

Miami University

Financial Statements for the Years Ended June 30,
2010 and 2009, and Single Audit Reports for the
Year Ended June 30, 2010



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Miami University, Butler County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2009 through June 30, 2010. 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 is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 22, 2010

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MIAMI UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

President and Board of Trustees of Miami University
and Mary Taylor, Auditor of the State of Ohio:

We have audited the accompanying statement of net assets of Miami University (the "University"), a component unit of the State of Ohio, and Miami University Foundation, the University's discretely presented component unit, as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows where applicable for the years then ended. These financial statements are the responsibility of the management of the University. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the University, and its discretely presented component unit, as of June 30, 2010 and 2009, and their respective changes in net assets and their respective cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2-11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the management of the University. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the University, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the University. Such 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 when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



October 15, 2010

Management's Discussion and Analysis

June 30, 2010

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Miami University for the year ended June 30, 2010. This discussion should be read in conjunction with the accompanying financial statements and footnotes.

The university's annual report consists of this Management's Discussion and Analysis, the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, the Statement of Cash Flows, and the Notes to the Financial Statements. The financial statements of the university have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the related liability has been incurred. The financial activity of the Miami University Foundation, a component unit of the university, is included through a discrete presentation as part of the university's financial statements.

The financial statements, footnotes, and this discussion have been prepared by and are the responsibility of university management.

Financial Highlights

The international credit crisis and economic downturn that impacted Miami as well as other Ohio and national higher education institutions in fiscal year 2009, has stabilized in fiscal year 2010. The effects of this stabilization can be seen in the university's financial statements, specifically in investment income and related assets, and in gifts from donors. In addition, the university's previously initiated cost reduction measures are evident in the substantial decrease in operating expenses.

Overall the university's financial position improved at June 30, 2010. Total assets rose 5.2 percent from \$1.023 to \$1.076 billion. Liabilities declined \$15.2 million and totaled \$299.9 million. Significant financial events during fiscal year 2010 were:

- For the third consecutive year, Miami held tuition constant for all Ohio students for the fall and spring semesters. However, the state reduced its funding for FY2011 and as a result state legislators authorized a 3.5 percent in-state tuition increase for the entire year. To minimize the impact on Ohio students, the university chose to delay the 3.5 percent tuition increase until the summer semester of 2010 for in-state students.
- The fall 2009 first-year class enrollment of 3,236 on the Oxford campus was 373 fewer students than the previous fall enrollment. The first-year class enrollment on the Hamilton and Middletown campuses increased by 79 and 65 students, respectively.
- Operational investments rebounded from the previous year losses and recorded a gain of 4.9 percent. These results were achieved in spite of near zero short-term interest rates. The stabilization of the global capital markets resulted in the long-term portion of the

pool increasing by nearly ten percent. (For more details, see the Investment Report included in this report).

- As a direct result of the employee layoffs, retirements, and the hiring freeze that were implemented throughout the fiscal year, general fund salary expense for all three campuses decreased by \$9.1 million or 5.2 percent. In addition, benefits expense was \$6.9 million less than budget, primarily attributable to the number of vacant positions which helped produce a substantial decline in health insurance claims in the last several months of the fiscal year.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the university as of the end of the fiscal year. The difference between total assets and total liabilities, or net assets, is one indicator of the overall strength of the institution. Also, the increase or decrease in total net assets indicates whether the financial position of the institution is improving or declining. Except for capital assets, all other assets and liabilities are measured at a point in time using current values. Capital assets are recorded at historical cost less an allowance for depreciation.

Net assets are classified into three major categories. The first category, invested in capital assets net of related debt, reports the institution's net equity in property, plant, and equipment. The second major category, restricted net assets, reports net assets that are owned by the institution, but the use or purpose of the funds is restricted by an external source or entity. This category is subdivided into two types: nonexpendable and expendable. Nonexpendable restricted net assets are primarily endowment funds that may be invested for income and capital gains, but the endowed principal may not be spent. Expendable restricted net assets may be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. The third category, unrestricted net assets, is separated into two types: allocated and unallocated. Allocated unrestricted net assets are available to the institution, but are set aside for a specific purpose by university policy, management, or the governing board. Unallocated unrestricted net assets are available to be used for any lawful purpose of the institution.

	2010	2009	2008
Assets			
Current assets	\$ 218,683,477	\$ 180,459,483	\$ 255,126,735
Capital assets, net	704,302,948	707,105,908	663,178,774
Long term investments	146,384,200	129,022,677	154,456,387
Other assets	6,655,414	6,476,915	6,682,551
Total assets	\$ 1,076,026,039	\$ 1,023,064,983	\$ 1,079,444,447

Liabilities			
Current liabilities	\$ 70,283,575	\$ 71,899,267	\$ 73,348,006
Noncurrent liabilities	229,584,437	243,145,887	250,911,916
Total liabilities	\$ 299,868,012	\$ 315,045,154	\$ 324,259,922
Net assets			
Invested in capital assets, net of related debt	\$ 480,984,748	\$ 472,313,053	\$ 454,613,643
Restricted net assets - nonexpendable	76,926,360	67,047,116	84,428,812
Restricted net assets - expendable	50,709,308	39,917,025	54,821,384
Unrestricted net assets - allocated	162,523,346	123,912,138	154,818,276
Unrestricted net assets - unallocated	5,014,265	4,830,497	6,502,410
Total net assets	\$ 776,158,027	\$ 708,019,829	\$ 755,184,525
Total liabilities and net assets	\$ 1,076,026,039	\$ 1,023,064,983	\$ 1,079,444,447

Fiscal Year 2010

Total assets of the institution increased 5.2 percent or \$53.0 million in fiscal year 2010. This increase was primarily a result of the increase in cash and cash equivalents and investments. The \$6.8 million or 6.7 percent increase in current investments and the \$17.4 million or 13.5 percent increase in non-current investments was a result of stabilization in the global capital markets. For more detailed information see the Investment Report included in this report. The \$23.6 million increase in cash and cash equivalents reflects an improvement in Residence and Dining Hall cash flows generated by greater operating efficiencies. The \$6.3 million increase in current accounts receivable is primarily attributable to the outstanding transfer of University Foundation gift funds used to fund capital projects. In addition, a one-time receivable of approximately \$2.0 million was recorded to reflect a health insurance billing error made by the insurance carrier. The university completed and capitalized several large projects, resulting in a transfer of these assets from nondepreciable to depreciable capital assets. Additional information about these projects is provided in the Capital Assets and Debt Administration section of this report.

Total liabilities of the institution decreased \$15.2 million or 4.8 percent, which was primarily a result of the repayment of outstanding bonds, notes, and leases payable. Other current liabilities and other long-term liabilities remained relatively unchanged. Overall, net assets increased by \$68.1 million.

Fiscal Year 2009

Total assets decreased 5.2 percent or \$56.4 million while total liabilities decreased \$9.2 million or 2.8 percent. The net decrease in current assets was primarily a result of the decrease in investments from a global downturn in the investment market. This decline was offset by the \$43.9 million increase in net capital assets from the capitalization of construction projects. The repayment of outstanding bonds, notes, and leases payable was the primarily reason for the decrease in liabilities. Overall, net assets decreased by \$47.2 million.

Statement of Revenues, Expenses and Changes in Net Assets

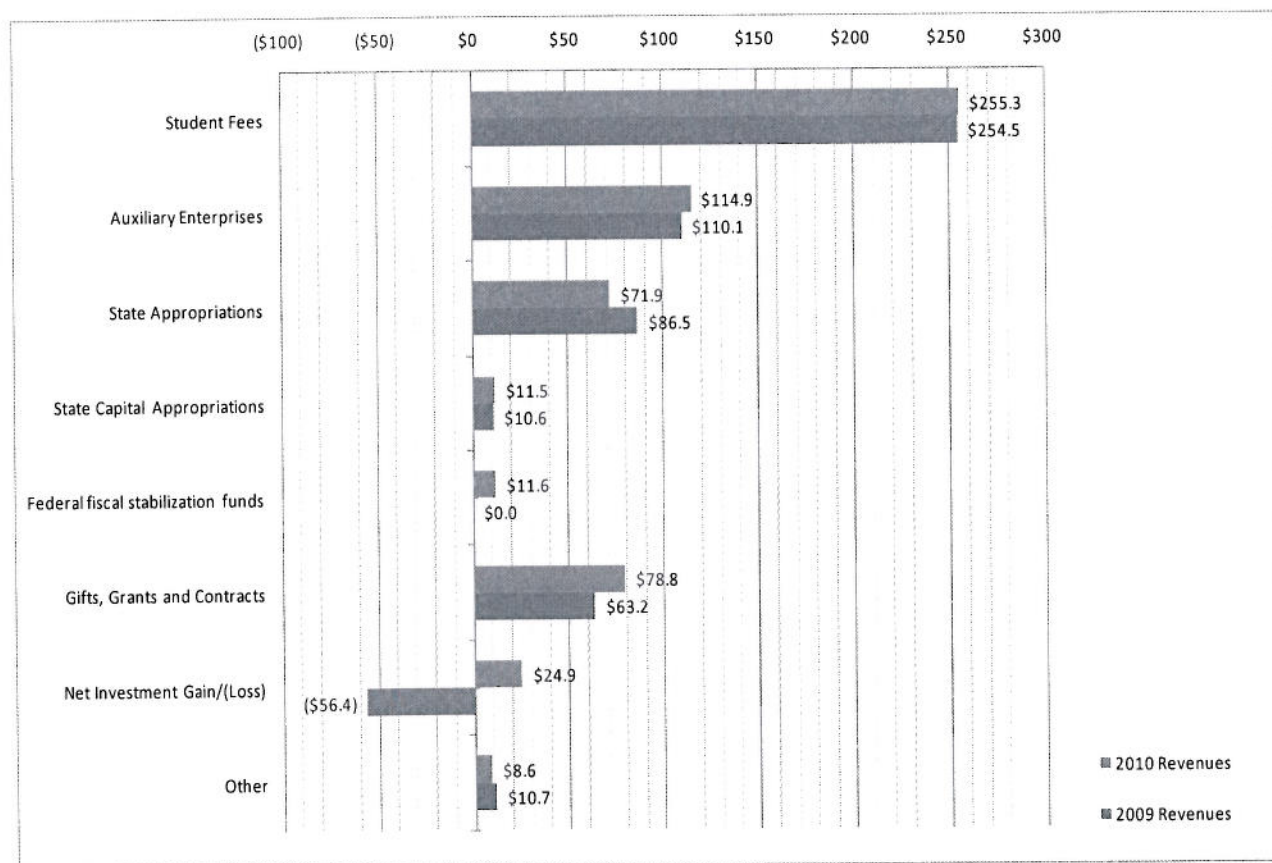
The Statement of Revenues, Expenses, and Changes in Net Assets presents the university's results of operations for the fiscal year. The revenues and expenses are generally reported as either operating or non-operating. Operating revenues are generated by providing goods and services to customers and constituencies of the institution. Operating expenses are incurred when goods and services are provided by vendors and employees for the overall operations of the university. Non-operating revenues include the student instructional subsidy from the state of Ohio, while other revenues include the state's capital appropriation. Investment returns are also included in non-operating revenue. Interest on debt is the primary component of non-operating expense.

In fiscal year 2010, total revenues of the institution from all sources were approximately \$577.6 million, which represents a \$98.4 million or 20.5 percent increase. Approximately 69 percent of revenues were classified as operating, and 27 percent were classified as non-operating revenues.

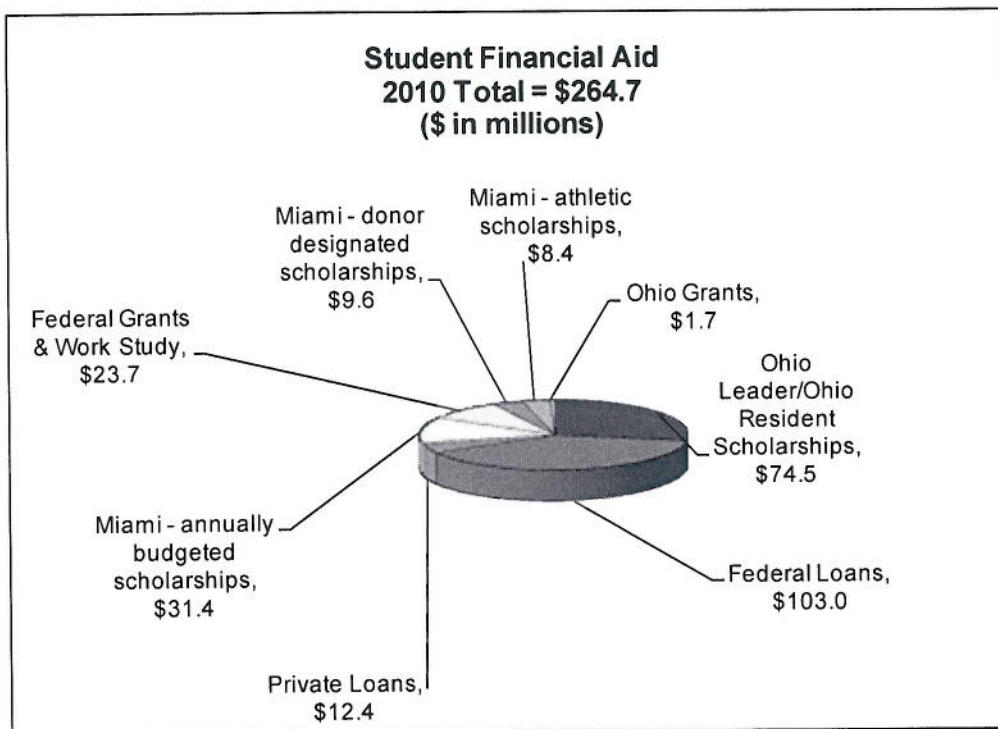
	2010	2009	2008
Operating revenues	\$ 397,994,014	\$ 395,160,946	\$ 374,996,233
Non-operating revenues	154,965,266	63,978,590	108,526,406
Other revenues	24,667,510	20,127,907	16,589,089
Total revenues	\$ 577,626,790	\$ 479,267,443	\$ 500,111,728
Operating expenses	(499,950,810)	(517,946,994)	(496,729,213)
Non-operating expenses	(9,537,782)	(8,485,145)	(8,927,431)
Total expenses	(509,488,592)	(526,432,139)	(505,656,644)
Increase/(decrease) in net assets	\$ 68,138,198	\$ (47,164,696)	\$ (5,544,916)

The university has a diversified revenue base, as shown in the accompanying chart. Student tuition and fees make up the largest percentage of revenues at just over 44 percent, while auxiliary enterprises such as residence and dining halls, several student recreational facilities, and the bookstore account for the second highest amount. State appropriations decreased \$14.6 million as a result of a \$3.0 million decrease in state support of instruction funding that was initially announced as being appropriated for 2010, but was not available until 2011. Additionally, for this fiscal year, \$11.6 million of federal fiscal stabilization funds is reported on a separate line. These funds were provided by the federal government under the American Recovery and Reinvestment Act of 2009 and were allocated through state appropriations to higher education by the Ohio Board of Regents. The \$15.6 million increase in gifts, grants, and contracts is primarily related to the recording of gifts for the Farmer School of Business, the rehabilitation of Yager stadium, and the gift pledges for the Ice Hockey Coaching Excellence Fund. In addition, the federal grants increase is attributable to the change in federal regulations that now permits Pell grants to be awarded to students for the summer term. Endowment and investment income increased substantially due to factors that were previously discussed. Other income remained relatively unchanged from last fiscal year.

Total Revenues (\$ in Millions)



This coming fall, Miami will continue to enhance its financial aid programs by introducing a new merit scholarship package for in-state and out-of-state students. This program will recognize student achievement and will align with the university's goal of making a high quality education more affordable for parents and students. In fiscal year 2010, Miami-funded financial aid, excluding Ohio Leader and Ohio Resident Scholarships, increased by \$5.4 million or 12.3 percent. In total, financial aid awards were \$264.7 million.



Fiscal Year 2010

Operating revenues increased by 0.7 percent or \$2.8 million in fiscal year 2010. This modest increase was the net result of several factors including a 3.5 percent increase in out-of-state Oxford campus student tuition and a 5.1 percent increase in room and board rates. There was no increase in the in-state student tuition and fee at all three campuses. In addition, beginning in the fall of 2008, the university began phasing out the 2004 tuition and scholarship plan. In FY2010, the first-year and second-year Ohio students were billed for in-state tuition and did not receive an Ohio Leader or Ohio Resident scholarship. This change caused the decrease in tuition, fees, and other student charges and the decrease in the Ohio Leader and Ohio Resident Scholarships.

The majority of the \$89.9 million increase in non-operating revenues and expenses is reflected in the \$81.3 million increase in net investment income, the \$9.1 million increase in federal grants, and gifts that increased by \$6.2 million. Offsetting these increases was the \$3.0 million decrease in the combined state appropriations and federal fiscal stabilization funds.

Operating expenses decreased by 3.5 percent or \$18.0 million. The majority of this decrease is reflected in salary savings that were a direct result of employee layoffs, retirements and the hiring freeze that were implemented throughout the fiscal year. In addition, a decrease in employee benefits is primarily attributable to the number of vacant positions, health insurance claims which declined 6.4 percent, and approximately \$2.0 million repayment from the health insurance carrier for a claims billing error.

Fiscal Year 2009

Operating revenues increased by \$20.2 million primarily due to a 6 percent increase in out-of-state Oxford campus student tuition and a 4.6 percent increase in room and board rates. There was no increase in the in-state student tuition and fee at all three campuses. Operating expenses increased by \$21.2 million, primarily due to a 2.75 percent average increase in employee salaries and increases in employee benefit costs such as health care insurance, where actual claims rose 14.8 percent.

The overall decrease in non-operating revenues was attributable to a decrease in net investment income and gifts, a \$6.4 million increase in state appropriations and federal grants that also increased by \$2.8 million. Other revenues increased due to the receipt of capital grants and gifts, which provided funding for several capital projects.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the major sources and uses of cash by the institution for the fiscal year. The cash flow analysis is divided into four types of cash flows: operating activities, noncapital financing activities (which includes the state appropriations as well as gift revenues), capital and related financing activities (which includes debt activity), and investing activities.

	2010	2009	2008
Net cash used for operating activities	\$ (68,726,251)	\$ (91,829,343)	\$ (87,607,695)
Net cash provided by noncapital financing activities	127,505,489	126,669,480	119,850,871
Net cash used for capital and related financing activities	(39,063,674)	(79,529,523)	(91,776,500)
Net cash provided by investing activities	3,917,536	14,946,154	66,367,026

Net cash provided by investing activities	3,917,536	14,946,154	66,367,026
Net increase/(decrease) in cash	\$ 23,633,100	\$ (29,743,232)	\$ 6,833,703
Cash and cash equivalents at beginning of year	37,200,458	66,943,690	60,109,987
Cash and cash equivalents at end of year	\$ 60,833,558	\$ 37,200,458	\$ 66,943,690

The \$23.6 million increase in the fiscal year 2010 cash and cash equivalents balance relates primarily to the net reduction in operating activities, which is a result of the increase in Residence and Dining hall revenues and the decrease in operating expenditures. Also, the reduction of cash used for capital related projects contributed to this overall increase.

Throughout the year, cash was used for capital acquisitions, payment of debt, investment activities, and operating activities. These uses of cash were offset in part by the cash provided by tuition and fees, state appropriations, sales by auxiliary enterprises, gifts, and grants.

Capital Assets and Debt Administration

During fiscal year 2010, the university completed and capitalized several projects. These projects were funded by a combination of bond proceeds, state capital appropriations, gifts, and local funding. The bond proceeds were generated from the 2005 Series General Receipts Revenue and Refunding Bonds totaling \$98.5 million and the 2007 Series General Receipts Revenue Bonds totaling \$83.2 million. Major projects capitalized in 2010 include a new Farmer School of Business Administration building, renovation projects at Pearson and Upham Halls, and infrastructure projects including the steam boiler pollution controls and the voice over IP (VoIP) project. See footnote 4 for additional information concerning capital assets and accumulated depreciation.

The university plans to issue approximately \$125 million in general receipts revenue bonds in winter or spring 2011. The proceeds from the bond sale are expected to be used to renovate Elliott, Stoddard, Bishop, and Havighurst halls; infrastructure upgrades relating to proposed new housing facilities; a Marcum Conference Center addition; and infrastructure upgrades and extensions for the new Armstrong Student Center.

The university's bond rating with Standard and Poor's remained the same with a rating of A+. In the spring, Moody's Investors Services adjusted their rating scale for tax exempt bond issuers and as such the university's rating increased from of A1 to AA3. For more detailed information on current outstanding debt, see footnote 6.

Economic Factors That Will Affect the Future

The uncertain global financial markets and volatile economic recovery continue to cause great concern. However, the university has implemented numerous initiatives that serve to: 1) increase enrollment and tuition revenue, 2) decrease operating expenses, and 3) reallocate resources in order to maintain and enhance the overall financial performance of the university. Outcomes from these initiatives are evident in the accompanying 2010 financial statements and details of forthcoming changes are outlined below.

Revenues

Through the use of the enhanced merit scholarship guarantee, improved campus visit experience, and extensive communication with students and families, the fall 2010 first-year enrollment was approximately 3,600 for the Oxford campus. This surpassed the goal of 3,450 and is approximately 350 more than the previous year. There was also an increase in transfer students and relocation students from the regional campuses. Enrollments at the Hamilton and Middletown campuses increased by 11.1 and 9.7 percent, respectively. Beginning in fall 2010, a 3 percent tuition and fee increase was implemented for all campuses. These enrollment increases, together with the tuition increase, will help stabilize the student fee income, which represents the largest portion of the FY2011 budget.

In September 2010, the university was notified that the FY2011 state share of instruction will likely be reduced by approximately 6.4 percent. This will reduce the June 2011 subsidy payment by approximately \$4.2 million for the Oxford campus and \$500,000 and \$400,000 for the Hamilton and Middletown campuses, respectively. In addition, the outlook for the State of Ohio's 2012-2013 biennium budget is worrisome. Due to the continued stagnation of Ohio's economy, state tax and other revenues continue to be inadequate to fund all the state programs, especially the rising costs associated with the state Medicaid program. In addition, the previous biennial budget included significant support from one-time funding sources that will not be available for future budgets. Therefore, the university is anticipating and planning for a potentially significant reduction in state support in the coming biennium.

During 2010, the university experienced a slight increase in donor contributions toward the Love and Honor Campaign. As of September 2010, the university's capital campaign commitments totaled \$388 million toward the goal of \$500 million. These funds will bring much needed support to the instructional, scholarly, and construction programs in the years to come.

Expenditures

As part of the FY2011 budget process, the university is continuing to reduce its overall expenditure base. Specifically, an additional permanent budget reduction of \$5 million was included in the Oxford campus budget and was allocated to each division. In addition, the hiring freeze for all non-faculty positions continued and there were no salary increases for the second consecutive year.

Although national health care costs continue to rise, Miami is taking several actions to continue to control these costs, including the introduction of the Healthy Miami wellness program. This program is designed to help employees learn more about their personal health and take actions necessary to improve and monitor their health through screenings. This program will be introduced across three phases, the first of which is being introduced in fiscal year 2011. In addition, Miami continues previously implemented initiatives including: (1) a high deductible health plan with a health savings account, which provides an option for employees to take greater control over their health care costs, (2) offering smoking cessation courses for staff and families, (3) providing an employee wellness and fitness program, and (4) continuing to require employees to pay a portion of their health insurance costs.

In March 2010, President David Hodge formed a Strategic Priorities Task Force, which was charged with prioritizing and aligning the university goals, creating a sustainable baseline budget for the Oxford campus, and identifying strategic options for improving the resource base. In August 2010, the task force distributed a draft of its recommendations for comment that will provide approximately \$10 million in potentially new revenue and approximately \$30 million in expense reductions through improved efficiencies, savings and reallocation of funds. If approved, these recommendations, totaling approximately \$40 million, will be implemented over the next five years. After the comment period, the final report will be submitted to President Hodge, who will outline the plans for implementing the strategic initiatives at the December 2010 Board of Trustees meeting.

Miami University, and higher education in general, continue to face challenges at the global, national, and especially the state level. Through use of the 2010 positive operating results, and the previous and current year budget reductions in permanent operating funds, the university is well positioned financially for fiscal year 2011. Likewise, the work and recommendations of the Strategic Priorities Taskforce will strengthen and better align our resources, while improving on the excellent educational experience that is provided to our students.

Miami University
Statement of Net Assets
June 30, 2010 and 2009

	<u>Miami University</u>		<u>University Foundation</u>	
	2010	2009	2010	2009
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 60,833,558	\$ 37,200,458	\$ 15,074,100	\$ 8,145,476
Investments	107,989,530	101,173,457	0	0
Accounts, pledges and notes receivable, net	41,894,807	35,604,160	11,471,749	12,880,398
Inventories	4,474,736	4,546,473	0	0
Prepaid expenses and deferred charges	3,490,846	1,934,935	0	0
Total current assets	<u>218,683,477</u>	<u>180,459,483</u>	<u>26,545,849</u>	<u>21,025,874</u>
NONCURRENT ASSETS				
Restricted cash and cash equivalents	0	0	1,059,149	924,131
Investments	146,384,200	129,022,677	201,172,625	184,233,112
Pledges and notes receivable, net	6,655,414	6,476,915	38,265,059	37,054,962
Nondepreciable capital assets	48,913,280	102,856,414	0	0
Depreciable capital assets, net	655,389,668	604,249,494	0	0
Total noncurrent assets	<u>857,342,562</u>	<u>842,605,500</u>	<u>240,496,833</u>	<u>222,212,205</u>
Total assets	<u>\$ 1,076,026,039</u>	<u>\$ 1,023,064,983</u>	<u>\$ 267,042,682</u>	<u>\$ 243,238,079</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 18,900,071	\$ 20,121,601	\$ 12,551,904	\$ 6,500,691
Accrued salaries and wages	15,971,627	17,110,411	0	0
Accrued compensated absences	1,189,507	1,124,779	0	0
Deferred revenue	11,963,742	13,104,216	0	0
Deposits	9,619,425	9,180,292	0	0
Long term debt - current portion	12,639,203	11,257,968	0	0
Other current liabilities	0	0	847,377	630,778
Total current liabilities	<u>70,283,575</u>	<u>71,899,267</u>	<u>13,399,281</u>	<u>7,131,469</u>
NONCURRENT LIABILITIES				
Accrued compensated absences	14,267,940	15,199,913	0	0
Bonds payable	205,169,941	216,819,892	0	0
Note payable	1,733,715	1,806,579	0	0
Capital leases payable	1,894,053	2,849,336	0	0
Federal Perkins loan program	6,518,788	6,470,167	0	0
Other noncurrent liabilities	0	0	5,946,214	6,062,534
Total noncurrent liabilities	<u>229,584,437</u>	<u>243,145,887</u>	<u>5,946,214</u>	<u>6,062,534</u>
Total liabilities	<u>299,868,012</u>	<u>315,045,154</u>	<u>19,345,495</u>	<u>13,194,003</u>
NET ASSETS				
Invested in capital assets, net of related debt	480,984,748	472,313,053	0	0
Restricted net assets			0	0
Nonexpendable	76,926,360	67,047,116	143,362,903	138,886,423
Expendable	50,709,308	39,917,025	106,942,118	100,456,126
Unrestricted net assets	167,537,611	128,742,635	(2,607,834)	(9,298,473)
Total net assets	<u>776,158,027</u>	<u>708,019,829</u>	<u>247,697,187</u>	<u>230,044,076</u>
Total liabilities and net assets	<u>\$ 1,076,026,039</u>	<u>\$ 1,023,064,983</u>	<u>\$ 267,042,682</u>	<u>\$ 243,238,079</u>

See accompanying notes to financial statements.

Miami University
Statement of Revenues, Expenses, and Changes in Net Assets
Year ended June 30, 2010 and 2009

	Miami University		University Foundation	
	2010	2009	2010	2009
OPERATING REVENUES				
Tuition, fees, and other student charges	\$ 381,281,446	\$ 411,631,347	\$ 0	\$ 0
Less Ohio Leader and Ohio Resident Scholarships	(74,461,203)	(112,952,750)	0	0
Less allowance for student scholarships	(51,518,541)	(44,163,257)	0	0
Net tuition, fees, and other student charges	<u>255,301,702</u>	<u>254,515,340</u>	<u>0</u>	<u>0</u>
Sales and services of auxiliary enterprises	119,061,465	113,872,533	0	0
Less allowance for student scholarships	(4,129,050)	(3,786,931)	0	0
Net sales and services of auxiliary enterprises	<u>114,932,415</u>	<u>110,085,602</u>	<u>0</u>	<u>0</u>
Federal contracts	14,941,625	15,953,004	0	0
Gifts	0	0	6,621,410	1,086,616
Sales and services of educational activities	4,246,798	4,840,308	0	0
Private contracts	2,520,746	2,900,856	0	0
State contracts	1,854,140	1,974,336	0	0
Local contracts	321,991	370,870	0	0
Other	3,874,597	4,520,630	0	0
Total operating revenues	<u>397,994,014</u>	<u>395,160,946</u>	<u>6,621,410</u>	<u>1,086,616</u>
OPERATING EXPENSES				
Education and general:				
Instruction and departmental research	166,001,841	172,544,663	0	0
Separately budgeted research	17,152,920	17,587,776	0	0
Public service	2,456,073	2,946,700	0	0
Academic support	50,322,795	53,401,146	0	0
Student services	23,229,820	23,736,289	0	0
Institutional support	36,443,663	42,687,631	0	0
Operation and maintenance of plant	33,244,689	36,353,214	0	0
Scholarships and fellowships	23,038,554	16,824,023	0	0
Auxiliary enterprises	105,594,440	112,932,296	0	0
Depreciation	38,015,560	33,639,294	0	0
Other	4,450,455	5,293,962	0	0
Total operating expenses	<u>499,950,810</u>	<u>517,946,994</u>	<u>0</u>	<u>0</u>
Net operating gain (loss)	<u>(101,956,796)</u>	<u>(122,786,048)</u>	<u>6,621,410</u>	<u>1,086,616</u>
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	71,924,155	86,556,982	0	0
Federal fiscal stabilization funds	11,633,974	0	0	0
Gifts, including \$17,857,855 in FY10 and \$10,750,859 in FY09 from the University Foundation	20,937,185	14,741,071	0	0
Federal grants	23,627,443	14,500,218	0	0
Net investment income (loss), net of investment expense of \$1,485,693 for University and \$1,269,572 for the Foundation in FY10 \$2,136,821 for University and \$1,398,144 for the Foundation in FY09	24,874,580	(56,432,854)	22,732,610	(49,754,462)
State grants	1,441,507	3,234,481	0	0
Interest on debt	(9,447,869)	(8,395,112)	0	0
Payments to Miami University	0	0	(17,857,855)	(10,750,859)
Other non-operating revenues (expenses)	436,509	1,288,659	(4,033,248)	(3,319,288)
Net non-operating revenues (expenses)	<u>145,427,484</u>	<u>55,493,445</u>	<u>841,507</u>	<u>(63,824,609)</u>
Income (loss) before other revenues, expenses, and gains or losses	<u>43,470,688</u>	<u>(67,292,603)</u>	<u>7,462,917</u>	<u>(62,737,993)</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES				
State capital appropriation	11,504,340	10,622,688	0	0
Capital grants and gifts	9,238,334	5,117,209	0	0
Additions to permanent endowments	3,924,836	4,388,010	10,190,194	7,203,070
Total other revenues, expenses, gains, or losses	<u>24,667,510</u>	<u>20,127,907</u>	<u>10,190,194</u>	<u>7,203,070</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 68,138,198	\$ (47,164,696)	\$ 17,653,111	\$ (55,534,923)
Net assets at beginning of year	<u>708,019,829</u>	<u>755,184,525</u>	<u>230,044,076</u>	<u>285,578,999</u>
Net assets at end of year	<u>\$ 776,158,027</u>	<u>\$ 708,019,829</u>	<u>\$ 247,697,187</u>	<u>\$ 230,044,076</u>

See accompanying notes to financial statements.

Miami University
Statement of Cash Flows
Year ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition, fees, and other student charges	\$ 303,724,525	\$ 294,870,293
Sales and services of auxiliary enterprises	119,331,940	113,270,962
Contracts	17,419,248	21,387,473
Other operating receipts	8,319,643	9,287,391
Payments for employee compensation and benefits	(315,162,628)	(333,322,308)
Payments to vendors for services and materials	(124,040,591)	(132,007,629)
Student scholarships	(78,686,145)	(64,774,211)
Loans issued to students and employees	(1,975,381)	(3,130,746)
Collection of loans from students and employees	2,343,138	2,589,432
Net cash used for operating activities	(68,726,251)	(91,829,343)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State share of instruction and federal fiscal stabilization funds	83,558,129	86,556,982
Grants for noncapital purposes	25,068,950	17,734,699
Gifts	18,878,410	22,377,799
Net cash provided by noncapital financing activities	127,505,489	126,669,480
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriation	11,576,140	10,309,925
Grants for capital purposes	8,630,448	4,177,703
Other capital and related receipts	524,871	1,378,573
Payments to construct, renovate, or purchase capital assets	(37,894,893)	(76,214,917)
Principal paid on outstanding debt	(10,931,913)	(7,801,231)
Interest paid on outstanding debt	(10,968,327)	(11,379,576)
Net cash used for capital and related financing activities	(39,063,674)	(79,529,523)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	66,810,888	167,820,981
Purchases of investments	(67,597,445)	(158,210,274)
Endowment income	6,079,187	1,129,200
Other investment income	(1,375,094)	4,206,247
Net cash provided by investing activities	3,917,536	14,946,154
 NET INCREASE (DECREASE) IN CASH	\$ 23,633,100	\$ (29,743,232)
Cash and cash equivalents at beginning of year	37,200,458	66,943,690
Cash and cash equivalents at end of year	\$ 60,833,558	\$ 37,200,458

See accompanying notes to financial statements.

Miami University
Statement of Cash Flows
Year ended June 30, 2010 and 2009

	2010	2009
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Net Operating Loss, per Statement of Revenues, Expenses, and Changes in Net Assets	\$ (101,956,796)	\$ (122,786,048)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Depreciation expense	38,015,560	33,639,294
Net loss on disposal of capital assets	169,416	566,843
Accounts receivable bad debt adjustments	19,824	73,796
Adjustments to reconcile change in net assets to net cash used for operating activities		
Accounts receivable	(4,105,066)	(1,838,633)
Inventories	71,739	(700,454)
Prepaid expenses	(1,554,359)	(1,052,908)
Notes receivable	484,550	(459,406)
Accounts payable	2,787,629	151,048
Accrued salaries	(1,138,784)	1,636,987
Compensated absences	(867,244)	597,499
Deferred income and deposits	(701,341)	(1,597,502)
Federal Perkins loans	48,621	(59,859)
Net cash used for operating activities	\$ (68,726,251)	\$ (91,829,343)
 Supplemental disclosure of noncash information		
Equipment acquired under capital lease obligations	-	3,468,831
Property and equipment included in accounts payable	2,644,479	5,765,243
Property and equipment acquired by gifts in kind	607,887	939,507

See accompanying notes to financial statements.

Notes to Financial Statements
June 30, 2010 and 2009

(1) Summary of Significant Accounting Policies

Miami University (the university) is a land grant institution chartered by the State of Ohio in 1809 and governed by a Board of Trustees (the board). The board consists of 14 members, including two student members and three non-voting national trustees. Voting members are appointed one each year for nine-year terms by the governor with the advice and consent of the state senate. The two student non-voting members are appointed for two-year staggered terms by the governor with the advice and consent of the senate, and the national trustees are appointed for three-year terms by the voting members.

The university's financial statements are included as a discretely presented component unit in the State of Ohio's Comprehensive Annual Financial Report.

Basis for Presentation

Effective July 1, 2009, the university adopted Government Accounting Standards Board ("GASB") Statement No. 51, *Accounting and Reporting for Intangible Assets*. This statement establishes standards for the capitalization, amortization, and financial reporting of intangible assets. There has been no impact to the university financial statements due to the adoption of Statement No. 51.

Effective July 1, 2009, the university adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. There has been no impact to the university financial statements due to the adoption of Statement No. 53.

Effective July 1, 2008, the university adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. There has been no impact to the university financial statements due to the adoption of Statement No. 49.

Effective July 1, 2008, the university adopted GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments. It requires endowments to report their land and other real estate investments at fair value. There has been no impact to the university financial statements due to the adoption of Statement No. 52.

The financial statements of the university have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the related liability has been incurred. For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 34 and 35. The university has elected to apply only those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 1989, that are not in conflict with or contradict GASB pronouncements. The university has elected not to apply any FASB pronouncements issued after November 1989.

Cash and Cash Equivalents

Cash consists primarily of cash in banks and money market accounts. Cash equivalents are short-term, highly liquid investments readily convertible to cash, with an original maturity of three months or less.

Investments

Investments that are market traded, such as equity and debt securities, mutual funds, and cash equivalents, are recorded at fair value based 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. 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' management. Some fund 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 university 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.

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 that settle after such date are recorded as receivables or payables.

Inventories

Inventories are stated at the lower of first-in, first-out cost or net realizable value.

Capital Assets

Land, buildings, and equipment are recorded at cost at date of acquisition or market value at date of donation in the case of gifts. As a result of the adoption of GASB Statement No. 51, intangible assets have been separately identified as of July 1, 2009. Intangible assets include patents, trademarks, land rights and computer software. Land, collections of works of art and historical treasures are capitalized but not depreciated. Any collection that is not capitalized is charged to operations at the time of purchase. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 50 years for buildings; 25 years for infrastructure, library books and land improvements; 20 years for improvements to buildings; and 5 to 7 years for equipment, vehicles, and furniture. Intangible assets are depreciated based on their useful lives. The university's capitalization threshold is the lower of 5 percent of the original building cost or \$100,000 for building renovations and \$5,000 for all other capitalized items. The capitalization threshold for intangible assets is \$100,000, except for internally-generated computer software, which has a threshold of \$500,000.

Deferred Revenue

Tuition and fees relating to summer sessions that are conducted in July and August are recorded in the accompanying statement of net assets as deferred revenue. Deferred revenue also includes the amounts received from grant and contract sponsors that have not yet been earned and amounts received from a tuition payment service for payments received for the next fiscal year. These will be recorded as revenue in the following fiscal year.

Operating and Non-operating Revenue

The university defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and Changes in Net Assets, as those activities that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Substantially all of the university's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts, and investment income.

Compensated Absences

Full-time unclassified staff earn vacation at rates of 18 to 22 days per year, based on the term of their employment contract, with a maximum accrual of 40 days. Classified employees earn vacation at rates ranging from 10 to 25 days per year, based on years of service, with a maximum accrual equivalent to the amount earned in three years. Upon retirement, termination, or death, the employee is compensated at the final rate of pay for unused vacation up to the maximum allowed accrual. Faculty accrues no vacation benefits.

Full-time faculty, unclassified staff, and classified staff earn 15 days of sick leave per year and individuals who work less than full-time earn sick leave on a pro-rata basis. There is no limit on the number of sick leave hours that can be accumulated. Upon retirement a staff member with 10 or more years of Ohio public service is paid for one-fourth the value of earned but unused sick leave not to exceed 30 days, based on the employee's rate of pay at the time of retirement. The termination payment method is used to compute the liability for sick leave. Persons leaving employment for reasons other than retirement are not compensated for unused sick leave.

Net Assets

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, reports the institution's net equity in property, plant, and equipment. The second major category is restricted net assets. This category contains net assets that are owned by the institution, but the use or purpose of the funds is restricted by an external source or entity. The corpus of the nonexpendable restricted net assets is available for investment purposes only. The expendable restricted net assets may be expended by the institution, but must be spent only for the purpose as determined by a donor or external entity. The income generated from the nonexpendable restricted investments and the expendable restricted funds may be used for student loans, scholarships and fellowships, instruction, research, and other needs to support the operation of the university. The third category is unrestricted net assets and is separated into two types: allocated and unallocated. Allocated unrestricted net assets are available to the institution, but are allocated for a specific purpose within the institution by university policy, management, or the governing board. The allocated unrestricted net assets were \$162,523,346 and \$123,912,138 as of June 30, 2010 and 2009, respectively. Unallocated unrestricted net assets are available to be used for any lawful purpose of the institution.

Tax Status

The university is exempt from federal income taxes under Section 115 of the Internal Revenue Code. As such, the university is subject to federal income taxes only on unrelated business income, if any, under the provisions of Section 511 in the Internal Revenue Code.

Estimates

Management has made, where necessary, estimates and judgments that affect certain amounts reported in the financial statements. The estimates and judgments are based on currently available information, and actual results could differ from those estimates.

Reclassifications

Certain items in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

(2) Cash and Investments

The university's cash and investment activities are governed by policies adopted by the board in accordance with authority granted by the Ohio Revised Code. Such policies are implemented by the treasurer and overseen by the board's finance and audit committee.

The university's investment strategy incorporates financial instruments that involve varying elements of risk including market risk, credit risk, interest rate risk, and custodial credit risk. The university's investment policies and procedures establish risk guidelines for each of the two primary investment pools, the non-endowment pool and endowment pool. Diversification is a fundamental risk management strategy for both pools.

Cash and Cash Equivalents

At year-end, the carrying amount of the university's cash and cash equivalents was approximately \$60.8 million. Cash and cash equivalents consists primarily of cash in banks, money market accounts and the State Treasury 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.

Approximately \$1,000,000 of cash and cash equivalents was covered by federal depository insurance; \$16,141,763 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 not collateralized or insured, leaving it exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the university may not be able to recover its deposits or collateral securities. The university maintains active relationships with multiple cash equivalent accounts to reduce its exposure to custodial credit risk at any single institution.

Investments

Investments held by the university at June 30, 2010 and 2009 are presented below, categorized by investment type and credit quality rating. Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university's investment management procedures establish guidelines for average credit quality ratings in the portfolios.

The investments as of June 30, 2010, are summarized as follows:

Investment Type	Fair Value	Not Rated	AAA	AA, A, and BBB	Below BBB
U.S. Treasury bonds	\$ 8,165,256	\$ 0	\$ 8,165,256	\$ 0	\$ 0
U.S. Agency bonds	7,763,364	0	7,763,364	0	0
Strips	2,357,298	0	2,357,298	0	0
Mortgage-backed bonds	4,384,548	0	4,384,548	0	0
Corporate bonds	17,162,133	0	0	16,953,568	208,565
Municipal bonds	1,896,978	0	0	1,896,978	0
International bonds	327,332	0	327,332	0	0
Common and preferred stocks	59,477,952	59,477,952	0	0	0
Commingled funds	128,166,164	80,077,461	31,959,456	13,279,329	2,849,918
Limited partnerships	24,357,820	24,357,820	0	0	0
Real estate and other	314,885	314,885	0	0	0
Total investments	\$ 254,373,730	\$ 164,228,118	\$ 54,957,254	\$ 32,129,875	\$3,058,483

The investments as of June 30, 2009, are summarized as follows:

Investment Type	Fair Value	Not Rated	AAA	AA, A, and BBB	Below BBB
U.S. Treasury bonds	\$ 4,019,267	\$ 0	\$ 4,019,267	\$ 0	\$ 0
U.S. Agency bonds	10,435,983	0	10,435,983	0	0
Strips	1,800,980	0	1,800,980	0	0
Mortgage-backed bonds	4,779,671	0	4,779,671	0	0
Corporate bonds	15,910,184	0	0	15,910,184	0
Municipal bonds	2,156,047	0	0	2,156,047	0
Common and preferred stocks	54,006,451	54,006,451	0	0	0
Commingled funds	117,687,193	70,508,052	22,713,605	19,254,571	5,210,965
Limited partnerships	19,072,026	19,072,026	0	0	0
Real estate and other	328,332	328,332	0	0	0
Total investments	\$ 230,196,134	\$ 143,914,861	\$ 43,749,506	\$ 37,320,802	\$ 5,210,965

Due to significantly higher cash flows at certain times during the year, the amount of the university's investment in each of the above investment categories may be substantially higher during the year than at year-end.

The university's bond investments are exposed to interest rate risk, which is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is managed primarily by adjusting portfolio duration.

Bond investments by length of maturity as of June 30, 2010, are summarized as follows:

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Treasury bonds	\$ 8,165,256	\$ 301,452	\$ 6,516,152	\$ 1,347,652	\$ 0
U.S. Agency bonds	7,763,364	1,792,867	4,707,470	1,263,027	0
Strips	2,357,298	499,510	1,333,132	382,224	142,432
Mortgage-backed bonds	4,384,548	0	4,172,925	211,623	0
Corporate bonds	17,162,133	2,862,170	10,364,932	3,935,031	0
International bonds	327,332	0	179,090	148,242	0
Municipal bonds	1,896,978	0	477,881	1,419,097	0
Commingled bond funds	<u>48,512,971</u>	<u>9,366,867</u>	<u>20,651,428</u>	<u>11,014,667</u>	<u>7,480,009</u>
Total Bonds	<u>\$ 90,569,880</u>	<u>\$14,822,866</u>	<u>\$48,403,010</u>	<u>\$19,721,563</u>	<u>\$ 7,622,441</u>

Bond investments by length of maturity as of June 30, 2009, are summarized as follows:

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Treasury bonds	\$ 4,019,267	\$ 410,080	\$ 2,662,951	\$ 946,236	\$ 0
U.S. Agency bonds	10,435,983	2,201,759	6,559,340	1,674,884	0
Strips	1,800,980	0	1,328,590	348,962	123,428
Mortgage-backed bonds	4,779,671	0	3,921,014	858,657	0
Corporate bonds	15,910,184	607,708	12,526,865	2,775,611	0
Municipal bonds	2,156,047	669,573	623,338	863,136	0
Commingled bond funds	<u>47,179,140</u>	<u>2,454,053</u>	<u>23,846,759</u>	<u>12,949,849</u>	<u>7,928,479</u>
Total Bonds	<u>\$ 86,281,272</u>	<u>\$ 6,343,173</u>	<u>\$ 51,468,857</u>	<u>\$ 20,417,335</u>	<u>\$ 8,051,907</u>

All of the university's investments in publicly traded securities are subject to market risk. As a result, a significant downturn in the securities markets could adversely affect the market value of university assets. Investments include approximately \$46.8 million managed by international and global equity managers, and such international investments are exposed to foreign currency risk. Exposure to concentration risk is not significant since no single issuer, except the United States Treasury, represents more than 5 percent of investments.

Fair values were determined based on prices of established securities markets, with the exception of some hedge funds and alternative investments whose fair values were provided by the funds' managements. Alternative investments generally represent investments that are less liquid than publicly traded securities and include private equity, investments in real assets, and other strategies. Hedge funds may include, but are not limited to, long and short investments in domestic and international equity securities, distressed securities, fixed income securities, currencies, commodities, options, futures, and other derivatives. Many of these securities are intended to reduce market risk, credit risk, and interest rate risk. As of June 30, 2010, the university has made commitments to limited partnerships totaling \$30.2 million that have not yet been funded.

Endowment Funds

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

The university'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.

The University employs a total return policy which defines the total amount of dividends, interest and realized gains to be distributed from the endowment investment pool. The University Board has approved an endowment spending policy whereby distributions 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. Annually the university establishes a spending formula that defines the total amount of dividends, interest and realized gains to be distributed from the endowment investment pool to other funds. The authorized spending amount was \$7,694,587 in 2010 and \$7,334,500 in 2009. In accordance with donors' stipulations, a portion of the earnings was returned to endowment principal and the balance of \$6,650,929 and \$6,131,220 was distributed for expenditure for 2010 and 2009, respectively. Donor restricted endowments with insufficient accumulated earnings did not make a current year distribution.

(3) Accounts Receivable

The accounts, pledges and notes receivable as of June 30, 2010 and 2009, are summarized as follows:

	2010	2009
Accounts Receivable		
Student receivables	\$ 8,839,858	\$ 8,542,356
University Foundation	12,490,461	6,445,577
State capital appropriations	4,867,716	4,939,516
Grants and contracts	5,314,129	5,576,311
Investment trade settlements	549,103	3,495,049
Other receivables	<u>3,562,328</u>	<u>1,908,216</u>
Total accounts receivable	<u>\$ 35,623,595</u>	<u>\$ 30,907,025</u>
Less allowance for doubtful accounts	<u>(785,000)</u>	<u>(750,000)</u>
Net accounts receivable	\$ 34,838,595	\$ 30,157,025
Pledges Receivable		
Pledges receivable	\$ 4,471,960	\$ 2,211,055
Less allowance for doubtful pledges	<u>(393,830)</u>	<u>(405,764)</u>
Net pledges receivable	\$ 4,078,130	\$ 1,805,291
Notes Receivable		
Federal loan programs	\$ 7,892,480	\$ 8,229,980
University loan programs	<u>3,132,016</u>	<u>3,129,779</u>
Total notes receivable	\$ 11,024,496	\$ 11,359,759
Less allowance for doubtful notes	<u>(1,391,000)</u>	<u>(1,241,000)</u>
Net notes receivable	<u>\$ 9,633,496</u>	<u>\$ 10,118,759</u>
Total	<u>\$ 48,550,221</u>	<u>\$ 42,081,075</u>

(4) Capital Assets

The capital assets and accumulated depreciation as of June 30, 2010, are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets				
Land	\$ 4,841,276	\$ 0	\$ 0	\$ 4,841,276
Collections of Works of Art and Historical Treasures	6,249,107	416,150	0	6,665,257
Construction in Progress	<u>91,766,031</u>	<u>22,379,319</u>	<u>76,738,603</u>	<u>37,406,747</u>
Nondepreciable capital assets	\$ 102,856,414	\$ 22,795,469	\$ 76,738,603	\$ 48,913,280
Land Improvements	25,503,174	2,590,016	0	28,093,190
Buildings	690,741,899	75,263,360	0	766,005,259
Infrastructure	109,681,326	3,037,013	0	112,718,339
Machinery and Equipment	146,458,730	5,181,004	37,100,359	114,539,375
Library Books and Publications	61,106,896	1,512,461	0	62,619,357
Vehicles	9,045,086	308,957	294,153	9,059,890
Intangible Assets	<u>13,641,300</u>	<u>1,432,339</u>	<u>80,107</u>	<u>14,993,532</u>
Depreciable capital assets	\$ 1,056,178,411	\$ 89,325,150	\$ 37,474,619	\$1,108,028,942
Total capital assets	\$ 1,159,034,825	\$ 112,120,619	\$114,213,222	\$1,156,942,222
Less Accumulated Depreciation:				
Buildings	272,502,404	19,932,149	0	292,434,553
Infrastructure	37,102,125	4,257,519	0	41,359,644
Land Improvements	8,610,427	894,676	0	9,505,103
Machinery and Equipment	85,901,742	9,348,312	36,930,943	58,319,111
Library Books and Publications	33,395,437	2,167,853	0	35,563,290
Vehicles	6,664,879	527,493	294,153	6,898,219
Intangible Assets	<u>7,751,903</u>	<u>887,558</u>	<u>80,107</u>	<u>8,559,354</u>
Total Accumulated Depreciation	\$ 451,928,917	\$ 38,015,560	\$ 37,305,203	\$ 452,639,274
Capital Assets, Net	\$ 707,105,908	\$ 74,105,059	\$ 76,908,019	\$ 704,302,948

The capital assets and accumulated depreciation as of June 30, 2009, are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets				
Land	\$ 4,650,176	\$ 191,100	\$ 0	\$ 4,841,276
Collections of Works of Art and Historical Treasures	5,810,607	438,500	0	6,249,107
Construction in Progress	<u>115,033,531</u>	<u>61,597,974</u>	<u>\$84,865,474</u>	<u>91,766,031</u>
Nondepreciable capital assets	\$ 125,494,314	\$ 62,227,574	\$84,865,474	\$ 102,856,414
Land Improvements	22,292,562	3,210,612	0	25,503,174
Buildings	619,693,164	71,048,735	0	690,741,899
Infrastructure	95,682,028	13,999,298	0	109,681,326
Machinery and Equipment	140,309,394	9,585,326	3,435,990	146,458,730
Library Books and Publications	59,452,335	1,654,561	0	61,106,896
Vehicles	8,759,485	445,645	160,044	9,045,086
Intangible Assets	<u>12,823,175</u>	<u>826,994</u>	<u>8,869</u>	<u>13,641,300</u>
Depreciable capital assets	\$ 959,012,143	\$ 100,771,171	\$ 3,604,903	\$1,056,178,411
Total capital assets	\$ 1,084,506,457	\$ 162,998,745	\$88,470,377	\$1,159,034,825
Less Accumulated Depreciation:				
Buildings	254,311,928	18,190,476	0	272,502,404
Infrastructure	33,166,594	3,935,531	0	37,102,125
Land Improvements	7,822,571	787,856	0	8,610,427
Machinery and Equipment	88,499,216	8,043,748	2,889,319	93,653,645
Library Books and Publications	31,253,515	2,141,922	0	33,395,437
Vehicles	<u>6,273,859</u>	<u>539,761</u>	<u>148,741</u>	<u>6,664,879</u>
Total Accumulated Depreciation	\$ 421,327,683	\$ 33,639,294	\$ 3,038,060	\$ 451,928,917
Capital Assets, Net	\$ 663,178,774	\$ 129,359,451	\$85,432,317	\$ 707,105,908

(5) Long term Liabilities

The long term liabilities as of June 30, 2010, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Leases, and Notes Payable					
Bonds payable	\$ 220,814,612	\$ 0	\$ 9,934,612	\$ 210,880,000	\$ 11,285,000
Capital leases payable	3,738,728	0	928,286	2,810,442	916,389
Notes payable	1,875,593	0	69,015	1,806,578	72,863
Premiums, issue costs, loss on refunding	<u>6,304,842</u>	<u>0</u>	<u>364,950</u>	<u>5,939,892</u>	<u>364,951</u>
Total bonds, leases, and notes payable	\$ 232,733,775	\$ 0	\$ 11,296,863	\$ 221,436,912	\$ 12,639,203
Other Liabilities					
Compensated absences	16,324,692	6,993,176	7,860,421	15,457,447	1,189,507
Federal Perkins loans	<u>6,470,167</u>	<u>291,527</u>	<u>242,906</u>	<u>6,518,788</u>	<u>0</u>
Total other liabilities	\$ 22,794,859	\$ 7,284,703	\$ 8,103,327	\$ 21,976,235	\$ 1,189,507
Total	\$ 255,528,634	\$ 7,284,703	\$ 19,400,190	\$ 243,413,147	\$ 13,828,710

The long term liabilities as of June 30, 2009, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Leases, and Notes Payable					
Bonds payable	\$ 227,864,511	\$ 0	\$ 7,049,899	\$ 220,814,612	\$ 9,934,613
Capital leases payable	955,858	3,468,831	685,961	3,738,728	889,391
Notes payable	1,940,964	0	65,371	1,875,593	69,015
Premiums, issue costs, loss on refunding	<u>6,669,791</u>	<u>0</u>	<u>364,949</u>	<u>6,304,842</u>	<u>364,949</u>
Total bonds, leases, and notes payable	\$ 237,431,124	\$ 3,468,831	\$ 8,166,180	\$ 232,733,775	\$ 11,257,968
Other Liabilities					
Compensated absences	15,727,193	7,606,104	7,008,605	16,324,692	1,124,779
Federal Perkins loans	<u>6,530,026</u>	<u>189,282</u>	<u>249,141</u>	<u>6,470,167</u>	<u>0</u>
Total other liabilities	\$ 22,257,219	\$ 7,795,386	\$ 7,257,746	\$ 22,794,859	\$ 1,124,779
Total	\$ 259,688,343	\$ 11,264,217	\$ 15,423,926	\$ 255,528,634	\$ 12,382,747

Additional information regarding the bonds, notes, and capital leases is included in Note 6.

(6) Indebtedness

The bonds are secured by a pledge of the general receipts of the university. The note payable is collateralized by certain quasi-endowment investments of the university. The university may at its discretion use, or pledge, to the extent lawfully authorized, such other resources as are available for use in the performance of its obligation under the various trust agreements.

There was no new debt issued by the university in the years ended June 30, 2010, 2009 or 2008.

During the year ended June 30, 2007, the university issued \$83,210,000 in General Receipts Revenue Bonds with interest rates ranging from 3.25 percent to 5.25 percent and maturities from 2010 to 2026. The proceeds were used to fund capital asset additions.

During the year ended June 30, 2005 the university issued \$98,455,000 in General Receipts Revenue and Refunding Bonds with interest rates ranging from 3 percent to 5 percent and maturities from 2006 to 2025. The proceeds were used to refund a portion of the remaining Miami University General Receipts Bonds, Series 1998 and for the funding of additional capital assets. In 2005, the university defeased a portion of the Series 1998 bonds by placing some of the proceeds from the Series 2005 bonds into an escrow account to provide for all future debt service. The outstanding balance of defeased bonds was \$13,955,000 and \$13,965,000 as of June 30, 2010 and 2009, respectively.

During the year ended June 30, 2003, the university issued \$61,400,000 in General Receipts Revenue and Refunding Bonds. The proceeds were used to refund a portion of the remaining Miami University General Receipts Bonds, Series 1993 and for the funding of additional capital assets.

The maturity dates, interest rates, and outstanding principal balances as of June 30, 2010, are as follows:

	Maturity Dates	Interest Rates	Outstanding Debt
Bonds Payable			
Series 2007 general receipts	2011 – 2027	3.25% - 5.25%	\$ 80,470,000
Series 2005 general receipts	2011 – 2025	3.0% – 5.0%	83,315,000
Series 2003 general receipts	2011 – 2024	3.375% - 5.5%	47,095,000

Note Payable

U.S. Department of Education	2010 – 2026	5.5%	<u>1,806,578</u>
Total Bonds and Notes Payable			\$ 212,686,578
Bond premiums			(7,870,640)
Bond issuance costs			1,332,528
Deferred loss on refunding			<u>598,220</u>
Total Bonds and Notes Payable, net			\$ 206,746,686

The principal and interest payments for the bonds and notes in future years are as follows:

Year Ended June 30	Principal	Interest	Total
2011	\$ 11,357,863	\$ 9,435,992	\$ 20,793,855
2012	11,801,926	8,992,282	20,794,208
2013	12,731,215	8,506,837	21,238,052
2014	13,235,743	7,949,453	21,185,196
2015	11,915,524	7,363,175	19,278,699
2016 – 2020	66,734,199	27,614,142	94,348,341
2021 – 2025	71,505,683	11,177,634	82,683,317
2026 – 2027	<u>13,404,425</u>	<u>498,719</u>	<u>13,903,144</u>
Total	\$ 212,686,578	\$ 81,538,234	\$ 294,224,812

The university has \$2,810,442 in capitalized lease obligations that have varying maturity dates through 2014 and carry implicit interest rates ranging from 3.28 percent to 17.16 percent. The scheduled maturities of these leases as of June 30, 2010, are:

Year Ended June 30	Minimum Lease Payments
2011	\$ 1,037,210
2012	965,108
2013	780,260
2014	<u>255,361</u>
Total minimum lease payments	\$ 3,037,939
Less amount representing interest	<u>(227,497)</u>
Net minimum lease payments	<u><u>\$ 2,810,442</u></u>

Buildings and computer equipment are financed with capital leases. The carrying amount related to these capital leases as of June 30, 2010 and June 30, 2009 are \$1,362,497 and \$1,567,084 for buildings and \$3,939,087 and \$3,995,934 for equipment.

(7) Retirement Plans

Substantially all non-student employees are covered by one of three retirement plans. The university faculty are covered by the State Teachers Retirement System of Ohio (STRS Ohio). Non-faculty employees are covered by the Ohio Public Employees Retirement System of Ohio (OPERS). Employees may opt out of STRS Ohio and OPERS and participate in the Alternative Retirement Plan (ARP).

STRS Ohio and OPERS both offer three separate retirement plans: the defined benefit plan, the defined contribution plan, and a combined plan.

Defined Benefit Plans:

Both STRS Ohio and OPERS are cost-sharing multiple-employer defined benefit pension plans. Both plans provide retirement, disability, postretirement health care coverage, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute.

STRS Ohio and OPERS issue stand-alone financial reports. Copies of these reports may be obtained by writing to STRS, 275 East Broad Street, Columbus, OH 43215-3771 or to OPERS, 277 East Town Street, Columbus, OH 43215-4642.

Contribution rates for STRS Ohio are established by the State Teachers Retirement Board, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Contribution rates for fiscal year 2009 were 10 percent for employees and 14 percent for employers. For the fiscal years ended June 30, 2009, and June 30, 2008, the Retirement Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund (Note 8).

During calendar year 2009, employees covered by the OPERS system were required by state statute to contribute 10.0 percent of their salary to the plan. The university was required to contribute 14.0 percent of covered payroll. Law enforcement employees who are a part of the OPERS law enforcement division contribute 10.1 percent of their salary to the plan. For these employees, the university was required to contribute 17.63 percent of covered payroll. The portion of employer contributions to OPERS allocated to health care was 7.00 percent from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009 for all employees (Note 8). Effective July 1, 2010, employers will contribute 17.87 percent of covered payroll for law enforcement employees. The contribution rate will remain at 14.0 percent for all other employees.

The payroll for employees covered by STRS Ohio for the years ended June 30, 2010 and 2009, were approximately \$66,222,000 and \$68,482,000, respectively. The payroll for employees covered by OPERS for the years ended June 30, 2010 and 2009, were approximately \$87,443,000 and \$95,880,000, respectively.

Defined Contribution Plan:

Full-time faculty and unclassified employees are eligible to participate in the Alternative Retirement Plan (ARP) offered by STRS Ohio and OPERS. The board has established the employer contribution as an amount equal to the amount which the university would have contributed to the respective state retirement system in which the employee would participate, less any amounts required to be remitted to the state retirement systems. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits to plan members and beneficiaries.

The payroll for employees electing the alternative retirement program for the years ended June 30, 2010 and 2009, were approximately \$47,853,000 and \$49,135,000, respectively.

Combined Plans:

STRS Ohio offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. OPERS also provides retirement, disability, survivor, and postretirement health care benefits to qualified members.

Retirement Plan Funding:

The Ohio Revised Code provides statutory authority for employee and employer contributions. The university's contributions each year are equal to its required contributions. University contributions for the current and two preceding years are summarized below.

	Employer Contribution		
	STRS Ohio	OPERS	Alternative Programs
2010	\$ 9,271,116	\$ 12,303,519	\$ 5,575,241
2009	9,587,418	13,480,250	6,878,942
2008	9,478,262	13,003,935	6,329,724

(8) Other Postemployment Benefits

In addition to the pension benefits described in Note 7, STRS Ohio and OPERS provide postretirement health care coverage to retirees and their dependents. Health care coverage for disability recipients and primary survivor recipients is also provided. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. A portion of the employer contribution is allocated to fund the health care benefits (Note 7).

The STRS Ohio health care plan is financed on a pay-as-you-go basis. The net health care costs paid by the plan were \$298.1 million for the year ended June 30, 2009, the date of its most recent audited financial report. The plan's net assets available to fund future health care benefits totaled \$2.7 billion as of June 30, 2009. At that date there were 129,659 eligible benefit recipients in the STRS Ohio plan.

OPERS health care benefits are advance-funded on an actuarially determined basis. The amount of employer contributions actually made to fund post-employment benefits was \$5.2 million. The actuarial value of the retirement system's net assets available for other post-employment benefits was \$10.7 billion as of December 31, 2008. At that date the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.6 billion and \$18.9 billion, respectively. The number of active contributing participants was 357,584 as of December 31, 2009.

(9) Related Organization

The Miami University Foundation (the foundation) is a separate not-for-profit entity organized for the purpose of promoting educational and research activities of the university. Since the resources held by the foundation can be used only by and for the benefit of the University, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements.

The foundation board is comprised of a maximum of 29 members. Up to 21 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. The foundation reports using standards issued by the Financial Accounting Standards Board.

Amounts received by the university from the foundation are restricted and are included in gifts in the accompanying financial statements. The foundation values its investments at fair value.

Summary financial information for the foundation as of June 30, 2010, the date of its most recent audited financial report, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at end of year	\$ (2,607,834)	\$ 106,942,118	\$ 143,362,903	\$ 247,697,187
Change in net assets for the year	6,690,639	6,485,992	4,476,480	17,653,111
Distributions to Miami University	17,857,855	0	0	17,857,855

Summary financial information for the foundation as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at end of year	\$ (9,298,473)	\$ 100,456,126	\$ 138,886,423	\$ 230,044,076
Change in net assets for the year	(12,648,681)	(2,792,227)	(40,094,015)	(55,534,923)
Distributions to Miami University	10,750,859	0	0	10,750,859

(a) Cash and Cash Equivalents – Cash and cash equivalents consist primarily of cash in banks and money market accounts. Cash equivalents are short-term, highly liquid investments readily convertible to cash, with an original maturity of three months or less.

(b) Investments – 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.

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 that settle after such date are recorded as receivables or payables

(c) Long-Term Investments – Investments held by the foundation as of June 30 were:

<u>Investment Description</u>	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Domestic Public Equities	\$ 25,219,743	\$ 24,206,859	\$ 25,621,100	\$ 24,134,636
Global Public Equities	36,528,862	36,520,067	39,180,566	35,205,336
International Public Equities	8,801,774	8,882,680	8,801,774	8,854,290
Domestic Public Fixed Income	13,584,364	15,264,463	16,327,408	16,793,258
Hedge Funds	51,682,305	64,220,993	51,682,305	54,874,435
Private Investments	54,982,905	42,893,316	48,867,233	35,349,435
Split-Interest Funds	<u>10,972,295</u>	<u>10,503,928</u>	<u>11,956,812</u>	<u>10,156,536</u>
Subtotal	<u>201,772,248</u>	<u>202,492,306</u>	<u>202,437,198</u>	<u>185,367,926</u>
Less assets held for Miami University Paper Science & Engineering Foundation	<u>(2,550,000)</u>	<u>(3,096,747)</u>	<u>(2,550,000)</u>	<u>(2,908,348)</u>
Total	<u>\$199,222,248</u>	<u>\$199,395,559</u>	<u>\$199,887,198</u>	<u>\$182,459,578</u>

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, 2010, the foundation has made commitments to limited partnerships of approximately \$32.9 million that have not yet been funded.

The 2010 dividend and interest income of \$2,401,012, as reported in the Statement of Activities, is net of fees from external investment managers totaling \$627,407. The 2009 dividend and interest income of \$1,737,743 is reported net of fees from external investment managers totaling \$731,985.

(d) 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. The adoption of ASC 825-10 allows the foundation the irrevocable option to elect fair value for initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. Upon election of the fair value option in accordance with SFAS 159, subsequent changes in fair value are recorded as an adjustment to earnings.

(e) Pledges Receivable – As of June 30, 2010, contributors to the foundation have made unconditional pledges totaling \$55,927,800 with 16 pledges accounting for over 50 percent of that total. Net pledges receivable have been discounted using current interest rates to a net present value of \$54,311,959, which represents fair market value at June 30, 2010. Discount rates based on the U.S. Treasury yield curve three-year average ranged from 1.08 percent to 4.25 percent for 2010. Management has set up an allowance for uncollectible pledges of \$5,797,210 at June 30, 2010. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified time.

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.

(f) 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.

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

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

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

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as unrestricted net assets until such time as the fair value equals or exceeds historical value; such deficiencies were \$3,036,760 as of June 30, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions.

(h) 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 are primarily restricted for student 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 the university. Expirations of restrictions on net assets, i.e., the passage of time and/or fulfilling donor-imposed stipulations, are reported as net assets released from restrictions between the applicable classes of net assets in the statement of activities. Permanently restricted net assets, or endowment funds, represent amounts received from donors with the restriction that the principal is invested in perpetuity. Generally, the donors of these assets permit the Foundation to transfer a portion of the income earned on related investments to the university for such purpose as specified by the donor.

The foundation issues separate financial statements. Copies of these reports may be obtained from Treasury Services, 107 Roudebush Hall, Miami University, Oxford, Ohio, 45056.

(10) Commitments

At June 30, 2010, the university is committed to future contractual obligations for capital expenditures of approximately \$15.2 million. These commitments are being funded from the following sources:

Contractual Obligations	
Approved state appropriations not expended	\$ 8,289,128
University funds	<u>6,893,942</u>
Total	\$ 15,183,070

(11) Risk Management

The university's employee health insurance program is a self-insured plan. As of January 1, 2009, the administration of the plan was changed from Anthem Blue Cross and Blue Shield to Humana Inc. Employees were offered two plan options, a choice of either the Traditional PPO Plan or the High Deductible Health Plan with a Health Savings Account.

Health insurance claims are accrued based upon estimates of the claims liabilities. These estimates are based on past experience, current claims outstanding, and medical inflation trends. As a result, the actual claims experience may differ from the estimate. An estimate of claims incurred but not reported in the amount of \$2,439,200 and \$2,244,800 is included in the accrued salaries and wages as of June 30, 2010 and 2009, respectively. The change in the total liability for actual and estimated claims is summarized below:

	2010	2009
Liability at beginning of year	\$ 2,539,910	\$ 2,543,956
Claims incurred	31,974,238	34,077,638
Claims paid	(31,799,797)	(34,447,684)
Increase (decrease) in estimated claims incurred but not reported	<u>194,000</u>	<u>366,000</u>
Liability at end of year	\$ 2,908,751	\$ 2,539,910

To reduce potential loss exposure, the university has established a reserve for health insurance stabilization of \$3.2 million.

The university participates in a consortium with other state-assisted universities for the acquisition of commercial property and casualty insurance. The commercial property loss limit is \$1.0 billion and the general liability coverage is \$50.0 million. The property insurance program has been in place for 14 years. Miami has had one material loss above the pool deductible of \$350,000, which was the result of Tropical Storm Ike in the fall of 2008. The deductible for individual schools is \$100,000. The casualty program has been in place for 10 years during which time Miami has had one loss above the pool deductible, which was \$250,000 at the time. The current pool deductible is \$1.0 million, and the deductible for individual schools is \$100,000. The university also carries commercial insurance for other risks. Over the past five years, settlement amounts related to insured risks have not exceeded the university's coverage amounts.

(12) Contingencies

The university receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. The costs, both direct and indirect, that have been charged to the grants or contracts are subject to examination and approval by the granting agency. It is the opinion of the university's administration that any disallowance or adjustment of such costs would not have a material effect on the financial statements.

The university is presently involved as a defendant or codefendant in various matters of litigation. The university's administration believes that the ultimate disposition of any of these matters would not have a material adverse effect upon the financial condition of the university.

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MIAMI UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

Federal Grant/Pass-Through Grant/Program Title	CFDA	Program Number	Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER			
U.S. Department of Education:			
Supplemental Educational Opportunity Grant Program	84.007	P007A093315	\$ 1,310,772
College Work Study Program	84.033	P033A093315	922,717
Federal Perkins Loan Program	84.038	P037Y103315	8,560,893
Federal Pell Grant Program	84.063	P063P0342	18,855,487
Federal Direct Student Loan Program	84.268	P268K100342	103,042,321
Academic Competitiveness Grant Program	84.375	P375A060342	632,983
National Science and Mathematics Access to Retain Talent (SMART) Grant	84.376	P376S060342	310,778
TEACH Grant Program	84.379	P379T090342	<u>1,683,731</u>
Total U.S. Department of Education			<u>135,319,682</u>
Total Student Financial Assistance Cluster			<u>135,319,682</u>
RESEARCH AND DEVELOPMENT CLUSTER			
U.S. Department of Agriculture:			
Effects of Polyphenolic Substances on Soil Organic Matter	10.2	58-1932-6-634	107,182
Effort of Landscape Structure on Invasion Dynamics of the Invasive Shrub Lonicera Maackii	10.206	2007-35320-18349	97,865
Restoration of Blight-resistant American Chestnut Trees on Mine Land in Ohio	10.652	06-JV11242300-093	9,668
Factors that Contribute to the Production and Maintenance of Kirtland's Warbler Habitat in the Bahamas	10.652	06-CA11120101-010	3,010
Display,Curation and Dissemination of Genome Mapping for Loblolly Pine	10.664	10JV11330126-012	4,800
Host-Range Studies of Baculoviruses for Insect Control	10.961	58-3148-7-164	<u>658</u>
Total U.S. Department of Agriculture-Direct Programs			<u>223,183</u>
Pass-Through Programs From:			
University of Nevada-Reno: Research to Develop Indicators of Change for Lake Tahoe's Nearshore Fish Community	10.652	09-38	<u>42,544</u>
Total U.S. Department of Agriculture			<u>265,727</u>
U.S. Department of Commerce:			
NIST SURF	11.609	70NANB10H084	15,630
2009 NIST SURF Program	11.609	70NANB9H9099	<u>2,778</u>
Total U.S. Department of Commerce-Direct Programs			<u>18,408</u>
Pass-Through Programs From:			
OSURF: Knauss Fellowship - Carl Nim	11.417	60021062	<u>18,539</u>
Total U.S. Department of Commerce			36,947
Department of Defense:			
Realistic Simulation of Environments of Unlimited Size in Immersive Virtual Environments	12.431	W911NF-08-1-0474	91,278
Advanced Adaptive UWB-OFDM Radar Imaging Sensor Network for Surveillance and Location	12.8	FA9550-07-1-0297	(6,452)
Three-Frequency Based High Precision GPS Receiver Development for Navigation Applications	12.8	FA9550-07-1-0354	99,990
Precise GPS Signal Tracking in Interference and Multipath Environment Using a Multi-Channel Software Receiver	12.8	FA9550-08-1-0071	<u>101,357</u>
Total Department of Defense-Direct Programs			<u>286,173</u>

See notes to financial statements.

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
Department of Defense (Continued):			
Pass-Through Programs From:			
Tsui Consulting: Algorithms for Digital Wideband Receiver Design/Analysis for Electronic Attack - Phase 2	12.3	--	\$ 102,283
Cincinnati Children's Hospital: Early Prediction of lupus Nephritis Using Advanced Proteomics	12.42	--	9,275
Progressive Failure Analysis of Translaminar Reinforced Composite Structures	12.8	F3446-10-45-SC01-01	16,382
DHS-Norwich University: Cyber Conflict Research Consortium Web*DECIDE	12.XXX	SA 2008-054	421,900
OSURF: Collaborative Research and Development Program on Navigation and Time-Keeping with AFRL/RYRN	12.XXX	RF01130475	77,856
Shaw Environmental: The Influence of Plant-Microbe Interactions on the Mobility and Bioavailability of Arsenic in Soil	12.XXX	570951 OP	19,807
UES, Inc. :Modeling the Thermal Management of a Directed Energy power System Using MATLAB	12.XXX	S-745-41-MR019	11,335
Spectral Energies: Science Fair Student Fellowship	12.XXX	2009-0121	<u>10,000</u>
Total Department of Defense-Pass-Through Programs			<u>668,838</u>
Total Department of Defense			<u>955,011</u>
National Security Agency:			
Summer Undergraduate Mathematical Sciences Research Institute	12.901	H98230-10-1-0224	49,517
Summer Undergraduate Mathematical Sciences Research Institute	12.901	H98230-07-1-0105	(6,216)
Summer Undergraduate Mathematical Sciences Research Institute	12.901	H98230-09-1-0099	<u>100,392</u>
Total National Security Agency			<u>143,693</u>
U.S. Department of the Interior:			
Operation of the NADP/NTN Precipitation Chemistry Station at Oxford, Ohio	15.808	02HQPR00076	5,367
Miocene Arrival of the Yellowstone Hotspot and Inception of Basin and Range Extension in Southern Oregon	15.81	G09AC00145	<u>11,557</u>
Total U.S. Department of the Interior-Direct Programs			<u>16,924</u>
Pass-Through Programs From:			
ODNR-OSU: Classification of Ohio Reservoirs Based on Lower Trophic Levels: Implementing a Watershed Template	15.605	60022564	91,067
National Fish and Wildlife Foundation: using Buffer Zones to Promote Amphibian Populations	15.608	--	16,498
ASG-Chester Zoo-PARC: Effects of Sublethal Insecticide Exposure on Competition in Pond-Breeding Anurans: Do Contaminants lead to Competitive Exclusion?	15.808	08HQGR0138	224
ARRA Cincinnati State: Health Career Collaborative of Greater Cincinnati	17.275	--	<u>6,996</u>
Total U.S. Department of the Interior- Pass-Through Programs			<u>114,785</u>
Total U.S. Department of the Interior			<u>131,709</u>
U.S. Department of Transportation:			
Pass-Through Programs From:			
Ohio Department of Public Safety: Traffic Safety Evaluation & Action Planning II	20.6	H45066	341,795
Ohio Department of Public Safety and Governor's Highway Safety Office	20.601	GG2010-9-00-00-00844-00	<u>276,994</u>
Total U.S. Department of Transportation			<u>618,789</u>

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
National Aeronautics and Space Administration: Aseismic Fault Slip Processes Through Space-Based and Seismic Observations	43.001	NNX09AV31H	\$ 26,716
Investigations of the plant cytoskeleton in microgravity with gene profiling and cytochemistry	43.002	NNX10AF44G	42,279
Total National Aeronautics and Space Administration- Direct Programs			68,995
Pass-Through Programs From:			
Fractional Gravity Studies of Sensory Mechanisms in Root Phototropism	43.002	NNX09AF11G	103,139
Ames Research Center: Analysis of a Novel Sensory Mechanism in Root Phototropism	43.002	NCC2-1200	8,965
Total National Aeronautics and Space Administration-Pass-Through Programs			112,104
Total National Aeronautics and Space Administration			181,099
National Endowment for Humanities:			
The Ya'qubi Translation Project	45.161	RZ-50072-03	7,000
Finding Freedom Summer in Oxford, Ohio	45.164	BP-50118-09	40,000
Total National Endowment for Humanities- Direct Programs			47,000
Pass-Through Programs From:			
OHC: A People and Their Homeland: The Miami Tribe (Myaamia)	45.129	OHC 10-008	1,137
OHC: Homefront Heroines	45.129	OHC-10-015	5,745
Total National Endowment for Humanities-Pass-Through Programs			6,882
Total National Endowment for Humanities			53,882
Institute of Museum and Library Services:			
State Library of Ohio: Enhancing Access to Newspaper Collections in DSpace	45.31	VI-3-10	6,141
National Science Foundation:			
Summer Undergraduate Mathematical Sciences Research Institute	47.049	DMS-0856158	40,171
Natural Structures in Set Theory	47.049	DMS-0700983	20,981
Absoluteness and Choice	47.049	DMS-0801009	27,886
Investigating Membrane Proteins with Magnetic Resonance Spectroscopy	47.049	CHE-0645709	83,458
Summer Undergraduate Research Experiences in Chemistry and Biochemistry	47.049	CHE-1004875	1,017
Algebraic K-Theory of Infinite Groups With Torsion	47.049	DMS-0805605	25,426
Integrated Paramagnetic Resonance of High Spin Cobalt (II) Systems	47.049	CHE-0809985	90,398
Summer Undergraduate Mathematical Sciences Research Institute	47.049	DMS-0754200	16,994
Materials World Network Collaborative: Semiconductor Nanowire Heterostructures	47.049	DMR-0806572	27,327
Uniform Metal nanoparticle Arrays as Model Electrocatalysts: Unraveling Particle Structure- Reactivity Relationship	47.049	CHE-0616436	66,496
Collaborative Research: A Study of Transient Aseismic Slip and Non-Volcanic Tremor in Southern Mexico With Large APerture Seismic and GPS Arrays	47.05	EAR-0510812	1,744
Collaborative Research: A Study of Deep Subduction Integrating Broadband Seismology and Mineral Physics	47.05	EAR-0552002	102,029
Collaborative Research: Resolving Structural Controls of Episodic Tremor and Slip Along the Length of Cascadia	47.05	EAR-0642765	33,974
Collaborative Research: Paleolimetry of the Tibetan Plateau	47.05	EAR-0609756	62,181
MRI: Acquisition of a High Resolution Analytical Transmission Electron Microscope for the Miami University Facility	47.05	EAR-0722807	358,397
Collaborative Research: Understanding the Causes of Continental Intraplate Tectonomagmatism: A Case Study from the Pacific Northwest	47.05	EAR-0506887	46,386
Collaborative Proposal: Radiocarbon Dating Minute Gastropod Shells	47.05	EAR-0614647	2,135
Collaborative Research: Forearc Cracks and the Rupture Segments of Great Earthquakes, N. Chile and S. Peru	47.05	EAR-0738507	28,330
Collaborative Proposal: Miocene Paleoclimatic Reconstruction along the Andean Forearc	47.05	EAR-0609571	7,442
Origin of Mantle heterogeneity in the Azores	47.05	EAR-0510598	2,294
Constraining Processes and Timescales of Magma Evolution	47.05	EAR-0911182	34,186
Technician Support: Management of Thermal Ionization Mass Spectrometry and Isotope Geochemistry Labs	47.05	EAR-0622267	80,144
A Study on the Circulation and Structure of Metallic Ions in the Mid-Latitude Ionosphere	47.05	ATM-0633418	97,264
HCC: Medium: Collaborative Research: Low Cost, Portable, Multi-User, Immersive Virtual Environment Systems for Education and Training in Worlds of Unlimited Size	47.07	HS-0964324	14,806
CPATH II: Incorporating Communication Outcomes into the Computer Science Curriculum	47.07	CCF-0939122	24,411
Privacy-Constrained Searching	47.07	CNS-0915843	39,937
A Two-Tiered Approach for the Analysis and Evolution of High-Integrity Software Product Lines	47.07	CCG-0813886	14,784
II-EN: Enabling Large-Scale Multi-User Immersive Virtual Reality Simulations	47.07	CNS-0958303	102,993

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Federal Grant/Pass-Through Grant/Program Title	CFDA	Program Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
National Science Foundation (Continued)			
Evaluation of Collaborative Research MU CPATH II; Incorporating communication Outcomes into the Computer Science Curriculum	47.07	CCF-0939122	\$ 10,031
Research Experiences for Undergraduates Site: Ecology in Human-Dominated Landscapes	47.074	DBI-0754991	64,788
RUI: Patterns of Biodiversity of Benthic Invertebrates in Chihuahuan Desert Springs	47.074	DEB-0717064	79,125
Modulation of Hippocampal Systems During Classical Conditioning	47.074	IOB-0517575	90,548
Effects of Sublethal Levels of Contamination on Competition Between Anurans and on Community Structure	47.074	DEB-0717088	27,368
MRI: Acquisition of a Confocal Microscope	47.074	DBI-0821211	269,775
A role for neuron-founder cell interactions in patterning the Drosophila musculature	47.074	IOB-0517515	86,904
URM: ASSURE - Achieving Success in Science through Undergraduate Research Experiences	47.074	DBI-0731634	175,224
Collaborative Research: Invasion of North Temperate Forest Soils by Exotic Earthworms	47.074	DEB-0739985	35,363
Exploring the Generality of Light, Nutrient and Predator Constraints on Food Chain Efficiency	47.074	DEB-0949500	22,763
Investigation of Genes and Complex Social Behavior Under Ecologically Relevant Conditions	47.074	IOS-0614015	52,099
Mechanisms of Rapid and Winter Cold-Hardening in Insects	47.074	IOS-0840772	79,545
Mechanisms of Rapid and Winter Cold-Hardening in Insects	47.074	IBN-0416720	11,912
Collaborative Proposal: CPSF30 At The Convergence of RNA Processing, Cellulare Signaling and Development in Plants	47.074	IOS-0817829	39,330
Arabidopsis Kleisin Proteins and Their Role in Meiosis and Chromosome Biology	47.074	MCB-0718191	129,428
Ballistospore Discharge: Adaptations Among Mushroom-forming Fungi	47.074	IOS-0743074	50,393
OPUS: Nutrient Cycling by Animals in Freshwater Ecosystems	47.074	DEB-0918993	26,863
LTREB: Response of a Reservoir Ecosystem to Variable Subsidies of Nutrients and Detritus	47.074	DEB-0743192	105,440
IRCEB: Interactive Effects of UV Radiation and Temperature on Pelagic Foodwebs	47.074	DEB-0552283	48,427
Evaluations of URM:ASSURE: Achieve Success in Science through Undergraduate Research Experiences	47.074	DBI 0731634	8,450
Coordination in Small Groups: Matching and Mismatching	47.075	BCS-0744696	84,554
The Social-Behavioral Consequences of Perceptual Fluency: How Processing Ease Guides Intergroup Contact, Goal Pursuit and Behavioral Mimicry	47.075	BCS-0719694	81,903
The Social-Cognitive Origins of the Cross Race Effect	47.075	BCS-0642525	44,065
Decision Making Processes Under Stress	47.075	SES-0851990	161,604
Remapping the Indian Mediascape: News and Globalization in New Delhi	47.075	BCS-0753299	7,381
Adapting Systems Factorial Technology to Model Selection: Applications to Perception and Classification	47.075	BCS-0544688	40,322
Integrated Pedagogy to Promote Understanding of Nature of Science and Scientific Inquiry in a College Biology Laboratory	47.076	DUE0736786	32,339
Mapping the Dimensions of the Undergraduate Chemistry Laboratory: Faculty Perspectives on Curriculum, Pedagogy, and Assessment	47.076	DUE-0536776	10,385
Chemistry Education Research Doctoral Scholars Program	47.076	DRL-0733642	239,092
Collaborative Research: A Model for Data-Driven Reform in Chemistry Education	47.076	DUE-0817297	27,785
The Missing Piece of the STEM Puzzle: The Role of Communion in Women's Career Decisions	47.076	HRD-0827606	103,961
Collaborative Research: Transforming Web-based Courseware into a Full Statics Course that Informs Interactive-Collaborative Classroom Activities	47.076	DUE-0918956	9,173
Developing Leadership and Innovation in Engineering Students Through Undergraduate Courses in Applied Electromagnetics Built Upon Novel Educational Concept	47.076	DUE-0632842	24,819
Wild Research Grant	47.076	ESI-0610409	526,965
Building a SE2004 Community of SE Educators	47.076	DUE-0907883	451
Developing Leadership and innovation in engineering students through undergraduate courses in applied electromagnetics built upon novel educational concept	47.076	DUE-0632842	7,638
Evaluation of Integrated Pedagogy to Promote Understanding of Nature of Science and Scientific Inquiry in a College Biology Laboratory	47.076	DUE0736786	14,918
Collaborative Research: IPY-Plankton Dynamics in the McMurdo Dry Valley Lakes During the Transition to Polar Night	47.078	ANT0631659	9,311
Workshop: China-US Collaborative Research on Geomicrobiological Processes in Extreme Environments	47.079	OISE-0836450	34,261
ARRA CAREER: Implementing Inquiry-Based Approaches in Geoscience Education and Research	47.082	EAR-0847688	510
ARRA Rationale Capture for High-Assurance Systems	47.082	CCF-0844638	28,826
ARRA Ortho-Phenylene Oligomers and Graphene Nanoribbons	47.082	CHE-0910477	109,587
AKKA Collaborative Proposal: Roles for Dehydration and Photoperiodism in Preparing an Antarctic Insect for the Polar Night	47.082	ANT-0837559	25,993
Total National Science Foundation-Direct Programs			<u>4,493,210</u>

See notes to financial statements.

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Federal Grant/Pass-Through Grant/Program Title	CFDA	Program Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
National Science Foundation (Continued):			
Pass-Through Programs From:			
OSURF: Ohio Consortium for Undergraduate Research - Research Experiences to Enhance Learning	47.049	CHE-05322560	\$ 116,205
OSURF: Ohio Consortium for Undergraduate Research - Research Experiences to Enhance Learning	47.049	CHE-05322560	10,867
Purdue University: Evaluation of the Center for Authentic Science Practice in Education	47.049	501-1756-01	30,799
Texas A&M: Structural Studies of Leg-153 (MARK Area)	47.05	USSSP 153-20816 & 20850	(37)
Cornell University: Long-Term Ecological Research at the Hubbard Brook Experiment Forest	47.074	46222-8722	75,450
University of Illinois: GEPR: The Origin of Dioecy and the Evolution of Sex Chromosomes in Caricaceae	47.074	2009-03499-01	54,219
University of Maine: Climate-Induced Shifts in Alpine Diatom Communities: Linking Neocological and Paleoecological Approaches to Incorporate Responses to Trophic Forcing	47.074	DEB-0734277	28,631
City Univ of New York: Mathematics Science Partnership in New York City	47.076	40560-00-01(A)-4	39,841
Cornell: Evaluation of Cornell University Fossil Finders	47.076	53051-8661	48,932
Michigan State Univ: Evaluation of MSU ADAPP ADVANCE	47.076	61-2340EAC	14,151
OSURF: Evaluation of Beyond Penguins & Polar Bears: Literacy & IPY	47.076	DRL-0733024	12,647
OSURF: Evaluation of Middle Level Mathematics, Science & Career Pathways (MLP)	47.076	60018327	56,337
Purdue University: Evaluation of Purdue Center for Faculty Success	47.076	4101-27694	26,014
Sinclair Community College: Dayton Urban STEM Teacher Academy	47.076	DUE-08402428	2,504
Sinclair Community College: Faculty Development in Automotive Hybrid Vehicle Technology Summer Institute II	47.076	--	4,581
Sinclair Community College: Faculty Development in Hybrid and Advanced Automotive Technology	47.076	MUM2990-1	9,295
Stevens Institute of Technology: Evaluation of Improving Instruction & Community to Retain Undergraduate Women	47.076	527631-FY09-3	42,324
Univ of Penn: Evaluation of the Univ of Pennsylvania Science Teacher Institute	47.076	543371-6	40,609
ARRA Kent State University: Environmental Aquatic Res Sensing: Basic Science, Bus Ed & Outreach	47.082	448004-MU	<u>178,546</u>
Total National Science Foundation-Pass-Through Programs			<u>791,915</u>
Total National Science Foundation			<u>5,285,125</u>
U.S. Environmental Protection Agency:			
The Role of Human-Made Impoundments and Watershed Land Use on Carbon Cycling and Sequestration at Local and Regional Scales	66.514	F08E10744	4,229
Phase II: Construction and Testing of Surface Corona Discharge-Catalytic Reactor for Oxidative Treatment of Waste Gas Emissions from the Pulp and Paper Industry	66.XXX	EP07C000147	8,481
Effects of Eutrophication on Mercury Biomagnification in Stream Food Webs	66.XXX	EP08D000131	<u>35,191</u>
Total U.S. Environmental Protection Agency-Direct Programs			<u>47,901</u>
Pass-Through Programs:			
MACTEC: Operation of the USEPA National Dry Deposition Network Station at MU	66.XXX	S68D98112-SITEOP-122	10,808
MACTEC: Operation of the US EPA National Dry Deposition Network Station at Miami University	66.XXX	--	403
ITCorp: Research at the US EPA Test and Evaluation Facility-Base-Op	66.XXX	PEI-3810	1,398
Shaw: Invertebrate Communities in Streams of SW Ohio	66.XXX	595056OP	<u>21,705</u>
Total U.S. Environmental Protection Agency-Pass-Through Programs			<u>34,314</u>
Total U.S. Environmental Protection Agency			<u>82,215</u>

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
U.S. Department of Energy:			
ARRA Thylakoid Assembly and folded Protein Transport by the Tat Pathway	81.049	DE-SC0003914	\$ 12,519
Identification of Molecular and Cellular Responses of <i>Desulfovibrio vulgaris</i> biofilms under Culture Conditions Relevant to Field Conditions for Bioreduction of Heavy Metals	81.049	DE-FG02-05ER64125	(16,972)
Defect Chemistry Study of Nitrogen Doped ZnO Thin Films	81.049	DE-FG025-07ER46389	100,736
Magnetic Nanoscale Physics	81.049	DE-FG02-86ER45281	111,839
Technetium and Iron Biogeochemistry in Suboxic Subsurface Environments with Emphasis on the Hanford Site	81.XXX	DE-FG02-07ER64369	<u>56,318</u>
Total U.S. Department of Energy			<u>264,440</u>
U.S. Department of Education:			
Purchase of a NMR Instrument for Collaboration with the Children's Hospitals	84.116	P116Z090276	266,103
ESOL MIAMI	84.195	T195N070166-10	<u>223,026</u>
Total U.S. Department of Education-Direct Programs			<u>489,129</u>
Pass-Through Programs From:			
University of Minnesota: Regional Campuses Participation in Retention Study	84.051	226273	1,368
University of Toledo: Project AHEAD	84.206	S206A040096	63,616
Warren County: Integrating Schools and Mental Health Systems	84.215	--	16,004
Northern Ill Univ: Web-based tutoring of argument comprehension and production skills	84.305	P.O. 69961	621
DHHS-ODE: Mental Health for School Success- SVPC/CSLS	84.324	EDU01-0000003716	2
Lehigh Univ.: Examination of Decisions Leading to External Restrictive Placements for ED Youth	84.324	541821-78001	147,675
OBOR: Sustaining Professional Development Through Web-Based Learning Communities	84.336	24-Jul	6,694
OBOR: Sustaining Professional Development Through Web-Based Learning Communities	84.336	24-Aug	268,620
OBOR: Sustaining Professional Development Through Web-Based Learning Communities	84.336	24-Jul	129
OU:Math and Science Coordinator Teams- MASCOT 09-10	84.336	UT15323	37,392
OU:Evaluation of Math and Science Coordinator Teams- MASCOT 09-10	84.336	UT15323	12,322
ODE:Evaluation of Miami University Partnership for Enhancing the Teaching of Mathematics(MUPET)09-10	84.336	C1667-MSP-10-400	19,890
ODE:Evaluation of Southerwest Ohio Science Institutes, Grades 3-6- 09 carry over	84.336	C1667-OMAP-09-02	5,263
ODE:Evaluation of Southerwest Ohio Science Institutes, Grades 3-6- 09	84.336	C1667-OMAP-09-02	2,870
OBOR:iDiscovery Sustaining Professional Development Through Web-Based Learning Communities	84.366	28-Sep	6,593
OBOR:Evaluation of iDiscovery: Sustaining Professional Development Through Web-Based Learning Communities	84.366	24-Aug	23,051
OBOR:Evaluation of iDiscovery: Sustaining Professional Development Through Web-Based Learning Communities	84.366	28-Sep	4
ODE:Cross-Project Evaluation of the Ohio Mathematics and Science Partnership (OMSP) Program	84.366	EDU01-00000005198	24,480
ODE:Evaluation of the Ohio Mathematics and Science Partnership (OMSP) Program 09	84.366	C1667-OMAP-09-16	45,565
ODE:Evaluation of the Ohio Mathematics and Science Partnership (OMSP) Program 10	84.366	C1667-MSP-10-406	183,435
Wright State University: Evaluation of WSU MSP	84.366	PSQ07145	9,040
University of Texas: East Texas STEM Center Partnership	84.366	SC08-139089-04	9,298
University of Texas: East Texas STEM Center Partnership YR 4	84.366	SC10-139097-06	15,847
Kent State University: Evaluation of Building on the Foundation of SUCCESS: Making Mathematics Accessible to all Students	84.367	446616-MU	296
NASDSE: Ohio's Shared Agenda Initiative-Mental Health, Schools, and Families Working Together	84.XXX	2008	<u>1,824</u>
Total U.S. Department of Education-Pass-Through Programs			<u>901,899</u>
Total U.S. Department of Education			<u>1,391,028</u>

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
U.S. Department of Health & Human Services:			
Use of an Amphibian Model to Evaluate the Effects of Contaminants on Development	93.113	1R15ESO16435-01	\$ 85,286
SporeRelease Mechanisms in Indoor Fungi	93.113	1R15ES016425-01	47,384
The Neural Substrates of Adaptive Jaw Movement	93.121	2 R15 DE012248-03A1	8,850
Inspiratory Muscle Strength Training in Patients with Upper Airway Obstruction	93.173	1R03DC009057-01A2	76,382
Neuro-glial Interactions during the Remodeling of Adult Innervation in Drosophila	93.242	1 R15 MH077720-01	68,404
Role and Mechanisms of Prolactin on HPA Axis Activation Following Stress	93.242	1R15MH083310-01A	44,059
Application of the THz Spectroscopy to Biological Systems	93.286	1 R15 EB006003-01	40,790
Phase II HealthRICH Health Risks, Information and Choices	93.333	2R25RR016301-04	42,625
Evaluation of Health RICH: Health Risks, Information and Choices Phase II	93.333	2R25RR016301-4	36,864
Cortical Mechanisms of Spatial Vision	93.39	1 R15 EY 13953-01	(19,797)
Ribosome-binding and translation of leaderless mRNA	93.39	1 R15GM65120-01	71,340
AtETHEL, A Model System to Understand the Metabolic Role of ETHE1	93.39	1R15GM076199	39,176
Analyses of a Dynein Heavy Chain Mutation in Tetrahymena	93.39	1 R15 GM59855-01	19,216
Nuclear Organization During Adenovirus Infection	93.393	1R15 CA82111-01	74,032
ARRA Role of the Na,K-ATPase Alpha4 Isoform in Sperm Motility	93.701	3R15HD050283-01A1S1	30,000
ARRA Analysis of an NHE Inhibitor Signaling Pathway That Regulates Sperm Motility	93.701	1R15HD065633-01	32,580
ARRA Polyphenol-Protein Antioxidants in the GI Environment (Administrative Supplement)	93.701	3R15DK069285-01A1S1	8,932
ARRA Administrative Supplement to 1R15ES016425-01 / Spore Release Mechanisms in Indoor Fungi	93.701	3R15ES016425-01S1	58,944
ARRA Sol-Gel Based nanoarrays for Electrocatalytic Amperometric Detection of Phospholipids	93.701	1 R15 GM087662-01	18,080
ARRA Time Dependent Structural Studies on Dinuclear Metal Containing Enzymes	93.701	1R15GM093987-01	19,250
ARRA Alkylammonium Formate Ionic Liquids as Mobile Phase Modifiers for Protein Liquid Chromatography	93.701	3R15GM074661-01A2S1	30,000
ARRA The Role of a New Cleavage and Polyadenylation Specificity Factor	93.701	3R15GM077192-01A1S1	19,035
ARRA EPR and Solid-State NMR Studies of Integral Membrane Proteins (Supplement)	93.701	3R01GM080542-02S1	120,167
ARRA Regulation of Neurotrophin Expression in the Periphery	93.701	2R15NS051206-02A1	107,656
ARRA Health RICH Administrative Supplement	93.701	3R25RR016301-05S1	192,769
Role of OFQ/N in Regulating the Prolactin Response to Stress	93.847	1R15DK073073-01A2	31,573
Polyphenol-protein antioxidants in the GI environment	93.848	1 R15 DK069285-01A1	(6,805)
Regulation of neurotrophin expression in the periphery	93.853	1 R15 NS051206-01	21,808
Study of Iron Acquisition in Acinetobacter Baumannii	93.855	1R01AI070174-01A1	310,354
Gliding Motility and Cytadherence in Mycoplasma Penetrans	93.855	1R15AI073994-01A1	61,989
Alkylammonium Formate Ionic Liquids as Mobile Phase Modifiers for Liquid Chromatography of Proteins	93.859	1 R15 GM074661-01A2	25,797
The Role of a New Cleavage and Polyadenylation Specificity Factor (CPSF73-II)	93.859	1R15GM077192-01A1	43,709
EPR and Solid-State NMR Studies of Integral Membrane Proteins	93.859	R01 GM080542-01 A2	206,488
Chemistry of Reactive Intermediates Generated from Benzothiazole Derived Drug Candidates	93.859	1R15GM088751-01	47,058
Determination of IGF1BP-3 and -4mRNA down-regulation by HB-EGF	93.865	1R15HD050299-01A2	39,861
Role of the Na, K-ATPase Alpha4 Isoform in Sperm Motility	93.865	1 R15 HD050283-01A1	31,840
Gene Expression and Phenotypic Consequences of Laboratory Housing in Aging Rat	93.866	1R15AG029653-01A1	57,040
Impact of Monitoring Technology on Family Caregivers	93.866	1R21AG029224-01	57,468
Signaling Pathways During Chick Retina Regeneration	93.867	1R01EY017319-01A2	333,093
The Role of Fibroblast Growth Factors in Lens Development	93.867	EY012995-06A1	355,629
Promoting State-of-the-Art Management Practices at the State and Regional Level of the Aging Network	93.XXX	90OP0003/01	127,731
Evaluation of a Home-Care Workers Safety Program	93.XXX	214-2009-M-31117	17,875
Total U.S. Department of Health & Human Services-Direct Programs			<u>3,034,532</u>

See notes to financial statements.

(Continued)

MIAMI UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

Federal Grant/Pass-Through Grant/Program Title	CFDA	Program Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
U.S. Department of Health & Human Services (Continued):			
Pass-Through Programs From:			
DHHS- ATM (Abstinence 'Til Marriage) Education Evaluation	93.01	--	\$ 5,945
ATM Education: ATM Education Evaluation 2009-10	93.01	--	13,378
Catholic Charities of Central Florida: ThinkSmart Program Evaluation 2009-10	93.01	--	37,508
Catholic Charities of Central Florida: Think Smart Program Evaluation	93.01	--	43,671
The RIDGE Project: The RIDGE Project Abstinence Education Evaluation 2009-10	93.01	--	18,089
National Association of Area Agencies on Aging: Preparing the Aging Network for AoA's Choices for Independence Initiative	93.047	--	104,997
DHHS: Aging Network Business Practice, Planning and Program Development	93.048	CIFERRI-N4A-G01802	141,666
Wright State University: Genetic Architecture of the Human Dentognathic Complex	93.121	PSQ07070	72,756
ODMH: Enhanced School Mental Health	93.243	TA-09-07-01-01	118
Ohio Mental Health Network for School Success (OMHSS) - Mental Health, Education, & Family Collaboration	93.243	TSG1-10-014-02-001	35,049
University of Michigan: Optimization of Electrochemical Detector for GC for the Determination of Harmful and Dangerous Permanent Gases	93.262	5T42OH008455	17,461
ODJFS: Proposal to Provide Data to Improve Ohio's Long-Term Services and Support System	93.791	G-1011-07-0640	46,709
Southwest Foundation of BioMedical Research: Genetics of Bone Structure and Metabolism	93.846	09-4195.004	4,251
Children's Research Institute: A Genetic Model of Urogenital Development and Obstruction	93.849	CRI #356005	(330)
Rutgers University: Structural Genomics of Eukaryotic Domain Families	93.859	5 U54 GM074958-02	462,672
ODMH: OMHNS-Mental Health, Education and Family Collaboration	93.958	DMH-FF-002	1,000
ODMH: Ohio Mental Health Network for School Success (OMHNS) - Mental Health, Education, & Family Collaboration	93.958	BG-1-221-02-001	77,912
Butler County Educational Service Center: Evaluation of Butler County Success Program	93.XXX	--	<u>77</u>
Total U.S. Department of Health & Human Services-Pass-Through Programs			<u>1,082,929</u>
Total U.S. Department of Health & Human Services			<u>4,117,461</u>
Corporation for National & Community Service			
Pass-Through Programs From:			
Otterbein College: Young Authors Program	94.005	06LHHOH001	<u>2,275</u>
Total Research and Development Cluster			<u>13,535,542</u>

See notes to financial statements.

(Continued)

MIAMI UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010**

Federal Grant/Pass-Through Grant/Program Title	CFDA	Program Number	Expenditures
STATE FISCAL STABILIZATION FUNDS CLUSTER			
U.S. Department of Education:			
Pass-Through Program From:			
ARRA- ODE: SSI - State Fiscal Stabilization Funds	84.934	235-644	\$ 11,633,974
Total State Fiscal Stabilization Cluster			<u>11,633,974</u>
INSTRUCTIONAL			
U.S. Department of State:			
Pass-through Programs From:			
Academy for Educational Development: Study of United States Institutes for Student Leaders	19.XXX	4310-02-02	<u>7,088</u>
Library of Congress:			
Pass-through Programs From:			
Illinois State University: America's Journey: Using the "American Memory Project" to Meet Ohio Content Standards	42.XXX	11510-04-890009477	9,914
Illinois State University: America's Journey: Continuing to use the "American Memory Project" to meet Ohio's Content Standards	42.XXX	11510-04-890009477	3,745
Total Library of Congress			<u>13,659</u>
National Endowment for Humanities:			
Pass-through Programs From:			
OHC: A People and Their Homeland: The Miami Tribe (Myaamia)	45.129	OHC-09-016	<u>9,491</u>
Institute of Museum and Library Services:			
The GREEN Teachers Institute: Museum Resources for Teachers			
	45.301	MA-02-07-0189-07	<u>23,830</u>
National Science Foundation:			
Computer Science, Engineering and Mathematics Scholarships			
Science, Technology, Engineering, and Mathematics Scholarships to Recruit and Retain Undergraduate Chemistry and Biochemistry Majors	47.076	DUE-0422418	77,128
	47.076	DUE-0728614	<u>82,211</u>
Total National Science Foundation-Direct Programs			<u>159,339</u>
Pass-through Programs From:			
OSU: The Ohio Science and Engineering Alliance	47.076	P.O. RF00988893 PROJ 745926	<u>4,000</u>
Total National Science Foundation			<u>163,339</u>
U.S. Department of Education:			
INTERGERO: Implementation of an Internat'l Interdisciplinary Program in Gerontology			
Journey to Freedom: A History and Civics Summer Academy	84.116	P116J040039	6,511
Miami University CCampus Grant	84.215	U215D060005	141,825
Ohio Writing Project	84.334	P335A050375	34,391
	84.928A	92-OH01	<u>89,770</u>
Total U.S. Department of Education-Direct Programs			<u>272,497</u>
Pass-through Programs From:			
Princeton City Schools: America's Journey: Ever Growing Freedom	84.215	--	163,559
Hamilton City Schools: The Beacon of Liberty 1492-1965	84.215	--	92,353
OBOR: Across the Curriculum Environmental Science to Attain Ohio Elementary School Academic Content Standards and Achievement Test Outcomes	84.336	07-23	(15)
OBOR: Across the Curriculum Environment Science to Attain Ohio Elementary School Academic Content Standards and Achievement Test Outcomes	84.336	08-23	178,614
Kent State University:Project Success: Assisting Students With Disabilities to Succeed in Mathematics	84.336	446611-MU	10,304

See notes to financial statements.

(Continued)

MIAMI UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010**

Federal Grant/Pass-Through Grant/Program Title	CFDA	Program Number	Expenditures
INSTRUCTIONAL (Continued)			
U.S. Department of Education (Continued):			
Pass-through Programs From (Continued):			
ODE: Miami University Partnership for Enhancing the Teaching of Mathematics	84.336	C1667-OMAP-09-15	\$ 1,479
Miami University Partnership for Enhancing Teaching (of Mathematics) (MUPETS)	84.336	C1667-MSP-10-400	139,144
ODE:Southwest Ohio Science Institutes, Grades 3-6 09 Carry over	84.336	C1667-OMAP-09-02	17,917
ODE:Southwest Ohio Science Institutes, Grades 3-6 FY09	84.366	C1667-OMAP-09-02	75,386
Improving Elementary Science Literacy through Writing to Learn	84.367	09-26	19,561
Ohio Board of Regents: Advancing Ohio's Science Proficiency 2009-10	84.367	08-25	108,299
Ohio Board of Regent: Advancing Ohio's Physical Science Proficiency VI	84.367	07-26	<u>140</u>
Total U.S. Department of Education-Pass-Through Programs			<u>806,741</u>
Total U.S. Department of Education			<u>1,079,238</u>
Corporation for National & Community Service			
Pass-through Programs From:			
Ohio Campus Compact-Denison University: Pay It Forward: Strengthening Communities Through S	94.005	--	<u>5,211</u>
Total Instructional			<u>1,301,856</u>
PUBLIC SERVICE			
National Endowment for the Arts:			
Pass-through Programs From:			
Arts Midwest: The Big Read:Hamilton Relates to the Grapes of Wrath	45.024	--	<u>16,549</u>
National Endowment for the Humanities:			
Pass-Through Programs From:			
Arts Midwest: Canadian Brass	45.025	FY10-70694	5,000
OHC: The Digitization of the Mississippi Freedom Summer Collection	45.129	OHC-09-040	<u>7,709</u>
Total National Endowment for the Humanities			<u>12,709</u>
U.S. Department of Health & Human Services:			
Drug Free Communities Support Program			
	93.276	1 H79 SP12988-01	<u>92,591</u>
ODADAS: Grant to Reduce High Risk Drinking at Institutions of Higher Education	93.959	99-8040-HEDUC-P-09-9726	1,739
ODADAS: College High Risk Drinking Initiative	93.959	99-8040-HEDUC-P-10-9726	20,520
ODADAS: ODADAS Community Grant	93.959	99-8040-CMMCO-P-09-0026	992
ODADAS: Coalition for a Healthy Community	93.959	99-8040-CMMCO-P-10-0026	<u>42,873</u>
Total U.S. Department of Health & Human Services-Pass-Through Programs			<u>66,124</u>
Total U.S. Department of Health & Human Services			<u>158,715</u>
Corporation for National & Community Service:			
Pass-Through Programs From:			
Otterbein College: Curriculum Development and Civics Day	94.005	--	<u>4,194</u>
Total Corporation for National & Community Service			<u>4,194</u>
Total Public Service			<u>192,167</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 161,983,221</u>

See notes to financial statements.

(Concluded)

MIAMI UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2010

1. BASIS OF ACCOUNTING

The supplementary schedule of expenditures of federal (and state) awards is prepared on the accrual basis of accounting. Amounts presented are total federal expenditures for each program. Catalog of Federal Domestic Assistance ("CFDA") numbers are presented for those programs for which such numbers are available.

The dollar threshold used to distinguish between Type A and Type B Programs was \$4,859,497.

2. PASS-THROUGH AWARDS

Miami University (the "University") receives certain federal awards from pass-through awards from the State of Ohio. The amounts received are commingled by the State with other funds and cannot be separately identified. The total amount of such pass-through awards is included on the schedule of expenditures of federal awards.

3. FEDERAL PERKINS LOAN PROGRAM

Outstanding loans at June 30, 2010, under the Federal Perkins Loan Program were \$7,900,789. New Federal Perkins Loans of \$660,104 were advanced to students in 2010. The University did not receive a federal capital contribution or make a matching contribution to the Federal Perkins Loan fund in 2010. Cumulative administrative and collection costs for the Federal Perkins Loan Program were \$2,960,933 in 2010.

4. FEDERAL DIRECT STUDENT LOANS

The University also participates in the Federal Direct Student Loan Program, which includes subsidized and unsubsidized Federal Stafford Loans ("Stafford") and Federal PLUS Loans ("PLUS"). New loans processed for students during the year ended June 30, 2010, were as follows:

Federal Direct Student Loan Program:

Stafford:	
Subsidized	\$ 34,649,986
Unsubsidized	36,433,410
PLUS	31,958,925

* * * * *

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

President and Board of Trustees of Miami University
and Mary Taylor, Auditor of State of Ohio:

We have audited the financial statements of Miami University (the "University") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. 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

In planning and performing our audit, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 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 the 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 that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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*.

We noted certain matters that we reported to management of the University in a separate letter dated October 15, 2010.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

October 15, 2010

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

President and Board of Trustees of Miami University
and Mary Taylor, Auditor of State of Ohio:

Compliance

We have audited the compliance of Miami University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2010. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 and 2010-2.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected on a timely basis.

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

The University's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees and management of the University, the Auditor of State of Ohio, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

October 15, 2010

MIAMI UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2010

Part I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	<u> X </u> N/A	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	<u> X </u> N/A	
Type of auditors' report issued on compliance for major programs	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	<u> X </u> Yes	_____ No	

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster Number
Various	Research and Development Cluster
Various	Student Financial Aid Cluster
84.394	State Fiscal Stabilization Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$4,859,497		
Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No	

MIAMI UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2010 (Continued)

Part II—Financial Statements Findings

Findings relating to the financial statements, which are required to be reported in accordance with *Government Auditing Standards*:

No matters are reportable.

Part III—Federal Award Findings and Questioned Costs

Finding 2010-1: Noncompliance with Procurement Requirements

Federal Program Information: Research and Development Cluster, Multiple CFDA's and Agencies

Criteria: Institutions of higher education shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110. Specifically, non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

Condition: Our testing of the procurement and suspension debarment compliance requirement identified three instances, in a sample of 25, that the University did not have the appropriate wording on the non-purchase order requisition to ensure the University was not transacting with vendors that were on the Federal Suspension and Debarment list.

Effect: Potential impact of this condition is that the University could transact with entities that are on the Federal Suspension and Debarment List.

Cause: There was no process in place to include the suspension and debarment language on non-purchase order requisitions. Several of these documents were issued for grant purchases and as such, the suspension and debarment language was not placed on these purchases.

Recommendation: Management should consider another control to ensure sufficient coverage of all grant purchases related to this requirement.

Views of responsible officials and planned corrective actions: The University is implementing procurement software that will automate the inclusion of the suspension and debarment compliance information on all purchasing documents.

Finding 2010-2: Noncompliance with Reporting Requirements

Federal Program Information: Research and Development Cluster, CFDA 15.608, US Fish and Wildlife Service

Criteria: All financial reports that are submitted to awarding agencies should be reviewed and approved in accordance with University policies and procedures.

Condition: Our testing of the reporting compliance requirement identified one instance, in a sample of 25, of a submitted financial report that did not have the appropriate review and approval in order to ensure the accuracy of the report.

Effect: Potential impact of this condition is that the University could submit an inaccurate financial report to the reporting agency.

Cause: This grant had a unique requirement of submitting a combined programmatic and financial report to the reporting agency. As such, the financial report was prepared and submitted along with the programmatic report by the Principal Investigator.

Recommendation: The University should ensure all submitted financial reports are reviewed and approved.

Views of responsible officials and planned corrective actions: For existing active grants, communication will be sent to Principal Investigators reminding them that all financial reports must be prepared and submitted by the Grants & Contracts Office. For newly awarded grants, this same information will be communicated through the New Award notice that is sent electronically to the Principal Investigator(s).

MIAMI UNIVERSITY

SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

Finding 2009-1: Noncompliance with Procurement Requirements

Federal Program Information: Research and Development Cluster, CFDA 47.049, Mathematical and Physical Sciences

Criteria: Institutions of higher education shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110. Specifically, non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

Condition: Our testing of the procurement and suspension debarment compliance requirement identified one instance, in a sample of 25, that the University did not have the appropriate wording (By the acceptance of the purchase order, I am certifying that I am not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from current transactions by a federal department or agency.) in place on the purchase order to ensure the University was not transacting with vendors that were on the Federal Suspension and Debarment list.

Effect: Potential impact of this condition is that the University transacts with entities that are on the Federal Suspension and Debarment List.

Cause: The wording is added to each PO individually by one employee upon process. As the process is manual, it allows for the element of human error, which is the reason for the identified error.

Recommendation: Management should enhance the control or monitoring of the purchase orders for grants, possibly through automation, to ensure transactions occur with appropriate vendors.

Views of responsible officials and planned corrective actions: For the short term, the Purchasing staff has been re-instructed on the procurement suspension and debarment compliance requirements for purchase orders. For the long term, the University has committed to purchase and implement procurement software and we will pursue an automated solution using this software.

Current Year Status: We continue to pursue the long term solution as was outlined last fiscal year of implementing procurement software that will automatically include the suspension and debarment compliance information on all purchasing documents.

Miami University

Independent Accountants' Report on
Agreed-Upon Procedures Performed on the
Intercollegiate Athletics Department as
Required by NCAA Constitution 6.2.3.1
for the Year Ended June 30, 2010

Dr. David C. Hodge, President
Miami University
Oxford, Ohio

We have performed the procedures enumerated below, which were agreed to by Miami University (the “University”), with respect to the accounting records and internal control of the Intercollegiate Athletics Department of the University (the “Department”) for the year ended June 30, 2010, solely to assist the University in complying with the National Collegiate Athletic Association (“NCAA”) Constitution 6.2.3.1. The University’s management is responsible for the University’s compliance with these guidelines. Specifically, the University’s management is responsible for the enclosed Statement of Revenues and Expenses of the Intercollegiate Athletics Department (the “Statement”) and the Statement’s compliance with those requirements (See Exhibit A). Management is also responsible for maintaining effective internal control over the University’s Intercollegiate Athletics Department (the “Department”) and its financial reporting. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures that we performed and our findings are as follows:

Agreed-Up on Procedures Related to the Statement of Revenues and Expenses:

1. We obtained the Statement for the year ended June 30, 2010, as prepared by management and attached to this report. We recalculated the addition of the amounts on the Statement and compared the amounts on each line on the Statement to the corresponding amounts on the reconciliation prepared by management between the University’s general ledger and the amounts on the Statement. We also compared the general ledger amounts on management’s reconciliation to the University’s general ledger and recalculated the totals presented in the Statement. No exceptions were found as a result of these recalculations and comparisons.
2. We compared the classifications in the Statement to the defined classification in the NCAA Constitution section 6.2.3.1. No exceptions were found as a result of this comparison.
3. We compared a random sample of transactions, comprised of operating revenue receipts and expenses obtained from the operating revenues and expenses supporting schedules, to supporting documentation, comprised of invoices and deposit receipts provided by the University. No exceptions were found as a result of these comparisons.
4. We compared current year actual revenue and expense amounts to prior year amounts and obtained explanations from management for any variances in excess of 20% in major revenue and expense accounts. Each major revenue and expense account was defined as equal to or greater than 20% of the total revenue or expense amount. No fluctuations greater than 20% over prior year in major categories were noted. We were unable to compare each major revenue and expense account to budgeted estimates because the NCAA-mandated format of the statement differs from the format the University uses for budget and management purposes.

Agreed-Upon Procedures Related to Revenues:

5. *Ticket Sales* — We selected, on a random test basis, one athletic event from a list of athletic events held during the year ended June 30, 2010 provided by management. We recalculated cash receipts based upon tickets sold, complimentary tickets provided, and unsold tickets and compared such, on a random test basis, to attendance figures from the ticket system. We compared the amount per ticket sales report to the amount recorded in the University's general ledger and the NCAA Statement and re-calculated totals. No exceptions were found as a result of these recalculations and comparisons.
6. *Student Fees* — We compared student fees reported in the Statement for the year ended June 30, 2010 to student enrollment information. We obtained an understanding of the University's methodology for allocating student fees to intercollegiate athletics departments and recalculated the totals. No exceptions were found as a result of these recalculations and comparisons.
7. *Guarantees* — We obtained from management a listing of the guarantee contracts during the year ended June 30, 2010, reviewed contractual agreements provided by management pertaining to revenues derived from guaranteed contests, and compared the related revenues to the University's general ledger. No exceptions were found as a result of these comparisons.
8. *Contributions* — We obtained a listing of the general ledger accounts comprising contributions revenue related to intercollegiate athletics provided by management. We compared the listing of contributions revenue from the general ledger detail for the year ended June 30, 2010 to a listing of affiliated and outside organizations, agencies and groups of individuals obtained from management to identify any individual contributions from any affiliated or outside organizations, agencies, or group of individuals that constitute more than 10% of the total contributions revenue related to intercollegiate athletics for the year ended June 30, 2010. As indicated at Note 3 to the Statement of Revenues and Expenses, we identified one individual contribution that comprised more than 10% of the total contributions revenue related to intercollegiate athletics for the year ended June 30, 2010.
9. *Direct State or Other Governmental Support* — We compared the direct state and other governmental support recorded by the University during the year ended June 30, 2010 with institutional authorizations and deposit receipts on a random test basis and recalculated totals as part of the Miami University financial statement audit. No exceptions were found as a result of these recalculations and comparisons.
10. *Direct Institutional Support* — We obtained from management a listing of all direct institutional support provided by the University during the year ended June 30, 2010, selected and compared, on a random test basis, one direct institutional revenue recorded with institutional authorizations and approved fund transfer requests and recalculated totals. No exceptions were found as a result of these recalculations and comparisons.
11. *Indirect Facilities and Administrative Support* — We obtained from management a listing of all indirect facilities and administration support provided by the University during the year ended June 30, 2010, and selected and agreed, on a random test basis, one indirect facilities and administration support with institutional authorizations and invoice payments on behalf of the athletic and recalculated totals. No exceptions were found as a result of these recalculations and comparisons.

12. *NCAA/Conference Distributions Including all Tournaments* — We obtained from management a listing of all NCAA and conference distributions and selected, on a random test basis, one receipt provided by management related to NCAA and conference distributions during the year ended June 30, 2010 and compared the related revenues to the University's general ledger. No exceptions were found as a result of this comparison.
13. *Program Sales, Concessions, Novelty Sales and Parking* — We obtained supporting schedules from management for each of the following operating revenue line items: (a) Program Sales, Concessions, Novelty Sales and Parking; and (b) Other Operating Revenues. We selected, on a random test basis, one operating revenue amount from among these categories and compared each revenue amount selected to supporting documentation provided by management, which included a copy of a deposit ticket and bank statement. No exceptions were found as a result of these comparisons.
14. *Royalties, Licensing, Advertisement and Sponsorships* — We obtained from management a listing of all royalties, licensing, advertisements and sponsorship revenue and selected, on a random test basis, one agreement provided by management related to the University's participation in revenues from royalties, licensing, advertisements and sponsorships during the year ended June 30, 2010 and compared the related revenues to the University's general ledger. No exceptions were found as a result of these comparisons.
15. *Sports Camp Revenues* — We obtained and read agreements related to institutional sports camps during the period ended June 30, 2010. We obtained schedules of camp participants and selected, on a random test basis, one participant cash receipt and agreed the related revenues to the University's general ledger and recalculated totals. No exceptions were found as a result of these comparisons and recalculations.
16. *Endowment and Investment Income* — We compared the allocations of the endowment and investment income from the Athletics department records to the calculations performed by the Treasury Services office. We obtained the Treasury Services office's allocation calculations for the period ended June 30, 2010, recalculated the allocation, and agreed the amount to the University's general ledger. No exceptions were found as a result of these comparisons and recalculations.
17. *Other* — We obtained from management a listing of all other revenue earned during the year ended June 30, 2010, and selected, on a random test basis, one other revenue amount from among these categories and compared each revenue amount selected to supporting documentation provided by management, which included a copy of a deposit ticket and check. No exceptions were found as a result of these comparisons and recalculations.

Agreed-Upon Procedures Related to Expenses:

18. *Athletic Student Aid* — We selected, on a random test basis, twenty five students from the listing of athletic student aid recipients during the year ended June 30, 2010 provided by management and compared total University aid allocated from the related aid award letter to the student's account and recalculated totals. No exceptions were found as a result of this comparison.
19. *Guarantees* — We obtained from management a listing of the guarantee contests during the year ended June 30, 2010 and agreed contractual agreements provided by management to expenses recorded by the University from guaranteed contests. We compared the related expenses to the University's general ledger. No exceptions were found as a result of these comparisons.

20. *Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities* — We obtained a listing of coaches employed by the University during the year ended June 30, 2010 from management. We selected three coaches' contracts from this listing, including football, and men's and women's basketball coaches. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University in the Statement during the reporting period. We obtained and read W-2's or 1099's for each selection. We compared and agreed W-2's or 1099's to the related coaching salaries, benefits, and bonuses paid by the University during the year ended June 30, 2010 and recalculated totals. We noted no exceptions as a result of recalculations and comparisons.
21. *Coaching Other Compensation and Benefits Paid by a Third Party* — We noted, through inquiry of management, that the University's Athletics Department did not incur any coaching salaries, benefits, and bonuses paid by a third-party for the year ended June 30, 2010.
22. *Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities* — We obtained a listing of support and administration staff employed by the University during the year ended June 30, 2010, and selected, on a random test basis, three support staff/administrative personnel employed by the University during the reporting period. We obtained and read W-2's or 1099's for each selection. We compared and agreed related W-2's or 1099's to the related support staff/administrative salaries, benefits, and bonuses paid by the University during the year ended June 30, 2010 and recalculated totals. We noted no exceptions as a result of recalculations.
23. *Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by Third Parties* — We noted, through inquiry of management, that the University's Athletics Department did not incur any support staff/administrative other compensation and benefits paid by a third-party for the year ended June 30, 2010.
24. *Severance Payments* — We noted, through inquiry of management, that the University's Athletics Department did not incur any severance expenses for the year ended June 30, 2010.
25. *Recruiting* — We obtained and documented an understanding of the University's written recruiting expense policies and compared these policies to NCAA related policies. We obtained supporting documentation, which included a copy of the invoice and check, or credit card receipt, for one recruiting expense and compared and agreed the related expenses to the University's policies for the year ended June 30, 2010. No exceptions were found as a result of these comparisons.
26. *Team Travel* — We obtained an understanding of the University's Athletics Department team travel expense policies and compared and agreed these policies to the NCAA-related policies. We obtained supporting documentation, which included a copy of the invoice and check, or credit card receipt, for one individual trip and compared and agreed the related expenses to the University's policies for the year ended June 30, 2010. No exceptions were found as a result of these comparisons.
27. *Indirect Facilities and Administrative Support* — We obtained an understanding of the University's methodology for allocating indirect facilities costs to different departments during the year ended June 30, 2010 and selected, on a random test basis, one payment made by University for the departmental expenditures. We summed the indirect facilities support and indirect institutional support totals reported by the University in the NCAA statement. No exceptions were found as a result of these comparisons and recalculations.

28. *Equipment, Uniforms, and Supplies; Game Expenses; Fund Raising, Marketing, and Promotion; Sports Camps; Direct Facilities Maintenance and Rental; Spirit Groups; Medical Expenses and Medical Insurance; Memberships and Dues; Other Operating Expenses* — We selected, on a random test basis, one operating expense amount from among each of these categories and compared each expense amount selected to supporting documentation provided by management, which included a copy of an invoice and check. No exceptions were found as a result of these comparisons.

Agreed-Upon Procedures Related to Internal Control of the Intercollegiate Athletics Department:

The management of the University is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our procedures and findings were as follows:

29. We obtained an understanding of the organization chart of the Athletics Department from the Deputy Director for Athletics and inquired of University management for the purpose of learning about the control environment. Management informed us of the following:
- Standards of conduct and ethics for the Department have been established and are enforced by the following governing bodies:
 - Miami University
 - National Collegiate Athletic Association
 - Mid-American Conference
 - A staff handbook and student-athlete handbook that outline policies and procedures are available on the University's website.
 - The Intercollegiate Athletics Advisory Committee reports to the Vice President of Student Affairs and serves to ensure student-athlete welfare; advise the Vice President of Student Affairs regarding the policies and procedures associated with the Department of Intercollegiate Athletics; and to address new regulations, bylaws, and other issues as they arise.
 - Operating budgets are prepared annually. Variances are identified and investigated monthly by the Senior Associate Athletic Director, the Athletic Director, and the Vice President of Student Affairs.

30. We selected, on a random test basis, twenty-five travel advances for team travel for the year ended June 30, 2010 from the University's listing of all travel advances that were approved and distributed. For the travel advances selected, we compared the disbursed amount and requestor to the corresponding information on the underlying expense receipts and authorization forms provided by management. No exceptions were found as a result of these comparisons.
31. We inquired of appropriate Department personnel as to the controls over cash received from ticket sales and other miscellaneous receipts (parking, sports camps, etc.). We noted that the Reserve Officers Training Corps ("ROTC") assists the Department with selling parking tickets at football and basketball home games. We selected, on a test basis, two reconciliations of parking tickets sold and parking collections that are actually returned to the Department and compared the amount collected with the amount deposited. No exceptions were found as a result of these comparisons.
32. We selected, on a random test basis, twenty five students from the listing of athletic student aid recipients during the year ended June 30, 2010 provided by management and compared the authorization noted on the student aid forms to the University requirements. No exceptions were found as a result of these comparisons.
33. We noted through inquiry and observation that the Department has the following control procedures for disbursements:
 - The Athletic Director or Business Directors and the coach initiating the purchase are required to approve purchase requisitions for all goods and services requested.
 - The Department utilizes the University's purchasing policies when ordering goods and services.
 - All Department disbursements are subject to the same controls the University has in place for preparing the University's financial statements.
34. We obtained written representations from management that to the best of their knowledge and belief all revenues and expenses related to the Department have been properly summarized on the Statement for the year ended June 30, 2010.

Agreed-Upon Procedures Related to the Notes to the Statement:

35. We obtained an understanding of the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics related assets.

The NCAA Agreed-Upon Procedures, outlining the procedures to be performed by an independent accountant regarding an institution's compliance under NCAA Bylaw 6.2.3.1, appear to indicate a required disclosure in the accountant's report of certain capital expenditures activity related to intercollegiate athletics-related assets. However, those procedures do not define the term intercollegiate athletics-related assets or the type of disclosures required when such assets are identified. The University does not currently disaggregate athletics-related assets from other University owned assets.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the elements, accounts, or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to accounts and items specified above or on the attached Statement, and does not extend to the financial statements of the University or its Intercollegiate Athletics Department, taken as a whole.

We were not engaged to, and did not, perform an examination of the University's system of internal controls over financial reporting, the objective of which would be the expression of an opinion on the suitability of design of internal controls over financial reporting of the University as of June 30, 2010. Accordingly, we do not express such an opinion. We also were not engaged to examine and report on the operating effectiveness of the University's internal control over financial reporting as of June 30, 2010, and, accordingly, we express no opinion on its operating effectiveness. Had we performed additional procedures, or had we made an examination of the system of internal controls over financial reporting, other matters might have come to our attention that would have been reported to you. This report only relates to the procedures specified above and does not extend to the financial statements of the University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the use of members of the audit committee, board of regents, administration of the University, or an authorized representative of the NCAA, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "DeLoitte & Touche LLP".

December 20, 2010

MIAMI UNIVERSITY

EXHIBIT A

**INTERCOLLEGIATE ATHLETICS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

	Men's Basketball	Men's Football	Men's Ice Hockey	Women's Basketball	Other Sports	Non-Program Specific	2010 Total
REVENUES:							
Ticket sales	\$ 192,523	\$ 2,081,646	\$ 598,632	\$ 9,837	\$ 23,916		\$ 2,906,554
Student fees	792,633	3,072,594	589,659	1,078,748	5,336,076	\$ 2,916,839	13,786,549
Guarantees	225,000	375,000	13,280	8,000	16,000	100,000	737,280
Contributions	63,506	354,341	776,103	19,260	222,339	548,625	1,984,174
Direct state or other government support	-	78	-	-	-	2,205	2,283
Direct institutional support	96,488	904,365	338,466	136,697	1,548,155	309,084	3,333,255
Indirect facilities and administrative support	-	-	-	-	-	20,725	20,725
NCAA/conference distributions including all tournament revenues	102,557	-	-	-	17,000	880,140	999,697
Broadcast, television, radio and internet rights	-	-	-	-	-	-	-
Program sales, concessions, novelty sales and parking	26,015	72,267	12,780	-	3,572	45,633	160,267
Royalties, licensing, advertisements and sponsorships	-	-	-	-	-	353,096	353,096
Sports camp revenues	-	-	-	-	-	1,022,805	1,022,805
Endowment and investment income	13,213	56,115	1,886	69	78,132	316,613	466,028
Other revenues	16,255	9,835	9,336	3,065	110,170	326,718	475,379
Total revenue	1,528,190	6,926,241	2,340,142	1,255,676	7,355,360	6,842,483	26,248,092
EXPENSES:							
Athletics student aid	402,752	2,926,615	652,573	435,262	3,647,877	239,745	8,304,824
Guarantees	17,000	564,392	88,305	2,000	6,527	-	678,224
Coaching salaries, benefits, and bonuses paid by the university and related entities	507,398	1,559,911	813,643	435,839	1,800,369	-	5,117,160
Support-staff/administrative salaries, benefits, and bonuses paid by the university and related entities	49,118	224,775	47,030	95,628	77,297	3,431,467	3,925,315
Recruiting	60,188	205,090	35,409	33,478	149,733	84,272	568,170
Team travel	195,030	451,437	239,740	91,271	914,686	73,385	1,965,549
Equipment, uniforms and supplies	55,256	225,822	105,636	30,100	255,233	183,789	855,836
Game expenses	81,708	454,744	132,259	48,328	129,812	81,121	927,972
Fund raising, marketing and promotion	10,696	10,650	9,294	3,586	6,286	144,282	184,794
Sports camp expenses	-	-	-	-	-	1,033,318	1,033,318
Direct facilities, maintenance and rental	35,343	75,976	12,507	19,341	62,266	44,712	250,145
Spirit groups	-	-	-	-	-	32,960	32,960
Indirect facilities and administrative support	-	-	-	-	-	20,725	20,725
Medical expenses and medical insurance	14,275	52,472	22,748	12,589	102,691	12,816	217,591
Memberships and dues	2,144	540	3,396	3,102	5,809	268,232	283,223
Other operating expenses	97,282	173,817	177,602	45,152	196,773	818,255	1,508,881
Total expenses	1,528,190	6,926,241	2,340,142	1,255,676	7,355,359	6,469,079	25,874,687
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 373,404	\$ 373,404

MIAMI UNIVERSITY

INTERCOLLEGIATE ATHLETICS DEPARTMENT NOTES TO STATEMENT OF REVENUES AND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2010

1. BASIS OF PRESENTATION

The accompanying Statement of Revenues and Expenses of the Intercollegiate Athletics Department of Miami University (the "Statement") has been prepared in accordance with the 1996 Financial Audit Guidelines established by the National Collegiate Athletic Association, as amended, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The purpose of the Statement is to present a summary of revenues and expenses of the Intercollegiate Athletics Department of Miami University (the "Department") for the year ended June 30, 2010 on the accrual basis. Revenues are recorded when earned. Expenses are recorded in the period in which the related liability is incurred. Because the Statement presents only a selected portion of the activities of Miami University (the "University"), it is not intended to and does not present the financial position, changes in net assets or revenues and expenses for the year then ended for the University as a whole.

The amounts in the accompanying Statement were obtained from the University's trial balance, which is maintained on an accrual basis. All revenues and expenditures directly related to various sports were disclosed as such, except compensation and benefits paid by third parties and severance payments, which were not applicable. The University records depreciation on physical plant and equipment; however, depreciation is not part of the statement of revenues and expenditures.

2. OTHER SPORTS

Other sports include men's baseball, men's golf, men's swimming, men's track and cross country, women's field hockey, women's soccer, women's softball, women's swimming, women's tennis, women's track and cross country, women's volleyball, and women's skating.

3. CONTRIBUTIONS

Contribution revenue included in the statement of revenues and expenditures represent contributions given to the University's Intercollegiate Athletics Department based on donor's instructions.

There was one individual contribution made that comprised more than 10 percent of the total contributions revenue related to Intercollegiate Athletics for the year ended June 30, 2010. The contribution was \$600,000 received from an anonymous donor in support of Ice Hockey.

4. OTHER FORMS OF COMPENSATION

The value of volunteer assistant coaching services, according to NCAA financial audit guidelines, should be reported as contributions and as salary expenditures. The University estimates that the value of volunteer assistant coaching services is not material to the statement of revenues and expenditures and, therefore, is not reflected.

5. PROPERTY, PLANT, AND EQUIPMENT

Land, buildings, and equipment are recorded at cost at date of acquisition or market value at date of donation in the case of gifts. Land and collections of works of art and historical treasures are capitalized but not depreciated. Any collection that is not capitalized is charged to operations at the time of purchase. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 50 years for buildings, 25 years for infrastructure, library books, and land improvements, 20 years for improvements to buildings, and 5 to 7 years for equipment, vehicles, and furniture. The University's capitalization threshold is the lower of 5 percent of the original building cost or \$100,000 for building renovations and \$5,000 for all other capitalized items. The University does not segregate athletics-related assets from other assets held by the University and therefore depreciation expense is not reflected in the statement of revenues and expenditures.

* * * * *



Mary Taylor, CPA
Auditor of State

MIAMI UNIVERSITY

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
JANUARY 4, 2011**