.5	9.7	-	(11.7)	\$ 57.5
103-12 Investment entities	7.9	.7	-	(1.2)	7.4
Other investments	26.5	1.8	(.1)	(3.2)	25.0
Total	<u>\$ 93.9</u>	<u>\$ 12.2</u>	<u>(.1)</u>	<u>\$ (16.1)</u>	<u>\$ 89.9</u>

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

11. BONDS AND NOTES PAYABLE

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

	Series	Final Maturity	2010 Interest Rate	2010	2009
Miami-Dade County, Florida	2007A to				
Educational Facilities Authority	2008B	2015 to 2038	4.0% to 6.1%	\$ 767.8	\$ 789.2
Notes payable to banks and others	-	2013 to 2014	3.3% to 6.5%	24.2	-
Notes payable to banks and others		2035	Variable	20.4	77.1
Par amount of bonds and notes payable				812.4	866.3
Net unamortized premium				31.9	34.3
Total				<u>\$ 844.3</u>	<u>\$ 900.6</u>

The annual maturities for bonds and notes payable at May 31, 2010 are as follows (in millions):

2011	\$ 24.4
2012	26.1
2013	26.1
2014	23.6
2015	21.9
Thereafter	690.3
Total	<u>\$ 812.4</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. On December 17, 2009, the University renewed the line of credit under the same terms with a new maturity date of December 31, 2010. There was no balance outstanding under the line of credit as of May 31, 2010. In November 2009, the University borrowed \$20.0 million from a bank to fund the Employees' Retirement Plan.

Total interest paid on all bonds and notes was \$42.6 and \$42.1 million for the years ended May 31, 2010 and 2009, respectively.

12. NET ASSETS

Unrestricted net assets consist of the following at May 31 (in millions):

	2010	2009
Designated for operations, programs, facilities expansion and student loans	\$ 117.9	\$ 94.5
Cumulative postretirement benefits related changes other than net periodic benefit cost	(286.0)	(232.9)
Invested in plant facilities	721.9	718.7
Endowment and similar funds	276.2	208.3
Total unrestricted net assets	<u>\$ 830.0</u>	<u>\$ 788.6</u>

Temporarily restricted net assets consist of the following at May 31 (in millions):

	2010	2009
Gifts for programs and facilities expansion	\$ 26.2	\$ 36.9
Contributions (pledges) and trusts	90.0	94.8
Life income and annuity funds	8.9	9.5
Endowment and similar funds	29.3	29.1
Total temporarily restricted net assets	<u>\$ 154.4</u>	<u>\$ 170.3</u>

Permanently restricted net assets consist of the following at May 31 (in millions):

	2010	2009
Contributions (pledges) and trusts	\$ 61.0	\$ 54.9
Endowment and similar funds	312.7	301.2
Total permanently restricted net assets	<u>\$ 373.7</u>	<u>\$ 356.1</u>

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 2009**

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 below summarizes gifts and trusts received for the years ended May 31, 2010 and 2009, reported in the statements of activities as well as the CASE standards as reported by Advancement (in millions):

	<u>2010</u>	<u>2009</u>
Unrestricted gifts and trusts in support of programs	\$ 58.5	\$ 69.2
Unrestricted gifts and trusts for plant expansion	8.3	6.1
Temporarily restricted gifts and trusts for programs and plant expansion	26.6	13.4
Permanently restricted endowment gifts and trusts	<u>12.1</u>	<u>14.0</u>
Total gifts and trusts, per statements of activities	105.5	102.7
Increases (decreases) to reflect gifts and trusts per CASE standards:		
Pledges, net	2.0	.5
Non-government grants, included in grants and contracts revenue	42.9	50.0
Differences in valuation/recording:		
Funds held in trust by others	(.3)	(4.6)
Annuity	.4	.5
Timing	2.6	4.5
Gift-in-kind recorded under CASE standards only	6.4	-
Total gifts and trusts as reported by Advancement	<u>\$ 159.5</u>	<u>\$ 153.6</u>

14. COMMITMENTS AND CONTINGENCIES

The University had contractual obligations of approximately \$66.1 million at May 31, 2010 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 \$3.1 to \$24.3 million per year over the next eight years, totaling \$131.1 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, 2010, the University has received \$43.4 million from the State and has spent \$56.8 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, 2010 and 2009 was \$21.8 and \$20.1 million, respectively. Future minimum lease payments under noncancelable operating leases at May 31, 2010 are as follows (in millions):

2011	\$ 6.3
2012	6.1
2013	7.8
2014	6.7
2015	5.6
Thereafter	<u>277.2</u>
Total	<u>\$ 309.7</u>