

MIAMI UNIVERSITY FOUNDATION

BUTLER COUNTY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Miami University Foundation, Butler County, prepared by FORVIS, LLP, for the audit period July 1, 2022 through June 30, 2023. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 21, 2023

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Miami University Foundation

June 30, 2023

Contents

Independent Auditor’s Report	1
Financial Statements	
Statement of Financial Position.....	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information	
Schedule of Changes in Net Assets	21
Schedule of Investments	22
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – Independent Auditor’s Report	24

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Independent Auditor's Report

Board of Directors
Miami University Foundation
Oxford, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Miami University Foundation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Miami University Foundation as of June 30, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Miami University Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Miami University Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Miami University Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Miami University Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended June 30, 2022 was audited by other auditors, and their report thereon, dated October 5, 2022, expressed an unmodified opinion.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of changes in net assets and investments is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023, on our consideration of Miami University 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 solely 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 the effectiveness of Miami University Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Miami University Foundation's internal control over financial reporting and compliance.

FORVIS,LLP

Cincinnati, Ohio
October 11, 2023

Miami University Foundation
Statement of Financial Position
June 30, 2023
(With Comparative Totals for June 30, 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 41,311,343	\$ 32,067,510
Pledges receivable, net	19,808,822	18,475,171
Other receivables, primarily investment related	7,625,976	10,427,855
Investments	711,092,451	661,767,450
Cash value of life insurance	<u>1,804,501</u>	<u>1,835,940</u>
Total assets	<u>\$ 781,643,093</u>	<u>\$ 724,573,926</u>
Liabilities		
Accounts payable and other liabilities	\$ 25,413,052	\$ 19,999,547
Assets held for other entities	277,951,890	261,261,753
Deferred revenue	1,135,500	1,362,295
Obligations under split-interest agreements	<u>3,309,120</u>	<u>3,412,767</u>
Total liabilities	<u>307,809,562</u>	<u>286,036,362</u>
Net Assets		
Without donor restrictions	4,457,648	4,304,502
With donor restrictions	<u>469,375,883</u>	<u>434,233,062</u>
Total net assets	<u>473,833,531</u>	<u>438,537,564</u>
Total liabilities and net assets	<u>\$ 781,643,093</u>	<u>\$ 724,573,926</u>

Miami University Foundation
Statement of Activities
Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues, Gains and Other Additions				
Contributions	\$ 26,777	\$ 25,886,124	\$ 25,912,901	\$ 20,122,843
Investment income:				
Dividend and interest income, net	20,076	2,001,548	2,021,624	1,314,869
Net realized and unrealized gains (losses)	323,428	31,413,386	31,736,814	(21,193,286)
Net investment income (loss)	343,504	33,414,934	33,758,438	(19,878,417)
Change in value of split-interest agreements	-	851,353	851,353	(1,356,627)
Net assets released from restrictions due to satisfaction of donor restrictions	25,009,590	(25,009,590)	-	-
Total revenues, gains and other additions	<u>25,379,871</u>	<u>35,142,821</u>	<u>60,522,692</u>	<u>(1,112,201)</u>
Expenses and Other Deductions				
Distributions to Miami University	20,635,060	-	20,635,060	17,894,968
Other expenses	277,789	-	277,789	294,358
Administrative expenses	4,313,876	-	4,313,876	3,858,735
Total expenses and other deductions	<u>25,226,725</u>	<u>-</u>	<u>25,226,725</u>	<u>22,048,061</u>
Change in Net Assets	153,146	35,142,821	35,295,967	(23,160,262)
Net Assets, Beginning of Year	<u>4,304,502</u>	<u>434,233,062</u>	<u>438,537,564</u>	<u>461,697,826</u>
Net Assets, End of Year	<u>\$ 4,457,648</u>	<u>\$ 469,375,883</u>	<u>\$ 473,833,531</u>	<u>\$ 438,537,564</u>

Miami University Foundation
Statement of Cash Flows
Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022
Cash Flows From Operating Activity		
Payments to Miami University, net	\$ (23,139,006)	\$ (19,778,794)
Cash Flows From Investing Activities		
Proceeds from sale of investments	84,995,549	121,639,937
Purchase of investments	(75,604,516)	(139,724,683)
Distributions of assets held for other entities	(3,027,435)	(6,979,919)
Net cash provided by (used in) investing activities	6,363,598	(25,064,665)
Cash Flows From Financing Activities		
Contributions restricted for long-term investment	24,542,417	20,625,664
Dividend and interest income, restricted	1,804,569	1,175,210
Interest utilized for payment of split-interest obligations	362,777	607,318
Payments on split-interest obligations	(690,522)	(720,275)
Net cash provided by financing activities	26,019,241	21,687,917
Net Change in Cash and Cash Equivalents	9,243,833	(23,155,542)
Cash and Cash Equivalents, Beginning of Year	32,067,510	55,223,052
Cash and Cash Equivalents, End of Year	\$ 41,311,343	\$ 32,067,510
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities		
Change in net assets	\$ 35,295,967	\$ (23,160,262)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Increase in pledges receivable	(1,333,651)	-
Increase in accounts payable and other liabilities	2,087,719	2,269,267
Contributions restricted for long-term investment	(24,542,417)	(20,122,843)
Noncash contributions received	(36,833)	-
Net change in value of split-interest agreements	(851,353)	1,356,627
Dividends and interest income, net	(2,021,624)	(1,314,869)
Net realized and unrealized (gains) losses on investments	(31,736,814)	21,193,286
Net cash used in operating activities	\$ (23,139,006)	\$ (19,778,794)

Miami University Foundation

Notes to Financial Statements

June 30, 2023

Note 1: Organization

Miami University Foundation (the Foundation) was organized on June 4, 1948 for the principal purpose of fostering the educational and research activities of Miami University. The Foundation is governed by a Board of Directors (the Board). In furtherance of its principal purpose, the Foundation is to be known as the primary fundraiser, manager and steward of donated funds to Miami University. The Foundation aspires to be a model of performance, accountability, stewardship and commitment to excellence. 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 at least fifteen and no more than thirty directors that are elected by the Board and up to nine directors that are appointed by Miami University. At least two-thirds of the elected directors are required to be alumni or former students of Miami University.

Note 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 (U.S. GAAP) as more explicitly described in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Net Asset Classification

Net assets comprise resources over which the Foundation has discretionary control for use in carrying out the financial and operational objectives of the Foundation and for purposes specified by donors. Activities of the Foundation are accounted for in the following net asset types:

Net assets without donor restrictions: Net assets whose use has not been limited by donors for any period of time or specified purpose.

Net assets with donor restrictions: Net assets with donor restrictions include gifts and grants for which donor-imposed restrictions have not been met (primarily future capital projects or gifts for educational purposes), earnings from long-term investments which are donor restricted, and time restricted trust activity. Net assets with donor restrictions also include gifts which generally require, by donor restriction, that the corpus be invested in perpetuity. The donors generally permit the use of a portion of the income earned to be utilized for specific purposes based on their restrictions.

Miami University Foundation

Notes to Financial Statements

June 30, 2023

Accounting Estimates

In preparing the financial statements in conformity with U.S. 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, 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. The carrying amounts of these items are a reasonable estimate of their fair value.

Approximately \$251,000 of cash and cash equivalents was covered by federal depository insurance; \$26.6 million was covered by collateral held by third-party trustees pursuant to paragraph 135.181 of the Ohio Revised Code in collateral pools securing all public funds on deposit with specific depository institutions; and the remainder was invested in money market funds that invest substantially all of its assets in U.S. Treasury securities and repurchase agreements. The Foundation maintains active relationships with multiple cash equivalent accounts to reduce its exposure to custodial credit risk at any single institution.

Investments and Investment Income

The Foundation records its investments at fair value using the following methods and assumptions:

Investments that are market traded are recorded at fair value based primarily on quoted market prices, as established by the major securities markets.

The value of holdings of non-publicly traded funds that do not have a readily determined market value are based on the funds' estimated net asset value as supplied by the investment manager. The values are reviewed and evaluated by Foundation management. Market prices are not available for certain investments. These investments are carried at estimated fair value provided by the funds' management. Some valuations are determined as of June 30, while the remaining valuations are determined based on March 31 or December 31 information when June 30 information is not yet available 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.

The issuing insurance companies determine the cash surrender value of the life insurance policies annually.

Miami University Foundation

Notes to Financial Statements

June 30, 2023

All donor-restricted endowment investments and 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 fair value of the investments is determined at the end of each month and the incremental fair 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 month.

Investment income includes dividends, interest income and realized and unrealized gains and losses on investments carried at fair value. 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 allocated based on the number of shares owned.

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 for these agreements are included in investments.

Contribution revenue for charitable gift annuities and charitable remainder trusts is recognized at the dates the agreements and 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, with the discount for the estimated time period until culmination of the agreement recorded as deferred revenue. 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 using discount rates ranging from 0.40% to 5.80%.

Miami University Foundation
Notes to Financial Statements
June 30, 2023

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as pledges receivable and the present-value discount is amortized using the level-yield method. Management has estimated an allowance for uncollectible pledges of approximately \$902,000 as of June 30, 2023. This estimate is based on management’s review of delinquent accounts and an assessment of the Foundation’s historical evidence of collections.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Miami University Foundation
Notes to Financial Statements
June 30, 2023

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. As of June 30, 2023, the Foundation has no uncertain tax positions.

Subsequent Events

The Foundation has evaluated subsequent events for potential recognition and/or disclosure through October 11, 2023, the date the financial statements were available to be issued.

Note 3: Pledges Receivable, Net

At June 30, 2023, contributors to the Foundation have made unconditional pledges totaling \$21,654,682 with two pledges accounting for 39% of that total. Net pledges receivable have been discounted using interest rates to a net present value of \$20,710,579 at June 30, 2023. Discount rates ranged from 0.6% to 3.6%. 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. At June 30, 2023, net pledges are due as follows:

Unconditional pledges expected to be collected:	
Within one year	\$ 7,753,843
Between two and five years	12,246,309
In more than five years	<u>1,654,530</u>
Pledges receivable	21,654,682
Less discount on pledges	(944,103)
Less allowance for uncollectible pledges	<u>(901,757)</u>
Pledges receivable, net	<u><u>\$ 19,808,822</u></u>

The Foundation had also been notified of revocable pledges, bequests, and other indications of intentions to give. These conditional contributions are not permitted to be recorded as they are deemed intentions to give and not promises to give.

Miami University Foundation
Notes to Financial Statements
June 30, 2023

Note 4: Investments

Investments held by the Foundation as of June 30, 2023 were:

	Fair Value
Investment Description	
Pooled Investment Fund (PIF):	
Strategic Investment Management, LLC funds	\$ 329,445,617
Various private capital investments	168,624,599
Hedge funds	133,674,584
Government bonds	50,932,371
Global credit funds	15,215,778
Public equities	4,955
Other - separately managed	837,527
Split-interest funds:	
Charitable remainder trusts	10,774,015
Charitable gift annuities	1,116,372
Pooled income funds	466,633
Total	\$ 711,092,451

The PIF portfolio's fair value, excluding cash, was \$697,897,904 at June 30, 2023. The Foundation maintains a diversified investment portfolio for the PIF intended to reduce market risk, credit risk, and interest rate risk with a strategy designed to take advantage of market inefficiencies. During fiscal year 2019, management of the PIF was delegated by the Board to an external investment firm, Strategic Investment Management, LLC. Fees for Strategic Investment Management, LLC are paid by Miami University and funded by the administrative fee that the Foundation pays the University. The external investment firm has discretion to manage the PIF within the framework of the investment policy statement. Additionally, the external investment firm has implemented a combination of internally and externally managed investment vehicles, including separate accounts, limited partnerships, and commingled funds. The Foundation's investment portfolio includes publicly traded securities and the underlying holdings for certain non-publicly traded funds also include 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, 2023, the Foundation has made commitments to limited partnerships of approximately \$144 million that have not yet been funded, some of which management expects may not be called by the partnerships due to the life-cycle of the respective partnerships.

Miami University Foundation

Notes to Financial Statements

June 30, 2023

Included in the Foundation's PIF are assets held for the Miami University Endowment, Miami University Paper Science & Engineering Foundation and a donor gift held for the benefit of three other Ohio universities. The assets held for other entities are maintained as separate funds in the financial system of the Foundation and receive a proportional share of the PIF's activity. The Foundation owns the assets in the PIF; the other entities have a financial interest in the PIF but do not own any of the underlying assets. The Foundation has recorded a liability equal to the fair value for the assets held for other entities.

Assets held for other entities as of June 30, 2023 were:

	Miami University Endowment	Miami University Paper Science & Engineering Foundation	Other	Total
Assets held for other entities at July 1, 2022	\$ 260,461,907	\$ 629,652	\$ 170,194	\$ 261,261,753
New investments	7,127,343	-	-	7,127,343
Earnings distribution	(8,718,480)	-	-	(8,718,480)
Dividend and interest income, net of administrative fees	(1,656,192)	(4,469)	(1,121)	(1,661,782)
Net unrealized and realized gains	19,889,090	47,885	12,731	19,949,706
Value as of June 30, 2023	<u>277,103,668</u>	<u>673,068</u>	<u>181,804</u>	<u>277,958,540</u>
Distribution payable (included in accounts payable and other liabilities)	<u>-</u>	<u>-</u>	<u>(6,650)</u>	<u>(6,650)</u>
Assets held for other entities at June 30, 2023	<u>\$ 277,103,668</u>	<u>\$ 673,068</u>	<u>\$ 175,154</u>	<u>\$ 277,951,890</u>

Note 5: Fair Value Measurements and Disclosures

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices that are available in active markets as of the report date. The quoted market prices are from those securities traded on an active exchange such as the New York Stock Exchange, NASDAQ or an active over-the-counter market.

Level 2 – Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the report date.

Level 3 – Inputs that are unobservable including the Foundation's own assumptions in determining the fair value of investments or liabilities.

Miami University Foundation

Notes to Financial Statements

June 30, 2023

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. Liabilities associated with the split-interest funds represent the present value of the expected payments to the beneficiaries over the terms of the agreements. Due to the nature of the valuation inputs, these liabilities are classified within Level 3 of the hierarchy.

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Foundation's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Foundation measured at fair value on a recurring basis as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investment assets:				
Public equities	\$ 4,955	\$ -	\$ -	\$ 4,955
Government bonds	-	50,932,371	-	50,932,371
Other	619,165	18,613	199,749	837,527
Split-interest funds:				
Charitable remainder trusts	10,774,015	-	-	10,774,015
Charitable gift annuities	1,116,372	-	-	1,116,372
Pooled income funds	466,633	-	-	466,633
	<u>\$ 12,981,140</u>	<u>\$ 50,950,984</u>	<u>\$ 199,749</u>	<u>64,131,873</u>
Funds reported at fair value based on net asset value: ^(a)				
Non-publicly traded funds:				
Strategic Developed Markets ex-US Equity Trust				71,542,202
Strategic Emerging Markets Equity Trust				60,826,771
Strategic Global Equity Trust				56,441,635
Strategic U.S. Equity Trust				140,635,009
Strategic SPC Alpha Segregated Portfolio				133,674,584
Global credit funds				15,215,778
Various private capital investments				168,624,599
Total non-publicly traded funds reported at fair value based on net asset value				<u>646,960,578</u>
Total investment assets				<u>\$ 711,092,451</u>
Investment liabilities:				
Split-interest funds:				
Charitable remainder trusts	\$ -	\$ -	\$ 2,283,722	\$ 2,283,722
Charitable gift annuities	-	-	1,017,121	1,017,121
Pooled income funds	-	-	8,277	8,277
Total investment liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,309,120</u>	<u>\$ 3,309,120</u>

^(a) In accordance with ASC Subtopic 820-10, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Miami University Foundation

Notes to Financial Statements

June 30, 2023

The following table sets forth the significant terms of the agreements with non-publicly traded funds reported at fair value based on net asset value at June 30, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Strategic Investment Management, LLC funds				
Strategic Developed Markets ex-US Equity Trust ^(a)	\$ 71,542,202	\$ -	monthly	30 days
Strategic Emerging Markets Equity Trust ^(b)	60,826,771	-	monthly	30 days
Strategic Global Equity Trust ^(c)	56,441,635	-	monthly	30 days
Strategic U.S. Equity Trust ^(d)	140,635,009	-	monthly	30 days
Strategic SPC Alpha Segregated Portfolio ^(e)	133,674,584	-	quarterly	90 days
Global credit funds ^(f)	15,215,778	-	monthly/quarterly	15-365 days
Various private capital investments ^(g)				
Private equity	96,967,485	118,401,283	illiquid	not applicable
Private debt	24,551,047	8,289,002	illiquid	not applicable
Private natural resources	20,670,478	2,248,630	illiquid	not applicable
Private real estate	26,435,589	15,208,735	illiquid	not applicable
	<u>\$ 646,960,578</u>	<u>\$ 144,147,650</u>		
Total	<u>\$ 646,960,578</u>	<u>\$ 144,147,650</u>		

- (a) This fund generally invests in long positions in publicly traded equity securities focusing in developed economies outside of the United States including Western Europe and Asia, as well as futures and options in such securities and certain stock indices.
- (b) This fund generally invests in long positions in a diversified equity portfolio of publicly traded securities focusing in markets outside of the United States and Western Europe, including Asia and Latin America as well as Eastern Europe, Africa and the less developed Mediterranean economies.
- (c) This fund generally invests in long positions in global publicly traded equity securities as well as futures and options on such securities and certain stock indices.
- (d) This fund generally invests in long positions in domestic publicly traded equity securities as well as futures and options in such securities and certain stock indices.
- (e) This fund generally invests in hedge funds that invest in both long and short positions in publicly traded equity and debt securities on a global basis. Most debt securities are sub-investment grade and may be hard to price due to thin trading volumes. The various strategies collectively target a market neutral position.
- (f) This class includes primarily investments in public and private debt securities on a global basis with sub-investment grade credit ratings, such as bank loans and high yield bonds.
- (g) This class includes primarily investments in limited partnerships. These funds are illiquid that, in general, do not offer access to redemptions during the life of the partnership. Capital is periodically called, invested, and then returned over time. Typically, these partnerships have a life exceeding ten years and may take up to twenty years before they have fully returned called capital.

Miami University Foundation

Notes to Financial Statements

June 30, 2023

Note 6: 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 classify as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) changes to the endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

The Foundation's endowment consists of 2,164 separate accounts established since its inception. The following presents a summary of changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2022	\$ 4,304,502	\$ 401,543,247	\$ 405,847,749
Contributions	26,777	21,705,267	21,732,044
Dividend and interest income, net of investment expense	20,076	1,937,091	1,957,167
Realized and unrealized gains	323,428	31,405,480	31,728,908
Net assets released from restrictions and other changes	21,306,070	(21,581,964)	(275,894)
Distributions to Miami University	(17,209,329)	-	(17,209,329)
Administrative expenses	(4,313,876)	-	(4,313,876)
Endowment net assets, June 30, 2023	<u>\$ 4,457,648</u>	<u>\$ 435,009,121</u>	<u>\$ 439,466,769</u>

Miami University Foundation
Notes to Financial Statements
June 30, 2023

Endowment net asset composition by type of fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment:			
Historical gift value	\$ -	\$ 309,877,807	\$ 309,877,807
Cumulative appreciation	-	125,131,314	125,131,314
Board-designated endowment	<u>4,457,648</u>	<u>-</u>	<u>4,457,648</u>
 Total	 <u>\$ 4,457,648</u>	 <u>\$ 435,009,121</u>	 <u>\$ 439,466,769</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 in net assets with donor restrictions. As of June 30, 2023, funds with original gifts values of \$644,551, fair values of \$616,427, and deficiencies of \$28,124 are reported in net assets with donor restrictions.

The Foundation employs a total return policy which defines the total amount of dividends, interest and realized gains to be distributed from the endowment. The endowment spending distribution policy approved by the Board distributes four percent of the average of the previous twelve quarterly market values as of March 31st of each fiscal year. This policy is intended to provide consistency, predictability, and sustainability of the annual distributions, while maintaining intergenerational equity to preserve the purchasing power of the endowed principal.

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. Donor restricted accounts with insufficient accumulated earnings do not make a full current year distribution. Appropriation for expenditure of funds under the spending policy occurs on June 30 of each year.

Miami University Foundation
Notes to Financial Statements
June 30, 2023

The total calculated endowment spending amount in 2023 was \$26,982,997, which includes \$8,725,130 of earnings distributions to assets held for other entities as described in Note 4. Some individual endowments are reinvesting all endowment earnings. As a result, \$14,860,424 was distributed to Miami University from Foundation endowments. In addition to current year endowment distributions, \$3,425,731 of non-endowed funds and \$2,348,905 of non-recurring donor stipulated funds, for a total of \$5,774,636, were distributed to Miami University in satisfaction of donor restrictions. The following summarizes the programs supported by the current year's endowed and non-endowed distributions:

Miami University Program Supported	Annual Spending Rate and Special Distribution	Donor Stipulated Distribution	Total Distributions to Miami University
Scholarships and fellowships	\$ 7,865,579	\$ 19,086	\$ 7,884,665
Academic support	5,336,863	2,070,470	7,407,333
Student services/athletics	583,620	-	583,620
Campus improvements	106,070	1,132,135	1,238,205
Other institutional support	968,292	2,552,945	3,521,237
	<hr/>	<hr/>	<hr/>
Total distributions to Miami University	\$ 14,860,424	\$ 5,774,636	\$ 20,635,060
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Miami University incurs certain expenses related to development and investment related expenses relative to endowment management as well as fundraising efforts for the benefit of the Foundation. Miami University is reimbursed for its expenses in the form of a maximum 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 from all funds holding shares in the Foundation investment pool, including the assets held for other entities; funds with insufficient accumulated earnings are not charged thereby reducing the maximum administrative fee payable. A total of \$4,313,876 was reimbursed to Miami University in 2023 for the Foundation endowment's share of the calculated fee.

Miami University Foundation
Notes to Financial Statements
June 30, 2023

Note 7: 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 to be supported by the net assets of the Foundation at June 30, 2023:

Miami University Program Supported	Without Donor Restrictions	With Donor Restrictions	Total
Scholarships and fellowships	\$ 1,230,874	\$ 217,317,582	\$ 218,548,456
Academic support	-	163,371,312	163,371,312
Student services/athletics	-	17,167,916	17,167,916
Campus improvements	-	6,150,303	6,150,303
Institutional support and other	<u>3,226,774</u>	<u>65,368,770</u>	<u>68,595,544</u>
Total net assets	<u>\$ 4,457,648</u>	<u>\$ 469,375,883</u>	<u>\$ 473,833,531</u>

Note 8: Functional Expenses

Expenses classified by natural and functional classification for the year ended June 30, 2023, are summarized as follows:

	Program Services	Management and General	Fundraising	Total Expenses
Distributions to Miami University	\$ 20,635,060	\$ -	\$ -	\$ 20,635,060
Other expenses	-	277,789	-	277,789
Administrative expenses	<u>-</u>	<u>2,200,077</u>	<u>2,113,799</u>	<u>4,313,876</u>
	<u>\$ 20,635,060</u>	<u>\$ 2,477,866</u>	<u>\$ 2,113,799</u>	<u>\$ 25,226,725</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. The expenses that are allocated are administrative expenses, which are allocated on the basis of estimates of time and effort.

Miami University Foundation
Notes to Financial Statements
June 30, 2023

Note 9: Availability and Liquidity

The calculation below represents financial assets available and without donor restrictions for general expenditures within one year of June 30, 2023:

Financial assets at year-end:	
Cash and cash equivalents	\$ 41,311,343
Pledges receivable, net	19,808,822
Other receivables, primarily investment related	7,625,976
Investments	711,092,451
Cash value of life insurance	1,804,501
Total financial assets	781,643,093
Less amounts not available to meet cash needs for general expenditures within one year:	
Contractual or donor restrictions:	
Donor restricted endowment	(435,009,121)
Donor restricted by time or purpose	(20,752,925)
Assets held for other entities	(277,951,890)
Board designated endowment	(4,457,648)
Total financial assets and available resources available within one year	\$ 43,471,509

The Foundation's investment portfolio seeks to maintain sufficient liquidity to meet the ongoing distribution requirements of the PIF, to meet capital calls, to rebalance the portfolio and capture tactical opportunities. The source of monies for such liquidity needs will be based on rebalancing and cost considerations. Donor restricted by time or purpose of \$20,752,925 includes \$13,837,804 of restricted cash that is pending being invested into endowment investments.

The Foundation regularly monitors liquidity of financial assets required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations.

Note 10: Transactions with Miami University

As discussed in Note 6, the Foundation made grants to the University in furtherance of the Foundation's mission and in compliance with donor restrictions. Additionally, grants were made to the University from net assets without donor restriction at the direction of the Foundation's Board of Directors.

Additionally, the Foundation made a payment to the University in accordance with an agreement between the parties for agreed-upon services. The payment made under the agreement was \$4,313,876 for the year ended June 30, 2023.

The amount payable to the University at June 30, 2023 was \$22,244,648 and is recorded within accounts payable in the statement of Financial Position.

Supplementary Information

Miami University Foundation
Schedule of Changes in Net Assets
Year Ended June 30, 2023

	<u>Balance July 1, 2022</u>	<u>Contributions</u>	<u>Dividend and Interest Income</u>	<u>Market Adjustment, Net</u>	<u>Transfers to Miami University</u>	<u>Intrafund Transfers</u>	<u>Other</u>	<u>Balance June 30, 2023</u>
Pooled endowment funds	\$ 405,077,653	\$ 21,620,249	\$ 1,938,011	\$ 27,311,483	\$ (17,184,598)	\$ (294,443)	\$ -	\$ 438,468,355
Non-pooled endowment funds	<u>770,096</u>	<u>111,750</u>	<u>19,156</u>	<u>103,549</u>	<u>(24,731)</u>	<u>18,551</u>	<u>-</u>	<u>998,371</u>
Total endowment funds	405,847,749	21,731,999	1,957,167	27,415,032	(17,209,329)	(275,892)	-	439,466,726
Expendable funds – donor restricted for capital projects	2,862,796	583,052	46,119	(27)	(1,148,579)	(21,651)	-	2,321,710
Expendable and board discretionary funds – non capital	1,382,322	1,227,065	16,667	93	(1,277,073)	307,028	(277,744)	1,378,358
Accumulated cash value insurance	1,835,940	255	1,671	18,341	(79)	(26,627)	-	1,829,501
Other investment funds	175,247	1,000,004	-	(10,501)	(1,000,000)	10,500	-	175,250
Net split-interest funds	7,833,458	36,875	-	-	-	6,642	856,739	8,733,714
Pledges receivable	18,475,171	1,333,651	-	-	-	-	-	19,808,822
Interest in trusts held by others	<u>124,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,431)</u>	<u>119,450</u>
Total net assets	<u>\$ 438,537,564</u>	<u>\$ 25,912,901</u>	<u>\$ 2,021,624</u>	<u>\$ 27,422,938</u>	<u>\$ (20,635,060)</u>	<u>\$ -</u>	<u>\$ 573,564</u>	<u>\$ 473,833,531</u>

Detail of Market Adjustment, Net

<u>Net Unrealized and Realized Losses</u>	<u>Administrative Expenses</u>	<u>Market Adjustment, Net</u>
<u>\$ 31,736,814</u>	<u>\$ (4,313,876)</u>	<u>\$ 27,422,938</u>

Miami University Foundation
Schedule of Investments
June 30, 2023
(With Comparative Totals for June 30, 2022)

Description	Fair Value	
	2023	2022
Pooled Funds		
Strategic Investment Management, LLC Funds (a)		
Strategic Active Credit Trust	\$ -	\$ 4,795,107
Strategic Developed Markets ex-US Equity Trust	71,542,202	65,709,242
Strategic Emerging Market Equity Trust	60,826,771	59,072,948
Strategic Global Equity Trust	56,441,635	48,696,222
Strategic U.S. Equity Trust	140,635,009	118,605,366
Total Strategic Investment Management, LLC funds	<u>329,445,617</u>	<u>296,878,885</u>
Public Equities		
Johnson & Johnson (b)	4,955	-
Total public equities	<u>4,955</u>	<u>-</u>
Domestic Public Debt (b)		
Strategic Investment Group (U.S. Treasuries - Government Bonds)	50,932,371	43,978,796
Total domestic public debt	<u>50,932,371</u>	<u>43,978,796</u>
Global Credit Funds (a)		
Asia Research & Capital Management Limited (ARCM)	4,212,059	4,177,822
Ellington Capital Management	1,646,382	-
GoldenTree Asset Management	2,379,898	-
Hildene Capital Management	5,314,846	5,477,695
KKR Credit Advisors LLC	1,662,593	1,463,914
Total global public debt	<u>15,215,778</u>	<u>11,119,431</u>
Hedge Funds (a)		
Strategic SPC Alpha Segregated Portfolio	133,674,584	145,323,862
Total hedge funds	<u>133,674,584</u>	<u>145,323,862</u>
Various Private Capital Investments (a)		
Bayview Fund Management, LLC (2 Funds) - Debt	9,559,710	6,300,897
Commonfund (4 Funds) - Various	3,331,313	5,439,327
Domain Timber Advisers - Natural Resources	2,151,331	2,431,719
Falcon Investment Advisers - Debt	5,410,978	4,808,348
GEM Realty Securities - Real Estate	13,808,304	13,985,013
Goldman Sachs (3 funds) - Various	1,890,719	3,745,198
Hamilton Lane Advisers (2 funds) - Equities	1,494,668	1,891,986
Harrison Street - Real Estate	595,749	-
Huron Capital Partners - Equities	4,785,606	4,174,363
Maranon Capital, LP - Debt	4,332,916	5,159,963
Metropolitan - Real Estate	-	372,574
Penn Square Capital Group (2 funds) - Real Estate	302,083	748,902
Pomona Capital - Equities	109,896	152,452
PGIM - Real Estate	1,622,259	-
Rockland Capital LLC - Natural Resources	9,180,929	8,221,603
Strategic Investment Management, LLC (6 Funds) - Equities	78,953,985	61,082,339
Summit Partners - Equities	9,067,894	9,599,116
TCW Asset Management Company LLC - Debt	1,574,272	973,394
Venture Investment Associates - Natural Resources	6,013,351	6,398,672
Westport Capital Partners (2 funds) - Real Estate	11,428,139	12,370,384
Yukon Partners - Debt	3,010,497	3,722,230
Total private investments	<u>168,624,599</u>	<u>151,578,480</u>
Total pooled funds	<u>697,897,904</u>	<u>648,879,454</u>

Miami University Foundation
Schedule of Investments (Continued)
June 30, 2023
(With Comparative Totals for June 30, 2022)

Description	Fair Value	
	2023	2022
Separately Invested Funds		
Student Managed Investment Funds (b)	\$ 619,165	\$ 684,982
Student Venture Funds (a)	199,749	174,749
United States Treasury Inflation Protections Securities (b)	18,613	19,641
Total separately invested funds	837,527	879,372
Split-Interest Funds		
PNC Bank (c)		
Domestic public equities	6,058,989	5,456,156
International public equities	2,062,884	1,912,565
Domestic public debt	4,071,425	4,138,805
Global public debt	163,722	501,098
Total split-interest funds	12,357,020	12,008,624
Grand total	\$ 711,092,451	\$ 661,767,450

(a) Commingled and non-publicly traded funds

(b) Publicly traded securities managed in a separate account

(c) Exchange Traded Funds and Mutual Funds

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*

Independent Auditor's Report

Board of Directors
Miami University Foundation
Oxford, Ohio

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of Miami University Foundation, which comprise the Miami University Foundation's statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Miami University Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Miami University Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Miami University Foundation's internal control.

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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Miami University Foundation's financial statements are free from 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 financial statements. 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Cincinnati, Ohio
October 11, 2023

OHIO AUDITOR OF STATE KEITH FABER



MIAMI UNIVERSITY FOUNDATION

BUTLER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/5/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov