



Miami University Foundation

**Financial Report
June 30, 2019**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Miami University Foundation
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We have reviewed the *Independent Auditor's Report* of the Miami University Foundation, Butler County, prepared by RSM US LLP, for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Miami University Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

November 6, 2019

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Independent Auditor's Report

Board of Directors
Miami University Foundation and
Mr. Keith Faber
Auditor of the State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Miami University Foundation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Miami University Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (Continued)

Report on Summarized Comparative Information

We have previously audited Miami University Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019, on our consideration of Miami University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Miami University Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Miami University Foundation's internal control over financial reporting and compliance.

RSM US LLP

Cleveland, Ohio
October 11, 2019

Miami University Foundation

Statement of Financial Position

June 30, 2019

(With Comparative Totals for June 30, 2018)

| | 2019 | 2018 |
|---|-----------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 48,269,311 | \$ 64,282,976 |
| Pledges receivable, net | 28,817,280 | 31,258,652 |
| Other receivables, primarily investment related | 16,638,084 | 12,439,077 |
| Investments | 508,118,790 | 477,035,567 |
| Cash value of life insurance | 2,068,041 | 2,063,101 |
| Real estate investments | 30,000 | 30,000 |
| | <hr/> | <hr/> |
| Total assets | \$ 603,941,506 | \$ 587,109,373 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Liabilities | | |
| Accounts payable and other liabilities | \$ 16,359,967 | \$ 14,824,742 |
| Assets held for other entities | 227,155,079 | 214,465,794 |
| Deferred revenue | 1,529,075 | 1,671,980 |
| Obligations under split-interest agreements | 3,915,047 | 3,976,357 |
| | <hr/> | <hr/> |
| Total liabilities | 248,959,168 | 234,938,873 |
| | <hr/> | <hr/> |
| Net Assets | | |
| Without donor restrictions | 2,989,811 | 624,224 |
| With donor restrictions | 351,992,527 | 351,546,276 |
| | <hr/> | <hr/> |
| Total net assets | 354,982,338 | 352,170,500 |
| | <hr/> | <hr/> |
| Total liabilities and net assets | \$ 603,941,506 | \$ 587,109,373 |
| | <hr/> <hr/> | <hr/> <hr/> |

See notes to financial statements.

Miami University Foundation

Statement of Activities

Year Ended June 30, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

| | Without Donor Restrictions | With Donor Restrictions | 2019 Total | 2018 Total |
|--|-------------------------------|----------------------------|-----------------------|-----------------------|
| Revenues and other additions: | | | | |
| Contributions | \$ 313,109 | \$ 17,302,209 | \$ 17,615,318 | \$ 14,877,143 |
| Investment income: | | | | |
| Dividend and interest income, net | 26,126 | 2,811,589 | 2,837,715 | 4,444,626 |
| Net realized and unrealized gains | 83,134 | 8,399,375 | 8,482,509 | 14,536,415 |
| Net investment income | 109,260 | 11,210,964 | 11,320,224 | 18,981,041 |
| Change in value of split-interest agreements | - | 394,526 | 394,526 | 680,812 |
| Net assets released from restrictions due to satisfaction of donor restrictions | 26,404,611 | (26,404,611) | - | - |
| Reclassification of net assets | 2,056,837 | (2,056,837) | - | - |
| Total revenues and other additions | 28,883,817 | 446,251 | 29,330,068 | 34,538,996 |
| Expenses and other deductions: | | | | |
| Distributions to Miami University (Note 6) | 23,092,749 | - | 23,092,749 | 18,181,165 |
| Other expenses | 497,010 | - | 497,010 | 760,839 |
| Administrative expenses (Note 6) | 2,928,471 | - | 2,928,471 | 2,809,640 |
| Total expenses and other deductions | 26,518,230 | - | 26,518,230 | 21,751,644 |
| Change in net assets | 2,365,587 | 446,251 | 2,811,838 | 12,787,352 |
| Net assets - beginning of year | 624,224 | 351,546,276 | 352,170,500 | 339,383,148 |
| Net assets - end of year | \$ 2,989,811 | \$ 351,992,527 | \$ 354,982,338 | \$ 352,170,500 |

See notes to financial statements.

Miami University Foundation

Statement of Cash Flows

Year Ended June 30, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

| | 2019 | 2018 |
|---|-------------------------------|-------------------------------|
| Cash flows from operating activities: | | |
| Payments to Miami University, net | <u>\$ (25,346,190)</u> | <u>\$ (20,777,557)</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 457,216,738 | 167,358,200 |
| Purchase of investments | (477,599,253) | (141,535,799) |
| Assets held for other entities | 6,858,748 | (9,053,138) |
| Net cash (used in) provided by investing activities | <u>(13,523,767)</u> | <u>16,769,263</u> |
| Cash flows from financing activities: | | |
| Contributions restricted for long-term investment | 20,021,548 | 20,562,871 |
| Dividend and interest income, restricted | 3,140,071 | 4,278,622 |
| Interest utilized for payment of split-interest obligations | 463,467 | 503,489 |
| Payments on split-interest obligations | (768,794) | (893,796) |
| Net cash provided by financing activities | <u>22,856,292</u> | <u>24,451,186</u> |
| Net (decrease) increase in cash and cash equivalents | (16,013,665) | 20,442,892 |
| Cash and cash equivalents: | | |
| Beginning | <u>64,282,976</u> | 43,840,084 |
| Ending | <u><u>\$ 48,269,311</u></u> | <u>\$ 64,282,976</u> |
| Reconciliation of change in net assets to net cash used in operating activities: | | |
| Change in net assets | \$ 2,811,838 | \$ 12,787,352 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Increase in accounts payable and other liabilities | 1,172,040 | 974,087 |
| Contributions restricted for long-term investment | (17,615,318) | (14,877,143) |
| Net change in value of split-interest agreements | (394,526) | (680,812) |
| Dividends and interest income | (2,837,715) | (4,444,626) |
| Net realized and unrealized gains on investments | (8,482,509) | (14,536,415) |
| Net cash used in operating activities | <u>\$ (25,346,190)</u> | <u>\$ (20,777,557)</u> |

See notes to financial statements.

Miami University Foundation

Notes to the Financial Statements

Note 1. Organization

Miami University Foundation (the Foundation) was organized on June 4, 1948 for the principal purpose of fostering the educational and research activities of Miami University. The Foundation is governed by a Board of Directors (the Board). In furtherance of its principal purpose, the Foundation is to be known as the primary fundraiser, manager and steward of donated funds to Miami University. The Foundation aspires to be a model of performance, accountability, stewardship and commitment to excellence. The income earned on the Foundation's investments is periodically transferred to Miami University to further its educational and research activities.

The Foundation Board is comprised of at least fifteen directors that are elected by the Board and eight directors that are appointed by Miami University. At least two-thirds of the elected directors are required to be alumni or former students of Miami University.

Note 2. Summary of Significant Accounting Policies

Financial statement presentation: The financial statements of the Foundation are prepared in accordance with accounting principles generally accepted in the United States of America as more explicitly described in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

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

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

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

Accounting estimates: In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management has made, where necessary, estimates and judgments based on currently available information that affect certain amounts reflected in the financial statements. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents consists primarily of cash in banks, money market accounts, and the State Treasury Asset Reserve of Ohio (STAR Ohio and STAR Plus) that include short-term, highly liquid investments readily convertible to cash, with an original maturity of three months or less. The carrying amounts of these items are a reasonable estimate of their fair value.

Approximately \$451,000 of cash and cash equivalents was covered by federal depository insurance; \$24.1 million was covered by collateral held by third-party trustees pursuant to paragraph 135.181 of the Ohio Revised Code in collateral pools securing all public funds on deposit with specific depository institutions; and the remainder was invested in money market funds that invest substantially all of its assets in U.S. Treasury securities and repurchase agreements. The Foundation maintains active relationships with multiple cash equivalent accounts to reduce its exposure to custodial credit risk at any single institution.

Miami University Foundation

Notes to the Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

The value of holdings of non-publicly traded funds that do not have a readily determined market value is based on the funds' estimated net asset value as supplied by the investment manager. The values are reviewed and evaluated by Foundation management. Market prices are not available for certain investments. These investments are carried at estimated fair value provided by the funds' management. Some valuations are determined as of June 30, while the remaining valuations are determined based on March 31 information when June 30 information is not yet available and adjusted by cash receipts, cash disbursements, and securities distributions through June 30. The Foundation believes that the carrying amounts are reasonable estimates of fair value as of year-end. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting.

The issuing insurance companies determine the cash surrender value of the life insurance policies annually. Investments in real estate are recorded at appraised value at the date of donation.

All donor-restricted endowment investments and board-designated endowments are managed in a unitized investment pool (Pooled Funds), unless donor-restricted endowment gift agreements require that they be held separately. For the Pooled Funds, the fair value of the investments is determined at the end of each month and the incremental fair value increase or decrease is allocated to the individual fund accounts based on the number of shares the fund owns at the beginning of the month.

Investment income is recorded on the accrual basis and purchases and sales of investments are recorded on a trade-date basis. Investment transactions occurring on or before June 30, which settle after such date, are recorded as receivables or payables. Net dividend and interest income as well as gains/losses are allocated based on the number of shares owned.

Split-interest agreements: The Foundation's split-interest agreements with donors consist primarily of charitable gift annuities, pooled income funds and irrevocable charitable remainder trusts for which the Foundation serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Assets held for these agreements are included in investments.

Contribution revenue for charitable gift annuities and charitable remainder trusts is recognized at the dates the agreements and trusts are established, net of the liabilities for the present value of estimated future payments to be made to the donors and/or other beneficiaries. For pooled income funds, contribution revenue is recognized upon establishment of the agreement at the fair value of the estimated future receipts, discounted for the estimated time period until culmination of the agreement. Annually the Foundation records the change in value of split-interest agreements according to the fair value of the assets that are associated with each trust and recalculates the liability for the present value of the estimated future payments to be made to the donors and/or other beneficiaries.

Miami University Foundation

Notes to the Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Income taxes: The Foundation is a not-for-profit organization as defined under Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from federal income taxes pursuant to Section 501(a) of the Code, except on unrelated business income. The Foundation has evaluated its tax positions at June 30 with respect to accounting for uncertainties in income taxes and has determined that there was no material impact to the Foundation's financial statements. The ASC provides related guidance on measurement, classification, interest and penalties and disclosure as well as prescribing a threshold of more-likely-than-not for recognition of tax positions taken or expected to be taken in a tax return. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. As of June 30, 2019, the Foundation has no uncertain tax positions.

Recent accounting pronouncements: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The objective of this statement is to assist entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and determining whether a contribution is conditional. For transactions in which an entity is the resource recipient, the statement is effective for fiscal years beginning after December 15, 2018. For transactions in which the entity serves as a resource provider, the statement is effective for fiscal years beginning after December 15, 2019.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes, modifies and adds certain disclosures requirements on fair value required by Topic 820. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019.

Management is currently evaluating the impact of these new standards on their financial statements.

During 2019, the Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance intends to improve net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

Subsequent events: The Foundation has evaluated events occurring between the end of its most recent fiscal year and October 11, 2019, the date the financial statements were issued. No material subsequent events were identified for recognition or disclosure.

Miami University Foundation

Notes to the Financial Statements

Note 3. Pledges Receivable, Net

At June 30, 2019, contributors to the Foundation have made unconditional pledges totaling \$32,198,567 with one pledge accounting for over 43% of that total. Net pledges receivable have been discounted using interest rates to a net present value of \$30,112,762 at June 30, 2019. Discount rates ranged from 1.20% to 3.40%. The methodology for calculating an allowance for uncollectible pledges is based upon management's analysis of the aging of payment schedules for all outstanding pledges. At June 30, 2019, net pledges are due as follows:

Unconditional pledges expected to be collected:

| | |
|--|-----------------------------|
| Within one year | \$ 7,608,820 |
| Between two and five years | 19,302,551 |
| In more than five years | <u>5,287,196</u> |
| Pledges receivable | 32,198,567 |
| Less discount on pledges | (2,085,805) |
| Less allowance for uncollectible pledges | <u>(1,295,482)</u> |
| Pledges receivable, net | <u><u>\$ 28,817,280</u></u> |

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

Note 4. Investments

Investments held by the Foundation as of June 30, 2019 were:

| <u>Investment Description</u> | <u>Fair Value</u> |
|--|------------------------------|
| Pooled Investment Fund (PIF): | |
| Strategic Investment Management, LLC funds | \$ 319,519,491 |
| Various private capital investments | 101,681,321 |
| Government bonds | 41,919,582 |
| Hedge funds | 27,939,367 |
| Exchange traded funds | 3,485,574 |
| Other | 493,887 |
| Split-interest funds: | |
| Charitable remainder trusts | 10,215,426 |
| Charitable gift annuities | 2,280,514 |
| Pooled income funds | <u>583,628</u> |
| Total | <u><u>\$ 508,118,790</u></u> |

Miami University Foundation

Notes to the Financial Statements

Note 4. Investments (Continued)

The PIF portfolio's fair value, excluding cash, was \$494,545,335 at June 30, 2019. The Foundation maintains a diversified investment portfolio for the PIF intended to reduce market risk, credit risk, and interest rate risk with a strategy designed to take advantage of market inefficiencies. During 2019, management of the PIF has been delegated by the Board to an external investment firm, Strategic Investment Management, LLC. The external investment firm has discretion to manage the PIF within the framework of the investment policy statement. Additionally, the external investment firm has implemented a combination of internally and externally managed investment vehicles, including separate accounts, limited partnerships, and commingled funds. The Foundation's investment portfolio includes publicly traded securities and the underlying holdings for certain non-publicly traded funds also include publicly traded securities. As a result, a significant downturn in the securities markets could adversely affect the market value of Foundation assets. As of June 30, 2019, the Foundation has made commitments to limited partnerships of approximately \$125 million that have not yet been funded, some of which management expects may not be called by the partnerships due to the life-cycle of the respective partnerships.

The 2019 dividend and interest income of \$2,837,715, as reported in the Statement of Activities, is net of fees from external investment managers totaling \$113,740.

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

Assets held for other entities as of June 30, 2019 were:

| | Miami University Endowment | Miami University Paper Science & Engineering Foundation | Other | Total |
|---|-------------------------------|--|-------------------|-----------------------|
| Assets held for other entities at June 30, 2018 | \$ 213,729,749 | \$ 577,755 | \$ 158,290 | \$ 214,465,794 |
| New investments | 13,474,826 | 23,074 | - | 13,497,900 |
| Earnings distribution | (6,899,952) | - | - | (6,899,952) |
| Dividend and interest income | 2,018,826 | 5,414 | 1,428 | 2,025,668 |
| Net unrealized and realized gains | 4,080,881 | 10,372 | 2,751 | 4,094,004 |
| Value as of June 30, 2019 | 226,404,330 | 616,615 | 162,469 | 227,183,414 |
| Distribution payable (included in accounts payable and other liabilities) | - | (22,424) | (5,911) | (28,335) |
| Assets held for other entities at June 30, 2019 | \$ 226,404,330 | \$ 594,191 | \$ 156,558 | \$ 227,155,079 |

Miami University Foundation

Notes to the Financial Statements

Note 5. Fair Value Measurements and Disclosures

The Foundation uses fair value measurements to record the fair value of certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 2 – Summary of Significant Accounting Policies. Financial assets and liabilities recorded on the Statement of Financial Position are categorized based on the inputs and valuation techniques as follows:

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

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

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

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Liabilities associated with the split-interest funds represent the present value of the expected payments to the beneficiaries over the terms of the agreements.

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

Miami University Foundation

Notes to the Financial Statements

Note 5. Fair Value Measurements and Disclosures

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Foundation measured at fair value on a recurring basis as of June 30, 2019:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|----------------------|----------------------|-------------------|-------------------|
| Investment assets: | | | | |
| Exchange traded funds | \$ 3,485,574 | \$ - | \$ - | \$ 3,485,574 |
| Government bonds | - | 41,919,582 | - | 41,919,582 |
| Other | 280,646 | 28,991 | 184,250 | 493,887 |
| Split-interest funds: | | | | |
| Charitable remainder trusts | 10,215,426 | - | - | 10,215,426 |
| Charitable gift annuities | 2,280,514 | - | - | 2,280,514 |
| Pooled income funds | 583,628 | - | - | 583,628 |
| | <u>\$ 16,845,788</u> | <u>\$ 41,948,573</u> | <u>\$ 184,250</u> | <u>58,978,611</u> |

Funds reported at fair value based on net asset value: ^(a)

| | | |
|--|--|-----------------------|
| Non-publicly traded funds: | | |
| Strategic U.S. Equity Trust | | 86,283,097 |
| Strategic Global Equity Trust | | 24,646,850 |
| Strategic Developed Markets ex-US Equity Trust | | 52,651,430 |
| Strategic Emerging Markets Equity Trust | | 61,773,775 |
| Strategic Active Credit Trust | | 20,843,148 |
| Strategic SPC Alpha Segregated Portfolio | | 73,321,191 |
| Hedge funds | | 27,939,367 |
| Various private capital investments | | 101,681,321 |
| Total non-publicly traded funds reported at fair value based on net asset value | | <u>449,140,179</u> |
| Total investment assets | | <u>\$ 508,118,790</u> |

Investment liabilities:

| | | | | |
|-------------------------------------|-------------|-------------|---------------------|---------------------|
| Split-interest funds: | | | | |
| Charitable remainder trusts | \$ - | \$ - | \$ 1,954,507 | \$ 1,954,507 |
| Charitable gift annuities | - | - | 1,956,120 | 1,956,120 |
| Pooled income funds | - | - | 4,420 | 4,420 |
| Total investment liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,915,047</u> | <u>\$ 3,915,047</u> |

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

The following table is a reconciliation of all assets and (liabilities) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

| | Other | Split-Interest Funds |
|--|-------------------|-----------------------|
| Balances as of July 1, 2018 | \$ 79,649 | \$ (3,976,357) |
| Purchases of investments | 118,500 | - |
| Net realized and unrealized (losses) gains | (13,899) | 61,310 |
| Balances as of June 30, 2019 | <u>\$ 184,250</u> | <u>\$ (3,915,047)</u> |

Miami University Foundation

Notes to the Financial Statements

Note 5. Fair Value Measurements and Disclosures (Continued)

The following table sets forth the significant terms of the agreements with non-publicly traded funds reported at fair value based on net asset value at June 30, 2019:

| | Fair Value (in Millions) | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|-----------------------------|-------------------------|---|--------------------------------|
| Strategic Investment Management, LLC funds | | | | |
| Strategic U.S. Equity Trust ^(a) | \$ 86,283,097 | \$ - | monthly | 30 days |
| Strategic Global Equity Trust ^(b) | 24,646,850 | - | monthly | 30 days |
| Strategic Developed Markets ex-US Equity Trust ^(c) | 52,651,430 | - | monthly | 30 days |
| Strategic Emerging Markets Equity Trust ^(d) | 61,773,775 | - | monthly | 30 days |
| Strategic Active Credit Trust ^(e) | 20,843,148 | - | monthly | 30 days |
| Strategic SPC Alpha Segregated Portfolio ^(f) | 73,321,191 | - | monthly | 30 days |
| Hedge funds ^(g) | 27,939,367 | - | various | 90 days |
| Various private capital investments ^(h) | | | | |
| Private equity | 22,502,902 | 87,918,000 | illiquid | not applicable |
| Private debt | 21,650,136 | 18,600,000 | illiquid | not applicable |
| Private natural resources | 22,915,921 | 10,958,000 | illiquid | not applicable |
| Private real estate | 34,612,362 | 7,810,000 | illiquid | not applicable |
| Total | \$ 449,140,179 | \$ 125,286,000 | | |

- (a) This fund generally invests in long positions in domestic publicly traded equity securities as well as futures and options on such securities and certain stock indices. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (b) This fund generally invests in global publicly traded equity securities as well as futures and options on such securities and certain stock indices. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (c) This fund generally invests in long positions in publicly traded equity securities focusing in developed economies outside of the United States including Western Europe and Asia, as well as futures and options on such securities and certain stock indices. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (d) This fund generally invests in a diversified equity portfolio of publicly traded securities focusing in markets outside of the United States and Western Europe, including Asia and Latin America as well as Eastern Europe, Africa and the less developed Mediterranean economies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (e) This fund invests primarily in long-only investments in publicly traded bonds and other debt securities generally with below investment grade credit ratings as well as futures and options on such securities and certain bond indices. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (f) This fund generally invests in hedge funds that invest in both long and short positions in publicly traded equity and debt securities on a global basis. Most debt securities are sub-investment grade and may be hard to price due to thin trading volumes. The various strategies collectively target a market neutral position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (g) This class includes primarily investments in hedge funds that invest in both long and short positions in publicly traded equity and debt securities on a global basis. Most debt securities are sub-investment grade and may be hard to price due to thin trading volumes. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Two (2) investments, valued at \$9.4 and \$6.6 million respectively, have a rolling 2-year lock on redemption imposed by the hedge fund manager and no redemptions are currently permitted. We are in the second year of this redemption restriction.

Miami University Foundation

Notes to the Financial Statements

Note 5. Fair Value Measurements and Disclosures (Continued)

^(h) This class includes primarily investments in limited partnerships. These funds are illiquid that, in general, do not offer access to redemptions during the life of the partnership. Capital is periodically called, invested, and then returned over time. Typically these partnerships have a life exceeding ten years and may take up to twenty years before they have fully returned called capital.

Note 6. Endowment

The Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Ohio, provides statutory guidelines for prudent management, investment, and expenditure of donor-restricted endowment funds held by charitable organizations. The Foundation's interpretation of its fiduciary responsibilities for donor-restricted endowments under UPMIFA requirements, barring the existence of any donor-specific provisions, is to preserve intergenerational equity to the extent possible and to produce maximum total return without assuming inappropriate risks. The investment policies governing these funds look beyond short-term fluctuations in economic cycles toward an investment philosophy that provides the best total return over very long time periods.

UPMIFA specifies that unless stated otherwise in the gift agreement, donor-restricted assets in an endowment fund are restricted assets until appropriated for expenditure by the institution. Barring the existence of specific donor instruction, the Foundation's policy is to classify as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) changes to the endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

The Foundation's endowment consists of approximately 1,850 separate accounts established since its inception. The following presents a summary of changes in endowment net assets for the year ended June 30, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-----------------------|
| Endowment net assets, July 1, 2018 | \$ 624,224 | \$ 301,890,760 | \$ 302,514,984 |
| Reclassification of net assets | 2,056,837 | (2,056,837) | - |
| Contributions | 313,109 | 11,683,434 | 11,996,543 |
| Dividend and interest income, net of investment expense | 26,126 | 2,758,174 | 2,784,300 |
| Realized and unrealized gains | 83,134 | 8,408,433 | 8,491,567 |
| Net assets released from restrictions and other changes | 15,728,527 | (16,070,076) | (341,549) |
| Distributions to Miami University | (12,913,675) | - | (12,913,675) |
| Administrative expenses | (2,928,471) | - | (2,928,471) |
| Endowment net assets, June 30, 2019 | \$ 2,989,811 | \$ 306,613,888 | \$ 309,603,699 |

Miami University Foundation

Notes to the Financial Statements

Note 6. Endowment (Continued)

Endowment net asset composition by type of fund as of June 30, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------|-------------------------------|----------------------------|-----------------------|
| Donor-restricted endowment: | | | |
| Historical gift value | \$ - | \$ 234,213,993 | \$ 234,213,993 |
| Appreciation | - | 72,399,895 | 72,399,895 |
| Board-designated endowment | 2,989,811 | - | 2,989,811 |
| Total | \$ 2,989,811 | \$ 306,613,888 | \$ 309,603,699 |

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration; deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2019, funds with original gift values of \$1,206,709, fair values of \$1,186,899, and deficiencies of \$19,810 were reported in net assets with donor restrictions.

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

Actual endowment return earned in excess of distributions under this policy is reinvested as part of the Foundation's endowment. For years where actual endowment return is less than distributions under the policy, the shortfall is covered by realized returns from prior years. Donor restricted accounts with insufficient accumulated earnings do not make a full current year distribution. Appropriation for expenditure of funds under the spending policy occurs on June 30 of each year.

The total calculated endowment spending amount in 2019 was \$19,848,655 which includes \$6,928,287 of earnings distributions to assets held for other entities as described in Note 4. Some are reinvesting all endowment earnings. As a result, \$10,321,408 was distributed to Miami University from Foundation endowments. In addition to current year endowment distributions, \$12,771,341 of non-endowed funds were distributed to Miami University in satisfaction of donor restrictions. The following summarizes the programs supported by the current year's distribution:

| <u>Miami University Program Supported</u> | Spending Rate and Special Distribution | Donor Stipulated Distribution | Total Distributions to Miami University |
|--|--|-------------------------------------|---|
| Scholarships and fellowships | \$ 5,180,900 | \$ 73,775 | \$ 5,254,675 |
| Academic support | 4,003,113 | 2,661,519 | 6,664,632 |
| Student services/athletics | 357,913 | 526,760 | 884,673 |
| Campus improvements | 94,337 | 7,799,468 | 7,893,805 |
| Other institutional support | 685,145 | 1,709,819 | 2,394,964 |
| Total distributions to Miami University | \$ 10,321,408 | \$ 12,771,341 | \$ 23,092,749 |

Miami University Foundation

Notes to the Financial Statements

Note 6. Endowment (Continued)

Miami University incurs certain expenses related to development and investment related expenses relative to endowment management as well as fundraising efforts for the benefit of the Foundation. Miami University is reimbursed for its expenses in the form of a maximum administrative fee of 1.0% calculated against the previous fiscal year's March 31st value of the Foundation investment pool. The administrative fee is funded from current and accumulated earnings from all funds holding shares in the Foundation investment pool, including the assets held for other entities; funds with insufficient accumulated earnings are not charged thereby reducing the maximum administrative fee payable. A total of \$2,928,471 was reimbursed to Miami University in 2019 for the Foundation endowment's share of the calculated fee.

Note 7. Classification of Net Assets

Resources of the Foundation are classified for reporting purposes into net asset classes based on the existence or absence of donor-imposed restrictions and state law. The following summarizes the Miami University programs supported or to be supported by the net assets of the Foundation at June 30, 2019:

| <u>Miami University Program Supported</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|-----------------------|
| Scholarships and fellowships | \$ 301,337 | \$ 147,759,227 | \$ 148,060,564 |
| Academic support | - | 120,991,327 | 120,991,327 |
| Student services/athletics | - | 10,350,926 | 10,350,926 |
| Campus improvements | - | 6,649,536 | 6,649,536 |
| Institutional support and other | 2,688,474 | 66,241,511 | 68,929,985 |
| Total net assets | \$ 2,989,811 | \$ 351,992,527 | \$ 354,982,338 |

Note 8. Functional Expenses

Expenses classified by natural classification for the year ended June 30, 2019, are summarized as follows:

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|-----------------------------------|-----------------------------|-----------------------------------|---------------------|---------------------------|
| Distributions to Miami University | \$ 23,092,749 | \$ - | \$ - | \$ 23,092,749 |
| Administrative expenses | - | 1,499,377 | 1,429,094 | 2,928,471 |
| Other expense | - | 497,010 | - | 497,010 |
| | \$ 23,092,749 | \$ 1,996,387 | \$ 1,429,094 | \$ 26,518,230 |

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

Miami University Foundation

Notes to the Financial Statements

Note 9. Availability and Liquidity

The calculation below represents financial assets available and without donor restrictions for general expenditures within one year of June 30, 2019:

| | |
|---|-----------------------------|
| Financial assets at year end: | |
| Cash and cash equivalents | \$ 48,269,311 |
| Pledge receivable, net | 28,817,280 |
| Other receivables, primarily investment related | 16,638,084 |
| Investments | 508,118,790 |
| Cash value of life insurance | 2,068,041 |
| Total financial assets | <u>603,911,506</u> |
| Less amounts not available to meet cash needs for general expenditures within one year: | |
| Contractual or donor restrictions: | |
| Donor restricted endowment | (306,613,888) |
| Donor restricted by time or purpose | (280,602,322) |
| Board designated endowment | <u>(2,988,811)</u> |
| Total financial assets and available resources available within one year | <u><u>\$ 13,706,485</u></u> |

The Foundation's investment portfolio seeks to maintain sufficient liquidity to meet the ongoing distribution requirements of the PIF, to meet capital calls, to rebalance the portfolio and capture tactical opportunities. The source of monies for such liquidity needs will be based on rebalancing and cost considerations.

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

Supplementary Information

Miami University Foundation

**Schedule of Changes in Net Assets
Year Ended June 30, 2019**

| | Balance July 1, 2018 | Contributions | Endowment Income | Market Adjustment, Net | Transfers To Miami | Intrafund Transfers | Other | Balance June 30, 2019 |
|--|-------------------------|----------------------|---------------------|---------------------------|------------------------|------------------------|---------------------|--------------------------|
| Pooled endowment funds | \$ 302,207,584 | \$ 11,976,093 | \$ 2,779,452 | \$ 5,546,036 | \$ (12,913,675) | \$ (341,549) | \$ - | \$ 309,253,941 |
| Non-pooled endowment funds | 307,400 | 20,450 | 4,848 | 17,060 | - | - | - | 349,758 |
| Total endowment funds | 302,514,984 | 11,996,543 | 2,784,300 | 5,563,096 | (12,913,675) | (341,549) | - | 309,603,699 |
| Expendable funds - donor restricted for capital projects | 6,190,070 | 4,973,641 | 39,422 | 166 | (7,799,468) | - | - | 3,403,831 |
| Expendable and board discretionary funds-non capital | 2,148,986 | 3,054,689 | 13,993 | 289 | (2,379,606) | 233,199 | (490,522) | 2,581,028 |
| Accumulated cash value insurance | 2,063,101 | 555 | - | 4,385 | - | - | - | 2,068,041 |
| Other investment funds | 109,647 | - | - | (13,898) | 118,500 | - | - | 214,249 |
| Net split-interest funds | 7,714,860 | 31,262 | - | - | (10,150) | - | 391,130 | 8,127,102 |
| Pledges receivable | 31,258,652 | (2,441,372) | - | - | - | - | - | 28,817,280 |
| Interest in trusts held by others | 170,200 | - | - | - | - | - | (3,092) | 167,108 |
| Total net assets | \$ 352,170,500 | \$ 17,615,318 | \$ 2,837,715 | \$ 5,554,038 | \$ (22,984,399) | \$ (108,350) | \$ (102,484) | \$ 354,982,338 |

Detail of Market Adjustment, Net

| Net Unrealized and Realized Gains | Administrative Expense | Market Adjustment, Net |
|---|---------------------------|------------------------------|
| \$ 8,482,509 | \$ 2,928,471 | \$ 5,554,038 |

Miami University Foundation

Schedule of Investments

June 30, 2019

(With Comparative Totals for June 30, 2018)

| Description | 2019 Fair Value | 2018 Fair Value |
|---|--------------------|--------------------|
| Pooled Funds | | |
| Strategic Investment Management, LLC funds | | |
| Strategic U.S. Equity Trust (a) | \$ 86,283,097 | \$ - |
| Strategic Global Equity Trust (a) | 24,646,850 | - |
| Strategic Developed Markets ex-US Equity Trust (a) | 52,651,430 | - |
| Strategic Emerging Market Equity Trust (a) | 61,773,775 | - |
| Strategic Active Credit Trust (a) | 20,843,148 | - |
| Strategic SPC Alpha Segregated Portfolio (a) | 73,321,191 | - |
| Total Strategic Investment Management, LLC funds | 319,519,491 | - |
| Domestic Public Equities | | |
| Eagle Global Advisors (a) | - | 19,603,939 |
| Total domestic public equities | - | 19,603,939 |
| Global Public Equities | | |
| Baring Asset Management (a) | - | 33,849,545 |
| Northern Trust (a) | - | 44,952,806 |
| Oakmark Funds (b) | - | 23,755,574 |
| Pimco (b) | - | 39,254,559 |
| Victory RS Investments (b) | - | 5,461,930 |
| Virtus Investment Partners (b) | - | 23,329,210 |
| William Blair Global Leaders (b) | - | 29,435,891 |
| Total global public equities | - | 200,039,515 |
| International Public Equities | | |
| Highclere International Investors (a) | - | 10,345,329 |
| iShares Core MSCI Emerging Markets ETF (c) | 3,485,574 | - |
| Virtus Investment Partners (b) | - | 17,050,831 |
| Total international public equities | 3,485,574 | 27,396,160 |
| Domestic Public Debt | | |
| Johnson Institutional Management (d) | - | 4,131,909 |
| Northern Trust (a) | - | 50,980,712 |
| Strategic Investment Group (U.S. Treasuries - Government Bonds) | 41,919,582 | - |
| Total domestic public debt | 41,919,582 | 55,112,621 |
| Global Public Debt | | |
| Beach Point Capital Management (a) | - | 11,948,653 |
| Total global public debt | - | 11,948,653 |
| Hedge Funds (a) | | |
| Beach Point Capital Management | 3,562,711 | 13,810,843 |
| Canyon Capital Advisors | 4,158,032 | 16,232,611 |
| Fir Tree Partners | 9,382,816 | 9,964,722 |
| GoldenTree Asset Management | 4,282,074 | 4,636,564 |
| Strategic Value Partners | 6,553,734 | 14,316,707 |
| Total hedge funds | 27,939,367 | 58,961,447 |
| Various Private Capital Investments (a) | | |
| ARCM Feeder Fund, Ltd. - Debt | 207,680 | - |
| Commonfund (12 funds) - Various | 8,046,502 | 11,633,427 |
| Falcon Investment Advisors - Debt | 5,762,706 | 3,821,508 |
| GEM Realty Securities - Real Estate | 11,133,599 | 10,830,706 |
| Goldman Sachs (4 funds) - Various | 5,784,373 | 7,410,062 |
| Hamilton Lane Advisors (2 funds) - Equities | 5,697,347 | 6,722,601 |
| Huron Capital Partners - Equities | 1,658,473 | 505,810 |
| Maranon Capital, LP - Debt | 8,426,769 | 8,988,714 |
| Metropolitan - Real Estate | 1,005,220 | 1,275,263 |
| Penn Square Capital Group (2 funds) - Real Estate | 1,660,609 | 2,768,931 |
| Pomona Capital - Equities | 334,360 | 668,797 |
| Rockland Capital LLC - Natural Resources | 6,017,898 | 3,006,888 |
| Strategic Private Equity V - Equities | 6,935,441 | - |
| Summit Partners - Equities | 4,689,571 | 2,162,828 |
| Timbervest (2 funds) - Natural Resources | 5,136,266 | 7,957,367 |
| Venture Investment Associates - Natural Resources | 3,805,386 | 2,458,071 |
| Westport Capital Partners (2 funds) - Real Estate | 20,812,934 | 18,188,836 |
| Yukon Partners - Debt | 4,566,187 | 2,554,299 |
| Total private investments | 101,681,321 | 90,954,108 |
| Total pooled funds | 494,545,335 | 464,016,443 |

(Continued)

Miami University Foundation

Schedule of Investments (Continued)

June 30, 2019

(With Comparative Totals for June 30, 2018)

| <u>Description</u> | 2019 | 2018 |
|---|-----------------------|-----------------------|
| | Fair Value | Fair Value |
| Separately Invested Funds | | |
| Limited Partnerships, Non-Public Equities (a) and Separately held mutual funds (b) | | |
| Longford Limited Partnership | \$ - | \$ 13,899 |
| Stone Ridge | 28,991 | 19,350 |
| Student Venture Funds | 184,250 | 65,750 |
| Vanguard Short-Term Inflation-Protected Securities Index Fund, Admiral Shares | 10,000 | - |
| Student Managed Investment Funds | 270,646 | - |
| Total limited partnerships, non-public equities and separately held mutual funds | 493,887 | 98,999 |
| Total separately invested funds | 493,887 | 98,999 |
| Split-Interest Funds | | |
| PNC Bank (b) | | |
| Domestic public equities | 6,191,767 | 6,123,902 |
| International public equities | 1,660,433 | 1,620,353 |
| Domestic public debt | 4,665,238 | 4,615,573 |
| Global public debt | 562,130 | 560,297 |
| Total split-interest funds | 13,079,568 | 12,920,125 |
| Grand total | \$ 508,118,790 | \$ 477,035,567 |

- (a) Commingled and non-publicly traded funds
- (b) Mutual funds
- (c) Exchange Traded Fund
- (d) Publicly traded securities managed in a separate account

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance With *Government Auditing
Standards***

Independent Auditor's Report

Board of Directors
Miami University Foundation and
Mr. Keith Faber
Auditor of the State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Miami University Foundation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Miami University Foundation's internal control over financial reporting (internal control) to determine the 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 Miami University Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Miami University Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Miami University Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

RSM US LLP

Cleveland, Ohio
October 11, 2019

OHIO AUDITOR OF STATE KEITH FABER



MIAMI UNIVERSITY FOUNDATION

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 19, 2019**