MIAMI

FOR LOVE AND HONOR

MIAMI UNIVERSITY FOUNDATION

FINANCIAL REPORT

for the year ended June 30, 2009

Mary Taylor, CPA
Auditor of State

Board of Trustees
Miami University Foundation
107 Roudebush Hall
Oxford, Ohio 45056

We have reviewed the *Independent Auditors' Report* of the Miami University Foundation, Butler County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Miami University Foundation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 2, 2009

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MIAMI UNIVERSITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Miami University Foundation and
Ms. Mary Taylor
Auditor of the State of Ohio:

We have audited the accompanying statements of financial position of Miami University Foundation (the "Foundation") as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year comparative information has been derived from the Foundation's 2008 audited financial statements, upon which we expressed an unqualified opinion dated October 14, 2008.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2009, and the changes in its net assets and its cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, in 2009, the Foundation changed its method of accounting for net assets classification to conform to Financial Accounting Standards Board Staff Position FAS No. 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,* which adjusted the classification of net assets within the statement of activities for the change.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as whole. The schedule of changes in net assets by fund and the schedule of investments are presented fairly for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have issued report dated October 12, 2009, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte + Touche LLP

Columbus, Ohio
October 12, 2009

Exhibit A

MIAMI UNIVERSITY FOUNDATION
Statement of Financial Position
June 30, 2009
(with comparative financial information for June 30, 2008)

	June 30, 2009	June 30, 2008
ASSETS		
Cash and cash equivalents	$ 9,069,607	$ 25,448,329
Due from Miami University	0	16,216
Pledges receivable, net (Note 6)	49,385,164	54,850,721
Other receivables, primarily investment related	550,196	277,660
Long-term investments (Note 3)		
Cost basis	199,887,198	209,624,848
Unrealized net (depletion) appreciation	(17,427,620)	10,410,845
Fair value of investments	182,459,578	220,035,693
Cash value of paid-up life insurance	1,540,659	1,533,813
Real estate investments	232,875	232,875
TOTAL ASSETS	$ 243,238,079	$ 302,395,307
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to Miami University	$ 6,445,577	$ 9,711,411
Accounts payable and other	519,962	1,294,899
Deferred revenue	2,762,966	2,599,396
Obligations under split-interest agreements (Note 7)	3,465,498	3,210,602
TOTAL LIABILITIES	13,194,003	16,816,308
NET (DEFICIT) ASSETS		
Unrestricted (Note 5)	(9,298,473)	3,350,208
Temporarily restricted	100,456,126	103,248,353
Permanently restricted	138,886,423	178,980,438
TOTAL NET ASSETS	230,044,076	285,578,999
TOTAL LIABILITIES AND NET ASSETS	$ 243,238,079	$ 302,395,307

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

Exhibit B

MIAMI UNIVERSITY FOUNDATION
Statement of Activities
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER ADDITIONS				
Contributions	$ 155,347	$ 931,269	$ 7,203,070	$ 8,289,686
Investment income				
Dividend and interest income (Note 3)	1,950	1,735,793		1,737,743
Net unrealized and realized (losses) gains	(9,608,855)	(41,243,220)	6,538	(50,845,537)
Net investment (loss) income	(9,606,905)	(39,507,427)	6,538	(49,107,794)
Change in value of split-interest agreements (Note 7)	0	(3,319,288)	0	(3,319,288)
Net assets released from restrictions due to satisfaction of donor restrictions	11,373,422	(10,751,119)	(622,303)	0
TOTAL REVENUES AND OTHER ADDITIONS	1,921,864	(52,646,565)	6,587,305	(44,137,396)
EXPENSES AND OTHER DEDUCTIONS				
Distributions to Miami University (Note 5)	10,750,859	0	0	10,750,859
Administrative expenses (Note 5)	646,668	0	0	646,668
TOTAL EXPENSES AND OTHER DEDUCTIONS	11,397,527	0	0	11,397,527
Change in net assets before cumulative effect of change in accounting principle	(9,475,663)	(52,646,565)	6,587,305	(55,534,923)
Cumulative effect of change in accounting principle (Note 2)	(3,173,018)	49,854,338	(46,681,320)	0
CHANGE IN NET ASSETS	(12,648,681)	(2,792,227)	(40,094,015)	(55,534,923)
Net Assets - Beginning of Year	3,350,208	103,248,353	178,980,438	285,578,999
NET ASSETS AT END OF YEAR	$ (9,298,473)	$ 100,456,126	$ 138,886,423	$ 230,044,076

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

Exhibit C

MIAMI UNIVERSITY FOUNDATION
Statement of Cash Flows
Year Ended June 30, 2009

Cash flows from operating activities	
Payments to Miami University, net	$ (14,866,244)
Net cash used in operating activities	(14,866,244)
Cash flows from investing activities	
Proceeds from sale of investments	74,063,818
Purchase of investments	(90,547,413)
Net cash used in investing activities	(16,483,595)
Cash flows from financing activities	
Contributions restricted for endowment investment	13,675,791
Interest and dividends, restricted	1,745,086
Interest utilized for payment of split-interest obligations	426,174
Payments on split-interest obligations	(875,934)
Net cash provided by financing activities	14,971,117
Net decrease in cash and cash equivalents	(16,378,722)
Cash and cash equivalents at beginning of year	25,448,329
Cash and cash equivalents at end of year	$ 9,069,607

Reconciliation of change in net assets to net cash used in operating activities	
Change in net assets	$ (55,534,923)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Decrease in operating accounts payable and other	(183,597)
Decrease in operating payables due to Miami University	(3,285,120)
Contributions restricted for long-term investment	(8,289,686)
Net change in value of split-interest agreements	3,319,288
Interest and dividends	(1,737,743)
Net unrealized and realized losses on long-term investments	50,845,537
Net cash used in operating activities	$ (14,866,244)

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

MIAMI UNIVERSITY FOUNDATION
Notes to the Financial Statements
June 30, 2009

(1) Organization

Miami University Foundation (the Foundation) was organized on June 4, 1948 for the purpose of receiving and investing alumni contributions, and is governed by a Board of Trustees (the Board). The income earned on the Foundation's investments is periodically transferred to Miami University to further its educational and research activities.

The Foundation Board is comprised of a maximum of twenty-nine members. Up to twenty-one members are elected by the Board and eight members are appointed by Miami University. At least two-thirds of the elected trustees are required to be alumni or former students of Miami University.

(2) Summary of Significant Accounting Policies

Financial Statement Presentation

The financial statements of the Foundation are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Asset Classification

Resources of the Foundation are classified for reporting purposes into net asset classes based on the existence or absence of donor-imposed restrictions and state law. Unrestricted net assets represent the portion of funds over which the Foundation has discretionary control as there are no donor-imposed purposes or time restrictions on how the funds may be spent. Temporarily restricted net assets are limited as to use by donor-imposed stipulations that expire with the passage of time or the incurrence of expenditures that fulfill the donor-imposed restrictions. These net assets may include unconditional pledges, split-interest agreements, and board-designated endowment funds; such funds are primarily restricted for student financial aid, educational and research activities, and capital improvements for Miami University. Expirations of restrictions on net assets, i.e., the passage of time and/or fulfilling donor-imposed stipulations, are reported as net assets released from restrictions between the applicable classes of net assets in the statement of activities. Permanently restricted net assets, or endowment funds, represent amounts received from donors with the restriction that the principal is invested in perpetuity. Generally, the donors of these assets permit the Foundation to transfer a portion of the income earned on related investments to Miami University for such purpose as specified by the donor.

In August 2008, the FASB issued FASB Staff Position (FSP) FAS No. 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,* which is effective for fiscal years ending after December 15, 2008. FSP FAS 117-1 (FAS 117-1) provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. Ohio adopted UPMIFA effective June 1, 2009; as such, the Foundation has adopted FAS 117-1 effective for the year ending June 30, 2009. UPMIFA also requires additional disclosures about endowments for both donor-restricted funds and internally designated funds for all organizations as shown in Note 5. The adoption of FAS 117-1 resulted in the reclassification of $49,854,338 between unrestricted, temporarily and permanently restricted net assets to reflect permanently restricted and temporarily restricted net assets as required under FAS 117-1 and is reported in the statement of activities.

Accounting Estimates

In preparing the financial statements in conformity with GAAP, management has made, where necessary, estimates and judgments based on currently available information that affect certain amounts reflected in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consists primarily of cash in banks, money market accounts, BlackRock Liquidity Federal Trust Fund, and the State Treasury Asset Reserve of Ohio (STAR Ohio) that include short-term, highly liquid investments readily convertible to cash, with an original maturity of three months or less. On June 30, approximately $367,000 of cash and cash equivalents was covered by federal depository insurance and the remainder was not insured, exposing it to custodial credit risk. The Foundation maintains active relationships with multiple cash equivalent accounts to reduce its exposure to custodial credit risk at any single institution. The carrying amounts of these items are a reasonable estimate of their fair value.

Investments
Effective July 1, 2008, the Foundation adopted the provisions of FASB Statement No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. SFAS 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and requires expanded disclosures about fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Investments that are market traded, such as equity and debt securities and mutual funds, are recorded at fair value based primarily on quoted market prices, as established by the major securities markets. The value of holdings of commingled funds investing in publicly traded stocks and bonds and not having a readily determined market value for fund units is based on the funds' net asset value as supplied by the investment manager. The manager values are reviewed and evaluated by Foundation management. Investments in real estate are recorded at appraised value at the date of donation. The issuing insurance companies determine the cash surrender value of the paid-up life insurance policies annually.

Market prices are not available for certain investments. These investments are carried at estimated fair value provided by the funds' managements. Some valuations are determined as of June 30, while the remaining valuations are determined as of March 31 and adjusted by cash receipts, cash disbursements, and securities distributions through June 30. The Foundation believes that the carrying amounts are reasonable estimates of fair value as of year-end. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting.

All donor-restricted endowment investments and unrestricted board-designated endowments are managed in a unitized investment pool (Pooled Funds), unless donor-restricted endowment gift agreements require that they be held separately. For the Pooled Funds, the market value of the investments is determined at the end of each quarter and the incremental market value increase or decrease is allocated to the individual fund accounts based on the number of shares the fund owns at the beginning of the quarter.

Investment income is recorded on the accrual basis and purchases and sales of investments are recorded on a trade-date basis. Investment transactions occurring on or before June 30 which settle after such date are recorded as receivables or payables. Net dividend and interest income as well as gains/losses are also allocated based on the number of shares owned.

Income Taxes
The Foundation is a not-for-profit organization as defined under Section 501(c)(3) of the Internal Revenue Code (the Code) and, is generally exempt from federal income taxes pursuant to Section 501(a) of the Code, except on unrelated business income. The Foundation has elected to defer adoption of FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109.* The Foundation is currently evaluating the provisions of FIN No. 48; such adoption is not expected to have a material impact on the Foundation's financial statements.

(3) Long-Term Investments
Investments held by the Foundation as of June 30 were:

	2009		2008	
Investment Description	Cost	Fair Value	Cost	Fair Value
Domestic Public Equities	$ 25,621,100	$ 24,134,636	$ 41,054,271	$ 41,974,590
Global Public Equities	39,180,566	35,205,336	38,479,833	37,355,637
International Public Equities	8,801,774	8,854,290	8,801,774	14,049,753
Domestic Public Fixed Income	16,327,408	16,793,258	10,655,843	11,114,724
Hedge Funds	51,682,305	54,874,435	59,600,000	68,223,759
Private Investments	48,867,233	35,349,435	40,740,747	38,187,933
Split-Interest Funds	11,956,812	10,156,536	12,842,380	13,055,466
Subtotal	202,437,198	185,367,926	212,174,848	223,961,862
Less assets held for Miami University Paper Science & Engineering Foundation	(2,550,000)	(2,908,348)	(2,550,000)	(3,926,169)
Total	$199,887,198	$182,459,578	$209,624,848	$220,035,693

The Foundation maintains a diversified investment portfolio for the Pooled Funds (the pooled fund portfolio fair value was $171,961,859 in 2009 and $206,522,594 in 2008), intended to reduce market risk, credit risk, and interest rate risk with a strategy designed to take advantage of market inefficiencies. The Foundation's investment objectives are guided by its asset allocation policy and are achieved in partnership with external investment managers operating through a variety of investment vehicles including separate accounts, limited partnerships, and commingled funds. The Foundation's investment portfolio includes publicly traded securities. As a result, a significant downturn in the securities markets could adversely affect the market value of Foundation assets. As of June 30, 2009, the Foundation has made commitments to limited partnerships of approximately $39.9 million that have not yet been funded.

The 2009 dividend and interest income of $1,737,743, as reported in the Statement of Activities, is net of fees from external investment managers totaling $731,985. The 2008 dividend and interest income of $2,141,639 is reported net of fees from external investment managers totaling $853,737.

(4) Fair Value Measurements

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 2 – Summary of Significant Accounting Policies. Financial assets and liabilities recorded on the Statement of Financial Position are categorized based on the inputs to valuation techniques in accordance with SFAS 157 as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. The inputs include those traded on an active exchange such as the New York Stock Exchange, NASDAQ or in active over-the-counter markets;

Level 2 – Inputs other than quoted market prices that are observable for the asset or liability either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes commingled funds whose underlying assets are valued by the investment manager who value such assets using independent pricing services and/or inputs from the active markets discussed in level 1;

Level 3 – Inputs that are unobservable including the Foundation's own assumptions in determining the fair value of investments. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Level 3 includes primarily limited partnerships and hedge funds.

The following table presents the fair value hierarchy for the balances of the assets of the Foundation measured at fair value on a recurring basis as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Investments	$43,145,462	$52,058,196	$87,255,920	$182,459,578

The following table is a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2009:

Balances as of July 1, 2008	$94,434,217
Purchases of investments	9,475,910
Proceeds from sale of investments	(1,995,352)
Net realized and unrealized losses on investments	(14,658,855)
Balances as of June 30, 2009	$87,255,920

(5) Endowment

Effective June 1, 2009, the state of Ohio adopted legislation that incorporates the provisions outlined in UPMIFA. UPMIFA provides new statutory rules for the management and investment of endowment funds. The statutory guidelines relate to prudent management, investment, and expenditure of donor-restricted endowment funds held by charitable organizations, specifying factors for fiduciaries to consider prior to making a decision to appropriate from or accumulate into an organization's endowment funds.

The Foundation's interpretation of its fiduciary responsibilities for donor-restricted endowments under UPMIFA requirements, barring the existence of any donor-specific provisions, is to preserve intergenerational equity to the extent possible and to produce maximum total return without assuming inappropriate risks. The investment policies governing these funds look beyond short-term fluctuations in economic cycles toward an investment philosophy that provides the best total return over very long time periods.

UPMIFA specifies that unless stated otherwise in the gift agreement, donor-restricted assets in an endowment fund are restricted assets until appropriated for expenditure by the institution. Barring the existence of specific donor instruction, the Foundation's policy is to report (a) the historical value for such endowment as permanently restricted net assets and (b) the net accumulated appreciation as temporarily restricted net assets. In this context, historical value represents (a) the original value of initial gifts restricted as permanent endowments plus (b) the original value of subsequent gifts along with (c) if applicable, the value of accumulations made in accordance with specific donor instruction.

The Foundation's endowment consists of approximately 1,300 separate accounts established since its inception. The following presents a summary of changes in endowment net assets subject to UPMIFA for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, July 1, 2008	$ 3,348,209	$39,010,742	$178,657,327	$221,016,278
Contributions	155,347	6,387,267	7,203,070	13,745,684
Dividend and interest income, net of investment expense	1,816	1,735,776	0	1,737,592
Realized and unrealized gains/(losses)	(9,608,856)	(41,276,648)	6,539	(50,878,965)
Net assets released from restrictions and other changes	11,352,806	(10,517,396)	(620,317)	215,093
Distributions to Miami University	(10,730,109)	0	0	(10,730,109)
Administrative expenses	(646,668)	0	0	(646,668)
Cumulative effect of change in accounting principle	(3,173,018)	49,863,437	(46,690,419)	0
Endowment Net Assets, June 30, 2009	$(9,300,473)	$45,203,178	$138,556,200	$174,458,905

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as unrestricted net assets until such time as the fair value equals or exceeds historical value; such deficiencies were $9,619,973 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions.

The Foundation employs a total return policy which defines the total amount of dividends, interest and realized gains to be distributed from the investment pools. The Foundation Board has approved an endowment spending policy whereby distributions for financial support to Miami University in accordance with donor restrictions are calculated according to a formula which gives a 30% weight to market value and a 70% weight to inflation.

Actual endowment return earned in excess of distributions under this policy is reinvested as part of the Foundation's endowment. For years where actual endowment return is less than distributions under the policy, the shortfall is covered by realized returns from prior years. Permanently restricted accounts with insufficient accumulated earnings do not make a current year distribution. Appropriation for expenditure of funds under the spending policy occurs on June 30 of each year.

The total calculated spending amount in 2009 was $9,993,086. Permanently restricted accounts with insufficient accumulated earnings did not make a current year distribution; as a result, $164,155 was held for distribution to the Miami University Paper Science & Engineering Foundation and $5,018,259 was distributed to Miami University. In addition to current year distributions in accordance with the spending formula, $5,732,600 was distributed in accordance with donors' stipulations. The following summarizes the programs supported by the current year's distribution:

Miami University Program Supported	Spending Rate Distribution	Donor Stipulated Distribution	Total Distributions to Miami University
Scholarships and fellowships	$2,322,442	$ 24,071	$ 2,346,513
Academic support	1,887,099	586,255	2,473,354
Student services/athletics	183,366	390,000	573,366
Campus improvements	66,579	3,733,178	3,799,757
Other institutional support	558,773	999,096	1,557,869
Total distributions to Miami University	$5,018,259	$5,732,600	$10,750,859

Miami University incurs certain expenses related to development and investment management costs of the Foundation. As such, the Foundation Board adopted a .5% administrative fee to offset these expenses. Administrative fees are funded from current and accumulated earnings; accounts with insufficient accumulated earnings were not charged. A total of $646,668 was reimbursed to Miami University in 2009.

(6) Pledges Receivable

As of June 30, 2009, contributors to the Foundation have made unconditional pledges totaling $69,438,122 with 19 pledges accounting for over 50% of that total. Net pledges receivable have been discounted using current interest rates to a net present value of $63,471,235, which represents fair market value at June 30, 2009. Discount rates based on the U.S. Treasury yield curve three-year average ranged from 2.61% to 4.70% for 2009. The methodology for calculating an allowance for uncollectible pledges is based upon management's analysis of the aging of payment schedules for all outstanding pledges. Management has set up an allowance for uncollectible pledges of $14,086,071 at June 30, 2009. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified time. At June 30, 2009 net pledges are due as follows:

Unconditional pledges expected to be collected:	
Within one year	$24,304,268
Between two and five years	31,111,691
In more than five years	8,055,276
Pledges receivable	63,471,235
Less allowance for uncollectible pledges	(14,086,071)
Pledges receivable, net	$49,385,164

At June 30, 2008, unconditional pledges totaled $65,814,126 and were discounted to a net present value of $57,042,893. At that date, 17 pledges accounted for over 50% of the total; the allowance on such pledges was $2,192,172.
The Foundation had also been notified of revocable pledges, bequests, and other indications of intentions to give. These potential contributions have not been substantiated by unconditional written promises to the Foundation. The Foundation's policy is not to record these intentions to give as revenues until they are reduced to writing or are collected.

(7) Split-Interest Agreements

The Foundation's split-interest agreements with donors consist primarily of charitable gift annuities, pooled income funds and irrevocable charitable remainder trusts for which the Foundation serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Assets held in these trusts are included in investments.

Contribution revenue for charitable gift annuities and charitable remainder trusts is recognized at the dates the trusts are established, net of the liabilities for the present value of estimated future payments to be made to the donors and/or other beneficiaries. For pooled income funds, contribution revenue is recognized upon establishment of the agreement at the fair value of the estimated future receipts, discounted for the estimated time period until culmination of the agreement. Annually the Foundation records the change in value of split-interest agreements according to the fair value of the assets that are associated with each trust and recalculates the liability for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Assets held in trust for which the Foundation does not serve as trustee are not included in investments; however, the contribution revenue and a pledge receivable for the estimated present value of the expected future cash flows to be received are recorded by the Foundation.

(8) Miami University Paper Science & Engineering Foundation

The Miami University Paper Science & Engineering Foundation, an independent corporation, has invested $2,550,000 in the Foundation's Pooled Fund. This investment may be withdrawn at the discretion of the Miami University Paper Science & Engineering Foundation Board of Trustees. At June 30, 2009, the status of this investment was:

Fair value at June 30, 2008	$3,926,169
New investments	0
2008 earnings distribution	(174,521)
Dividend and interest income	28,656
Net unrealized and realized losses	(871,956)
Value as of June 30, 2009	$2,908,348

After year end, investment earnings of $164,155 will be distributed to Miami University Paper Science & Engineering Foundation.

(9) Classification of Net Assets

Resources of the Foundation are classified for reporting purposes into net asset classes based on the existence or absence of donor-imposed restrictions and state law. The following summarizes the Miami University programs supported or to be supported by the net assets of the Foundation at June 30, 2009:

Miami University Program Supported	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Scholarships and fellowships	$(4,223,398)	$ 12,610,706	$ 64,442,656	$ 72,829,964
Academic support	(4,234,233)	17,345,373	53,401,163	66,512,303
Student services/athletics	(325,636)	1,155,084	5,743,172	6,572,620
Campus improvements	(115,446)	4,629,428	1,283,644	5,797,626
Other and undesignated	(399,760)	64,715,535	14,015,788	78,331,563
Total Net Assets	$(9,298,473)	$100,456,126	$138,886,423	$230,044,076

Schedule 1

Miami University Foundation
Schedule of Changes in Net Assets by Fund
Year Ended June 30, 2009

		Balance July 1, 2008	Contributions	Endowment Income	Net Market Adjustment	Transfers To Miami	Intrafund Transfers	Other	Balance June 30, 2009
Pooled Endowment Funds		220,766,906	13,745,684	1,734,177	(51,510,627)	(10,726,334)	215,093	0	174,224,899
Non-Pooled Endowment Funds		249,372	0	3,415	(15,006)	(3,775)	0	0	234,006
Total Endowment Funds	$	221,016,278	13,745,684	1,737,592	(51,525,633)	(10,730,109)	215,093	0	174,458,905
Accumulated Cash Insurance Value	**$**	1,533,813	933	16	73,079	(16,619)	(50,563)	0	1,540,659
Other Investment Funds	$	325,110	0	135	(39,651)	0	(2,121)	0	283,473
Split-Interest Funds	$	7,853,077	8,626	0	0	(4,131)	(162,409)	(3,319,288)	4,375,875
Pledges receivable	$	54,850,721	(5,465,557)	0	0	0	0	0	49,385,164
Total Net Assets	$	285,578,999	8,289,686	1,737,743	(51,492,205)	(10,750,859)	0	(3,319,288)	230,044,076

Detail of Net Market Adjustment

Net Unrealized and Realized Gains/(Losses)	Administrative Expense	Net Market Adjustment
(50,845,537)	(646,668)	(51,492,205)

See accompanying independent auditors' report

Miami University Foundation
Schedule of Investments
June 30, 2009

Schedule 2

Description	Cost	Fair Value
POOLED FUNDS		
Domestic Public Equities		
Friess Associates	$ 15,141,321	$ 15,766,565
Lateef Investment Management	5,240,593	4,686,091
Snow Capital Management	5,190,382	3,622,271
Total Domestic Public Equities	25,572,296	24,074,927
Global Public Equities		
Aberdeen Asset Management, Inc.	11,911,698	10,165,843
Tradewinds Global Investors	27,268,868	25,039,493
Total Global Public Equities	39,180,566	35,205,336
International Public Equities		
Artio Global Investors	8,801,774	8,854,290
Total International Public Equities	8,801,774	8,854,290
Domestic Public Fixed Income		
Commonfund - High Quality Bond Fund	16,289,062	16,754,912
Commonfund - Short Term Fund	38,346	38,346
Total Domestic Public Fixed Income	16,327,408	16,793,258
Hedge Funds		
Canyon Capital Advisors	9,500,000	9,512,856
Evanston Capital	18,600,000	22,496,395
GoldenTree Asset Management	9,500,000	7,949,473
GRT Capital Partners	82,305	59,602
Ivory Investment Management	14,000,000	14,856,109
Total Hedge Funds	51,682,305	54,874,435
Private Investments		
Commonfund (17 funds) - Various	22,235,686	13,517,649
Goldman Sachs (4 funds) - Various	10,466,831	8,229,435
Hamilton Lane Advisors (2 funds) - Equities	1,955,368	1,915,817
Metropolitan - Real Estate	2,689,786	1,587,681
Penn Square Capital Group - Real Estate	3,490,156	2,453,222
Pomona Capital - Equities	3,972,773	3,406,425
Timbervest - Natural Resources	3,750,000	3,957,732
Total Private Investments	48,560,600	35,067,961
Less assets held for the Miami University PS&E Foundation	(2,550,000)	(2,908,348)
TOTAL POOLED FUNDS	$ 187,574,949	$ 171,961,859

Miami University Foundation
Schedule of Investments
June 30, 2009

Schedule 2
(concluded)

Description	Cost	Fair Value
SEPARATELY INVESTED FUNDS		
Domestic Public Equities		
Student managed investment portfolio	$ 46,804	$ 57,709
GSEP 2005 Realty Corp	1,000	1,000
GSEP 2006 Realty Corp	1,000	1,000
Total Domestic Public Equities	48,804	59,709
Private Investments		
Carlyle Credit Partners	100,000	51,251
Longford Limited Partnership	18,863	18,863
Longview Energy Company	157,770	210,360
Student Venture Fund	30,000	1,000
Total Private Investments	306,633	281,474
TOTAL SEPARATELY INVESTED FUNDS	$ 355,437	$ 341,183
SPLIT-INTEREST FUNDS		
Marshall & Ilsley Trust Company		
Domestic Public Equities	$ 1,768,808	$ 1,198,385
International Public Equities	354,081	223,310
Domestic Public Fixed Income	797,511	772,053
Total Marshall & Ilsley Trust Company	2,920,400	2,193,748
PNC Bank		
Domestic Public Equities	4,184,078	3,368,666
International Public Equities	409,764	388,309
Domestic Public Fixed Income	4,442,570	4,205,813
Total PNC Bank	9,036,412	7,962,788
TOTAL SPLIT-INTEREST FUNDS	$ 11,956,812	$ 10,156,536
GRAND TOTAL	$ 199,887,198	$ 182,459,578

See accompanying independent auditors' report

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Miami University Foundation and
Ms. Mary Taylor
Auditor of the State of Ohio:

We have audited the financial statements of Miami University Foundation (the "Foundation") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 12, 2009, which includes an emphasis of a matter paragraph related to the adoption of Financial Accounting Standards Board Staff Position No. 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.* We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("generally accepted accounting principles") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Foundation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily indentify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Foundation's financial statements that is more than inconsequential will not be prevented or detected by Foundation's internal control. We consider the deficiency described in the accompanying summary of significant deficiency to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary of significant deficiency as described in the appendix.

We noted certain matters that we reported to Foundation's management in a separate letter dated October 12, 2009.

This report is intended solely for the information and use of the Board of Trustees, management of Foundation and the Auditor of State of Ohio, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte + Touche LLP

October 12, 2009

SUMMARY OF SIGNIFICANT DEFICIENCY
Miami University Foundation
Year Ended June 30, 2009

Allowance for Uncollectable Pledges

The Foundation's allowance for uncollectable pledges is calculated and then reviewed for overall reasonableness by someone independent of the preparer. Upon a detailed test of the allowance, it was concluded that the reserve was understated and required an adjustment. Management recorded an audit adjustment to correct this understatement. Management should review the allowance in greater detail for calculation accuracy.

Management's Response

Management has several reasonableness checks in place to assess the soundness of the values on its financial statements. Preparation of the allowance involves on-going discussions between Treasury Services and University Advancement regarding overall collectability issues and the status of specific pledges. Going forward, management will review the calculations in greater detail.

Mary Taylor, CPA
Auditor of State

MIAMI UNIVERSITY FOUNDATION

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 15, 2009

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