

A Year of Growth at South Florida's Leading Institution

Fiscal 2008 was a year of growth and accomplishment, despite a slowing economy.

Operating revenues increased 14.6 percent to \$1.9 billion. Tuition revenue, net of financial aid, increased 3.9 percent. Grants and contracts were up 11 percent, reflecting growing National Institutes of Health grants and state support for the Miami Institute for Human Genomics.

Medical practice revenue increased 7.6 percent, while hospital and clinic revenue increased 49 percent, due in part to the December 1, 2007 acquisition of Cedars Medical Center, now called University of Miami Hospital.

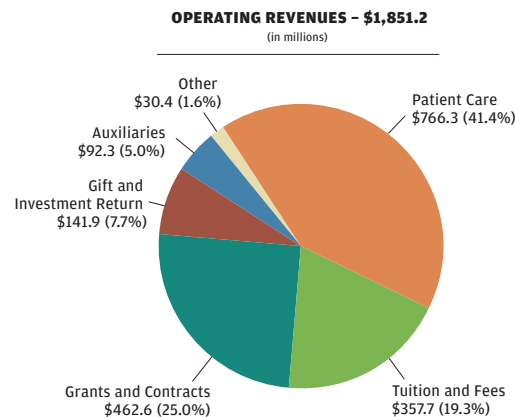
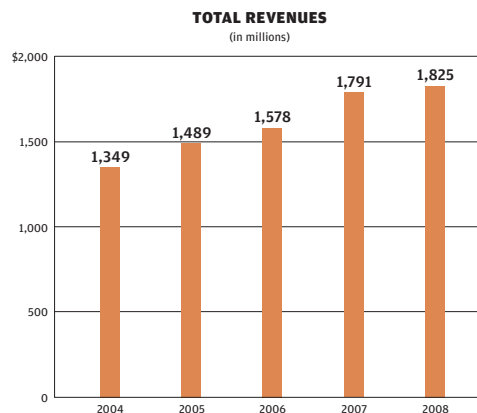
Revenue from auxiliary operations was flat compared with the prior year. Non-operating income declined \$198 million due to a 1.8 percent negative return on endowment and working capital investments. Operating expenses increased \$294 million, or 18.9 percent, due to the Cedars acquisition, new recruits, and investments in research, academic support, and patient care.

Gifts for financial statement reporting totaled \$117 million.

Net assets decreased \$47.8 million, due primarily to the negative return on Growth Pool investments.

The big news in FY 2008 was the acquisition of Cedars Medical





Center from Hospital Corporation of America (HCA) for \$278.5 million. The 560-bed, all private-room facility, located on the campus of the Miller School of Medicine, will provide an outlet for growth of clinical programs in a high-quality, state-of-the-art environment. In addition, cash flows from University of Miami Hospital will be an important source of funding for investment in research and the building of a world-class, clinical-care operation at the Miller School. To finance the acquisition and initial capital improvements, the University issued \$333 million of tax-exempt and taxable bonds. The bonds were rated A2/A- by Moody's and Standard & Poor's.

The other major development was the State of Florida's approval of an \$80 million Innovation Incentive grant from the Office of Tourism, Trade and Economic Development (OTTED) for the creation of the Miami Institute for Human Genomics. The institute has already added more than 150 high-quality jobs to the South Florida economy.

Miller School facilities are expanding to keep pace with growth in research and clinical care. The 188,000-square-foot Biomedical Research Building will open in January 2009. A 1,500-space parking garage and 28,000-square-foot central energy plant will be completed later this year.

In the planning stages is the creation of a two million-square-foot Life Science Park (LSP) on the eastern border of the Miller School that will house medical startups 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 national developer of life science parks.

On the Coral Gables campus, we celebrated the opening of the Myrna and Sheldon Palley Pavilion for Contemporary Glass and Studio Arts at the Lowe Art Museum. We broke ground on the 67,000-square-foot Robert and Judi Prokop Newman Alumni Center, phase two of the expansion of Mark Light Field at Alex Rodriguez Park, and a 30,000-square-foot Multi-Purpose Facility, which will serve as a practice site for the men's and women's basketball teams and as a venue for other student events.

GIFTS AND ENDOWMENT BY AREA (in millions)

Unit	Total Gifts, Trusts, and Pledges	Endowment	
		Market Value at May 31, 2008	Spending Distribution FY2008
College of Arts and Sciences	\$ 4.4	\$ 34.6	\$ 1.4
School of Architecture	0.0	1.7	0.1
School of Business Administration	5.2	41.7	1.8
School of Communication	1.5	11.9	0.5
School of Education	0.4	4.8	0.2
College of Engineering	0.5	16.3	0.7
School of Law	2.8	51.9	2.2
Leonard M. Miller School of Medicine	70.1	348.9	15.0
Rosenstiel School of Marine and Atmospheric Science	2.6	29.1	1.3
Phillip and Patricia Frost School of Music	3.7	33.0	1.4
School of Nursing and Health Studies	0.5	8.2	0.3
Department of Athletics	13.0	11.6	0.5
Lowe Art Museum	4.3	5.0	0.2
Richter Library	2.2	10.9	0.5
Financial Aid	1.5	33.4	1.4
Central Fiscal Unit	4.6	93.2	4.4
TOTAL	\$ 117.3	\$ 736.2	\$ 31.9



Significant resources continue to be invested in remodeling existing classrooms, including Cox Science Center, Dooley Memorial Classroom Building, and an addition to the fourth floor of the M. Christine Schwartz Center for Nursing and Health Studies. Also under construction are 16 two- and three-bedroom rental townhouses for faculty and administrators.

Design is under way for the 157,000-square-foot Miguel B. Fernandez Family Entrepreneurship Building, which will house expanded executive education offerings for the School of Business Administration. Also in planning are a 118,000-square-foot Student Activities Center, which will become the center of student activity on the Coral Gables campus, and an 18,000-square-foot expansion of the Wellness Center.

Beyond facilities, the University continues to focus on hiring and retaining the very best faculty and staff. We recognize the challenge that the increased cost of living is placing on our colleagues. Our Human Resources department recently implemented a new compensation structure for all staff, benchmarking positions against the market and increasing salary minimums where appropriate.

To assist with the increased cost of commuting, free public transportation is being offered to employees who earn less than \$35,000, with a 50 percent discount available for those earning less than \$100,000.

In the new year, we will change the administration of our employee health care plans to Aetna Insurance. Aetna's high-quality customer service and health and disease management programs will be teamed with the University's U Matter wellness initiatives to keep our employees and their families healthy and provide top-notch care when the need arises.

The University takes seriously its commitment to the environment. Programs such as green building, green buying, and biodiesel buses have been augmented this fall by UBike, a new effort to encourage students to step out of shuttle buses and move around campus on foot or bike. Also new this fall—the introduction of on-campus Zipcars, which enable the University community to rent fuel-efficient vehicles for as little as \$8 an hour.

Lastly, the University of Miami has become the leading institution in South Florida. It is the area's largest private employer and continues to grow and improve quality at a rapid pace. With success comes responsibility. We are proud that last year's United Way campaign broke the \$1 million mark and that a contingent of University employees has volunteered to work the polls at upcoming elections. University faculty and staff help their community by contributing their time to local organizations such as the Beacon Council, Greater Miami and Coral Gables chambers of commerce, Coral Gables Community Foundation, and Dade Community Foundation.

The board and administration are committed to managing the fiscal affairs of the University in a responsible manner. We are grateful for the contributions that our 13,000-plus faculty and staff make in that regard. Together, they make the University of Miami a wonderful place to teach, to work, and most importantly, to learn.

JOE NATOLI

Senior Vice President for Business and Finance and Chief Financial Officer

