

A YEAR OF STRATEGIC STEPS AND STEADY PROGRESS

Progress through adversity: This phrase summarizes Fiscal 2009's financial performance.

Investments of endowment, working capital, and pension assets declined significantly as Wall Street had its worst performance since the Great Depression. University administration moved early in response to the downturn, suspending hiring, delaying capital expenditures, and reducing other operating expenses.

These actions improved operating results and protected liquidity, allowing the University to manage through a difficult year without the significant layoffs and/or borrowing that were required by many of our peer institutions. The University also benefited from conservative financial practices that minimized investments in illiquid assets like private equity and real estate and favored fixed-rate bonds over variable- or auction-rate debt. We were not invested in funds that had liquidity problems or with managers who were accused of illegal activities.

We ended 2009 with stable finances and a balanced budget for the year ahead.

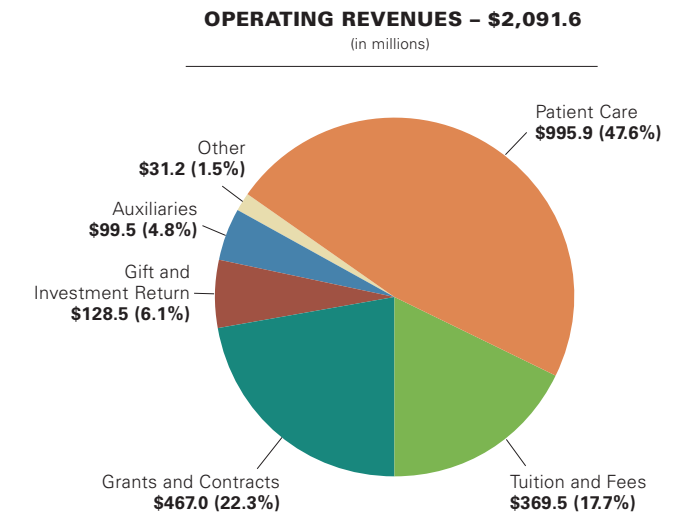
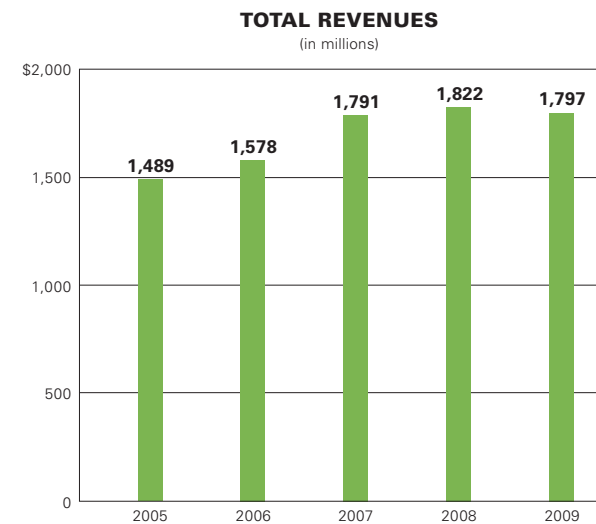
Operating revenues from tuition and fees, health care, grants and contracts, and auxiliaries increased from the prior year—in many cases by substantial amounts, a product of strategic initiatives across the University. Philanthropy, including restricted and unrestricted gifts and trusts, declined 12 percent, a modest amount considering changes in market conditions. We are grateful for the generosity of our trustees, alumni, and other supporters.

Operating revenues increased \$240 million, or 13 percent, to a record \$2.1 billion. Tuition revenue, net of financial aid, increased 3.3 percent. Grants and con-

tracts were up 1 percent. Auxiliary enterprise revenues increased 7.8 percent.

Medical professional practice revenue from the University's 900 physicians increased 10.3 percent, while hospital and clinic revenues increased 45.4 percent.

Unit	Total Gifts, Trusts, and Pledges	Endowment	
		Market Value at May 31, 2009	Spending Distribution FY2009
College of Arts and Sciences	\$ 6.0	\$ 26.8	\$ 1.7
School of Architecture	0.1	1.2	0.0
School of Business Administration	0.4	29.9	2.0
School of Communication	0.8	8.4	0.6
School of Education	4.1	4.5	0.2
College of Engineering	0.0	11.9	0.8
School of Law	1.1	38.6	2.4
Leonard M. Miller School of Medicine	60.8	255.7	16.3
Rosenstiel School of Marine and Atmospheric Science	1.8	20.5	1.4
Phillip and Patricia Frost School of Music	1.8	23.6	1.6
School of Nursing and Health Studies	1.3	6.0	0.4
Department of Athletics	12.4	8.9	0.5
Lowe Art Museum	4.8	4.6	0.3
Richter Library	0.6	7.6	0.5
Financial Aid	0.7	23.9	1.5
Central Fiscal Unit	6.1	66.5	4.5
TOTAL	\$102.8	\$538.6	\$ 34.7



All three University hospitals had revenue growth, with Sylvester Comprehensive Cancer Center/UMHC up 13.6 percent and University of Miami Hospital up 30.4 percent when compared to the previous 12 months, during which the University owned the facility for six months. Anne Bates Leach Eye Hospital (ABLEH) revenues increased 5.3 percent. For the sixth consecutive year, Bascom Palmer Eye Institute, resident at ABLEH, was named the country's top eye hospital by *U.S. News & World Report*.

Operating expenses increased \$295 million, or 16 percent, due primarily to the University of Miami Hospital acquisition, new faculty recruits, and targeted investments in research, teaching, and patient care.

Unrestricted net assets from operating activities declined \$50 million, due primarily to a \$17 million decrease in interest income on working capital and investment in strategic initiatives at the Miller School of Medicine.

The University had a reduction in net assets from non-operating activities of \$294 million, due primarily to a decline in endowment, annuity, and other investment return, and negative pension-related changes of \$112 million, due to the decline in the value of investments in the Employee Retirement Plan. Total net assets declined by \$456 million.

The Growth Pool, made up of endowment and a portion of working capital, had a negative investment return of 24.7 percent. All classes of assets—domestic and international equities, real estate and commodities, private equity, and hedge funds—declined. It's small consolation that the Growth Pool exceeded its benchmark

by 2 percent and fared better than the S&P 500, which declined 32.6 percent. Under the guidance of the Investments Committee, the administration reevaluated asset allocation of Growth Pool and pension asset investments. We continue to believe that a highly diversified portfolio will have the best return on investment in the long term. Unlike some other private research institutions, endowment spending accounts for less than 2 percent of operating revenues. While a decline in asset value is painful, its effect on short-term operations is minimal.

University of Miami Hospital executed its pre-acquisition business plan, maintaining a solid base of admissions from community physicians and growing through referrals from UM specialists. Of particular note, the cardiology and sports medicine programs had significant volume growth. Versus the previous 12 months, admissions increased 15 percent. Catheterization lab cases increased 79 percent. Surgeries jumped 19 percent.

A number of capital projects were completed during the year at the Miller School of Medicine. The 188,000-square-foot Biomedical Research Building opened in May with major tenants including the Hussman Institute for Human Genomics and the Interdisciplinary Stem Cell Institute. A 1,500-space parking garage and 28,000-square-foot central energy plant were also completed.

On the Coral Gables campus, phase two of the renovation and expansion of Mark Light Field at Alex Rodriguez Park, home to the four-time national champion Hurricanes baseball team, was completed, as was the 30,000-square-foot Fieldhouse, which serves as a

practice site for men's and women's basketball teams and a venue for student events. To help enrich campus life, 16 two- and three-bedroom rental town-homes were opened for faculty and staff just across from University Village. And we are constructing the 67,000-square-foot Robert and Judi Prokop Newman Alumni Center, scheduled to open in July 2010.

Tight liquidity and credit markets caused delays in some capital projects. These include the Miguel B. Fernandez Family Entrepreneurship Building, which will house expanded executive education offerings for the School of Business Administration; the 118,000-square-foot Student Activities Center, which will become the heart of student activity on the Coral Gables campus; and the 18,000-square-foot expansion of the Herbert Wellness Center.

In the advanced planning stage is the creation of a Life Science Park (LSP) on the eastern border of the Miller School campus that will house start-ups and other companies that want to locate near University researchers. The LSP is a joint effort between the University's real estate subsidiary, MAMCO, and a leading developer of life science parks.

The University has developed a comprehensive plan for responding to the American Recovery and Reinvestment Act (ARRA), which already includes submitting nearly 500 grant proposals by UM researchers and implementing electronic medical records (EMR) for all operations throughout the UHealth system. To date, more than \$30 million of ARRA grants have been awarded, with more on the way.

Protecting the environment continues to be an important focus for students, faculty, and staff. Last year the University eliminated cars for freshmen who live on campus and introduced UBikes and Zipcars, both of which proved popular. New programs were implemented to provide free or discounted public transportation for University employees.

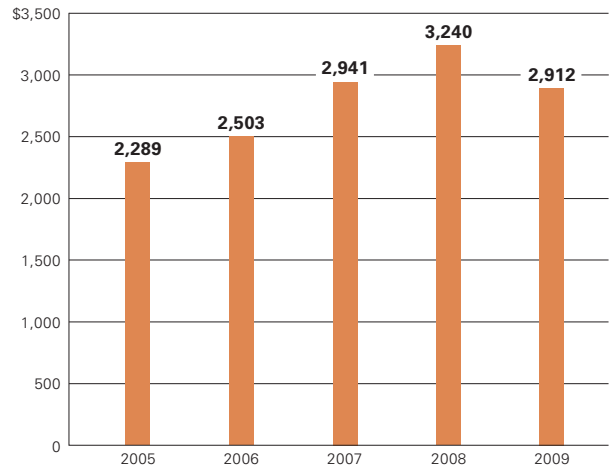
We are grateful for the dedication of our 13,000-plus faculty and staff, who maintained a steady focus on serving students, patients, and community during a challenging year. Through their efforts, the University continues its journey to become one of the country's great private research institutions.

Joe Natoli

Senior Vice President for Business and Finance and Chief Financial Officer

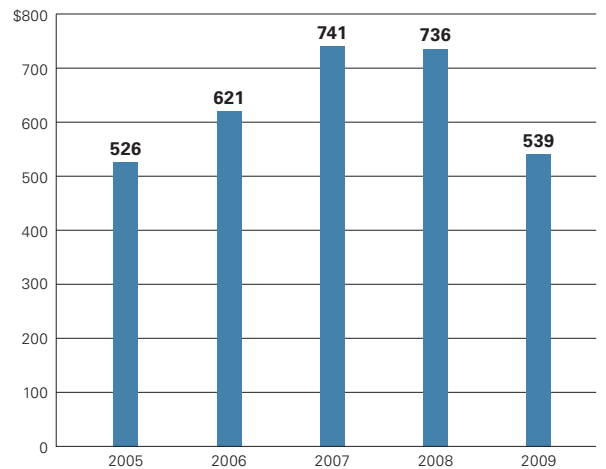
TOTAL ASSETS

(in millions)



ENDOWMENT FUNDS

(in millions)



ENROLLMENT

(FTE)

