UNIVERSITY
OF MIAMI

FINANCIAL STATEMENTS

Fiscal years ended MAY 31, 2014 and 2013

(With Independent Auditor's Report Thereon)

McGladrey

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
University of Miami

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Miami (the University) which comprise the statements of financial position as of May 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Miami as of May 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Fort Lauderdale, Florida
August 27, 2014

UNIVERSITY OF MIAMI
STATEMENTS OF FINANCIAL POSITION
As of May 31, 2014 and 2013
(in millions)

Assets		May 2014		May 2013
Cash and cash equivalents	$	85.5	$	139.6
Accounts and loans receivable		372.0		357.6
Contributions receivable		102.1		103.6
Other assets		82.6		76.1
Investments		1,153.2		1,087.5
Property and equipment		1,591.9		1,536.1
Trusts held by others		48.5		46.1
Intangible assets		1.1		1.1
Total Assets	$	**3,436.9**	$	3,347.7
Liabilities				
Accounts payable and accrued expenses	$	176.3	$	184.0
Deferred revenues and other deposits		74.0		81.3
Accrued pension and postretirement benefit costs		244.9		301.1
Other liabilities		174.6		180.7
Actuarial liability of annuities payable		9.9		8.7
Reserves for medical self-insurance		97.0		92.4
Government advances for student loans		22.5		22.6
Bonds and notes payable		904.1		923.8
Total Liabilities		**1,703.3**		1,794.6
Net Assets				
Unrestricted		874.1		769.4
Temporarily restricted		416.2		367.6
Permanently restricted		443.3		416.1
Total Net Assets		**1,733.6**		1,553.1
Total Liabilities and Net Assets	$	**3,436.9**	$	3,347.7

See accompanying notes to financial statements.

UNIVERSITY OF MIAMI
STATEMENTS OF ACTIVITIES
For the years ended May 31, 2014 and 2013
(in millions)

	May 2014	May 2013
Changes in unrestricted net assets		
Operating activities		
Operating revenues		
Tuition and fees, net	$ 487.1	$ 457.6
Grants and contracts	487.8	515.6
Medical professional practice	394.3	406.9
Hospitals and clinics	934.5	869.1
Gifts and trusts	67.5	60.9
Net assets released from restrictions	25.0	25.8
Endowment spending distribution	32.1	29.9
Investment return	6.4	6.1
Auxiliary enterprises, net	111.4	107.2
Other sources	29.1	39.8
Total operating revenues	2,575.2	2,518.9
Operating expenses		
Compensation and benefits	1,493.6	1,442.3
Supplies and services	621.0	582.0
Depreciation and amortization	125.1	121.3
Utilities and maintenance	74.9	71.7
Interest	39.5	38.8
Goodwill impairment	-	99.2
Other	190.0	157.4
Total operating expenses	2,544.1	2,512.7
Change in unrestricted net assets from operating activities	31.1	6.2
Non-Operating activities		
Net asset reclassification for cumulative effect of change in accounting principle	-	(160.8)
Endowment, annuity and other investment return, net of distributions	30.0	41.3
Gifts and trusts	.7	7.3
Net loss on sale, disposal, and exchange of property and equipment	(1.5)	(5.3)
Net assets released from restrictions	12.3	8.7
Transfer to permanently restricted net assets	(.7)	(.7)
Change in unrestricted net assets from non-operating activities	40.8	(109.5)
Postretirement benefits related changes other than net periodic benefit cost	32.8	85.7
Increase (decrease) in unrestricted net assets	104.7	(17.6)
Changes in temporarily restricted net assets		
Net asset reclassification for cumulative effect of change in accounting principle	-	160.8
Endowment, annuity and other investment return, net of distributions	47.5	54.0
Gifts and trusts	36.9	37.0
Changes in value of annuities payable and trusts held by others	(1.1)	1.8
Net assets released from restrictions	(37.3)	(34.5)
Endowment spending distribution	2.6	2.7
Transfer to permanently restricted net assets	-	(.7)
Increase in temporarily restricted net assets	48.6	221.1
Changes in permanently restricted net assets		
Endowment, annuity and other investment return	2.2	3.0
Gifts and trusts	24.3	12.1
Transfer from unrestricted and temporarily restricted net assets	.7	1.4
Increase in permanently restricted net assets	27.2	16.5
Increase in total net assets	180.5	220.0
Net Assets		
Beginning of year	1,553.1	1,333.1
End of year	$ 1,733.6	$ 1,553.1

See accompanying notes to financial statements.

UNIVERSITY OF MIAMI

STATEMENTS OF CASH FLOWS

For the years ended May 31, 2014 and 2013

(in millions)

	May 2014	May 2013
Cash flows from operating activities		
Increase in total net assets	$ 180.5	$ 220.0
Adjustments to reconcile increase in total net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments and other assets	(109.1)	(124.9)
Gifts and trusts	(46.3)	(42.3)
Depreciation and amortization	125.1	121.3
Goodwill impairment	-	99.2
Provision for doubtful accounts	91.0	100.5
Net loss on sale, disposal, and exchange of property and equipment	1.5	5.4
Present value adjustment on annuities payable and trusts held by others	(.2)	(1.7)
Amortization of debt premiums and discounts	(2.1)	(1.8)
Change in operating assets and liabilities		
Decrease (increase) in		
Accounts and loans receivable	(112.8)	(115.7)
Contributions receivable, net	24.6	20.9
Other assets	6.1	14.2
Increase (decrease) in		
Accounts payable and accrued expenses	(7.7)	(6.3)
Deferred revenues, annuities payable and other liabilities	(14.0)	16.6
Accrued pension and postretirement benefit costs	(56.2)	(97.0)
Medical self-insurance	4.6	(12.4)
Government advances for student loans	(.1)	-
Net cash provided by operating activities	84.9	196.0
Cash flows from investing activities		
Purchases of investments	(791.9)	(1,922.3)
Proceeds from the sales and maturities of investments and sales of property and equipment	844.2	1,778.8
Capital expenditures for property and equipment	(194.2)	(192.5)
Student and shared appreciation mortgage loans:		
New loans made	(4.2)	(4.4)
Principal collected	11.6	7.1
Net cash used in investing activities	(134.5)	(333.3)
Cash flows from financing activities		
Gifts for plant expansion and endowment	13.1	14.3
Proceeds from the issuance of debt	16.1	142.4
Payments to retire bonds and notes payable	(33.7)	(95.4)
Net cash (used in) provided by financing activities	(4.5)	61.3
Cash and cash equivalents		
Net decrease	(54.1)	(76.0)
Beginning of year	139.6	215.6
End of year	$ 85.5	$ 139.6

See accompanying notes to financial statements.

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, to provide service to our community and beyond, and to pursue 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 (U.S. GAAP) 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.

  Unrestricted non-operating activities reflect transactions of a long-term investment or capital nature, including net investment return and activities related to quasi endowment funds, 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 the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires that management make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. 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. At May 31, 2014, there were no uncertain tax positions. The University files tax returns with U.S. federal and other tax authorities for which the statute of limitations may go back to the year ended May 31, 2011.

Cash Equivalents

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

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

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. Realized gains and losses are recognized at date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are recognized for the change in fair value between reporting periods. Interest and dividend income is recognized when earned.

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. Auxiliary revenue charges are directly related to the costs of the services provided. Revenue received before it is earned is deferred. 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):

	2014	2013
Scholarships and fellowships:		
Institutionally funded	$ 181.3	$ 175.5
Externally funded - gifts and grants	9.2	10.2
Total amount netted against tuition and fees revenue	$ 190.5	$ 185.7
Amount netted against auxiliary enterprises revenue	$ 13.8	$ 12.3

Gifts of cash, property and marketable securities are recorded as revenue at fair value 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 (net patient care revenue) are recorded based upon established billing rates less allowances for contractual adjustments, discounts, and allowances for doubtful accounts (bad debts). Revenues are recorded in the period the services are provided based upon the estimated amounts due from the patients and third-party payors, including federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, and employers. Estimates of contractual allowances represent the difference between established rates for services and amounts reimbursed by third-party payors based upon the payment terms specified in the related contractual agreements. Third-party payors' contractual payment terms are generally based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount. The estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined. In the opinion of management, adequate provisions for adjustments that may result from such reviews and audits have been made through May 31, 2014, in the accompanying financial statements. The impact of such adjustments to operating revenues for the years ended May 31, 2014 and 2013 was a decrease of $1.1 and $5.9 million, respectively.

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

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 cash and cash equivalents and investments. Gift annuities included in cash and cash equivalents, and investments totaled $21.5 and $20.3 million at May 31, 2014 and 2013, 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.

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 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% at May 31, 2014 and 2013.

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.

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

Intangible Assets

On December 1, 2007, the University acquired certain assets and liabilities of the University of Miami Hospital (UMH). The University recorded as goodwill the excess of the fair value of the consideration provided in the business acquisition over the fair value of the identifiable net assets acquired. The University was required to assess goodwill for impairment annually (at March 31), or more frequently if circumstances indicate impairment may have occurred. The University assessed goodwill for such impairment by comparing the carrying value of the reporting unit to its estimated fair value. The University's determination of the fair value of UMH was based on a discounted cash flow analysis and the use of comparable market transactions. The cash flow analysis was based on assumptions that are consistent with the University's estimate of future cash flows based on its plans and budgets. The discount rate used was based on the risk-free rate plus an adjustment for risk factors. The use of alternative estimates of cash flow, peer groups, changes in the industry, or adjusting the discount rate would result in a different determination of fair value and would affect the carrying value of goodwill. As a result of the impairment analysis conducted at March 31, 2013, goodwill was deemed to be fully impaired. In accordance with ASC 350, *Intangibles – Goodwill and Other*, an impairment charge of $97.5 million was recognized in the accompanying statements of activities for the year ended May 31, 2013. The impairment was the result of the projected results from financial operations not being sufficient to support the reported amount of goodwill.

During the fiscal year 2010, the University acquired a physician practice and recorded $1.7 million in goodwill. This practice was closed during the fiscal year 2013 and the associated goodwill was written off.

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 approved rates through 2015. Facilities and administrative cost recovery from government and private sources included in grant and contract revenues totaled $65.7 and $67.3 million during the years ended May 31, 2014 and 2013, respectively.

Impairment of Long-Lived Assets

U.S. GAAP 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 2014 and 2013.

Subsequent events

The University evaluated events and transactions occurring subsequent to May 31, 2014, through August 27, 2014, the date of issuance of the financial statements. During this period, there were no subsequent events requiring recognition in the financial statements.

Reclassifications

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

3. ACCOUNTS AND LOANS RECEIVABLE

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

	2014	2013
Accounts and loans receivable, net:		
Patient care	$ 214.5	$ 204.1
Grants, contracts and other	79.1	73.7
Shared appreciation mortgages	35.7	43.8
Student	13.8	6.9
Student loans, net	28.9	29.1
Total	$ 372.0	$ 357.6

Accounts and loans receivable, and student loans receivable are net of allowances for doubtful accounts of $120.8 and $.9 million, respectively, for 2014 and $138.9 and $.8 million, respectively, for 2013.

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 $38.2 and $46.3 million (gross of $2.5 million allowance for doubtful accounts) at May 31, 2014 and 2013, 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):

	2014	2013
In one year or less	$ 29.7	$ 39.2
Between one year and five years	56.0	54.7
More than five years	41.9	35.4
	127.6	129.3
Discount of $15.7 and allowance of $9.8 for 2014 and $15.5 and $10.2 for 2013, respectively	(25.5)	(25.7)
Total	$ 102.1	$ 103.6

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Variable Rate Swap Agreement

The University entered into an interest rate swap agreement on October 25, 2004 to manage the market risk associated with outstanding variable-rate debt. The swap agreement provides that the University receive a variable rate based on 3-month LIBOR and pay a fixed rate of 4.2%. 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 $4.1 and $4.6 million for the years ended May 31, 2014 and 2013, respectively, and is included in other investments, net in the tables that follow. Changes in the fair value, which for fiscal year 2014 and 2013 amounted to an unrealized gain of $.5 and $1.4 million, respectively, are recorded as non-operating activities in the statements of activities. The notional amount was $17.8 and $18.4 million for fiscal year 2014 and 2013, respectively.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements

Investments

The fair market value of investments at May 31, 2014 and 2013 amounted to $1,153.2 and $1,087.5 million, with a cost basis of $955.8 and $954.1 million, respectively. Short term investments consist primarily of commercial paper with original maturities when purchased in excess of three months. Categories included in limited partnerships and limited liability companies and other investments, represent alternative investments which are valued at the net asset value of the entities as determined by the fund managers, which are generally categorized as level 2 and 3 within the fair value hierarchy, depending on redemption restrictions. 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, 2014 and 2013, the fair value of the University's primary investment pool (the Growth Pool) amounted to $980.0 and $885.0 million, with a cost basis of $787.8 and $758.6 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 on investments for the years ended May 31, 2014 and 2013 was $68.6 and $84.9 million, respectively.

FASB ASC 820 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 are 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.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls 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, 2014.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments

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

	At May 31, 2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Short term investments	$ 25.5	$ -	$ 25.5	$ -
Corporate bonds	88.0	-	88.0	-
Debt securities:				
U.S. Treasury & other government agencies	34.0	33.4	.6	-
Publicly traded stocks:				
Large-mid cap	112.8	112.8	-	-
Small cap	23.5	23.5	-	-
Mutual funds:				
Equities:				
Emerging markets	31.7	-	31.7	-
International	3.6	-	3.6	-
Large-mid cap	13.3	-	13.3	-
Small cap	32.0	-	32.0	-
Fixed Income	55.8	-	55.8	-
Balanced	10.3	-	.8	9.5
Limited partnerships and limited liability companies:				
Equities:				
Emerging markets	37.3	-	37.3	-
International	181.8	-	181.8	-
Large-mid cap	88.3	-	88.3	-
Fixed income	97.0	-	46.9	50.1
Private equity	31.5	-	-	31.5
Other:				
Event arbitrage	81.4	-	-	81.4
Long-short composite	134.6	-	106.0	28.6
Real assets related securities	46.7	-	46.5	.2
Real estate	26.1	-	-	26.1
Other investments	(2.0)	-	(2.0)	-
Total investments	1,153.2	169.7	756.1	227.4
Trusts held by others	48.5	-	-	48.5
Total assets	$ 1,201.7	$ 169.7	$ 756.1	$ 275.9

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments

	At May 31, 2013			
	Total	Level 1	Level 2	Level 3
Assets:				
Short term investments	$ 33.8	$ -	$ 33.8	$ -
Corporate bonds	56.2	-	56.2	-
Debt securities:				
U.S. Treasury & other government agencies	88.1	83.9	4.2	-
Publicly traded stocks:				
Large-mid cap	98.9	98.9	-	-
Small cap	21.0	21.0	-	-
Mutual funds:				
Equities:				
Emerging markets	30.7	-	30.7	-
International	3.3	-	3.3	-
Large-mid cap	12.5	-	12.5	-
Small cap	29.6	-	29.6	-
Fixed Income	37.0	-	37.0	-
Balanced	9.5	-	.7	8.8
Limited partnerships and limited liability companies:				
Equities:				
Emerging markets	34.0	-	34.0	-
International	153.2	-	153.2	-
Large-mid cap	83.5	-	83.5	-
Fixed income	91.6	-	44.6	47.0
Private equity	38.4	-	-	38.4
Other:				
Event arbitrage	81.2	-	-	81.2
Long-short composite	118.3	-	92.7	25.6
Real assets related securities	43.4	-	42.9	.5
Real estate	25.9	-	-	25.9
Other investments	(2.6)	-	(2.6)	-
Total investments	1,087.5	203.8	656.3	227.4
Trusts held by others	46.1	-	-	46.1
Total assets	$ 1,133.6	$ 203.8	$ 656.3	$ 273.5

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments

The following tables set forth a summary of changes in the fair value of the University's level 3 assets which are valued at net asset value:

For the year ended May 31, 2014 (in millions):

	May 31, 2013	Purchases	Sales	Net Income Reinvested	Total net gains (losses) included in changes in net assets: Realized	Total net gains (losses) included in changes in net assets: Unrealized	Transfers in and/or out of level 3	May 31, 2014
Mutual funds - balanced	$ 8.8	-	(.3)	.3	.7	-	-	$ 9.5
Limited partnerships and limited liability companies:								
Fixed income	47.0	-	-	1.6	-	1.5	-	50.1
Private equity	38.4	3.5	(12.4)	.2	(4.2)	6.0	-	31.5
Other:								
Event arbitrage	81.2	-	(5.0)	1.9	2.2	1.1	-	81.4
Long-short composite	25.6	-	-	(1.1)	3.0	1.1	-	28.6
Real assets related securities	.5	-	(.3)	-	(.5)	0.5	-	.2
Real estate	25.9	.7	(3.8)	(.1)	1.0	2.4	-	26.1
Total investments	227.4	4.2	(21.8)	2.8	2.2	12.6	-	227.4
Trusts held by others	46.1	-	-	-	-	2.4	-	48.5
Total assets	$ 273.5	$ 4.2	$ (21.8)	$ 2.8	$ 2.2	$ 15.0	$ -	$ 275.9

For the year ended May 31, 2013 (in millions):

	May 31, 2012	Purchases	Sales	Net Income Reinvested	Total net gains (losses) included in changes in net assets: Realized	Total net gains (losses) included in changes in net assets: Unrealized	Transfers in and/or out of level 3	May 31, 2013
Mutual funds - balanced	$ 7.7	-	(.3)	.2	.2	1.0	-	$ 8.8
Limited partnerships and limited liability companies:								
Fixed income	43.3	-	-	1.5	-	2.2	-	47.0
Private equity	43.4	2.8	(10.5)	.4	4.0	(1.7)	-	38.4
Other:								
Event arbitrage	73.2	-	-	2.6	3.3	2.1	-	81.2
Long-short composite	22.0	-	-	(.5)	1.9	2.2	-	25.6
Real assets related securities	.9	-	(.4)	-	-	-	-	.5
Real estate	26.8	2.5	(4.6)	(.2)	.6	.8	-	25.9
Total investments	217.3	5.3	(15.8)	4.0	10.0	6.6	-	227.4
Trusts held by others	43.6	.2	(2.4)	-	-	4.7	-	46.1
Total assets	$ 260.9	$ 5.5	$ (18.2)	$ 4.0	$ 10.0	$ 11.3	$ -	$ 273.5

Sales amounts presented above for the year ended May 31, 2013 for trusts held by others represent settlement transactions. There were no other issuances and settlements for the years ended May 31, 2014 and 2013.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments

The total level 3 change in net unrealized gains for the years relating to those investments still held at May 31, 2014 and 2013 total $12.6 and $6.6 million, respectively, and are reflected as part of investment return in the statements of activities. The total level 3 change in value related to trusts held by others at May 31, 2014 and 2013 total $2.4 and $4.7 million, respectively, and are reflected as part of investment return and changes in value of annuities payable and trusts held by others in the statements of activities.

The following tables summarize the University's assets whose fair value is reported using net asset value per share (in millions):

	At May 31, 2014			
Assets:	Fair Value	Future Commitments	Redemption Frequency	Days Notice
Limited partnerships and limited liability companies:				
Equities:				
Emerging markets	$ 37.3	$ -	(M)	30 days
International	181.8	-	(M)	5-6 days
Large-mid cap	88.3	-	(Q)	60 days
Fixed income	97.0	-	(M), (A)	10-90 days
Private equity	31.5	16.9	*	N/A
Other:				
Event arbitrage	81.4	-	(Q)	65-90 days
Long-short composite	134.6	-	(M), (Q), (A)	45-90 days
Real assets related securities	46.7	10.0	(M), (Q)	10-60 days
Real estate	26.1	4.3	*	N/A
Other investments	(2.0)	-	N/A	N/A
Total investments	722.7	31.2		
Trusts held by others	48.5	-	N/A	N/A
Total assets	$ 771.2	$ 31.2		

	At May 31, 2013			
Assets:	Fair Value	Future Commitments	Redemption Frequency	Days Notice
Limited partnerships and limited liability companies:				
Equities:				
Emerging markets	$ 34.0	$ -	(M)	30 days
International	153.2	-	(M)	5-6 days
Large-mid cap	83.5	-	(Q)	60 days
Fixed income	91.6	-	(M), (A)	10-90 days
Private equity	38.4	11.0	*	N/A
Other:				
Event arbitrage	81.2	-	(Q)	65-90 days
Long-short composite	118.3	-	(M), (Q), (A)	45-90 days
Real assets related securities	43.4	-	(M), (Q)	10-60 days
Real estate	25.9	5.6	*	N/A
Other investments	(2.6)	-	N/A	N/A
Total investments	666.9	16.6		
Trusts held by others	46.1	-	N/A	N/A
Total assets	$ 713.0	$ 16.6		

Redemption Frequency: (A) Annually, (S) Semi-annually, (Q) Quarterly, (M) Monthly

(*) The expected liquidation date for these assets range from 2015 to 2028 and are based on a combination of the inception date of the fund and the expected life of the fund as outlined in the partnership agreement inclusive of the manager's ability to extend the fund's life.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

The University's investment policy and strategy for its investments, as established by the Investment Committee (the Committee) of the Board and ratified by the Executive Committee of the Board, 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 University assets is 48.0% equity securities, 10.0% fixed income, and 42.0% other investments. Equity securities include investments in large-mid cap and small cap companies primarily located in the United States, as well as international companies similar to the S&P 500, Russell 2000 and MSCI Indexes. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries similar to the Barclays US TIPs and Citigroup World Gov't Bond. Other investments include private equity funds, real estate funds, and hedge funds similar to those of the HFRI Fund of Funds, S&P 500, DJ/UBS Commodity, NCREIF Property Index. The Committee rebalances its investments periodically to meet established target allocations. In addition, the Committee reviews its investment policy and target allocations periodically and effects changes when required, to ensure that strategic objectives are achieved.

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):

	2014	2013
Operating:		
Endowment spending distribution	$ 32.1	$ 29.9
Investment return	6.4	6.1
Total operating investment return	38.5	36.0
Non-Operating:		
Unrestricted:		
Endowment interest and dividend income, realized and unrealized gains, net of endowment spending distribution	15.6	24.7
Other net realized and unrealized gains	14.4	16.6
Total unrestricted non-operating investment return	30.0	41.3
Temporarily restricted:		
Investment return, net of endowment spending distribution	47.5	54.0
Endowment distributions reinvested	2.6	2.7
Permanently restricted investment return	2.2	3.0
Total non-operating investment return	82.3	101.0
Total investment return	$ 120.8	$ 137.0

6. FAIR VALUE OF OTHER 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, which is classified as level 2 within the fair value hierarchy, 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, 2014 and 2013 approximated $897.6 and $914.7 million, respectively. The carrying amounts of these bonds payable at May 31, 2014 and 2013 approximated $845.7 and $871.0 million, respectively.

7. OTHER ASSETS

Other assets primarily represent prepaid expenses and inventories. During September 2010, the University entered into a tri-party agreement with the Public Health Trust (PHT) and Miami-Dade County wherein the receivable associated with the annual operating agreement was converted to a prepaid asset. The value of the receivable at September 30, 2010 was $73.9 million, and included a long-term land lease with a discounted value of $14.1 million. The University will receive goods, rentals, and services in the normal course of business with the PHT until the prepaid asset is exhausted. At May 31, 2014 and 2013, the remaining prepaid asset under this agreement, after application of purchased services was $13.4 and $22.7 million, respectively. Based on the repayment terms of the agreement, the balance of the prepaid asset was exhausted by March 1, 2014, with the exception of the long-term land lease which extends through 2080.

8. PROPERTY AND EQUIPMENT

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

	Useful Lives	2014	2013
Land	-	$ 86.6	$ 94.2
Land improvements	20 years	109.7	100.1
Buildings and building improvements	8 to 50 years	1,743.5	1,598.0
Leasehold improvements	1 to 50 years	48.9	47.9
Construction in progress	-	76.8	143.9
Moveable equipment	3 to 20 years	654.7	589.3
Library materials	12 years	117.0	115.8
Art objects	-	55.0	54.8
		2,892.2	2,744.0
Accumulated depreciation and amortization		(1,300.3)	(1,207.9)
Total		$ 1,591.9	$ 1,536.1

Interest on borrowings is capitalized during construction, net of any project specific borrowings' investment income earned through the temporary investment of project borrowings. Net interest expense of $2.9 and $2.7 million was capitalized for the years ended May 31, 2014 and 2013, respectively.

9. ENDOWMENT

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

Spending Policy

The University's endowment spending distribution policy in support of its programs is to distribute five percent of the three-year moving average 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.

9. ENDOWMENT (Continued)

Return Objectives and Risk Parameters (continued)

The intent of the University's policy for its primary investment pool (the Growth Pool), as approved by the Board, 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.

Application of Relevant Law

On June 17, 2011, the State of Florida passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The effective date of the enacted version of UPMIFA in Florida (FL UPMIFA) was July 1, 2012. Accordingly the University was required to adopt the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-50 (*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)* on July 1, 2012. 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 UPMIFA.

The Board's interpretation of its fiduciary responsibilities for donor-restricted endowments under FL UPMIFA is that it is required to use reasonable care and caution as would be exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FL UPMIFA, the Board may expend so much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund.

FL UPMIFA specifies that unless stated otherwise in the gift instrument, donor-restricted assets in an endowment fund are restricted assets until appropriated for expenditure. Barring the existence of specific instructions in gift agreements for donor-restricted endowments, the University's policy is to report (a) the historical value for such endowments as permanently restricted net assets and (b) the net accumulated appreciation as temporarily restricted net assets. The amounts appropriated for expenditure are based on the endowment spending rate per unit and the number of units for each fund.

The unspent market appreciation of donor restricted endowment funds is presented as temporarily restricted net assets until appropriated for expenditure by the University. When losses on the investments of a donor-restricted endowment fund exceed the net appreciation classified in temporarily restricted net assets, the excess loss reduces unrestricted net assets. Gains that restore the fair value of the assets of the endowment fund to the fund's required level (historic dollar value) are classified as an increase to the same class of net assets that was previously reduced for the excess loss - unrestricted net assets. After the fair value of the assets of the endowment fund equals the required level, gains are again available for expenditure, and those gains that are restricted by the donor are classified as increases in temporarily restricted net assets.

Upon Florida's adoption of UPMIFA, which resulted in a change of accounting policy, the University reclassified $160.8 million of cumulative net appreciation from unrestricted net assets to temporarily restricted net assets.

At May 31, 2014 and 2013, the net deficiency in the market value of certain endowment related assets which fell below the donor required level amounted to $.5 and $2.4 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 deemed prudent by the University.

9. ENDOWMENT (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
At May 31, 2013:				
Donor restricted endowment funds:				
At historical value	$ -	$ 28.7	$ 362.4	$ 391.1
Accumulated net (depreciation) appreciation	(2.4)	215.2	-	212.8
Quasi endowment funds	174.0	-	-	174.0
Total	$ 171.6	$ 243.9	$ 362.4	$ 777.9
At May 31, 2014:				
Donor restricted endowment funds:				
At historical value	$ -	$ 28.7	$ 386.7	$ 415.4
Accumulated net (depreciation) appreciation	(.5)	263.8	-	263.3
Quasi endowment funds	186.7	-	-	186.7
Total	$ 186.2	$ 292.5	$ 386.7	$ 865.4

Changes in endowment net assets for the fiscal years ended May 31, 2014 and 2013 consist of (in millions):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, May 31, 2012	$ 303.8	$ 29.2	$ 345.7	$ 678.7
Cumulative effect of a change in accounting principle	(160.8)	160.8	-	-
Endowment investment return:				
Investment income	1.5	5.4	-	6.9
Net appreciation (realized and unrealized)	30.5	72.4	-	102.9
Total investment return	32.0	77.8	-	109.8
Gifts and Trusts	1.3	.1	15.3	16.7
Endowment spending distribution for programs	(7.4)	(25.3)	-	(32.7)
Endowment distributions reinvested	.1	2.7	-	2.8
Net transfers to quasi endowment funds	2.6	-	-	2.6
Other	-	(1.4)	1.4	-
Balance, May 31, 2013	$ 171.6	$ 243.9	$ 362.4	$ 777.9
Endowment investment return:				
Investment income	1.3	4.7	-	6.0
Net appreciation (realized and unrealized)	21.9	68.5	-	90.4
Total investment return	23.2	73.2	-	96.4
Gifts and Trusts	-	.4	23.6	24.0
Endowment spending distribution for programs	(7.7)	(27.1)	-	(34.8)
Endowment distributions reinvested	.1	2.6	-	2.7
Net transfers from quasi endowment funds	(1.0)	-	-	(1.0)
Other	-	(.5)	.7	.2
Balance, May 31, 2014	$ 186.2	$ 292.5	$ 386.7	$ 865.4

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 were closed to employees hired after May 31, 2007. Effective June 1, 2007 a new retirement plan was established, the Retirement Savings Plan.

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

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 once the employee meets certain eligibility requirements. Eligible employees can begin making voluntary contributions to the Savings Plan at any time. 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 2014 and 2013 were $40.1 and $34.4 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. Eligible employees can begin making voluntary contributions to the Savings Plan II at any time. Core and matching contributions to the Savings Plan II were $6.6 and $6.7 million for the years ended May 31, 2014 and 2013, 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 Retirement 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 $23.4 and $23.8 million for the years ended May 31, 2014 and 2013, 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 benefit is based on the higher of two formulas: a formula based on years of service and the employee's compensation for the consecutive five year period of employment that produces the highest average; and a cash balance benefit formula determined each year based on compensation and investment earnings.

On March 22, 2013, the Employee Plan was amended to allow terminated vested employees with a cash balance or present value benefit under $30,000 a one-time opportunity, during a 60-day window from April 1, 2014 to May 31, 2014, to cash out their benefit without having to reach the normal retirement date. In addition, any participant with a cash balance under $5,000 who did not elect to participate in the window was automatically cashed out, and their benefits were rolled over to an IRA administered by a third party vendor. The amounts settled approximated $25.0 million, which was less than the sum of the service cost and the interest cost. Therefore, settlement accounting was not required.

On April 18, 2013, the Employee Plan was amended to allow a 100% lump sum distribution option to participants with a termination date on or after May 1, 2013. In addition, on April 29, 2014, the Employee Plan was amended to allow a 100% lump sum distribution option effective June 1, 2015, to vested employees who terminated on or before May 31, 2013.

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

On April 29, 2014, the Employee Plan was also amended to allow all terminated vested employees a one-time opportunity, during a 60-day window ending May 31, 2015, to cash out their benefit without having to reach the normal retirement date. The Employee Plan was further amended on April 29, 2014 to transfer employees from the Employee Plan to the Savings Plan at time of long term disability approval effective June 1, 2014.

The measurement date for the Employee Plan and postretirement health plan is May 31 for fiscal years 2014 and 2013.

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
2015	$ 52.5	$ .2
2016	50.3	.2
2017	50.0	.2
2018	51.0	.3
2019	52.4	.3
2020-2024	281.3	2.1

The University expects to contribute $50.0 million to the Employee Plan and $.2 million to its postretirement health plan during the fiscal year ending May 31, 2015.

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	
	2014	2013	2014	2013
Change in Benefit Obligation				
Benefit obligation at beginning of year	$ 918.6	$ 927.5	$ 6.9	$ 3.3
Service cost – benefits attributed to employee service during period and administrative expenses	18.9	22.5	.5	.5
Interest costs accrued to measure benefit obligation at present value	41.6	42.0	.3	.3
Plan participant contributions	-	-	.6	.6
Actuarial loss (gain)	11.0	(30.0)	(1.5)	2.8
Benefits paid and administrative expenses	(69.5)	(36.5)	(.6)	(.6)
Plan amendments	(11.0)	(6.9)	-	-
Benefit obligation at end of year	909.6	918.6	6.2	6.9
Change in Plan Assets				
Employee Plan assets at fair value at beginning of year	624.4	532.7	-	-
Investment return on Employee Plan assets	66.0	70.3	-	-
Benefits paid and Employee Plan expenses	(69.5)	(36.5)	(.6)	(.6)
Employer contributions	50.0	57.9	-	-
Plan participant contributions	-	-	.6	.6
Employee Plan assets at fair value at end of year	670.9	624.4	-	-
Funded status				
Accrued pension and postretirement benefit costs recognized on the statements of financial position	$ (238.7)	$ (294.2)	$ (6.2)	$ (6.9)
Amounts recognized in unrestricted net assets consist of:				
Net actuarial loss	$ 277.2	$ 299.3	$ -	$ 1.5
Prior service credit	(20.1)	(10.8)	(.6)	(.7)
	$ 257.1	$ 288.5	$ (.6)	$ .8

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

At May 31, 2014 and 2013, the accumulated benefit obligation of the Employee Plan was $868.0 and $865.7 million, respectively, $197.1 and $241.3 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	
	2014	2013	2014	2013
Service cost:				
Benefits attributed to employee service during periods and administrative expenses	$ 18.9	$ 22.5	$ .5	$ .5
Total	18.9	22.5	.5	.5
Interest costs accrued to measure benefit obligation at present value	41.6	42.0	.3	.3
Expected return on Employee Plan assets	(50.1)	(42.8)	-	-
Amortization of prior service cost/(credit) - includes changes in pension formula and cost of Employee Plan amendments	(1.7)	(.6)	(.1)	-
Amortization of transition obligation	-	-	-	.1
Recognized net actuarial loss	17.3	24.7	-	-
Net periodic benefit cost	$ 26.0	$ 45.8	$ .7	$ .9

The net actuarial loss and prior service credit 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	$ 16.9	$ -
Prior service credit	(2.2)	(.1)

An 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2014. The rate is assumed to decrease each year until reaching the ultimate of 5.0% in 2022. Assumed health care cost trend rates have an effect on the amounts reported for the health care plan. A load factor was applied to the trend rates to reflect the impact of excise tax in 2018 and beyond. 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	.9	(.8)

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

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

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Discount rate for benefit obligation	4.55%	4.80%	4.40%	4.70%
Discount rate for net periodic benefit cost	4.80%	4.55%	4.70%	4.65%
Expected return on Employee Plan assets	8.13%	7.95%	N/A	N/A
Rate of compensation increase	3.70%/4.20%	3.70%/4.20%	N/A	N/A

The rate of compensation increase assumption related to the net periodic benefit cost is 3.70% for fiscal year 2014 to 2016, and 4.20% thereafter. To develop the expected long-term rate of return for the Employee Plan assets, 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 40.0% equity securities, 25.0% fixed income, and 35.0% other investments. Equity securities include registered mutual funds, unregistered limited partnerships, and 103-12 investment entities which invest in large-mid cap, small-cap and emerging companies primarily located in the United States, as well as international companies similar to the S&P 500, Russell 2000 and MSCI Indexes. Fixed income securities include registered mutual funds and 103-12 investment entities which invest in corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries similar to the Barclays Capital and US TIPs and Citigroup World Gov't Bond. Other types of investments include investments in hedge funds, private equity funds, long-short composites, real estate, event arbitrage and common collective trusts investing in real assets related securities similar to those of the HFRI Fund of Funds, S&P 500, DJ/UBS Commodity, and NCREIF Property Index. The University rebalances 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. See note 5 for fair value measurement narrative disclosures.

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, 2014			
	Total	Level 1	Level 2	Level 3
Common stocks:				
Large-mid cap	$ 72.8	$ 72.8	$ -	$ -
Small cap	17.7	17.7	-	-
Registered mutual funds:				
Equities - emerging markets	15.7	-	15.7	-
Fixed Income	62.3	-	62.3	-
Unregistered limited partnerships and limited liability companies:				
Equities:				
Emerging markets	12.5	-	12.5	-
Large-mid cap	55.8	-	55.8	-
Private equity	12.7	-	-	12.7
Other:				
Event arbitrage	43.2	-	-	43.2
Long-short composite	60.5	-	36.7	23.8
Real estate	15.9	-	-	15.9
Real assets related securities	11.0	-	11.0	-
Money market accounts	4.7	4.7	-	-
Common collective trusts:				
Real assets related securities	20.6	-	20.6	-
103-12 Investment entities:				
Equities:				
International	100.1	-	100.1	-
Small cap	29.3	-	29.3	-
Fixed income	103.2	-	93.5	9.7
Other investments:				
Private equity	2.7	-	-	2.7
Long-short composite	15.7	-	15.6	.1
Fixed income	11.9	-	-	11.9
Real assets related securities	.1	-	-	.1
Total	$ 668.4	$ 95.2	$ 453.1	$ 120.1

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Employee Plan Assets (continued)

	At May 31, 2013			
	Total	Level 1	Level 2	Level 3
Common stocks:				
Large-mid cap	$ 60.4	$ 60.4	$ -	$ -
Small cap	15.9	15.9	-	-
Registered mutual funds:				
Equities - emerging markets	15.3	-	15.3	-
Fixed Income	94.6	-	94.6	-
Unregistered limited partnerships and limited liability companies:				
Equities:				
Emerging markets	11.3	-	11.3	-
Large-mid cap	53.2	-	53.2	-
Private equity	15.8	-	-	15.8
Other:				
Event arbitrage	34.7	-	-	34.7
Long-short composite	31.0	-	19.1	11.9
Real estate	15.2	-	-	15.2
Real assets related securities	9.9	-	9.9	-
Money market accounts	16.2	16.2	-	-
Common collective trusts:				
Real assets related securities	13.4	-	13.4	-
103-12 Investment entities:				
Equities:				
International	84.3	-	84.3	-
Small cap	24.5	-	24.5	-
Fixed income	105.2	-	96.2	9.0
Other investments:				
Private equity	3.0	-	-	3.0
Long-short composite	15.3	-	15.2	.1
Fixed income	11.2	-	-	11.2
Real assets related securities	.3	-	-	.3
Total	$ 630.7	$ 92.5	$ 437.0	$ 101.2

The tables on the following page set forth a summary of changes in the fair value of the Employee Plan's Level 3 investments which are valued at net asset value.

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Employee Plan Assets (continued)

For the year ended May 31, 2014 (in millions)

	May 31, 2013	Purchases	Sales	Total net gains (losses) included in changes in net assets: Realized	Unrealized	Transfers in and/or out of level 3	May 31, 2014
Unregistered limited partnerships and limited liability companies:							
Private equity	$ 15.8	1.1	(3.8)	(2.4)	2.0	-	$ 12.7
Other:							
Event arbitrage	34.7	6.7	-	.6	1.2	-	43.2
Long-short composite	11.9	9.3	-	2.0	.6	-	23.8
Real estate	15.2	.6	(2.2)	.5	1.8	-	15.9
103-12 Investment entities:							
Fixed income	9.0	.7	-	-	-	-	9.7
Other investments:							
Private equity	3.0	.9	(1.5)	.6	(.3)	-	2.7
Long-short composite	.1	-	-	-	-	-	.1
Fixed income	11.2	-	-	-	.7	-	11.9
Real assets related securities	.3	-	(.2)	(.3)	.3	-	.1
Total	$ 101.2	$ 19.3	$ (7.7)	$ 1.0	$ 6.3	$ -	$ 120.1

For the year ended May 31, 2013 (in millions)

	May 31, 2012	Purchases	Sales	Total net gains (losses) included in changes in net assets: Realized	Unrealized	Transfers in and/or out of level 3	May 31, 2013
Unregistered limited partnerships and limited liability companies:							
Private equity	$ 17.6	1.6	(3.9)	1.4	(.9)	-	$ 15.8
Other:							
Event arbitrage	31.2	.6	-	1.1	1.8	-	34.7
Long-short composite	10.2	(.3)	-	.8	1.2	-	11.9
Real estate	15.9	1.3	(2.8)	.4	.4	-	15.2
103-12 Investment entities:							
Fixed income	7.9	.7	-	-	.4	-	9.0
Other investments:							
Private equity	3.4	.1	(1.2)	.3	.4	-	3.0
Long-short composite	.1	-	-	-	-	-	.1
Fixed income	10.6	-	-	-	.6	-	11.2
Real assets related securities	.6	-	(.3)	-	-	-	.3
Total	$ 97.5	$ 4.0	$ (8.2)	$ 4.0	$ 3.9	$ -	$ 101.2

There were no issuances or settlements for the years ended May 31, 2014 and 2013.

The total level 3 change in net unrealized gains for the years relating to those investments still held at May 31, 2014 and 2013 total $6.3 and $3.9 million, respectively, and are included in net appreciation in fair value of investments in the Employee Plan's statements of changes in net assets available for benefits.

11. BONDS AND NOTES PAYABLE

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

	Series	Final Maturity	2014 Interest Rate	2014	2013
Miami-Dade County, Florida	2007A to				
Educational Facilities Authority	2012B	2015 to 2042	1.06% to 6.1%	$ 812.4	$ 834.9
Notes payable to banks and others	-	2016 to 2030	2.0% to 3.3%	37.2	37.6
Notes payable to banks and others	-	2015 to 2035	Variable	27.6	22.3
Par amount of bonds and notes payable				877.2	894.8
Net unamortized premium				26.9	29.0
Total				$ 904.1	$ 923.8

The annual maturities for bonds and notes payable at May 31, 2014 are as follows (in millions):

2015	$ 44.2
2016	32.4
2017	32.1
2018	30.7
2019	30.2
Thereafter	707.6
Total	$ 877.2

In December 2013, the University borrowed $10.0 million from a bank to fund the Employees' Retirement Plan. The loan has a fixed interest rate of 2.15% per annum, and has a maturity date of December 31, 2017. The outstanding balance at May 31, 2014 was $9.4 million.

In December 2012, the University issued $94.6 million of Series 2012A, and $25.3 million of Series 2012B Revenue Bonds through the Miami-Dade County, Florida Educational Facilities Authority (MDCFEFA). The proceeds of the bonds were used to finance or refinance the acquisition, construction, renovation and equipping of various facilities owned and operated by the University.

In December 2012, the University borrowed $11.0 million from a bank to fund the Employees' Retirement Plan. The loan has a fixed interest rate of 2.0% per annum, and has a maturity date of December 31, 2016. The outstanding balance at May 31, 2014 and 2013 was $7.6 and $10.3 million, respectively.

Effective December 31, 2013, the University renewed its line of credit arrangement which carries a maximum possible balance of $150.0 million. This line of credit has a variable interest rate equal to the LIBOR Daily Floating Rate plus 0.65% per annum, and has a maturity date of December 31, 2014. The outstanding balance under this line of credit at May 31, 2014 and 2013 was $10.4 and $4.4 million, respectively.

Effective June 29, 2012, the University renewed its second revolving credit facility with a maximum credit capacity of $100.0 million. This line of credit has a variable interest equal to the LIBOR rate for dollar deposits with a one-month maturity plus 0.75% per annum through June 28, 2013. This line of credit was renewed in June 2013 with a variable interest equal to the LIBOR rate for dollar deposits with a one-month maturity plus 0.65% per annum. The maturity date was June 29, 2014. Effective June 30, 2014, this line of credit was renewed with a maximum credit capacity of $100.0 million and a variable interest equal to the LIBOR rate for dollar deposits with a one-month maturity plus 0.65% per annum. The agreement terminates on December 31, 2015. There was no balance outstanding as of May 31, 2014 and 2013.

Total interest paid on all bonds and notes was $44.0 and $42.3 million for the years ended May 31, 2014 and 2013, respectively. All of the bonds and notes payable listed in the table above are unsecured.

12. NET ASSETS

Unrestricted net assets consist of the following at May 31 (in millions):	2014	2013
Designated for operations, programs, facilities expansion and student loans	$ 107.5	$ 122.1
Cumulative pension and postretirement benefits related changes other than net periodic benefit cost	(256.5)	(289.3)
Invested in plant facilities	836.9	765.0
Endowment and similar funds	186.2	171.6
Total unrestricted net assets	$ 874.1	$ 769.4

Temporarily restricted net assets consist of the following at May 31 (in millions):	2014	2013
Gifts for programs and facilities expansion	$ 18.1	$ 16.1
Contributions (pledges) and trusts	94.0	96.0
Life income and annuity funds	11.6	11.6
Endowment and similar funds	292.5	243.9
Total temporarily restricted net assets	$ 416.2	$ 367.6

Permanently restricted net assets consist of the following at May 31 (in millions):	2014	2013
Contributions (pledges) and trusts	$ 56.6	$ 53.7
Endowment and similar funds	386.7	362.4
Total permanently restricted net assets	$ 443.3	$ 416.1

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, 2014 and 2013, reported in the statements of activities as well as the CASE standards as reported by Advancement (in millions):

	2014	2013
Unrestricted gifts and trusts in support of programs	$ 67.5	$ 60.9
Unrestricted gifts and trusts for plant expansion	.7	7.3
Temporarily restricted gifts and trusts for programs and plant expansion	36.9	37.0
Permanently restricted endowment gifts and trusts	24.3	12.1
Total gifts and trusts, per statements of activities	129.4	117.3
Increases (decreases) to reflect gifts and trusts per CASE standards:		
Pledges, net	2.6	(1.2)
Non-government grants, included in grants and contracts revenue	46.9	47.1
Differences in valuation/recording:		
Funds held in trust by others	5.3	6.1
Annuity	.3	.7
Timing	(5.5)	1.9
Gift-in-kind recorded under CASE standards only	6.4	6.4
Donations to supporting organizations recorded under CASE standards only	1.9	2.4
Total gifts and trusts as reported by Advancement	$ 187.3	$ 180.7

14. FUNCTIONAL EXPENSES

Operating expenses are reported in the statements of activities in natural categories. Functional expenses for fiscal year 2014 and 2013 are shown below (in millions):

	2014	2013
Instruction	$ 479.6	$ 446.5
Research	211.2	216.6
Public service	151.9	149.9
Patient care	1,196.5	1,232.5
Auxiliary enterprises	163.2	149.8
Academic support	136.3	141.9
Student services	43.0	39.6
Institutional support	162.4	135.9
Total	$ 2,544.1	$ 2,512.7

Included in patient care expenses for fiscal year 2013 is $99.2 million related to goodwill impairment. Facilities related expenses have been allocated across applicable functional expense categories in the statements of activities based on space usage (in millions):

	2014	2013
Depreciation and amortization	$ 125.1	$ 121.3
Interest	39.5	38.8
Operations and maintenance	123.6	117.8
Total	$ 288.2	$ 277.9

15. COMMITMENTS AND CONTINGENCIES

The University had contractual obligations of approximately $90.2 million at May 31, 2014 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 $11.9 million per year over the next five years, totaling $37.3 million.

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.

In March 2010, President Obama signed the Patient Protection and Affordable Care Act (PPACA) into law. PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for. Given that the final regulations and interpretive guidelines are still being published and there have been various legal challenges of certain provisions of the law, the University is unable to fully predict the impact of PPACA on its operations and financial results. Management of the University is studying and evaluating the anticipated impacts and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement.

15. COMMITMENTS AND CONTINGENCIES (Continued)

The University leases certain real property. These leases are classified as operating leases and have lease terms ranging up to sixty eight years. Total lease expense for the years ended May 31, 2014 and 2013 was $31.9 and $30.4 million, respectively. Future minimum lease payments under noncancelable operating leases at May 31, 2014 are as follows (in millions):

2015	$ 11.8
2016	11.0
2017	6.7
2018	5.8
2019	5.5
Thereafter	161.9
Total	$ 202.7