



MIAMI

FOR LOVE AND HONOR

MIAMI UNIVERSITY FOUNDATION

FINANCIAL REPORT

for the year ended June 30, 2011



Dave Yost • 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, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 15, 2011

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MIAMI UNIVERSITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Miami University Foundation and
Mr. Dave Yost
Auditor of the State of Ohio:

We have audited the accompanying statement of financial position of Miami University Foundation (the "Foundation") as of June 30, 2011, and the related statement 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 2010 financial statements and, in our report dated October 15, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a 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 statements taken as a whole.

In accordance with *Government Auditing Standards*, we have issued our report dated October 14, 2011 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Deloitte & Touche LLP

Dayton, Ohio
October 14, 2011

MIAMI UNIVERSITY FOUNDATION
Statement of Financial Position
June 30, 2011
(with comparative financial information for June 30, 2010)

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
ASSETS		
Cash and cash equivalents	\$ 21,224,853	\$ 16,133,249
Due from Miami University	41,727	487,122
Pledges receivable, net (Note 6)	47,514,940	48,514,749
Other receivables, primarily investment related	1,561,052	734,937
Long-term investments (Note 3)		
Cost basis	207,274,085	199,222,248
Unrealized net appreciation	<u>22,305,034</u>	<u>173,311</u>
Fair value of investments	229,579,119	199,395,559
Cash value of paid-up life insurance	1,600,732	1,544,191
Real estate investments	<u>334,415</u>	<u>232,875</u>
TOTAL ASSETS	\$ <u>301,856,838</u>	\$ <u>267,042,682</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to Miami University	\$ 11,301,092	\$ 12,490,461
Accounts payable and other	1,186,972	885,437
Deferred revenue	2,379,711	2,562,733
Obligations under split-interest agreements (Note 7)	<u>4,007,645</u>	<u>3,406,864</u>
TOTAL LIABILITIES	<u>18,875,420</u>	<u>19,345,495</u>
 NET (DEFICIT) ASSETS		
Unrestricted (Note 5)	249,095	(2,607,834)
Temporarily restricted	132,640,934	106,942,118
Permanently restricted	<u>150,091,389</u>	<u>143,362,903</u>
TOTAL NET ASSETS	<u>282,981,418</u>	<u>247,697,187</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>301,856,838</u>	\$ <u>267,042,682</u>

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

MIAMI UNIVERSITY FOUNDATION
Statement of Activities
Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER ADDITIONS				
Contributions	\$ 0	\$ 8,131,893	\$ 7,117,265	\$ 15,249,158
Investment income				
Dividend and interest income (Note 3)	4,760	1,965,474		1,970,234
Net unrealized and realized gains	<u>2,856,915</u>	<u>30,594,639</u>	<u>27,377</u>	<u>33,478,931</u>
Net investment income	2,861,675	32,560,113	27,377	35,449,165
Change in value of split-interest agreements (Note 7)	0	1,168,881	0	1,168,881
Net assets released from restrictions due to satisfaction of donor restrictions	<u>16,578,227</u>	<u>(16,162,071)</u>	<u>(416,156)</u>	<u>0</u>
TOTAL REVENUES AND OTHER ADDITIONS	<u>19,439,902</u>	<u>25,698,816</u>	<u>6,728,486</u>	<u>51,867,204</u>
EXPENSES AND OTHER DEDUCTIONS				
Distributions to Miami University (Note 5)	14,660,423	0	0	14,660,423
Administrative expenses (Note 5)	<u>1,922,550</u>	<u>0</u>	<u>0</u>	<u>1,922,550</u>
TOTAL EXPENSES AND OTHER DEDUCTIONS	<u>16,582,973</u>	<u>0</u>	<u>0</u>	<u>16,582,973</u>
CHANGE IN NET ASSETS	2,856,929	25,698,816	6,728,486	35,284,231
Net Assets - Beginning of Year	<u>(2,607,834)</u>	<u>106,942,118</u>	<u>143,362,903</u>	<u>247,697,187</u>
NET ASSETS AT END OF YEAR	<u>\$ 249,095</u>	<u>\$ 132,640,934</u>	<u>\$ 150,091,389</u>	<u>\$ 282,981,418</u>

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

MIAMI UNIVERSITY FOUNDATION
Statement of Cash Flows
Year Ended June 30, 2011

Cash flows from operating activities	
Payments to Miami University, net	\$ (17,970,890)
Other	0
	<u> </u>
Net cash used in operating activities	(17,970,890)
	<u> </u>
Cash flows from investing activities	
Proceeds from sale of investments	76,984,089
Purchase of investments	(72,717,833)
	<u> </u>
Net cash used in investing activities	4,266,256
	<u> </u>
Cash flows from financing activities	
Contributions restricted for endowment investment	17,173,691
Interest and dividends, restricted	2,007,325
Interest utilized for payment of split-interest obligations	371,918
Payments on split-interest obligations	(756,696)
	<u> </u>
Net cash provided by financing activities	18,796,238
	<u> </u>
Net increase in cash and cash equivalents	5,091,604
Cash and cash equivalents at beginning of year	16,133,249
	<u> </u>
Cash and cash equivalents at end of year	\$ 21,224,853
	=====
<hr/>	
Reconciliation of change in net assets to net cash used in operating activities	
Change in net assets	\$ 35,284,231
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Decrease in operating accounts payable and other	(166,387)
Decrease in operating payables due to Miami University	(1,221,530)
Contributions restricted for long-term investment	(15,249,158)
Net change in value of split-interest agreements	(1,168,881)
Interest and dividends	(1,970,234)
Net unrealized and realized gains on long-term investments	(33,478,931)
	<u> </u>
Net cash used in operating activities	\$ (17,970,890)
	<u> </u>
	=====

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

MIAMI UNIVERSITY FOUNDATION
Notes to the Financial Statements
June 30, 2011

(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 as more explicitly described in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Effective July 1, 2009 the ASC became the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles (GAAP). The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP. The Foundation's accounting policies were not affected by the conversion to ASC.

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. 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. 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.

Accounting Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, 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 \$451,003 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

The Foundation records its investments at fair value using a hierarchy that ranges from those values obtained from unadjusted quoted prices in active markets (Level 1) to those values that are determined using unobservable inputs and in which the investment is illiquid (Level 3). (Note 4)

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 evaluated its tax positions at June 30 with respect to accounting for uncertainties in income taxes and has determined that there was no material impact to the Foundation's financial statements. The ASC provides related guidance on measurement, classification, interest and penalties and disclosure as well as prescribing a threshold of "more-likely-than-not" for recognition of tax positions taken or expected to be taken in a tax return. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to the fiscal year ended June 30, 2008. As of June 30, 2011 the Foundation has no uncertain tax positions.

Subsequent Events

The Foundation has evaluated events occurring between the end of our most recent fiscal year and October 14, 2011, the date the consolidated financial statements were issued.

Effective July 1, 2011, the Foundation entered into a Pooled Investment Agreement with Miami University whereby the Foundation will manage all of the Foundation and University endowment and quasi-endowment funds in a single investment pool. Cash, securities and other property detailed in the Pooled Investment Agreement, totaling \$168 million were transferred from Miami University to the Foundation on July 1, 2011. The assets transferred will be held in trust for the benefit of the University and will be managed by the Investment Committee of the Foundation.

(3) Long-Term Investments

Investments held by the Foundation as of June 30 were:

<u>Investment Description</u>	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Domestic Public Equities	\$ 27,987,199	\$ 32,871,867	\$ 25,219,743	\$ 24,206,859
Global Public Equities	36,946,791	43,007,452	36,528,862	36,520,067
International Public Equities	10,801,774	12,752,544	8,801,774	8,882,680
Domestic Public Fixed Income	7,029,540	8,035,284	13,584,364	15,264,463
Global Public Fixed Income	7,584,763	7,821,539	0	0
Hedge Funds	47,626,743	64,201,566	51,682,305	64,220,993
Private Investments	60,857,752	52,496,982	54,982,905	42,893,316
Split-Interest Funds	<u>10,989,523</u>	<u>11,827,901</u>	<u>10,972,295</u>	<u>10,503,928</u>
Subtotal	<u>209,824,085</u>	<u>233,015,135</u>	<u>201,772,248</u>	<u>202,492,306</u>
Less assets held for Miami University Paper Science & Engineering Foundation	<u>(2,550,000)</u>	<u>(3,436,016)</u>	<u>(2,550,000)</u>	<u>(3,096,747)</u>
Total	<u>\$207,274,085</u>	<u>\$229,579,119</u>	<u>\$199,222,248</u>	<u>\$199,395,559</u>

The Pooled Fund portfolio's fair value was \$217,108,033 in 2011 and \$188,528,749 in 2010. The Foundation maintains a diversified investment portfolio for the Pooled Funds 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, 2011, the Foundation has made commitments to limited partnerships of approximately \$24.9 million that have not yet been funded.

The 2011 dividend and interest income of \$1,970,234, as reported in the Statement of Activities, is net of fees from external investment managers totaling \$644,702. The 2010 dividend and interest income of \$2,401,012 is reported net of fees from external investment managers totaling \$627,407.

(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 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 quoted market prices are from those securities 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. Certain Level 2 assets are valued according to an Accounting Standard Update to the ASC which allows investors holding investments that do not have readily determinable fair values as defined in the ASC to use the net asset value per share of the investment as the fair value without further adjustment provided that the investee meets certain criteria defined in the ASC.

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 private investments 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, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic Public Equities	\$32,871,867	\$ 0	\$ 0	\$ 32,871,867
Global Public Equities	0	43,007,452	0	43,007,452
International Public Equities	12,752,544	0	0	12,752,544
Domestic Public Fixed Income	0	8,035,284	0	8,035,284
Global Public Fixed Income	7,821,539	0	0	7,821,539
Hedge Funds	0	64,201,566	0	64,201,566
Private Investments	0	0	52,496,982	52,496,982
Split-Interest Funds	11,827,901	0	0	11,827,901
Subtotal	<u>65,273,851</u>	<u>115,244,302</u>	<u>52,496,982</u>	<u>233,015,135</u>
Less assets held for Miami University Paper Science & Engineering Foundation	0	0	(3,436,016)	(3,436,016)
Total	<u>\$65,273,851</u>	<u>\$115,244,302</u>	<u>\$49,060,966</u>	<u>\$229,579,119</u>

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, 2011:

Balances as of July 1, 2010	\$39,796,569
Purchases of investments	9,400,556
Proceeds from sale of investments	(5,872,150)
Net realized and unrealized gains on investments	5,735,992
Balances as of June 30, 2011	<u>\$49,060,966</u>

(5) Endowment

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Ohio provides statutory guidelines for prudent management, investment, and expenditure of donor-restricted endowment funds held by charitable organizations. 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 1,360 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, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, July 1, 2010	\$(2,591,782)	\$50,070,072	\$143,034,666	\$190,512,956
Contributions	0	215,039	7,117,265	7,332,304
Dividend and interest income, net of investment expense	4,625	1,961,790	0	1,966,415
Realized and unrealized gains/(losses)	2,856,915	30,567,929	0	33,424,844
Net assets released from restrictions and other changes	10,871,882	(11,072,450)	(414,667)	(615,235)
Distributions to Miami University	(8,953,943)	0	0	(8,953,943)
Administrative expenses	(1,922,550)	0	0	(1,922,550)
Endowment Net Assets, June 30, 2011	<u>\$ 265,147</u>	<u>\$71,742,380</u>	<u>\$149,737,264</u>	<u>\$221,744,791</u>

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; deficiencies of this nature are reported as unrestricted net assets until such time as the fair value equals or exceeds historical value. Deficiencies of this nature are \$223,549 as of June 30, 2011 and \$3,036,760 as of June 30, 2010. 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 2011 was \$10,290,857. Permanently restricted accounts with insufficient accumulated earnings did not make a full current year distribution, distributing only the current year dividend and interest income on such accounts. As a result, \$153,206 was held for distribution to the Miami University Paper Science & Engineering Foundation and \$8,555,103 was distributed to Miami University. In addition to current year distributions in accordance with the spending formula, \$6,105,320 was distributed in accordance with donors' stipulations. The following summarizes the programs supported by the current year's distribution:

<u>Miami University Program Supported</u>	Spending Rate and Special Distribution	Donor Stipulated Distribution	Total Distributions to Miami University
Scholarships and fellowships	\$4,105,061	\$ 61,343	\$ 4,166,404
Academic support	3,324,526	513,343	3,837,869
Student services/athletics	337,320	162,794	500,114
Campus improvements	33,985	4,830,873	4,864,858
Other institutional support	754,211	536,967	1,291,178
Total distributions to Miami University	<u>\$8,555,103</u>	<u>\$6,105,320</u>	<u>\$14,660,423</u>

Miami University incurs certain expenses related to development and investment management costs of the Foundation. The Foundation reimburses the University for its expenses in the form of an administrative fee of 1.0% calculated against the previous fiscal year's March 31st value of the Foundation investment pool. The administrative fee is funded from current and accumulated earnings; accounts with insufficient accumulated earnings are not charged. A total of \$1,922,550 was reimbursed to Miami University in 2011.

(6) Pledges Receivable

As of June 30, 2011, contributors to the Foundation have made unconditional pledges totaling \$52,823,500 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 \$50,804,307, which represents fair market value at June 30, 2011. Discount rates based on the U.S. Treasury yield curve three-year average ranged from .36% to 3.88% for 2011. 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 recorded an allowance for uncollectible pledges of \$3,289,367 at June 30, 2011. 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, 2011 net pledges are due as follows:

Unconditional pledges expected to be collected:	
Within one year	\$20,280,066
Between two and five years	25,504,845
In more than five years	<u>5,019,396</u>
Pledges receivable	50,804,307
Less allowance for uncollectible pledges	<u>(3,289,367)</u>
Pledges receivable, net	<u>\$47,514,940</u>

At June 30, 2010, unconditional pledges totaled \$55,927,800 with 16 pledges accounting for over 50% of that total. Pledges receivable were discounted to a net present value of \$54,311,959 with an allowance for uncollectible pledges of \$5,797,210. 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, 2011, the status of this investment was:

Fair value at June 30, 2010	\$3,096,747
New investments	0
2010 earnings distribution	(160,619)
Dividend and interest income	29,760
Net unrealized and realized gains	470,128
Value as of June 30, 2011	<u>\$3,436,016</u>

After year end, investment earnings of \$153,206 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, 2011:

<u>Miami University Program Supported</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Scholarships and fellowships	\$(119,316)	\$ 25,166,736	\$ 70,261,853	\$ 95,309,273
Academic support	(55,851)	30,083,837	58,766,632	88,794,618
Student services/athletics	(4,200)	2,294,901	6,335,179	8,625,880
Campus improvements	0	4,105,289	585,490	4,690,779
Other and undesignated	428,462	70,990,171	14,142,235	85,560,868
Total Net Assets	<u>\$ 249,095</u>	<u>\$132,640,934</u>	<u>\$150,091,389</u>	<u>\$282,981,418</u>

Miami University Foundation
 Schedule of Changes in Net Assets by Fund
 Year Ended June 30, 2011

	Balance July 1, 2010	Contributions	Endowment Income	Net Market Adjustment	Transfers To Miami	Intrafund Transfers	Other	Balance June 30, 2011
Pooled Endowment Funds	\$ 190,272,297	7,332,304	1,965,750	31,479,965	(8,950,149)	(615,235)	0	221,484,932
Non-Pooled Endowment Funds	240,659	0	665	22,329	(3,794)	0	0	259,859
Total Endowment Funds	\$ 190,512,956	7,332,304	1,966,415	31,502,294	(8,953,943)	(615,235)	0	221,744,791
Expendable funds - donor restricted for capital projects	\$ 1,050,058	6,565,746	2,597	(5,554)	(4,830,872)	611,020	0	3,392,995
Expendable and Board discretionary funds-non capital	\$ 668,465	1,437,854	1,071	(12)	(440,371)	140,206	0	1,807,213
Accumulated Cash Value Insurance	\$ 1,544,191	101,432	16	32,276	0	(77,184)	0	1,600,731
Other Investment Funds	\$ 312,184	366,920	135	27,377	0	(1,623)	0	704,993
Split-Interest Funds	\$ 5,094,584	444,711	0	0	(435,237)	(57,184)	1,168,881	6,215,755
Pledges receivable	\$ 48,514,749	(999,809)	0	0	0	0	0	47,514,940
Total Net Assets	\$ 247,697,187	15,249,158	1,970,234	31,556,381	(14,660,423)	0	1,168,881	282,981,418

Detail of Net Market Adjustment

Net Unrealized and Realized Gains/(Losses)	Administrative Expense	Net Market Adjustment
33,478,931	(1,922,550)	31,556,381

See accompanying independent auditors' report

Miami University Foundation
Schedule of Investments
June 30, 2011

Schedule 2

Description	Cost	Fair Value
POOLED FUNDS		
Domestic Public Equities		
Friess Associates	\$ 17,228,079	\$ 19,888,699
Lateef Investment Management	5,292,189	7,236,028
Snow Capital Management	5,333,090	5,599,065
Total Domestic Public Equities	<u>27,853,358</u>	<u>32,723,792</u>
Global Public Equities		
Aberdeen Asset Management, Inc.	12,283,579	15,197,276
Tradewinds Global Investors	24,663,212	27,810,176
Total Global Public Equities	<u>36,946,791</u>	<u>43,007,452</u>
International Public Equities		
Artio Global Investors	8,801,774	10,862,918
Nuveen Tradewinds Emerging Markets	2,000,000	1,889,626
Total International Public Equities	<u>10,801,774</u>	<u>12,752,544</u>
Domestic Public Fixed Income		
Commonfund - High Quality Bond Fund	7,029,540	8,035,284
Total Domestic Public Fixed Income	<u>7,029,540</u>	<u>8,035,284</u>
Global Public Fixed Income		
Templeton Global Total Return Fund	7,584,763	7,821,539
Total Global Public Fixed Income	<u>7,584,763</u>	<u>7,821,539</u>
Hedge Funds		
Canyon Capital Advisors	9,500,000	13,517,962
Evanston Capital	14,544,438	21,162,092
GoldenTree Asset Management	9,500,000	14,368,662
GRT Capital Partners	82,305	80,355
Ivory Investment Management	14,000,000	15,072,495
Total Hedge Funds	<u>47,626,743</u>	<u>64,201,566</u>
Private Investments		
Commonfund (17 funds) - Various	22,441,027	14,814,083
Goldman Sachs (4 funds) - Various	15,178,907	14,592,064
Hamilton Lane Advisors (2 funds) - Equities	4,592,168	5,972,694
Metropolitan - Real Estate	3,311,036	1,760,298
Penn Square Capital Group - Real Estate	6,010,156	5,781,863
Pomona Capital - Equities	3,847,963	3,858,490
Timbervest - Natural Resources	5,000,000	5,222,380
Total Private Investments	<u>60,381,257</u>	<u>52,001,872</u>
Less assets held for the Miami University PS&E Foundation	<u>(2,550,000)</u>	<u>(3,436,016)</u>
TOTAL POOLED FUNDS	\$ 195,674,226	\$ 217,108,033

Miami University Foundation
Schedule of Investments
June 30, 2011

Schedule 2
(concluded)

Description	Cost	Fair Value
SEPARATELY INVESTED FUNDS		
Domestic Public Equities		
Student managed investment portfolio	\$ 131,841	\$ 146,075
GSEP 2005 Realty Corp	1,000	1,000
GSEP 2006 Realty Corp	1,000	1,000
Total Domestic Public Equities	<u>133,841</u>	<u>148,075</u>
Private Investments		
Carlyle Credit Partners	7,957	2,982
Longford Limited Partnership	15,388	15,388
Longview Energy Company	157,770	210,360
Nuclea Biotechnologies	265,380	265,380
Student Venture Fund	30,000	1,000
Total Private Investments	<u>476,495</u>	<u>495,110</u>
TOTAL SEPARATELY INVESTED FUNDS	<u>\$ 610,336</u>	<u>\$ 643,185</u>
SPLIT-INTEREST FUNDS		
Marshall & Ilsley Trust Company		
Domestic Public Equities	\$ 1,270,678	\$ 1,367,743
International Public Equities	261,351	257,118
Domestic Public Fixed Income	624,697	632,145
Total Marshall & Ilsley Trust Company	<u>2,156,726</u>	<u>2,257,006</u>
PNC Bank		
Domestic Public Equities	3,201,261	3,774,009
International Public Equities	516,888	622,396
Domestic Public Fixed Income	5,114,648	5,174,490
Total PNC Bank	<u>8,832,797</u>	<u>9,570,895</u>
TOTAL SPLIT-INTEREST FUNDS	<u>\$ 10,989,523</u>	<u>\$ 11,827,901</u>
GRAND TOTAL	<u><u>\$ 207,274,085</u></u>	<u><u>\$ 229,579,119</u></u>

See accompanying independent auditors' report

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
Mr. Dave Yost
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, 2011, and have issued our report thereon dated October 14, 2011. We conducted our audit 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.

Internal Control over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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

Deloitte + Touche LLP

Dayton, Ohio
October 14, 2011

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Dave Yost • 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 27, 2011**