



Report on Business and Finance from Jacqueline A. Travisano

With effective financial management, operating efficiencies, and generous philanthropic support, the University successfully ended fiscal year 2022 with an increase in total net assets of \$309.2 million, or 9%, and an operating margin of \$324.2 million, or 6.9%, while contributing to the University's overall financial position of \$3.7 billion.

As we approach our first centennial in 2025, it's evident that resiliency is in the University's DNA. This inherent trait allowed the University to overcome a financial and operational disruption caused by a global health pandemic, followed by an economic downturn that began in the second half of fiscal year 2022. While faced with a multitude of economic challenges—

including a labor shortage, supply chain constraints, and increased inflation—the University successfully navigated the fiscal year, achieving strong financial results with an operating margin of \$324.2 million, or 6.9%.

The University's financial performance was led by operating revenue growth of \$602 million, or 14.7%, to

\$4.7 billion, generated by strong demand across the University enterprise.

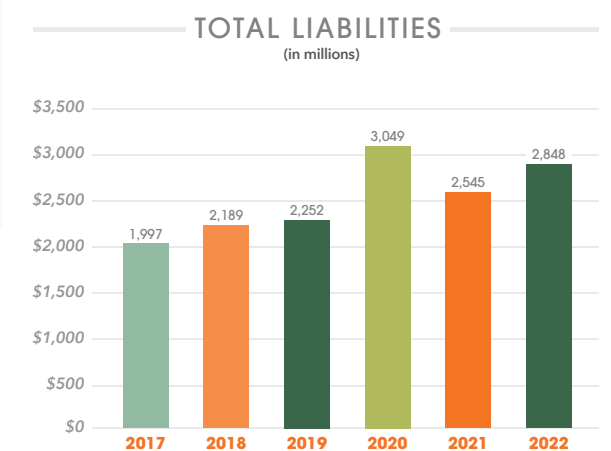
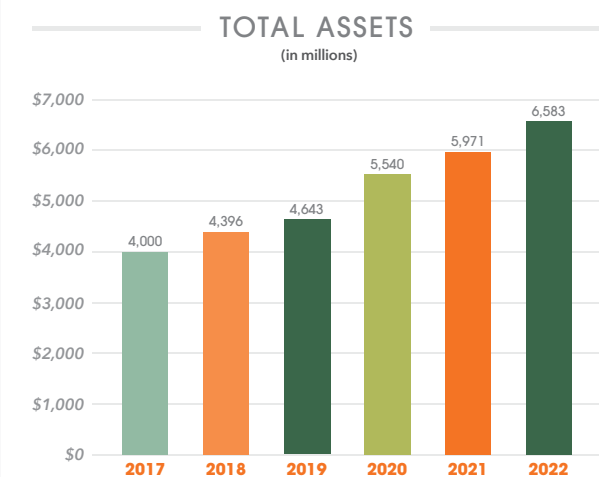
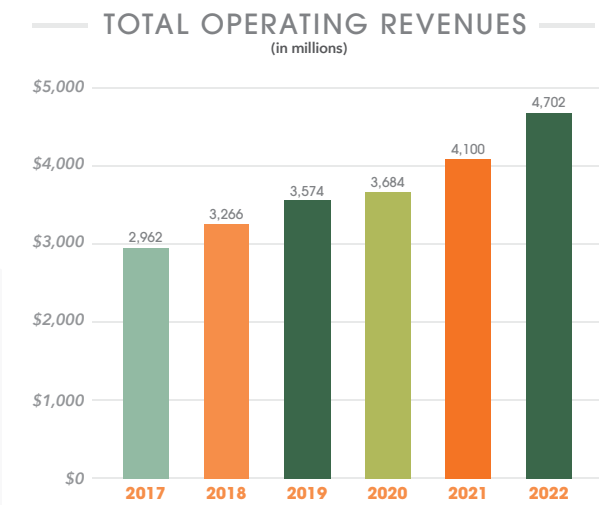
Net patient service revenues increased by \$380.6 million, or 14.9%, resulting from an increase in patient volumes, rate improvements, and the opening of three additional operating rooms at UHealth Tower in March 2021.

Tuition and fees revenue, net of scholarship and fellowship costs, increased by \$40.2 million, or 6.6%. This is attributed to an increase in undergraduate enrollment and a modest tuition increase, offset by the University's commitment to providing financial assistance to its students. Grants and contracts revenue increased by \$42.1 million, or 8.2%, to a total of \$554.9 million. Sponsored research expenditures increased to \$413.3 million in fiscal 2022, or 10%. Federal awards represent about 73% of total sponsored research expenditures.

The auxiliary enterprise revenue increased by \$100.6 million, or 72.6%. The improvement in revenue can be attributed to an increase in athletics season ticket sales and game guarantee revenue, an increase in housing and dining revenues from higher student enrollment, and significant growth in specialty pharmacy revenue driven by the acquisition of additional specialty pharmacy contracts.

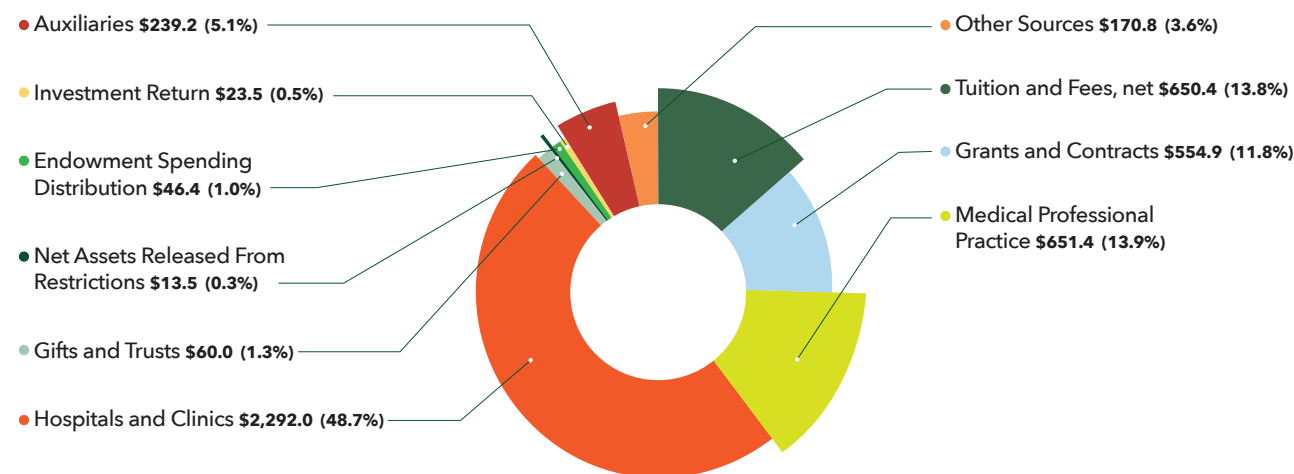
Operating expenses increased \$710.2 million, or 19.4%, from 2021. This is primarily due to an increase in compensation and benefits, supplies and services, depreciation and amortization, utilities, and other operating expenses accounting for \$713.1 million, partially offset by a decrease of \$2.9 million in interest expenses.

Compensation and benefits, comprising 54.4% of total operating expenses, increased \$332.6 million, or 16.2%, primarily a result of faculty and staff merit increases and the reinstatement of employer contributions to the employee defined contribution plan.



OPERATING REVENUES

\$4,702.1 (in millions)



Supplies and services, 28.2% of total operating expenses, grew by \$187.1 million, or 17.9%. Medical supplies supporting UHealth’s response to increased clinical volume was the driver of this increase.

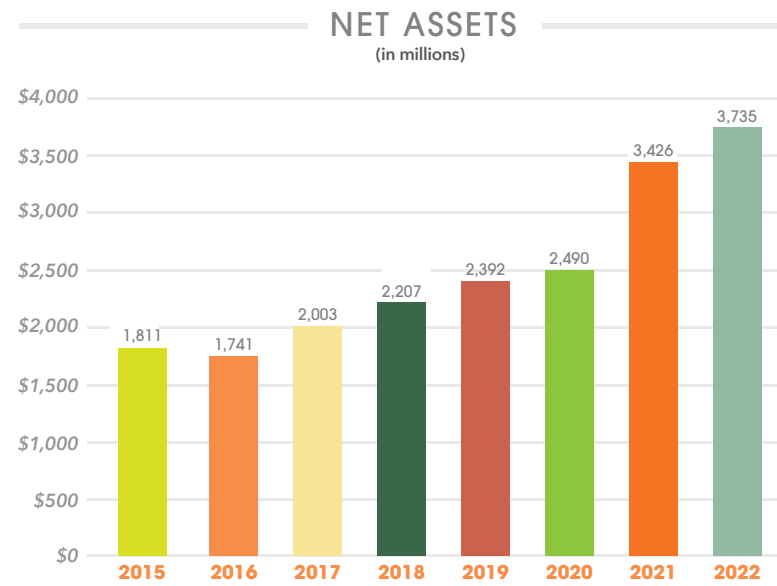
Utilities expenses increased by \$2.1 million, and interest expenses decreased by \$2.9 million. Other expenses increased by \$185.3 million, totaling \$447.4 million.

The change in net assets without donor restrictions from non-operating activities was a decrease of \$46.1 million, \$144.3 million decrease from prior year.

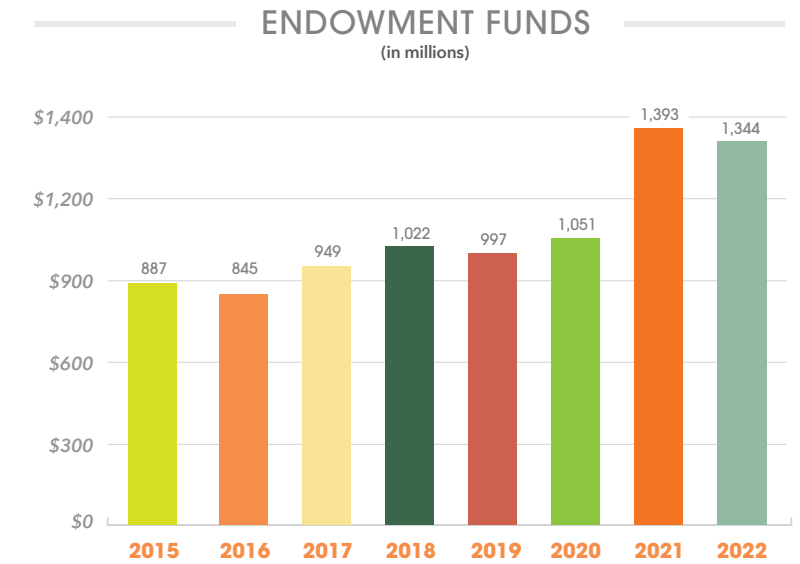
Major contributing factors were investment returns of \$127.5 million and other components of periodic pension costs of \$27.1 million.

The change in net assets without donor restrictions due to post-retirement related changes other than net periodic benefit costs was \$17 million, a decrease of \$45.1 million, or 72.6%, from the prior year. The decrease is due to investment returns, net of obligations, partially offset by the annuitization in fiscal year 2022.

For the fiscal year, total gifts and trusts with and without donor restrictions totaled \$133.2 million, an increase of \$39.4 million from 2021, thanks to our generous donors.



The University’s total assets increased \$611.5 million, or 10.2%, over prior year, primarily contributed by an increase in investments of \$472.5 million, resulting from additional working capital investments, income earned in the Growth Pool and Pediatric Endowment funds, and new endowment gifts. Accounts and loans receivables net increased by \$66.2 million, mainly due to an increase in patient care receivables, net from increased patient volume. Property and equipment net increased by \$62.9 million, primarily driven by the increase in construction in progress related to major capital projects such as the SoLé Mia Ambulatory Care Center, the Doral Ambulatory Care Facility, the Knight Center for Music Innovation, and the Phillip and Patricia Frost Institute for Chemistry and Molecular Science building.



Total liabilities increased by \$302.3 million, or 11.9%, primarily attributed to an increase in Bonds and Notes Payable of \$377.3 million due to a new bond issuance of \$500 million in April 2022 supporting the University’s strategic capital plan. The increase was partially offset by the repayment of the \$96.8 million line of credit balance that served as temporary financing for the capital plan.

The financial stability supported by strong operating performance has allowed the University to advance its four pillars: academic core, health care, intercollegiate athletics, and technological innovation. Thanks to the determination and unwavering commitment by University leadership, faculty, staff, and the Board of Trustees, fiscal year 2022 was a year that strengthened each of these pillars for an ever brighter U.

Jacqueline A. Travisano
Executive Vice President for Business and Finance and Chief Operating Officer



The GP asset allocation and fund selection are structured to maximize the impact of gifts while dampening volatility during periods of market distress.



Report on the Endowment from Charmel Maynard

The University of Miami's Growth Pool (GP), primarily represented by the endowment, finished FY 2022 with a net investment return of -2.66%, and a market value of \$1.416 billion (the endowment represented \$1.344 billion of the total GP). Markets cooled in the first half of 2022, with stocks and bonds coming under pressure from rate hikes, inflation, recession fears, and global geopolitical events. Despite the volatile environment throughout the fiscal year, the GP's selection of active managers and diversified asset allocation, including exposure to absolute return, private equity, and real assets, mitigated the downside and contributed to the outperformance of our benchmarks. The asset class with the highest excess return was Fixed Income, where the portfolio's shorter duration profile outperformed the aggregate bond index in a rising rate environment.



Private Equity capital calls were robust during the year, and the asset class reached its funded policy target. Building the privates portfolio has required several years of deliberation and discretion, since many of the partnerships entail capital lockups of 10 years or more. The GP can accept this illiquidity risk from its long-term

investment time horizon and ability to access top-tier private equity institutions as limited partners.

The objective of the University of Miami GP is to ensure current and future spending requirements are supported while preserving purchasing power through asset growth. The GP asset allocation and fund selection are structured to maximize the impact of gifts while dampening volatility during periods of market distress. The portfolio's results over the past market cycle have shown an ability to successfully execute this mandate as evidenced by the benchmark outperformance for the past two fiscal years (both in strong capital markets as well as volatile capital markets). Despite this recent relative success, we are intent as ever to continue building on this foundation to achieve the GP's objective.

The administration performed a full asset class re-underwrite during fiscal year 2022, with particular focus on the role of Absolute Return. After careful analysis of historical returns and the outlook for each asset class, the administration, guided by the Board

of Trustees Investments Committee, marginally trimmed the allocation targets of Absolute Return with replacement to lower fee, more liquid stocks and bonds, as well as consolidated some active managers into index funds. The administration is grateful for the guidance and stewardship of the Board of Trustees, and for the generous support and confidence from alumni, donors, and stakeholders. We are confident that the GP is well positioned to advance the University of Miami's mission benefiting generations of 'Canes ahead.

Charmel Maynard
Associate Vice President, Chief Investment Officer, and University Treasurer

HISTORICAL GP PERFORMANCE VS. BENCHMARKS

	Actual ¹	Benchmarks	
		Total Portfolio	75/25 ²
2018	9.40%	9.09%	6.89%
2019	0.04%	0.28%	2.04%
2020	2.20%	4.17%	7.62%
2021	33.61%	33.48%	23.51%
2022	-2.66%	-3.58%	-6.96%

¹ Net of Fees

² Changed from 60/40 to 75/25 in 2022

POLICY PORTFOLIO TARGETS AND RANGES

	Range	Target	May 31, 2022
Public Equity	50-70%	64%	62%
Absolute Return	5-15%	7%	8%
Private Equity	5-15%	9%	11%
Real Assets	0-15%	4%	4%
Fixed Income	5-20%	15%	14%
Cash	0-5%	1%	0%

ENDOWMENT GROWTH AT MARKET (IN MILLIONS)

	One Year	Five Years	Ten Years	Fifteen Years
Beginning Balance	\$ 1,393.4	\$ 948.6	\$ 678.7	\$ 741.4
Return, Including Unrealized Appreciation (Depreciation)	(42.6)	411.0	713.7	687.6
Distributions to Operations, etc. ¹	(46.4)	(218.0)	(407.3)	(567.6)
Gifts and Other Net Additions	39.9	202.7	359.2	482.9
Net Increase (Decrease)	(49.1)	395.7	665.6	602.9
Ending Balance	\$ 1,344.3	\$ 1,344.3	\$ 1,344.3	\$ 1,344.3

¹For most endowments, this is pursuant to the University's Endowment Spending Policy.